

A Promising New Trend? Factors Driving China's
Growing Trilateral Aid Cooperation

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Statement of Originality

The work presented within this thesis was performed in the Department of Pacific Affairs, Coral Bell School of Asia Pacific Affairs at The Australian National University. The research was carried out from March 2013 to March 2017 under the supervision of Associate Professor Sinclair Dinnen, Dr. Graeme Smith, Professor Katherine Morton, Professor Michael Leach and Dr. Stewart Firth.

I declare that the work presented in this thesis is, to the best of my knowledge, original. Furthermore, this work has not been submitted either whole or in part, for a degree at this or any other university (except where acknowledged in the text).

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Acronyms

AAP	Australia Associated Press
ADB	Asian Development Bank
AIBO	Academy for International Business Officials
AIIB	Asian Infrastructure Investment Bank
APMEN	Asia Pacific Malaria Elimination Network
APSC	Australia Public Service Commission
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
BRICS	Brazil, Russia, India, China and South Africa
CAITEC	China Academy of International Trade and Economic Cooperation
CASS	China Academy of Social Sciences
CATAS	China Academy of Tropical Agricultural Sciences
CCIEE	China Centre for International Economic Exchange
CCPIT	China Council for the Promotion of International Trade
CDC	Council for the Development of Cambodia
CFPA	China Foundation for Poverty Alleviation
CHEC	China Harbour Engineering Corporation
CICETE	China International Centre for Economic and Technical Exchanges
CICIR	China Institutes of Contemporary International Relations
CNN	Cable News Network
CPC	Communist Party of China
CPHL	Central Public Health Laboratory
DAC	Development Assistance Committee
DFA	Department of Foreign Aid
DFAT	Department of Foreign Affairs and Trade
DFID	Department for International Development
DITEA	Department of International Trade and Economic Affairs
DNPM	Department of National Planning and Monitoring
ECOSOC	Economic and Social Council
FAO	Food and Agriculture Organization
FOCAC	Forum on China-Africa Cooperation
GDP	Gross Domestic Product
HHISP	Health and HIV Implementation Services Provider
IMR	Institute of Medical Research
IPRCC	International Poverty Reduction Centre in China
MAF	Ministry of Agriculture and Fisheries
MAFF	Ministry of Agriculture, Forestry and Fisheries
MCA	Ministry of Civil Affairs
MDG	Millennium Development Goals
MFA	Ministry of Foreign Affairs
MoA	Ministry of Agriculture
MOFCOM	Ministry of Commerce

MoF	Ministry of Finance
MOU	Memorandum of Understanding
NDH	National Department of Health
NHFPC	National Health and Family Planning Commission
NIPD	National Institute of Parasitic Diseases
NPC	National People's Congress
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PNG	Papua New Guinea
PRC	People's Republic of China
SASAC	State-owned Assets Supervision and Administration Commission
SDG	Sustainable Development Goals
S&ED	Strategic & Economic Dialogue
SOE	State-owned Enterprise
TT-SSC	Task Team on South-South Cooperation
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNTL	National University of East Timor
US	United States
USAID	United States Agency for International Development
WHO	World Health Organization
WTO	World Trade Organization

Glossary of Chinese Terms

Transcription of Chinese characters into the Roman alphabet follows the pinyin system.

<i>guikou danwei</i>	point of contact
<i>hexin liyi</i>	core interests
<i>hongyi rongli</i>	uphold justice and pursue shared interests
<i>jiang zhengzhi</i>	talk politics
<i>jianshe hexie shijie</i>	build a harmonious world
<i>qinghao</i>	annual wormwood (<i>Artemisia annua</i>)
<i>shishi qiushi, liangli erxing</i>	be practical and act within one's capacity
<i>tao guang yang hui</i>	hide the capacity and keep a low profile
<i>xiaokang shehui</i>	a moderately prosperous society
<i>yijing cuzheng</i>	use economics to promote politics
<i>yili xiangjian, yili weixian</i>	take a right approach to justice and interests by prioritising justice over interests
<i>you ji you qu</i>	to take while giving
<i>you suo zuo wei</i>	make greater achievements
<i>zhanlue jiyuqi</i>	period of strategic opportunities
<i>zhengjing jiehe</i>	combine politics and economics
<i>zhengque yiliguan</i>	right concepts of justice and interests
<i>zhengzhi gua shuai</i>	politics takes command
<i>zhengzhi</i>	politics
<i>zili gengsheng</i>	self-reliance
<i>zouchuqu zhanlue</i>	go global strategy

Preface and Acknowledgements

I would like to take this opportunity to briefly introduce my positionality in this research program. The idea emerged when I was working as a diplomat in the Pacific region between 2006 and 2011. I was puzzled by the lack of development in the island countries despite their endowment of fishery resources and a large inflow of foreign assistance. I also witnessed the rapid growth of Chinese aid to the region and inadequate engagement between China and traditional donors. These observations forced me to think hard about whether and how different types of donors could cooperate to deliver aid and support development in recipient countries. This led to my PhD research on China's trilateral aid cooperation in Asia-Pacific, which in turn has strengthened my interest in the region and in the disciplines of international relations and development studies.

I am obliged to acknowledge the valuable assistance I have received during my PhD study without which this mission cannot have been completed. It has been a process of exploration, commitment and self-discipline, and a process of love, pain and joy.

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Thanks to ANU! As its motto states, ‘Naturam primum cognoscere rerum’. That is, ‘Above all to find out the way things are’. I hope this spirit of exploration will always guide me in the journey ahead.

Abstract

China, as an emerging donor, has attracted growing international attention and raised grave concerns about its impact on the international aid regime. Despite its distinctive aid norms and practice, and its refusal to align with the international aid regime, China is conducting an increasing number of trilateral aid projects with traditional donor states and multilateral development agencies. As this new trend of cooperation has not received sufficient academic attention yet and remains poorly understood, this research project proposes to fill the gap and probe into the main factors driving Chinese trilateral aid cooperation. At a time when China's foreign aid is increasing substantially and its impact on the traditional aid architecture remains unclear, this research will also enrich the debate on Chinese foreign aid. Moreover, as foreign aid is an integral part of China's foreign policy since 1950, this thesis hopes to facilitate our understanding of China's foreign policy through the lens of foreign aid.

I am drawing upon constructivism and cognitive learning theories in the analysis, and taking a three-layered approach that brings together China's national interests, international engagement and domestic institutions. This study has focused on the Asia-Pacific region and analysed in detail three case studies involving Chinese trilateral aid cooperation with the United Nations Development Program, Australian and the United States in Cambodia, Papua New Guinea and Timor-Leste respectively.

Based on my research, the thesis argues that China's adoption of trilateral aid cooperation reflects China's stronger desire for global image building as a responsible great power and its increasing desire to learn through growing international engagement on development cooperation. Implications are also drawn for future cooperation between traditional donors/multilateral development agencies and China.

Chapter One

Introduction

China's cooperation with the Pacific island countries, or Chinese aid to these countries, belongs to the South-South cooperation in essence. It is the mutual assistance between developing nations, and differs totally from the western aid, the so-called Official Development Assistance, or the relations between western donors and the recipient countries.

–Cui Tiankai, 31 August 2012

The two sides [China and the US] reaffirmed their shared objectives in ending poverty and advancing global development through enhanced collaboration and communication under the principle that cooperation is raised, agreed, and led by recipient countries. China and the United States intend to expand their collaboration with international institutions to tackle key global development challenges. The two sides intend to continue expanding their discussion on development matters in future development-related meetings, such as, the nexus between development assistance cooperation and combating climate change.

–Governments of China and the US, 8 June 2016

The first statement is extracted from an interview with China's incumbent Ambassador to the US, former Vice Foreign Minister Cui Tiankai, at the 24th Post Pacific Islands Forum Dialogue in Auckland in August 2012 (Liu and Huang 2012). The second statement is taken from the outcome list of the Eighth China-US Strategic & Economic Dialogue held in Beijing in June 2016 (Xinhua 2016). A comparison of these two quotations, both representing China's official discourse, conveys a puzzling message. While insisting there are substantial differences between Chinese foreign aid and western aid, China is now committed to conducting development cooperation with the US. Interesting questions follow immediately, such as, what are the reasons for China's willingness to work with the US on aid delivery when their rivalry is becoming more visible such as in Asia and the Pacific? What are China's attitudes towards cooperation with other traditional donor states and the United Nations agencies? Is cooperation becoming a common phenomenon between China and traditional donors in the development realm? Some may argue that China has adopted the reform and opening up policies since 1970s and its relationship with the western nations has already been improved greatly. This argument, however, is too general. It can neither explain why

China is conducting cooperation with western nations in some areas rather than others, nor can it explain why they will cooperate in the area of aid delivery as mutual mistrust lingers. These questions lay out the research theme of this thesis: Chinese foreign aid especially trilateral aid cooperation.

China's growing strength is the backdrop of its expanding foreign aid scheme. China nowadays has become a recurring topic in the media, academic research and even our daily lives in the West. The world's most populous developing nation is striving to reclaim the glory it seemingly lost less than two hundred years ago. According to some estimates, China was the world's largest economy until the middle of the nineteenth century, boasting an economy nearly 30 per cent larger than that of Western Europe and its western offshoots combined in 1820 (Maddison 2006, 119).

Currently benefiting from its impressive economic growth over the nearly four decades, China's re-emergence as a world power is increasingly felt in the international arena. In 2010, China overtook Japan as the second largest economy. Initiatives such as the Asian Monetary Fund, the Chiang Mai Initiative/ASEAN+3 Macroeconomic Research Office, and the Asian Infrastructure Investment Bank are often used as examples to illustrate the dynamic power shifts that have taken place from Japan to China in regional financial influence (Hamanaka 2016, 4). The International Monetary Fund has estimated that China's Gross Domestic Product surpassed that of the US in 2014 based on purchasing power parity, and if current trajectories continue it will be 20 per cent higher than the US by 2020 (Carter 2014).

In terms of overseas financing, the China Development Bank and China Export-Import Bank outstripped the World Bank by pledging \$¹110 billion worth of loans in 2009–2010 while the World Bank signed loans totaling \$100.3 billion between mid-2008 and mid-2010 (Dyer and Anderlini 2011). The Brazilian, Russian, Indian, Chinese and South African (BRICS) New Development Bank with a pool of \$100 billion was launched by China and the other four BRICS member states in Shanghai in July 2015, a move perceived by some analysts as a deliberate challenge to the World Bank. The China-sponsored Asia Infrastructure Investment Bank (AIIB) was established in December 2015 in the face of opposition from the US and Japan.

A heated debate is underway among western observers on China's impact as a rising power on the global power structure and governance. Joshua Cooper Ramo

¹ Unless otherwise specified, \$ refers to the US dollar in this thesis.

summarized China's development experience and coined the term 'Beijing Consensus'² as an alternative model of development to challenge the 'Washington Consensus' (2004). Maximilian Terhalle argued that the Copenhagen Climate Change Conference in 2009 was a turning point in global governance, with emerging powers including China refusing to accept the demands of traditional powers and aspiring to reshape the international order (2011). The rise of the G20 as a premium forum for international economic cooperation relative to other groups like the G8 and OECD marks 'a historical shift in the balance of economic power' (Lowy Institute 2011, 9). Recently, Francois Godement, Director of the Asia and China Programme at the European Council on Foreign Relations, argued that 'China's governance model at home is fundamentally at odds with the liberal international order' (Godement 2017, 1). Professor Evelyn Goh from the Australian National University argued that rising China's influence in Asian countries is mixed, which has often generated unintended consequences (2016).

Some analysts have adopted a softer position, arguing that China and other rising powers such as India and Brazil are unlikely to bring about revolutionary changes to the international order and, instead, are aiming to maximise gains via bargaining and balancing strategies (Hart and Jones 2010; Kahler 2013; Wang and Rosenau 2009). In a similar vein, Gregory Chin and Ramesh Thakur have argued that China is pursuing a third road by selectively abiding by some international norms while pushing for changes for others, and they have gone on to contend that China needs to shoulder greater international obligations consistent with its growing capacity (2010). John Ikenberry and Darren Lim have suggested that China-initiated AIIB looks similar to ADB and the World Bank in both its formal design and initial operations, and therefore will more likely strengthen the rules, practices and norms within the current global order (2017, 16).

² It is worth noting that while the concept of 'Beijing Consensus' hasn't had much impact in China and isn't taken seriously, it has had an impact beyond China, both among traditional donors and among recipient states. Scholars such as Scott Kennedy argue that the 'Beijing Consensus' is a misguided and inaccurate summary of China's actual reform experience. Kennedy, Scott. 2010. 'The Myth of the Beijing Consensus.' *Journal of Contemporary China* 19(65): 461-477.

Relevance of Chinese aid

Foreign aid is an integral part of China's growing strength. As a rising power, China is also an emerging donor³ that is exerting growing influence on the international aid regime.⁴ The impressive growth⁵ of Chinese foreign aid has become one of the most prominent developments in the international aid realm in the last decade, triggering debates over whether China will join or undermine the traditional aid architecture.

Foreign aid is also an important component of donors' foreign policies and China's emergence as a donor has significant if, as yet, unclear implications in the arena of foreign policy. Chinese aid thus becomes an issue of enormous significance. Currently, the international community especially the western nations and China's neighbours are watching closely to see whether China will follow a peaceful or increasingly assertive foreign policy. After all, as China is poised to become a 'superpower' in global affairs, the direction of China's foreign policy will inevitably affect the interests of other countries. This issue has particular significance, as China's foreign policy seems to be becoming more assertive under the leadership of the Xi Jinping administration.

An obvious example is the number of escalating territorial disputes between China and neighbouring Southeast Asian nations such as Vietnam and Philippines in the South China Sea, though relations with the Philippines improved after President Duterte took office in June 2016. China's relationship with Japan has also deteriorated and China has established an 'Air Defense Identification Zone' in the East China Sea. Debates centre on whether China is shifting the focus of its foreign policy from 'hiding the capacity and keeping a low profile' (*taoguang yanghui*) to 'making greater achievements' (*yousuo zuowei*),⁶ and adopting a more assertive approach (He and Feng 2012; Sørensen 2015; Wang Jisi 2011b; Yahuda 2013; Zhu 2008, 2010a). If such assertions and perceptions are true, why has China chosen to cooperate in some areas rather than others?

³ Some analysts take issue with the expressions like 'rising power' or 'emerging donor' though they are widely used by journals of international relations and development studies.

⁴ For example, China is providing large sums of foreign aid in the implementation of new initiatives such as the AIIB and the Belt and Road program, which both aim to boost China's influence in the realm of development cooperation.

⁵ As an example, according to China's first White Paper on Foreign Aid, its foreign aid averaged 29.4% annually between 2004 and 2009.

⁶ This strategy was proposed by Deng Xiaoping in April 1992. To him, China could not afford to act as the leader of developing countries because China was weak. China needed to keep a low profile and develop into a more powerful political power. Then, China could carry a heavier weight in global affairs.

Against this broad backdrop, my thesis has settled on China's foreign aid as the main research topic. In particular, it aims to present original in-depth research on Chinese trilateral aid cooperation—a new phenomenon of growing importance but with an extremely limited corpus of research literature. This will improve our understanding of China's foreign aid and its foreign policy in a broad sense.

This introductory chapter starts with a broad picture of China's foreign aid, which includes its prominent features, the concerns raised by traditional donors and analysts, and the theoretical significance of research on aid. Then it examines the differences of aid principles and practice between China and traditional donors, and introduces the topic of China's trilateral aid cooperation as the subject of my research inquiry. The third section explains the gap in the existing literature on Chinese trilateral aid cooperation and the original contributions made by this research. What follows is a brief introduction to my main argument in the thesis. The final section outlines the structure of the thesis.

1. Chinese foreign aid

Before moving to our examination of Chinese foreign aid, a brief definition of foreign aid is needed. Foreign aid can be defined in a number of ways according to those who are 'receiving it' or 'giving it' (Riddell 2007, 17). Official development assistance (ODA) is the most widely used measurement of aid. It is defined by the Development Assistance Committee (DAC)⁷ of the Organisation for Economic Co-operation and Development (OECD) as resources flow from official agencies with the main purpose of economic development and welfare promotion in developing countries. In order to count as ODA, it must have a grant element of no less than 25 per cent (Führer 1994, 25).

Chinese foreign aid seems to differ substantially from the ODA provided by traditional donors. China does not categorise its aid according to the OECD ODA standards. On the contrary, it has explicitly distanced itself from traditional donors ever since it began to provide foreign aid in 1950. China's first *White Paper on Foreign Aid* released in April 2011 states clearly, 'Chinese foreign aid belongs to South–South cooperation and the mutual assistance between developing countries' (State Council 2011d, 22). This point has been held as a basic principle for Chinese aid. It has also served as a tool for China to shake off pressure and criticisms from traditional donors on

⁷ The Development Assistance Committee is a forum of selected OECD member states to discuss aid and development issues, and it represents the majority of traditional donors.

issues of aid transparency and cooperation. For instance, as quoted at the beginning of the chapter, China's then Deputy Foreign Minister and present Ambassador to the US Cui Tiankai argued that Chinese aid to the Pacific islands countries is South–South cooperation, which differs totally in its nature from North–South cooperation (Liu and Huang 2012), which was echoed by his colleague ambassador Wang Min at the High-Level Committee of UN South-South Cooperation Closing Segment in September 2015 (Wang 2015).

There are differences in aid calculations between China and traditional donors. For instance, military aid and the construction of sports facilities are included in Chinese aid but excluded by the latter; costs of newly arrived refugees⁸ in host countries are defined as ODA by traditional donors, yet they are not included in China's aid budget⁹ (Bräutigam 2011, 756; Grimm et al. 2011, 7). The calculation of Chinese concessional loans merits attention. While Deborah Bräutigam and other scholars such as Zhou Hong from the China Academy of Social Sciences argue that China calculates only the interest rate gap between its concessional loans and commercial loans as aid while the ODA covers the total loan value (Bräutigam 2011, 756; Zhou 2008, 40), a senior Chinese aid official clarified that China has started to calculate the total face value of concessional loans in its foreign aid since 2009 (Interview, Beijing, 4 August 2015). This concurs with the findings of Sven Grimm (Grimm et al. 2011, 7). Bearing this point in mind facilitates our understanding of the Chinese aid outlay.

The amount, scope and growth rate of Chinese foreign aid has been impressive in the last decade. According to China's first *White Paper on Foreign Aid*, China's

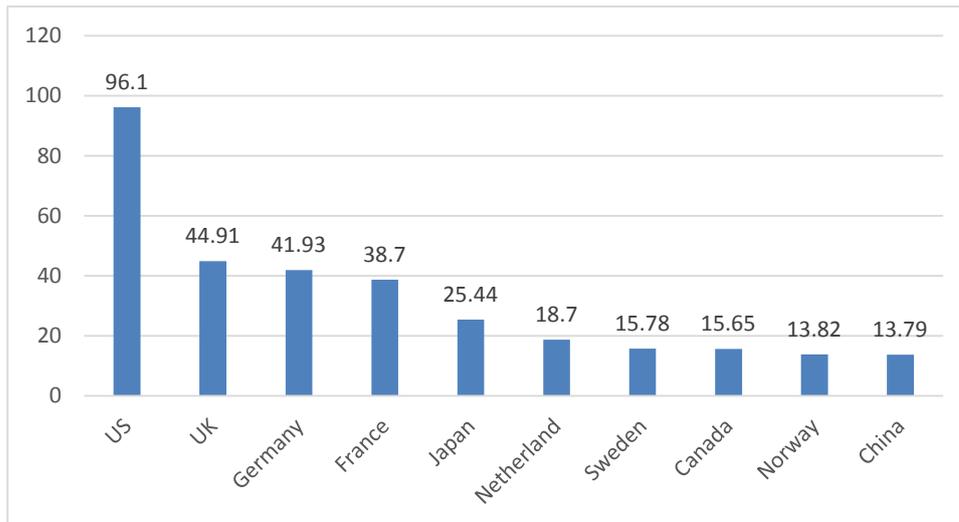
⁸ Currently China is not a main recipient of refugees though it hosted refugees in history including: around 265,000 refugees from Vietnam in the 1970s; more than 20,000 refugees from India and Sri Lanka in 1980s before they were transferred to the US and EU nations; refugees from Iraq after the 2003 Iraq war; refugees from Myanmar during the civil war in Kokang Blocks in 2009. In June 2016, China applied to join the International Organization for Migration, which could see increased engagement between China and this organisation on migration including refugee issues in the future. See Ifeng. 2015. 'Zhongguo neng bu neng jieshou nanmin' (Can China accept refugees). *Ifeng news*. Last modified 6 September. Online: http://news.ifeng.com/a/20150906/44592259_0.shtml (accessed 1 March 2017); Qiutong Ye. 2016. 'Zhongguo zhengshi shenqing jiaru guoji yimin zhuzhi' (China has formally applied to join the International Organization for Migration). Last modified 13 June. Online: <http://www.chinanews.com/gn/2016/06-13/7902909.shtml> (accessed 1 March 2017).

⁹ Deborah Bräutigam and Sven Grimm also mentioned that China's aid budget does not include scholarship for foreign students to study in China. However, based on the author's recent interviews with China MOFCOM aid officials, the scholarship is included in China's aid budget. While the majority of these scholarships are under the portfolio of China's Ministry of Education, MOFCOM is also managing some scholarships such as those arranged through the newly established Institute of South–South Cooperation and Development.

cumulative overseas assistance reached \$39.5 billion (RMB 256.29 billion)¹⁰ over the period 1950–2009, covering 161 countries and over 30 regional and international organisations (State Council 2011d, 22). In particular, the annual increase averaged 29.4 per cent from 2004 to 2009 (ibid). China's second *White Paper on Foreign Aid* records a continued momentum of growth from 2010 to 2012, totaling \$13.79 billion (RMB 89.34 billion) (State Council 2014, 22). The figure of Chinese concessional loans in the first two white papers refers to the whole face value of loans. Even when calculated by the grants, interest-free loans and the interest gap of the concessional loans, Chinese foreign aid has more than doubled from \$727 million (RMB 4.71 billion) in 2001 to \$2.22 billion (RMB 14.41 billion) in 2010 (Mao 2011, 1). It is noteworthy that the statistics from China's white papers on foreign aid may not be completely accurate. As China still has a large population living in poverty at home, it makes sense for the Chinese government to understate its foreign aid volume and reduce domestic discontent. Another important reason is that, more than thirty ministerial-level agencies are involved in China's aid management, which makes it difficult for them to share aid data and produce an accurate figure on Chinese aid spending.

Based on official data, China was the tenth largest donor over the three years from 2010 to 2012, as illustrated in Figure 1. A recent report from the research institute of Japan International Cooperation Agency in 2016 noted that Chinese foreign aid reached \$4.9 billion in 2014 alone and that China's rank among donors jumped from 16th in 2001 to ninth since 2013 (Kitano 2016, 29). As a useful comparison based on OECD's latest data, China provided \$3.4 billion of foreign aid in 2014, while other donors such as the US, Australia, India and Brazil provided \$30.98 billion, \$3.49 billion, \$1.39 billion and \$316 million respectively (OECD 2017).

¹⁰ RMB is shorthand for Chinese currency. One US dollar was equivalent to 6.478 RMB on 31 Dec 2015. This exchanger rate is used consistently in the thesis.

Figure 1. Top ten donors globally over the period 2010–2012, USD billion¹¹

Source. Compiled by author from China's 2014 white paper on foreign aid and the OECD online database

Chinese aid to Africa and Oceania illustrates its increasing magnitude and structure. From 2013 to 2015, more than half of Chinese foreign aid was directed to the African continent, and Chinese concessional loans committed to Africa during this period exceeded \$17 billion (MOFCOM 2015b). At the summit of the Forum on China–Africa Cooperation in Johannesburg in December 2015, Chinese President Xi Jinping pledged a huge aid package to be rolled out in Africa over the following three years. The announcement included \$5 billion in grants and interest-free loans, \$35 billion in concessional loans and export credit,¹² 30,000 government scholarships and 40,000 training opportunities (Xi 2015a). Though small in land size and population, the Pacific Island countries¹³ had received Chinese aid worth \$1.45 billion (RMB 9.4 billion) by November 2013. In the same month, at the second China-Pacific Island Countries Economic Development and Cooperation Forum, an additional \$1 billion in concessional loans was pledged for the next four years (Wang Yang 2013). During his meeting with Pacific Islands leaders in Fiji in November 2014, President Xi announced

¹¹ The Chinese aid data is from its 2014 White Paper on Foreign Aid. The data for traditional donors is from OECD online database. See OECD. 2016. 'ODA 1960-15 Trends'. Online: <http://www2.compareyourcountry.org/oda?cr=20001&cr1=oeed&lg=en&page=1> (accessed 23 November 2016).

¹² Export credit is not calculated as Chinese aid. A separate figure for concessional loans was not provided by China.

¹³ In principle China provides aid to countries that have diplomatic relations with China. At present, eight of the 14 Pacific islands countries have such relations with China including Papua New Guinea, Fiji, Samoa, Vanuatu, Tonga, the Federated States of Micronesia, Cook Islands and Niue. Some Pacific islands countries have swayed their diplomatic recognitions between Mainland China and Taiwan.

China would provide further assistance to these countries including 2,000 scholarships and 5,000 training opportunities over the following five years (Du and Yan 2014, 1).

Concerns about Chinese aid

The rapid growth of Chinese aid worldwide has aroused concerns over its motivations and modes of delivery on the part of some traditional donors and analysts, which are not shared by some of China's aid partners in the developing world. The lack of understanding of China's aid approach has largely contributed to these concerns. As will be further elaborated upon in Chapter Two, there is growing literature on China's motivations in providing foreign aid bilaterally and on these concerns about Chinese aid, but China's motivations for trilateral aid cooperation are under-researched. This in part justifies this thesis, which challenges these misperceptions.

Peter Kragelund argued China primarily delivers aid in the form of projects that are quicker to produce tangible results than aid programmes and China favours 'prestige projects' (2011, 598). Some researchers from the Centre for Global Development have argued that, though China claims its aid has no conditionalities, in reality it is tied aid which requires the use of Chinese companies, labour and materials (Walz and Ramachandran 2011, 18). Laura Savage and Rosalind Eyben followed the arduous negotiation process at the Busan Fourth High Level Forum in 2011. They argued that China behaved defensively during the conference, refusing to be held accountable to principles which China believes apply to traditional donors. Thus China rejected a number of draft versions of the conference document (Savage and Eyben 2013). To these scholars, China's behaviour hindered the conference from reaching a binding commitment for all stakeholders in global aid cooperation (ibid).

Richard Manning, former Chairman of OECD DAC, called attention to the main risks brought about by emerging donors including rising debt among recipient nations and low levels of conditionality attached to development finance, and emphasised that DAC norms should continue to be observed (Manning 2006, 1). In November 2011 and August 2012, the US Secretary of State Hillary Clinton warned developing countries against cooperating with emerging donors like China who are more interested in exploiting natural resources than promoting real development (Bland and Dyer 2011; Ghosh 2012). A report produced by the Danish Institute for International Studies examined the challenges brought about by emerging economies to the European Union in development cooperation. It argued that 'If China continues to attract the attention of African leaders [through means including investment and foreign aid], the EU will have

to downplay the role of governance and human rights conditionalities in the partnership [with Africa] or they will have no one to cooperate with' (Fejerskov 2013, 42). Moisés Naim is among the most vocal critics of Chinese foreign aid and its threat to the regional and global order. He explicitly labelled donor countries such as Venezuela and China as 'rogue', because they egoistically chase self-interest at the expense of recipient countries, and warned that this situation needs to be redressed before it creates a development landscape characterised by corruption and chaos (2007).

China's impact as an increasingly prominent donor has also been felt in the Pacific Islands countries. In addition to the US, leaders of traditional donors in the region have expressed concern about the transparency, accountability and debt risks associated with Chinese aid. For example, while welcoming New Zealand's constructive working relations with China in the Pacific, Prime Minister John Key warned in September 2011 that Pacific Islands states need to think about their ability to repay loans when accepting finance from China (Trevett 2011). During the sixth Japan-Pacific Islands States Summit in May 2012, Japanese Prime Minister Yoshihiko Noda called on China and other emerging donors to increase aid transparency (Zhang 2012). In April 2013, then Australian Prime Minister Julia Gillard told the media that while Australia welcomes more aid from emerging donors to the Pacific, more accountability and transparency are needed (2013).

Theoretical significance of studying foreign aid

Research on foreign aid has theoretical significance. Foreign aid is an interesting issue because it has served as 'a microcosm of donor states' foreign policies' since its birth after World War II (Hook 1995, 16). Donors' motivations are complicated. Hans Morgenthau, a leading twentieth-century expert of international politics, lamented half a century ago that 'of the seeming and real innovations which the modern age has introduced into the practice of foreign policy, none has proven more baffling to both understanding and action than foreign aid' (1962, 301).

Different schools of International Relations have offered competing explanations for the motivations of states in providing aid. Realists treat aid as a tool used by donors to strengthen their power and security; liberals see aid as an instrument to promote cooperation and settle collective problems in an era of growing interdependence; Marxists and many structuralists regard aid as the donors' tool with which to exploit and control poor recipient countries, while constructivism focuses on the norm that rich nations should provide foreign aid to poor nations to reduce poverty (Hook 1995, 34–

40; Lancaster 2007b, 3–5; Pankaj 2005, 118–19.). Maurits Van der Veen, a US scholar on international relations and politics, argued that no single theoretical model has been successful in explaining foreign aid, and he vividly described the nature of aid as a ‘Swiss Army Knife’ with multiple functions (2011, 210–11).

Some development specialists argue that ‘aid is a moral issue’ and rich countries bear an obligation to assist the poor (Riddell 1987, 74). However, Tanweer Akram from Columbia University used statistical models to test the relations between aid allocation and human needs in recipient countries from 1960 to 2000 and found that the aid delivered had little relationship with the basic needs of these countries (2003).

Economists Alberto Alesina and David Dollar argued that colonial history and political alliances are the major determinants of the direction and amount of foreign aid (2000).

Ilyana Juziemko and Eric Werker from Harvard University discussed the vote-buying dimensions of foreign aid, arguing that nations winning the rotating seats in the UN Security Council received more aid from the US and the UN (2006). Despite a long-running discourse among western donors on good governance, Alberto Alesina and Beatrice Weder have argued that corrupt governments do not receive less aid from donors (2002).

Chinese foreign aid has triggered similar debate on its motivations ranging from strategic ambitions to economic interests and soft power building. For instance, David Lampton analysed what he considered to be the three faces of Chinese power: might, money and minds. He argued that Chinese economic power (money) including providing development and humanitarian assistance has three objectives: ‘keeping the regime in power, promoting human welfare at home, and bringing China the international status it has so long sought’ (Lampton 2008, 115). As will be elaborated upon in subsequent chapters including the literature review in Chapter two, different schools of international relations theories including neorealism, neoliberalism and constructivism have been used by scholars to analyze China’s foreign aid program.

It is noteworthy to briefly introduce my positionality here. Building upon my observations and research during the previous decade-long work experience as a Chinese diplomat, I witnessed the rapid growth of Chinese foreign aid, Beijing’s increasing though selective engagement with traditional donors and their impact on China’s foreign policy and foreign aid. These observations forced me to think hard about whether and how constructivism and cognitive learning theories could explain China’s engagement with traditional donors and its adaptation of trilateral aid cooperation.

2. Research question: Chinese trilateral aid cooperation

Close examination of Chinese foreign aid over the past decade indicates a conundrum: China takes a strongly defensive position over its unique mode of foreign aid in the international aid regime, while in practice engaging in evermore aid cooperation with traditional donors.

To many Chinese aid officials and scholars, Chinese foreign aid has a number of distinguishing features, notably having no political strings attached, respecting the principles of non-interference in the internal affairs of recipient countries, focusing on equality and mutual benefits, as well as following a preference for ‘hardware’ (infrastructure) rather than ‘software’ projects (He 2010, 12–14; Shi 1989, 15–18; Zhang 2010; Zhang and Huang 2012, 43–44; Zhou and Xiong 2013, 1–3). For instance, having ‘no strings attached’¹⁴ is not a recent rhetorical development: it is one of the eight defining principles for Chinese aid announced by Premier Zhou Enlai in 1964 (Zhou 2008, 34). By contrast, traditional donors spend a large amount of aid on ‘software’ projects including democracy promotion and good governance programs, attaching conditionalities to promote accountability and transparency in decision-making, and preferring aid to be delivered through programs rather than projects. It is worth noting that some analysts such as Arjan de Haan, a development expert from the International Development Research Centre in Ottawa, takes issue with the above differences, arguing that many characteristics of Chinese aid are similar to those of traditional donors such as preferring to use the language of cooperation rather than aid (de Haan 2011, 888).

While questioning the effectiveness of traditional donors’ ODA, the Chinese government and many Chinese senior aid scholars have expressed pride in China’s unique aid practices. They articulate with pride that China has successfully created a new aid model with Chinese characteristics (State Council 2011d; Zhou Hong 2010).¹⁵ According to Wang Cheng’an, former Deputy Director-General of the Department of

¹⁴ This term has been modified by the Chinese government from ‘no strings attached’ in 1950s to ‘no political strings attached’ since 1983 during Premier Zhao Ziyang’s visit to Africa, which reserves room for China’s emphasis of mutual benefits later on in its aid provision to recipient countries. By adhering to this principle of ‘no political strings attached’, the Chinese government argues that it would not set out conditions for recipient countries such as they need to carry out political reforms before or when they receive Chinese aid.

¹⁵ ‘Chinese characteristics’ is a popular term in Chinese official documents. Examples include socialism with Chinese characteristics, foreign policy with Chinese characteristics, and foreign aid with Chinese characteristics. The goal of this kind of term is to highlight and justify China’s own features, and distance itself from western countries.

Foreign Aid from China's Ministry of Commerce (MOFCOM), China has created a new approach to foreign aid that not only meets the demands of recipient countries, but also complies with China's domestic situation (1996, 7). This point is repeated in China's two white papers on foreign aid. Professor He Wenping has argued that China enjoys a natural advantage of being a link between traditional and emerging donors, North and South countries, donors and recipients because of its experiences as a recipient country, a fast growing economy and an emerging donor (2011, 127–34).

Professor Li Anshan, a leading Chinese expert on Africa from Peking University has taken a more critical approach to traditional ODA. He argues that while traditional donors have benefited by providing aid to Africa such as promoting their diplomatic and economic interest, they have failed to honour their aid commitments including reaching the target of spending 0.7 per cent of their gross national product on development assistance (Li Anshan 2014, 2015). Li argues that substantial changes need to be taken to remove recipients' dependence on donors (ibid). Another senior Chinese aid scholar Li Xiaoyun and his colleague Wu Jin have objected to the critiques from western donors and commentators that most China-aided infrastructure projects are built by Chinese contractors rather than local companies, arguing this could reduce the incidence of corruption in recipient countries as the project funds would not go through the recipient governments (2009, 51).

China takes a strongly defensive position over its aid practice in the international aid regime. Despite ranking as the second largest economy in 2010, the Chinese government has repeatedly insisted that China is still a developing country and its foreign aid falls within South–South cooperation. China believes it signed the 2005 Paris Declaration on Aid Effectiveness in the capacity as an aid recipient rather than a donor (Zhang, Gu and Chen 2015, 17). It is reluctant to align with traditional donors and be bound by their aid norms. For instance, China refused to join the Cairns Compact¹⁶, which is an initiative arising from the 2009 Pacific Islands Forum meeting to boost aid coordination in the Pacific. As the rotating Chair of the Pacific Islands Forum meeting in 2011, New Zealand Prime Minister John Key revealed that China has made it clear that they will not be bound by the Cairns Compact (Trevett 2011).

China and traditional donors have even delivered foreign aid within different contexts in history. For instance, there is a strong connection between DAC aid flows

¹⁶ Based on the author's casual conversation with China MFA officials a few years ago, one possible explanation for China's refusal to join the Cairns Compact is that Beijing does not want to see its use of foreign aid be monitored by traditional donors.

and decolonisation in the 1960s and 1970s. Decolonisation hastened the spread of aid in the 1960s and most colonial powers rushed to assist former colonies after independence. Aid went where it would maintain the political influence and economic connections of the aid giver: Dutch aid to Indonesia, British aid to Britain's former colonies in Africa and Asia, especially India, Australian aid to PNG, French aid to the French-speaking countries of West Africa such as Ivory Coast, Senegal, Mali, Morocco and Cameroon. However, China's foreign aid has been driven by similar motives to those of traditional donors though within a completely different context. It does not involve decolonisation or maintaining influence in former colonies, but does entail an expansion of China's influence in the developing world under the name of South–South cooperation.

In light of these differences, China has demonstrated a strong preference for channelling aid bilaterally. As He Wenping explained, China has favoured bilateral aid to Africa for four reasons (2010, 14):

- Historically, China has gained rich experiences in conducting its diplomacy including providing aid with African countries bilaterally;
- Chinese aid is the 'mutual assistance among poor countries' which does not belong to ODA;
- Bilateral aid is more efficient than multilateral aid in terms of delivery efficiency;
- African regional integration is still in the process of development. Multilateral and bilateral cooperation is mutually complementary rather than exclusive.

Judging from the above discourse, we would expect China to engage more in bilateral aid delivery and shy away from cooperation with western donors. However, we see a growing trend away from this.

Trilateral cooperation

Despite the considerable differences between China and traditional donors, China has signalled growing willingness to work with traditional donors in the past decade. It has engaged in discussions and carried out trilateral aid cooperation¹⁷ with traditional donor states and multilateral development agencies such as the US, UK, Australia, New

¹⁷ Countries such as China and the US use the term 'trilateral cooperation' while many other countries and international organisations use the term 'triangular cooperation'. To the latter, triangular cooperation involves both a traditional donor (donor state/multilateral development organisation) and an emerging donor while trilateral cooperation refers to three countries in one project, not necessarily one traditional donor and one emerging donor. To follow China's practice, the term 'trilateral cooperation' is used in this thesis.

Zealand, the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization (UNIDO) (see Table 1).¹⁸ This cooperation covers diverse areas such as agriculture, food security, public health, environmental protection and technical training. Trilateral aid cooperation has been increasingly acknowledged in China's aid documents (State Council 2010, 2011d, 2013). China's second *White Paper on Foreign Aid* released in 2014 highlighted the China–UNDP–Cambodia trilateral cassava project and the China–New Zealand–Cook Islands water supply project as examples of trilateral cooperation (State Council 2014, 22).

Table 1 Chinese trilateral aid projects

Traditional donor/ UN agencies	Recipient country	Area	Status
UK	Malawi/Uganda	Agricultural technology transfer	Ongoing (2014-2017)
	African countries	Training of African peacekeeping police (3 sessions)	Completed (2009-2010)
UK/UNDP	Bangladesh Nepal	Disaster risk management	Phase One: completed (2013-2015)
			Phase Two: Ongoing 2015-2017
US	Liberia	Facility improvement of University of Liberia	Completed (2008-2010)
	Timor-Leste	Agriculture	Phase One: Completed (2013-2014) Phase Two: Upcoming
	Afghanistan	Training of Afghan diplomats	Ongoing (Since 2013)
Japan	ASEAN countries	Environmental protection (3 sessions)	Completed (2010-2013)
Australia	Papua New Guinea	Malaria control	Ongoing (2015-2017)
	Cambodia	Irrigation dialogue	Completed (2013-2014)
New Zealand	Cook Islands	Water supply	Ongoing (2014-2017)
UNDP	Cambodia	Agriculture (cassava)	Completed (2011-2015)
	Ghana/Zambia	Renewable energy	Ongoing (2014-2018)
	Malawi	Disaster risk management	Upcoming
FAO	12 from Africa, 2 from Asia, 7 from South Pacific and 4	Agriculture and food security under the \$30 million donation from China in 2008	Mostly completed (Since 2008)

¹⁸ It is worth noting that although China and UN agencies started to pilot a few small trilateral aid projects in the 1980s, China's trilateral aid cooperation with traditional donor states did not start until the last decade. China has also conducted trilateral cooperation with other multilateral development organisations such as the World Bank, UNESCO and IMF over the last decade, but details of these projects are not available. Table 1 includes the majority of Chinese trilateral aid projects.

	from Caribbean		
UNIDO	Africa countries	Lighten up Africa project (small hydro stations)	Mostly completed (Since 2008)

Source. Compiled by author from various resources¹⁹

It is therefore important to understand why China is conducting an increasing number of trilateral projects along with its bilateral aid projects. Is it a signal of real change in Chinese foreign aid policy or merely an expedient to fence China off from external criticism? Are different donors really able to co-exist and even cooperate? Or as Kenneth Kaunda, then President of Zambia lamented in March 1966, ‘We end up with a mixture of various explosive gasses [aid from various sources] in one bottle, and inevitably, explosions follow’ (Kaunda 1966). Addressing China’s motivations for engaging in trilateral aid cooperation will go some way towards answering these questions.

In an attempt to help shed light on the puzzle, this study will focus on the following research question: *What are the main factors driving Chinese growing trilateral aid cooperation?*

3. Research gap and contributions of this thesis

China’s rise as an emerging donor has far-reaching implications. Chinese foreign aid brings an important opportunity for the developing world and also provides another model of aid in addition to that established by traditional donors. Moreover, as the Chinese government does not release annual country-based aid data, motivations behind Chinese aid remain unclear. Analysis of China’s motivations behind trilateral aid cooperation could also provide a new perspective on China’s foreign policy.

Compared to bilateral aid, trilateral aid cooperation is a new phenomenon especially to China. It has begun to attract global attention from aid officials and analysts. As will be elaborated in Chapter Two, traditional donors and multilateral development agencies have convened an increasing number of trilateral workshops and conferences to exchange views and explore this modality. In particular, Japan, Spain, Germany and the UNDP have been pioneers in experimenting with trilateral aid partnerships. Emerging donors, especially those from Latin America such as Brazil, also have positive attitudes towards trilateral cooperation.

¹⁹ Data for this table is from mixed sources including the author’s interviews, MOFCOM website, Chinese media reports, public documents and media reports from traditional donors and recipient countries as well as some existing literature. Data from these sources have been compared and contrasted to ensure its accuracy.

Although the impact of the rise of emerging donors on the traditional aid system remains unclear, the problem of aid fragmentation in recipient countries is getting worse as emerging donors join the donors' camp. As Homi Kharas notes, 'the new reality of aid is one of enormous fragmentation and volatility'²⁰ and 'information, coordination and planning are becoming harder, yet are more important for development effectiveness' (2007, 15–16). As such, trilateral aid cooperation is receiving more attention from donors and recipients alike, including at a recent High-Level Forum on Aid Effectiveness in Accra and Busan. It is expected to play a bridging role between traditional and emerging donors and promote aid effectiveness. For instance, the first high-level meeting of the Global Partnership for Effective Development Cooperation in Mexico in 2014 concluded that trilateral aid cooperation has the following strengths:

Triangular cooperation is an innovative way of inclusive partnering, which puts the role and will of the recipient countries at the core and provides an opportunity to bring together the diversity and richness of the experiences, lessons learned and different assets of Northern and Southern partners, as well as multilateral, regional and bilateral development and financial institutions, by maximizing, through well-supported cooperation schemes, the use of effective, locally owned solutions that are appropriate to specific country contexts (GPEDC 2014, 5).

While it has substantial potential, trilateral aid cooperation is still largely under-researched because of its novelty. This can partly be attributed to the limited number of trilateral projects. As some scholars have argued, the empirical data on trilateral cooperation in general, and on Chinese aid in particular, is extremely limited (OECD 2012c, 3). There are an increasing number of reports and conference proceedings on trilateral aid cooperation, but most of them focus on its 'static' aspects such as the history, features, 'expected' strengths and weakness. In-depth critical analysis on other aspects including the motivations of donors and recipient countries based on fieldwork is extremely thin. That is why the UNDP argued trilateral aid cooperation is an 'underutilized tool' (UNDP 2009a, 141). Furthermore, as trilateral aid cooperation is a more recent phenomenon in China and access to aid data is limited, in-depth research on Chinese trilateral aid cooperation is almost non-existent.

²⁰ To Homi Kharas, the increase of aid amounts makes it common for recipient countries to see high volatility in their year-to-year aid disbursements.

Contributions

This research project contributes to the disciplines of development studies and international relations in three aspects: theories' testing, methodological rigour and substantive content. It seeks to enrich the debate mainly on Chinese foreign aid especially trilateral aid cooperation and China's role in the Asia Pacific region.

Theoretically, this research is timely and important as it is closely linked to mainstream theoretical debates in international relations on the impact of emerging powers, especially China, on global governance. As China is continually transforming itself and the global governance architecture, this research uses foreign aid as a portal to illustrate China's global impact and its position towards cooperation with traditional donors and UN agencies. It will facilitate our understanding of whether China as a leading emerging donor will be able to coexist with traditional donors in peace. It also offers unique insights into Chinese aid decision-making processes by tracing in detail the process of three trilateral projects that China has been involved in, as will be elaborated in Chapters Four, Five and Six. In addition, this thesis analyses the evolution of Chinese foreign aid policy. As will be discussed in Chapter Two, the constructivist and cognitive learning theories on identity, interest and ideas will be adopted for analysis. The thesis will revolve around China's identity, interest and ideas with regards to development cooperation. It will investigate whether China's identities, interest and ideas have changed during China's engagement with traditional donors and UN development agencies over time. If so, why have these changes taken place and what is the causal relationship between identity, interest and ideas? How have the changes informed China's endorsement of trilateral aid cooperation? These analyses will have implications for the wider theoretical debate over identity, interests, and ideas in IR, and politics, economics and soft power in Chinese foreign policy.

Methodologically, this research has taken multiple measures to ensure its analytical validity. As the motivations behind China's foreign aid are complex, it is difficult to adequately analyse using a single approach. Therefore, to analyse Chinese trilateral aid cooperation, this research provides a three-layered approach that brings together national interests, international engagement and domestic institutions. This assists readers in understanding the roles played by external players including traditional donor states and UN agencies as well as Chinese domestic vested interest groups in this process. In addition, 'process tracing' is used as a tool to collect the details and investigate the whole picture of the selected trilateral aid projects. In addition, during

the interview process, the views from three sides of the trilateral aid projects are compared and triangulated to maximise their reliability.

In terms of its substantive contribution, as Chinese trilateral aid cooperation is new and relevant research is extremely limited, this research fills an important gap in the existing literature. It is a pioneering research project on China's trilateral aid cooperation, especially in terms of identifying why Chinese actors are motivated to pursue trilateral development cooperation. This research also enriches the existing limited research on Chinese foreign aid in the Asia-Pacific, in particular the Pacific, which contributes, in turn, to our knowledge of China's role in the region. As the existing literature on Asia-Pacific focuses on Chinese bilateral aid, this research expands the debate by ushering in China's trilateral aid cooperation in the region which has increasingly become an important testing ground, as will be demonstrated in Chapters Four to Six. Moreover, it gathers valuable data on Chinese trilateral aid projects and enriches the aid database for future research. It also draws implications for aid policymakers on how best to engage in trilateral aid cooperation with China in the future.

This research collects extensive first-hand data on Chinese trilateral aid cooperation. It includes in-depth analysis of China's three trilateral aid projects in the case study chapters: the China-UNDP-Cambodia trilateral cassava project, China-Australia-Papua New Guinea trilateral cooperation on malaria control, and the China-US-Timor-Leste trilateral cooperation on food security. In addition, research is also done on China's other trilateral projects including the China-New Zealand-Cook Islands trilateral project on water supply and the China-Australia-Cambodia trilateral project on irrigation dialogue. This thesis also closely follows China's trilateral cooperation with the UNDP, UK and other donors in Africa. Most of those interviewed during my fieldwork were senior aid officials from China, traditional donors, multilateral development agencies and recipient countries, as well as officials and aid experts who were deeply involved in these projects. This has enhanced the quality of the research findings by giving prominence to the voice of these main players and, in doing so, it reduces the risk of analytical speculation, which can arise from over-reliance on secondary sources.

4. Main argument

The main argument of this thesis is that, China's adoption of trilateral aid cooperation is the result of China's stronger desire for global image building as a responsible great

power and for cognitive learning to improve its aid performance. Strategically, the Chinese government has used trilateral aid cooperation to build its global image as a responsible rising power since the early 2000s. Technically, China has aimed to learn from traditional donor states and international development organisations to improve Chinese aid delivery via trilateral aid cooperation.

These two perspectives are analytically distinct from each other to avoid mutual disturbance. To elaborate, they focus on China's interest calculations and international engagement respectively. As will be argued later, as part of its interest calculation, China is placing more emphasis on global image building, which to some extent relates to the pressure arising from traditional donors and multilateral agencies. However, external pressure is not the decisive factor for China's global image building. The deep-rooted reason relates to China's adjustment of its identity and national interest calculation amid shifting international and domestic circumstances.

As an example, China officially adopted the reform and opening up policy in 1978 because of its changing identity and national interest calculations. China began to highlight its identity as a developing country rather than a socialist country, and prioritise economic development over ideological considerations. The improved relationship with western nations in 1970s is a supporting rather than decisive factor for China's reform and opening up. Likewise, external pressure is a supporting rather than a defining reason for China's emphasis on global image building as China has the options to take or reject the pressure. Therefore, the first perspective differs from the second perspective.

5. Thesis structure

The current chapter, Chapter One, provides the introduction to my thesis. It sets out the broad analytical background for this research including its theoretical and policy relevance. It ushers in the research question, identifies the research gap and explains the main contributions of this study. The whole structure of the thesis is briefly summarised as follows.

Chapter Two outlines the conceptual framework for the research. The first half of the chapter is a literature review. It examines the existing research on Chinese aid motivations, trilateral aid cooperation globally and in China, as well as China's engagement with the international aid regime and China's domestic aid institutions. Research gaps are identified based on the literature review. The second half of the chapter introduces the three analytical perspectives on Chinese trilateral aid cooperation

including China's interest calculations, international engagement in foreign aid, and domestic aid management institutions. Constructivist theories of international relations and knowledge-based cognitive learning regime theories of identity, interest and ideas, which will be tested in the thesis, are introduced. What follows is the explanation of the research methods adopted, especially the use of case-study analysis and process tracing, and the data collection techniques of interviews and documentation. The selection of three China's trilateral aid projects in Cambodia, Timor-Leste and Papua New Guinea is also justified.

Chapter Three is the adoption of the conceptual framework in China's context. It approaches Chinese trilateral aid cooperation from three perspectives. First, in terms of the interest calculations by the Chinese government, this chapter explains how changes in China's identity have affected its interest calculations and preferences for development cooperation. In terms of international engagement, the chapter categorises and reviews the interaction between China and external donors, especially UN agencies and traditional donor states from 1950 onwards. It goes further to explain how the cognitive learning process during interaction has impacted on China's attitude towards development cooperation with these partners. In terms of domestic institutions, the chapter examines China's complicated aid management system and explores the diversified positions of China's different ministries and interest groups towards trilateral aid cooperation. These three perspectives will be discussed in the case-study chapters.

The next three chapters aim to test the aforementioned theories and my argument on the ground by tracing China's three trilateral aid projects in the Asia-Pacific region. Chapter Four analyses China's trilateral aid cooperation with the UNDP, especially the China-UNDP cassava project in Cambodia, which is the first trilateral project between the two donors. Chapter Five moves to the Pacific region, a place of small island countries and a relatively limited number of donors, which facilitates the comparison of donors. The chapter focuses on China's development cooperation with Australia, the leading traditional donor in the Pacific, which is an excellent example to illustrate China's engagement with a donor that enjoys regional dominance. Similarly, the chapter starts with the analysis of China-Australia engagement on foreign aid since 1979, as Australia is the first western state to provide aid to China. What follows is an in-depth analysis of the China-Australia-Papua New Guinea trilateral aid project on malaria control, the first trilateral project between China and Australia. Chapter Six discusses trilateral aid cooperation between China and the US, the contemporary world's largest traditional donor and largest emerging donor respectively. It also traces the process of

the China–US trilateral project in Timor-Leste, the first such project between China and the US in Asia.

While testing constructivism and cognitive theories on identity, interest and ideas, this thesis will also engage with alternative explanations from international relations theories for China’s adoption of trilateral aid cooperation. For instance, it will discuss whether the neorealist perspective could explain the growing trilateral aid cooperation between China and the US that are potential rivals as foreign aid is viewed as ultimately being about serving their respective national interests. As Kenneth Lieberthal and Wang Jisi argued, ‘the US-China strategic distrust is growing, is potentially very corrosive’ (Lieberthal and Wang, 49). As such, the China–US trilateral aid cooperation is a least likely case with strong analytical power. At a time when these two great powers are caught in an atmosphere of growing strategic rivalry, their continued commitment to trilateral aid cooperation deserves our further attention.

Chapter Seven builds upon the three case study chapters, and moves further by providing an overview of China’s trilateral aid cooperation, including the main features, China’s official position and the bureaucratic arrangement for this modality. It will then discuss the prospect for China’s trilateral aid cooperation. The chapter will also examine China’s foreign aid reform in which trilateral aid cooperation is situated.

Chapter Eight is my reflection on this research. It will re-visit the broad question: What are the most appropriate IR theories to interpret China’s trilateral aid cooperation and overall foreign aid? A second question to be discussed is: What is the relationship between China’s growing willingness to undertake trilateral aid cooperation and its seemingly assertive diplomacy? Scope for future research on China’s triangular aid cooperation will also be examined.

Chapter Two

Conceptualising Chinese Aid Motivations

Aid motivations are the focus of much of the existing literature on Chinese foreign aid. As China has different norms and practices, traditional donors, recipient countries and researchers are curious about the objectives and aspirations of Chinese aid. Some are concerned that China is reluctant to ally with traditional donors and is providing an alternative to foreign aid from traditional donors, and thus challenges the traditional aid regime.

China's growing readiness for trilateral cooperation adds to the curiosity from traditional donors, recipient countries and researchers. Given the considerable differences between China and traditional donors on foreign aid, they are unsure why China is shifting from merely providing bilateral aid to conducting an increasing number of trilateral aid projects. Nor do they understand whether this change is expedient, or truly signals a change in China's foreign aid policy.

This chapter is divided into two main parts. The first part will introduce existing literature on China's motivations for providing development assistance, China's trilateral aid cooperation, engagement with the traditional aid regime and China's domestic aid institutions. Research gaps will be identified in explanations for China's trilateral aid cooperation. The second part will present the conceptual framework that will guide this research. It includes the constructivist and cognitive learning theories on identity, interest, ideas and social interaction, my research design and data-collection methods, especially case studies and process tracing.

1. Literature review

The existing literature has done an admirable job of examining the possible motivations behind Chinese bilateral aid and its potential impact on the international aid regime. At the macro-level, researchers have examined Chinese foreign policy and foreign aid, which mainly focuses on political/strategic, economic and soft power dimensions. Some analysts have also explored China's engagement with the international aid system which is dominated by traditional donors. At the micro-level, the existing literature has sketched out China's domestic aid management institutions. However, substantial gaps exist and inadequate attention has been given to China's new interest in pursuing trilateral aid cooperation.

(1) Three dimensions of China's aid motivations

A. Politics takes command

The political/strategic factor is a distinctive feature of socialist China that permeates many government policies and bureaucratic norms. For a long period between 1949 and 1978 under the Cold War context, 'Politics took command' (*zhengzhi gua shuai*),¹ and Chinese foreign policy and aid worked to consolidate relations with other socialist countries and to build a united front with other developing countries. A huge amount of aid was provided to other developing countries even though China itself was poor. China's foreign aid accounted for 5.88 per cent of the government's total fiscal outlay between 1971 and 1975, and the figure was as high as 6.92 per cent in 1973 (Shi 1989, 68). Alan Hutchison argued that China used aid as a weapon to combat the influence of the Soviet Union and the West in Africa, and promote its status in the developing world (1975). US scholar John Copper echoed the view that Chinese leaders saw foreign aid as an effective way to promote its international status (1976). From the late 1970s, especially after the reform and opening up policy was introduced in 1978, the influence of ideology on foreign aid faded.

Some scholars perceive China as a potential threat with strategic ambitions to alter the status quo underpinning international order. From this perspective, Chinese aid is simply another tool to woo recipient countries and achieve strategic ambitions. Taking the Pacific as an example, some analysts argue that China regards the region as a strategic asset, and China intends to replace the US as the dominant power in the long run (Henderson and Reilly 2003; Windybank 2005; Shie 2007; Lum and Vaughn 2007). Anne-Marie Brady has argued that China aims to become a leading power in the Pacific and has triggered a response from the United States, including increasing investment (2010). Mark Beeson approaches China's rise from a different perspective by examining the role of alliance in Asia-Pacific amid China's increasingly assertive diplomacy. He argues that the containment policy against China's rise could be unsustainable and nations including Australia need to accommodate China's rise and encourage it to play a constructive role in regional and global affairs² (Beeson 2015, 316–17). Alastair Iain Johnston questions claims of China's new assertiveness made by some analysts in

¹ This was a popular term from the 1950s to the late 1970s in China and highlighted the dominant role of politics in relation to other aspects of work. It appeared frequently in the state media such as the *People's Daily* particularly on 27 March 1958 and 22 April 1966.

² Some analysts argue that China seems to work within existing norms in much of the world. They suggest the US engages with China to draw it into a strengthened international system. See *The Economist*. 2014. 'What China Wants.' 21 August.

recent years. By examining seven major events in China's diplomacy between late 2009 and 2010, he contends that there is not an across-the-board new assertiveness or a fundamental change in China's foreign policy, at least during the Hu Jintao era (Johnston 2013).

This power-oriented approach, however, is inadequate to explain why China, with its rapidly growing economic clout and aid budget, is conducting more cooperation with traditional donors instead of flexing its muscle and working unilaterally. Nor does it seem to explain why China is conducting trilateral aid projects with the United States and pledging more cooperation in the future if it intends to replace the latter. Though some analysts may argue that states in an anarchical world sometimes choose to cooperate to maximise their gains, it is worth exploring whether Chinese involvement in trilateral aid cooperation is an instrumental tactic or rather demonstrates growing acceptance of western aid norms.

The Taiwan issue is widely recognised as one core component of Chinese foreign policy. China has invested significant resources in preventing other countries from establishing diplomatic ties with Taiwan and in preventing Taiwan from joining international organisations where statehood is a requirement. This is understandable from the Chinese side, which maintains that Taiwan is merely a renegade province of China that will eventually be reunited with the mainland. Hence, to isolate Taiwan and to promote the 'one China' policy is frequently cited as an important strategic motivation of Chinese aid (Wesley-Smith 2007; Bräutigam 2008; Atkinson 2010; Yang 2011).

Sometimes, the Taiwan issue becomes a bargaining chip for countries to acquire more aid from both Mainland China and Taiwan. Kevin Stringer argues that Pacific Islands countries are skilful at playing this diplomacy card and are active players rather than passive pawns in this game (2006). This bears some resemblance to James C Scott's argument that weak players such as peasants from the village of Sedaka in Malaysia neither overtly defy nor completely comply with the domination, but get involved in many less visible forms of resistance (Scott 1985). Yang Jian emphasises the value of the South Pacific to China's reunification strategy (2009). Fergus Hanson has argued that the Taiwan issue is the main driver of Chinese aid in the Pacific while China's regional military ambitions are modest (2008b).

However, the significance of the Taiwan issue should not be overestimated. For instance, if it is the central determinant of Chinese aid, why did its aid keep growing even after it reached a diplomatic truce with Taiwan when the Nationalists and Ma

Ying-Jeou took power in 2008? China only provides foreign aid to the Pacific Islands countries with which it has established diplomatic relations. Among these countries, many have a history of swaying their alliance between mainland China and Taiwan, but why has China chosen to conduct trilateral aid cooperation in some countries instead of others? How do these Pacific recipient countries play their roles in Chinese trilateral aid cooperation? The existing literature fails to address these questions.

As China is moving towards being a superpower, the strategic element of its foreign policy and aid becomes increasingly important to the outside world and deserves greater attention. The Chinese government and some Chinese scholars maintain that Chinese aid is selfless, aiming to help other developing countries build up their development capacity and fulfill China's due international obligations (Zhou Hong 2010; State Council 2011d; Zhang and Huang 2012), but suspicions persist. As foreign aid mirrors Chinese foreign policy, an in-depth analysis of the subtle changes of Chinese aid preference for cooperation is much needed in order to explain how strategic factors influence China's aid cooperation.

B. An economic explanation

Since late 1970s, domestic economic development has become the top priority of China's national policy. Rod Wye argues that the Chinese Communist Party is obliged to deliver continued economic growth in exchange for public support for its dominant position (2011). Substantial efforts have been made to improve China's foreign relations with other countries to facilitate economic cooperation. This has become more prominent since 1992 when China officially announced its objective to establish a socialist market economy, and was reinforced when China became a net importer of oil in 1993. Foreign aid has been provided as a tool to strengthen China's foreign relations in exchange for much-needed natural resources to fuel its fast-running economic engine and expand the markets for its manufactured goods and investment. Since 2000, the Chinese leadership has stressed the importance of leveraging foreign policy for the purpose of supporting China's economic development over the first two decades of the twenty-first century which is labelled by China as the 'period of strategic opportunities' (*zhanlue jiyuqi*).³

³ In July 2009, Chinese president Hu Jintao mentioned at the 11th conference of ambassadors that the first two decades of the twenty-first century remains a strategic opportunity for China. This has been reaffirmed by his successor President Xi Jinping. See Wu, Qimin. 2009. 'Hu Jintao: woguo gaige fazhan wending mianlin xin de jiyu he tianzhan' (Hu Jintao: Our reform, development and stability face new opportunities and challenges). Last modified 21 July. Online: <http://politics.people.com.cn/GB/1024/9687405.html> (accessed 12 May 2014); Xinhua. 2015. 'Shouquan

China's quest for export markets and imports of raw materials to feed its growing appetite for economic development became more evident in 1990s when the Chinese government put forward the 'Go Global Strategy' (*zouchuqu zhanlue*), supporting its enterprises to pursue an international strategy. The Chinese government is open in proclaiming that its aid is for the benefit of both China and recipient countries. It is fair to say that aid has played an important role in boosting China's bilateral relations with partner countries and facilitating trade. Chinese aid to resource-rich Africa has risen dramatically.

Even bilateral trade between China and the Pacific island countries reached \$US4.5 billion in 2012, an average annual growth rate of 27 per cent over the past seven years (Wang Yang 2013). Michael Powles argues that Pacific seabed mineral resources have enormous potential and could dramatically change the region (2007, 50). China has already taken notice of this opportunity as its Ocean Mineral Resources Research and Development Association has completed research surveying the Pacific Ocean's mineral resources and suggested that the Chinese government use its aid to promote the cooperative exploration of seabed minerals in the Pacific (Mo and Liu 2009).

Much literature has focused on the economic aspects of Chinese foreign aid. Some scholars argue that economic and resource concerns dominate China's Africa policy. To them, the main drivers of China's aid to Africa are to open up overseas markets for its goods and investment, and to support Chinese companies in obtaining energy and resource assets so as to reduce the risks of rising energy prices and long-term energy supply shortages (Lancaster 2007a; Davies et al. 2008; Lum et al. 2009). Christopher Alden agrees with this economic-centered view and argues that the 'Angola mode' has become China's favourite approach in Africa: to provide aid to access energy and resources in resource-rich countries and use resources as collateral for debt payment (2012).⁴

In her overview of Chinese aid to the Pacific, Jenny Hayward-Jones stresses that it is inappropriate to observe China's presence in the Pacific from a geo-strategic perspective, and argues China's main purpose is to seek commercial gains and promote South-South cooperation (2013). Zhang Yongjin argues China has limited strategic

fabu: zhonggong zhongyang guanyu zhiding guomin jingji he shehui fazhan di shisan ge wunian guihua de jianyi' (Authorised to release: Recommendations from the Central Committee of the Chinese Communist Party for the 13th Five-Year Plan for Economic and Social Development). Last modified 3 November. Online: http://news.xinhuanet.com/fortune/2015-11/03/c_1117027676.htm (accessed 3 March 2016).

⁴ It is worth pointing out that most Chinese finance to Angola is not official development assistance.

intentions in the Pacific and Chinese aid provides new opportunities for regional economic development (2007).

These analyses provide a useful and reasonable perspective to explain the economic motivations behind Chinese aid. However, they mainly focus on Chinese bilateral aid practices. Existing literature has given scant attention to China's trilateral aid cooperation, let alone explaining how China 'protects' its economic interests through trilateral aid cooperation. Some Chinese scholars such as Yan Xuetong, Dean of the Institute of Modern International Relations at Tsinghua University, have called on the Chinese government to consider whether Chinese foreign policy should continue to be economically centred. As Yan said, 'Should China's rise serve the goal of increasing its economic benefits or improving its global image? My personal answer is clear. The latter goal is more urgent than the former' (Yan 2006, 14).

Does China's willingness to conduct trilateral aid cooperation with traditional donors send a signal that its economic-oriented position is softening? Why has China carried out trilateral aid projects in both resource-rich countries such as Liberia and Timor-Leste, and resource-poor countries such as the tiny Cook Islands? These questions demand further investigation.

C. Aid as soft power

China's rapid development has given rise to a variety of 'China threat' discourses. As a counter measure, the Chinese government has put forward the 'peaceful development' concept adopted in 2004 linked to the promotion of a 'harmonious world' announced by former President Hu Jintao at the 2005 UN Summit. According to Joseph Nye, the soft power of a state is different from coercive power as it attracts other countries to 'want what it wants' rather than 'order others to do what it wants' (1990, 166). Compared to economic expansion and military modernisation, the soft power approach has caught the attention of the Chinese leadership by providing a less sensitive alternative to strengthen China's global influence and reduce the resistance from other powers.

Some scholars have analysed Chinese foreign aid in terms of the 'peaceful development' and 'harmonious world' concepts. Bates Gill and James Reilly argue that China's engagement with Africa, including providing foreign aid, serves its global strategy to promote its image as 'a peacefully developing and responsible rising power seeking a harmonious world' (2007, 38). Wei Xuemei argues that soft power has been incorporated into China's national strategy on foreign aid including in Africa. She echoes the view that foreign aid is used to implement the Chinese ambition of building a

peaceful, cooperative and responsible global image (2011). Scholars such as Guo Sujian, Sheng Ding and Wei Liang note that the Chinese government proposed the ‘harmonious world’ concept in order to mute ‘China threat’ criticism and expand influence through aid provision to avoid the label of ‘new imperialism’ or ‘neo-colonialism’ which are sometimes used to describe China’s recent engagement with Africa (Guo and Blanchard 2008).

Some analysts examine the soft power aspect of Chinese aid in China’s diplomacy. Zhu Zhiqun defines Chinese diplomacy since the early 1990s as ‘new diplomacy’ with features including active diplomacy and emphasis on peaceful development. He argues that China has been building its soft power in Southeast Asia and the South Pacific by providing aid to support economic development in these countries, treating them as equal partners and offering financial assistance at critical moments such as the 1997–1998 Asian financial crisis and the 2004 tsunami (2010b). Joshua Kurlantzick argues that China has upgraded its public diplomacy in Southeast Asia through means such as aid and trade, trying to sell the idea that China will not be a threat to its neighbours (2007). He Wenping, Lai Hongyi, Zheng Yongnian, and Zhang Chi emphasise that China is promoting its soft power through economic and cultural diplomacy such as establishing over 400 Confucius Institutes worldwide by 2010, providing aid through human resource training and Chinese language teaching in order to project a benign global image (Lai and Lu 2012; He 2010). Yanzhong Huang and Sheng Ding argue that China is skilful in using foreign aid to ‘communicate favourable intentions or evoke a sense of gratitude’ from African states (2006, 37).

However, the existing literature fails to explain how the role of soft power differs in Chinese bilateral assistance and trilateral cooperation. In comparison with bilateral aid delivery, do Chinese actors benefit more from trilateral aid cooperation in terms of soft power, and if so, how? How does China balance soft power interests with its political or economic ambitions while providing foreign aid? Further discussion of these questions will shed light on Chinese aid cooperation.

(2) China’s trilateral aid cooperation

Existing research on trilateral aid cooperation needs to be examined closely to see whether it can explain China’s trilateral practices. As a new form of aid distribution, trilateral cooperation has attracted more attention with the rise of emerging donors including China. This new aid modality can be traced back to the *Buenos Aires Plan of Action* which was adopted by the UN in 1978 to push for developed nations’ support to

pursue South–South technical cooperation (Fordelone 2013b, 13). It is growing fast in recent years with over 40 agreements signed by 2010 (ECOSOC 2008, 23), and with participation by two-thirds of traditional donors (McEwan and Mawdsley 2012, 1193). There have also been a growing number of international and regional conferences on trilateral cooperation (Heiligendamm Process 2009; OECD 2012a; Pantoja 2009; Portugese MFA 2013 Schulz 2010;).

Because of its novelty, most of the current literature on trilateral aid is ‘policy-oriented’ (McEwan and Mawdsley 2012, 1187) and descriptive, and merely introduces its history, features, advantages and risks (ECOSOC 2008; Fordelone 2013b; Fordelone 2013a; Mehta and Nanda 2005; OECD 2012c; TT-SSC 2011; UNDP 2009a; Yamashiro Fordelone 2011). A latest contribution is from OECD which published a survey report of 60 countries and over 400 triangular aid projects in September 2016, but China was excluded due to a lack of feedback from Beijing (OECD 2016a). According to the existing literature, trilateral cooperation brings about benefits to international aid practice, including promoting mutual learning among all partners, sharing experiences from developing countries and scaling up aid cooperation. Documented disadvantages include increasing difficulties with coordination among a larger number of donors and high transaction costs in comparison with bilateral aid.

Existing literature, however, has said little about the motivations for donors to engage in trilateral aid cooperation, nor have they explained China’s involvement in trilateral aid projects. Xu Weizhong argues that by conducting trilateral cooperation, China expects to increase the potential of South–South cooperation, improve its international image and familiarise itself with the international aid system (2011, 6). But this explanation is too brief and has no supporting empirical evidence. Philippa Brant speculates that Chinese involvement in trilateral cooperation is linked to its desire to learn more about western aid technology and management skills, the pressure from western donors as well as China’s concerns about its global image (Brant 2012, 137–38). But similarly, she does not provide further evidence and acknowledges that thus far the real motives behind China’s trilateral cooperation remain unknown (139). Vasiliki Papatheologou discussed China–EU–Africa trilateral aid cooperation, especially its prospects and challenges, making the important point that Chinese actors need to give more consideration to the political aspects of development (Papatheologou 2014). However, the analysis is normative and lacks empirical support, and a discussion of donors’ motivations is missing.

(3) China's engagement with the international aid regime

Constructivists such as Alexander Wendt believe socialisation promotes changes in actors' behaviour (Wendt 1999). Chinese involvement in the international aid regime is a dynamic two-way process in which China not only wields influence on the regime, but also is affected by it. As mentioned earlier, China has been increasingly active in the international aid regime. On the one hand, it enthusiastically defends its own aid norms and practices. On the other hand, it has begun to step up cooperation with other donors.

Most of the existing literature, however, focuses on the impact of Chinese aid on the international aid regime and the views expressed are diverse. Clemens Six argues that China's rise as an emerging donor is complicating the traditional aid regime by introducing new norms and practices, and that their normative dimension demands further analysis (2009, 1115, 1118). He Wenping claims that Chinese aid has boosted Africa's economic growth and lifted its international status (2010, 15–17). Marian Urbina-Ferretjans and Rebecca Surender point out that China's 'developmental' approach to its aid in Africa is starting to have an impact on western donors' 'pro poor' approach in their aid delivery (2013). One typical example is that western donors are re-considering the increase of infrastructure aid projects in Africa (Urbina-Ferretjans and Surender 2013, 271–72).

Some analysts express concerns with aspects of Chinese aid. Anabela Lemos and Daniel Ribeiro hold the view that some African regimes including Mozambique have taken advantage of China's non-interference policy to obtain Chinese aid while avoiding local and international pressure to combat corruption (Lemos and Ribeiro 2007). Ian Taylor expresses concerns with issues including human rights and governance arising from China's oil diplomacy in Africa (2006, 952). Yiagadeesen Samy argues that while most African leaders welcome Chinese aid, civil society in Africa has concerns with this aid including the support of corrupted regimes, rising debt levels and inappropriate use of local workers (2010, 85–86).

The differences between aid from China and traditional donors are explored by some scholars. Deborah Bräutigam analyses the differences between aid from China and traditional donors. She argues that one main challenge for their cooperation is that China is not a member of the OECD (2011, 761). Felix Zimmermann and Kimberly Smith argue that the rise of emerging donors has intensified the 'legitimacy crisis' of the current aid system and new donors need to be included more in the decision-making process (2011, 732–33). By tracing the negotiation process at the Busan Forum on Aid Effectiveness in 2011, Laura Savage and Rosalind Eyben argue that emerging donors

including China ‘avoided being identified with the North wherever they could’ (2013, 466).

Some analysts touch on the point that traditional donors are taking action to tackle the impact of emerging donors. They argue that the emergence of new donors exposes deficiencies in the international aid regime such as failing to honour promises for more aid, ‘discredited’ conditionality and inadequate coordination (Woods 2008; Brant 2012). western donors have shifted from neglecting emerging donors to acknowledging their potential (McEwan and Mawdsley 2012).

Some scholars discuss the nature of China’s engagement with the international aid regime. Carol Lancaster and Deborah Bräutigam contend that China has begun to engage with other donors including the United Kingdom, Germany, Canada and the Food and Agriculture Organization to learn more about their aid arrangements and procedures (Lancaster 2007a; Bräutigam 2010). Merriden Varrall adopts a constructivist position to analyse perceptions amongst Chinese foreign policy practitioners around three questions: what is development; how to achieve development and what is China’s role in international development? (2013). She argues that China’s distinctive views on these questions were formed and reiterated over time and it is thus unlikely China will identify with traditional donors and change its perception of aid in the near future (254). Some analysts argue that in general Chinese aid is welcomed by recipient countries as it provides an alternative and increases the leverage of recipient countries in dealing with traditional donors (Opoku-Mensah 2009; Sato et al. 2011b). Lauren Roussel analyses the changing donor landscape in Nicaragua, arguing that traditional donors welcome emerging donors and express willingness to cooperate with them (2013).

Laurence Chandy and Homi Kharas, researchers from the US Brookings Institution, present an interesting argument about the relationship between South–South development cooperation providers including China and India, and traditional donors. According to them, the two types of donors differ not in aid principles but in interpretations about these principles, and that trilateral aid cooperation could be a good model for future cooperation (Chandy and Kharas 2011, 743–44, 749). However, they also note that even traditional donors struggle to coordinate their aid activities, let alone cooperate with each other. As they put it, ‘On the surface, the degree of trust between traditional donors appears very high. Yet, behind this veneer of cordiality and affinity is a different reality’ (746).

However, the obvious weakness of these analyses is that they fail to address the other side of the same coin: namely the traditional aid regime’s impact on China. There

is a lack of detailed analysis on the extent to which China's evolving foreign aid is shaped or influenced by its international engagement with traditional donors, multilateral development organisations and recipient countries. This missing part of the equation has potentially great explanatory value for understanding what has been driving Chinese actors to engage in trilateral aid cooperation over recent years.

(4) China's domestic aid institutions

China does not have a separate government agency to oversee its foreign aid. Its aid portfolio is scattered among a variety of agencies. The diversity and divergence of interests in foreign aid should not be neglected when exploring China's motivations for engaging in trilateral cooperation. For instance, Bates Gill and James Reilly argue that the complexity of aid accountability issues facing Chinese companies in Africa exacerbates the principal-agent dilemma and compromises the aid effectiveness of the Chinese government (2007). The diversity and divergence of interests among Chinese foreign aid actors should not be ignored.

Some scholars have examined the portfolios of Chinese aid agencies including MOFCOM, MFA, China Exim Bank and the China Development Bank (Bräutigam 2008; Davies et al. 2008; Huang and Hu 2009). Sven Grimm and his research team from the Stellenbosch University provide a valuable explanation to China's sources of foreign aid and explain the roles of various Chinese aid agencies on this issue (Grimm et al. 2011). Taking China's relationship with Angola as an example, Lucy Corkin argues that by measures such as providing soft loans, MOFCOM and China Export-Import Bank are playing a more important role than MFA in Chinese foreign policy in Africa (2011). However, these analyses fail to explore the roles of these agencies and their interest groups in influencing Chinese policymakers' preference for trilateral aid cooperation.

Research gaps

In summary, a number of important gaps can be identified in the existing research on China's foreign aid. Existing research has examined the motivations behind Chinese bilateral aid from a variety of perspectives such as political ambition, economic interests and soft power. However, little attention has been given to the main factors driving Chinese growing trilateral aid cooperation in recent years. The existing literature also mainly focuses on the likely impact of Chinese aid on the traditional aid regime, but fails to fully explore how Chinese aid preferences are influenced by others—traditional

donors, multilateral development agencies and recipient countries—in a dynamic process of interaction. Nor does the existing literature give due attention to Chinese domestic bureaucratic power structures, state and non-state interest groups that directly affect Chinese aid preferences for trilateral cooperation. In the absence of research that addresses these gaps, current analysis on the motivations of Chinese trilateral aid is tenuous at best.

2. Conceptual framework

This section will outline the rationale of my research design. It will begin with a brief explanation of the complexity of China's foreign aid. Three analytical perspectives will be presented to address this complexity, which will justify my use of constructivist theories on identity, interest and ideas, and cognitive learning theories as the main theoretical threads to explain the expansion of China's trilateral aid cooperation. What follows is an introduction to my research design and data collection methods focusing on case studies and process tracing.

(1) Three analytical perspectives

The diversity of Chinese aid motivations means that no single factor can supply a satisfactory explanation. Given its growing economic and global influence, Chinese aid receives scrutiny and pressure from outside, and its multilateral aid cooperation is inevitably exposed to outside influence through a dynamic process of interaction. This outside influence will not automatically translate into aid policy changes in China, but needs to go through a complex internal 'translation' process, which is shaped by a variety of domestic stakeholders and interest groups. Moreover, China's foreign aid policy is generated through a dynamic rather than a static process. Aid policy reform of the past exerts influence on the current aid policy reform, which in its turn will inform changes in the future.

As will be explained, in addressing my research question I will draw upon constructivist and cognitive learning theories while remaining cognisant of the relevance of other theories relating to power and material interests. It is not that I am dismissing alternative theories, but rather identifying the limitations of neorealism and neoliberalism in explaining Chinese aid behaviour. I will take a three-layered approach that brings together national interests, social interactions and domestic institutions. These three perspectives are:

- The interest calculations of the Chinese government

- International engagement in foreign aid
- China's domestic institutions.

Interest calculations

As foreign aid is intertwined with China's political, economic and global image interests, it is an integral part of China's foreign policy. It is also closely linked to China's economic activities overseas. This perspective focuses on potential domestic reasons for China's adoption of trilateral cooperation. It will analyse China's diplomatic strategy and calculations of national interest. A thorough analysis of China's interest calculations in its foreign-aid program will facilitate the understanding of China's recent adoption of trilateral aid cooperation. The findings outlined in the following chapters will examine how China's changing identity leads to changing calculations of what constitutes its national interest and changing ideas on which aid modalities are suitable. It will explore how China measures global image building and other factors such as political and economic interest in aid delivery and how it adopts trilateral aid cooperation to promote its global image.

International engagement

China's engagement with traditional donors and multilateral development agencies has expanded rapidly. This process does not merely give rise to functional pressures for China's compliance with international aid norms; it also redefines China's understanding of its interests, ideas and practices regarding aid cooperation. This perspective aims to identify potential external reasons for China to engage in trilateral cooperation. It will fill the aforementioned research gap and trace China's historical engagement with traditional donors and multilateral development agencies, especially since 2000. On this basis, it will investigate how international engagement has affected China's perceptions of identity, interest calculations and ideas for the improvement of aid effectiveness, which leads to China's experimentation with a new aid modality—trilateral cooperation.

Domestic institutions

Kenneth Waltz argues, 'domestic political structure has to be examined in order to draw a distinction between expectations about behaviour and outcomes in internal and external realms' (1979, 81). Lancaster points out 'the impact of domestic politics on aid giving is often overlooked by scholars (2009, 808). The heterogeneity of Chinese aid policymaking leaves spaces for China's aid agencies to compete, cooperate and

coordinate with each other in pursuit of their own interests. This domestic interaction directly shapes decisions over cooperation under different circumstances. Changing the aid modality from bilateral to trilateral will inevitably affect the vested interests of these stakeholders who can either support the Chinese government's tendency to cooperate within the international aid regime, or create resistance. Given that research on the influence of Chinese domestic aid institutions is inadequate, this perspective will be integrated into an overall analysis of the motivations behind China's trilateral aid cooperation, comparing the attitudes of China's various aid agencies towards trilateral modality.

(2) Theories on identity, interests, ideas and social interaction

A. International relations theories

Why do states cooperate? Rationalist theories and constructivism offer different answers. Based on a brief introduction to these theories, I will justify why constructivist theories of identity, interest and ideas have greater analytical power to address my research question.

Neorealism and neoliberalism are rationalist theories. Neorealist scholars concentrate on power as the essence of international relations. They assume states are egoists who are primarily concerned with the pursuit of material self-interest in the anarchical world (Gilpin 1981; Mearsheimer 2010; Waltz 1979). Neoliberalism shares the materialist assumptions that underpin neorealism, though this school of thought argues that self-interested states can cooperate in some circumstances with a view to absolute gains. Robert O. Keohane analyses how international regimes facilitate cooperation among states by 'reducing the costs of legitimate transactions ... and of reducing uncertainty' (1984, 107).

Constructivist theories 'share a critique of these static material assumptions held by rationalist scholars, and they emphasize the process of interaction' (Fierke 2010, 178–80). They focus on the roles of norms, identity, interests and social interactions. Alexander Wendt challenged the assumptions of rationalist theories, arguing that 'identities and interests are endogenous to interaction, rather than a rationalist-behavioural one in which they are exogenous ... Anarchy is what states make of it' (1992, 394, 395). Constructivists do not deny the importance of interests, but they argue social interactions can reshape states' perceptions of identities and interests while identities can inform interests and political actions (Finnemore 1996; Reus-Smit 2013; Wendt 1992, 1999).

Rationalists believe states may cooperate in some circumstances to maximise their interests, but their interests and preferences are treated as inherent. Jeffrey Checkel argues that rational-choice scholars believe that actors may acquire new information through simple learning to alter their strategies during interaction, but their given preferences will not change (2001, 561). This differs from constructivist theories, which hold that the identities, preferences and interests of actors are all open to change through the course of interactions (ibid.).

When analysing the European identity, Jeffrey Checkel and Peter Katzenstein argue, ‘Identities flow through multiple networks and create new patterns of identification ... identity matters’ (2009, 213, 216). Amitav Acharya investigates the development of multilateralism in Asia Pacific and argues, ‘the emergence of Asia-Pacific multilateral institutions is not just (material) interest-driven, but identity-driven’ (1997, 343). In an influential study, Martha Finnemore details how international organisations such as the United Nations Educational, Scientific, and Cultural Organization, the International Committee of the Red Cross and the World Bank socialise states to accept new norms, values and perceptions of interests (1996).

In contrast to Finnemore’s analysis of how external factors influence states’ identities, some constructivists examine the role of domestic factors in this identity-shaping process. Alastair Johnston explores how China’s *realpolitik* strategic culture shapes its security policy, and Peter Katzenstein highlights the importance of culture and identity in defining actors’ interests (Jackson and Sørensen 2007, 171–72).

B. Cognitive learning theory

Cognitive learning originates from regime theory, a branch of international relations theory. Cognitive learning and constructivist theories share much in common regarding the importance of identity, interests, ideas and interactions. Many constructivist scholars have actually developed their theories through empirical analysis of international regimes. As such, cognitive learning theories will be introduced and used in my research to examine China’s learning processes through its interaction with the traditional aid regime.

Regime theory became popular after World War II as a means of explaining why states still sought ways of cooperating in an anarchical world. Realism failed to explain why states became enmeshed in international organisations and supported regional integration (Haggard and Simmons 1987, 491–92). However, the idea of regimes remains a contentious issue in international relations, and scholars have failed to reach a

consensus over whether they really matter. The Grotian school of scholars including Oran Young, Raymond Hopkins and Donald Puchala insist that regimes are pervasive within the international system. In contrast, Susan Strange and Kenneth Waltz contend that regimes have little or even no impact because power or interests are the dominant factors in determining state behaviour. Many other scholars take a middle path. For example, Arthur Stein, Robert Keohane, Robert Jervis, John Ruggie, Charles Lipson and Benjamin J. Cohen argue that regimes are needed in an anarchical world to help coordinate state behaviour for collective gains (Krasner 1983).

Stephan Krasner's widely used definition of an international regime remains dominant in the literature:

Regimes can be defined as sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations. Principles are beliefs of fact, causation, and rectitude. Norms are standards of behaviour defined in terms of rights and obligations. Rules are specific prescriptions or proscriptions for action. Decision-making procedures are prevailing practices for making and implementing collective choices (Krasner 1983, 2).

Three main approaches to regime studies are recognised in the literature (Haggard and Simmons 1987; Hasenclever, Mayer, and Rittberger 1997, 2000; Krasner 1983; Rittberger and Mayer 1993; Tarzi 2003). The first is power-based neorealism, which emphasises the dominant role of power in regime development and highlights relative gains among actors. Hegemonic stability theory suggests that the rise and fall of a hegemon leads to a regime's evolution. The second is an interest-based neoliberal approach that shares assumptions with neorealism: states pursue self-interest and care about definite gains. Both neorealist and neoliberal scholars embrace a rationalist explanation for cooperation: states accept the existence of the regime because only through cooperation can they achieve common interests in an anarchical world (Hasenclever, Mayer, and Rittberger 1997).

A third approach is knowledge-based cognitive theory, which will be applied in this research. It emphasises the importance of beliefs, knowledge and identity in regime development. According to this theory, beliefs of decision-makers can shape interactions among states and lead to policy changes. Learning is a process that creates new knowledge, helps form ideas and affects cooperation between states. Shared ideas or beliefs are conducive for cooperation and the formation of norms while norms in turn reinforce shared ideas.

Identity is a central concept in cognitive theory. Cognitivists argue that identities of states change in response to social interaction. Identities are affected by both the structure of the regime and interactions among states (Hasenclever, Mayer, and Rittberger 1997, 137–92). Compared with the rationalist approaches of neorealism and neoliberalism, cognitivism offers an important analytical tool for explaining the evolution of regimes by utilising the important role of learning. It sheds light on a dynamic that the other two approaches do not consider (Haggard and Simmons 1987, 510). Ernst Haas provides an in-depth analysis of the learning process and categorises two kinds of learning processes: adaptation and learning. While adaptation means the use of new means to achieve the same goal, learning means the changing of both goals and means, and is a process of redefining actors' interests in light of new knowledge and information to seek collective gains (Haas 1990, 3–4).

Theoretical justification

This research will apply constructivist theories and cognitive learning theories to examine the evolution of China's identity, interest and ideas from the three perspectives of interest calculation, international engagement and domestic institutions. Specifically, constructivist theories will be used to analyse China's interest calculations and domestic aid institutions. Cognitive learning theory will be used to explore China's external engagement with the international aid regime.

Constructivist theories are preferred because they have strength in explaining the relations between identity, interest and ideas. This thesis will examine how and why China's identities, interests and ideas around aid norms are changing. It will also demonstrate how China's changing identities inform its calculations of national interest and the adoption of specific aid modalities.

Similarly, cognitive learning theory is chosen because of its explanatory power in respect of the learning process that takes place during social interactions. This relates closely to my research of trilateral aid cooperation, as 'Knowledge sharing, mutual learning and capacity development are at the heart of triangular cooperation' (OECD 2012c, 1). It will explain the ways and extent to which the social dynamics between China and traditional donors and multilateral development organisations affect China's preferences for trilateral cooperation. Another reason to emphasise cognitive learning is that, as China is not an OECD–DAC member, OECD aid norms are not binding on China. The cognitive learning approach is thus used to test the constitutive effect of external interactions on China's changing aid preferences. During analysis, I will pay

attention to two levels of learning. The first type is due to functional needs including external pressure on China to learn. The second relates to changes in thinking among China's aid policy makers.

It is extremely important to state here that I am fully aware of the risk of the Texas Sharpshooter Fallacy, that is to only collect supportive evidence to confirm my proposed argument while ignore other evidence and alternative explanations. To reduce this risk, I will take a critical approach to theories in my analysis. This issue will be revisited in Chapter Eight.

First, the selection of constructivism theories and cognitive learning theories is based on my comprehensive background study of China's existing trilateral aid projects before analysis. This gives me empirically based assumptions that the above two theories might have more strengths than some other IR theories in explaining China's trilateral aid cooperation. The material interest-based rationalist theories (including neorealism and neoliberalism) seem to have weak analytical power in explaining China's willingness to engage in trilateral aid cooperation. For instance, neorealism argues persuasively that material power determines an actor's behaviour, yet in this thesis there are clear challenges to this assumption: why did China provide large amounts of foreign aid in the first three decades of the People's Republic (1950s–1970s), even while its own economy was weak? As the following chapters will show, identity matters. Another example is that, China's economic capacity has been strengthened greatly after more than three decades of reform and opening up. China could be more assertive in its foreign aid. It could emphasise more the singularity of its aid practice and stick to bilateral aid. Yet the reality points to the opposite. China is showing more readiness for trilateral aid cooperation. These observations are difficult to explain using rationalist theories.

The second point is, though I will borrow some constructivism and cognitive theories in my analysis, it does not mean I take them as revealed truth. They have the potential to explain my research question, but these theories will be rigorously tested through my research—especially in my three case studies—for their validity. I am also aware of the critiques faced by constructivism especially from neorealism, the main theoretical opponent for most constructivists. Neorealism scholars are sceptical about the roles of norms and social interaction among states, arguing that states routinely disregard those norms that are not in their interest and states cannot easily become friends during social interaction (Jackson and Sørensen 2007, 172–73). As a result, in addition to constructivism and cognitive theories, IR theories such as neorealism and

neoliberalism as well as alternative explanations engendered for my research question will also be discussed in my analysis including in Chapters Four, Five, Six and Eight.

(3) Research methods

This study is mainly based on qualitative research. Case study and process tracing are the two main research methods.

A. Case study method

The case study method has its distinctive advantages. It can strengthen conceptual validity through contextualised comparison and draw contingent generalisations. An in-depth analysis of selected cases is capable of discovering new hypotheses, and well-designed case studies can also explore causal mechanisms, modelling and assessing complex causal relations (George and Bennett 2005, 19–22). I am also mindful of the disadvantages of the case study method such as case bias, especially the cherry-picking problem of intentionally selecting cases to confirm the hypothesis, the under-representation of cases and the related generalisation issue (ibid., 22–34). Measures have been taken to minimise the negative impact of these disadvantages.

Case selection criterion

It would be useful to combine large-number cases with small-number case studies, which could reduce the risk of case bias and address the generalisation issue. The statistical study of large-N cases will find the associations between variables while the small-N case study has the strength to confirm the association and identifying the causal process. The reality is, however, that China's trilateral aid cooperation is still in its infancy and the number of projects is limited, which makes a large-N study impossible.

Barbara Geddes argues that it is important to compare a case with the outcome (Y case) with a case without the outcome (non-Y). The reason is that, by only doing the Y case, we will incorrectly identify some causal factors which may exist in non-Y cases (Geddes 1990). This logic is clear. However, I do not include Chinese bilateral projects in my case study for two reasons. First, selecting an appropriate bilateral project for comparison is difficult as the number of China's bilateral aid projects is huge: the danger of cherry picking is apparent. Choosing a bilateral project also brings the risk of bias as many projects are subject to case-specific technical factors such as an individual official's personal preferences or connections, which will reduce the validity of the analysis.

Second, comparing a Chinese bilateral aid project with a trilateral project is not a good fit for my research question, which attempts to answer *why China is doing trilateral aid cooperation*. As will be elaborated in the following chapters, my finding is that, China's adoption of trilateral aid cooperation is a joint result of its greater attention to global image building and a stronger desire to learn from traditional donors and multilateral aid agencies compared with the past. A comparison of a bilateral aid project with a trilateral aid project is perfect to answer another question: *under what conditions will China deliver its aid bilaterally or trilaterally*. It is not a good way to explain *why China is conducting trilateral aid cooperation*.

The *why question* is different from the *under what conditions question*. The *why question* explores deep-rooted reasons while the *under what conditions question* delves into more direct or symptomatic reasons. The answers to these two types of questions are related but not identical. To use an analogy, the question *why people need to eat* is different from *under what conditions will people eat*. The answer to the first question is that people need to eat to obtain the energy to sustain life, while the answer to the second question is that people eat when they are hungry. Similarly, the answer to the question *why China is conducting trilateral cooperation* is different from the answer to the question *under what conditions will China deliver its aid bilaterally or trilaterally*. As such, I will not compare a China's bilateral aid project with a China's trilateral aid project in this thesis, though this *under what conditions question* deserves further investigation in separate research in the future.

Table 2. Case selection variables in this research

Variable	Case One	Case Two	Case Three
	China–UNDP–Cambodia trilateral project on cassava	China–US–Timor-Leste trilateral agricultural project	China–Australia–Papua New Guinea trilateral project on malaria control
Case type	Typical case Diverse case Most different case	Least likely case Diverse case Most different case	Typical case Diverse case Least likely case
Donor partner	UNDP	The United States	Australia
Importance of donor partner	The largest UN development agency	The largest traditional donor	The largest traditional donor in the Pacific region
Recipient country	Cambodia	Timor-Leste	PNG
Recipient country in China's foreign policy	Strategic	Normal	Normal
Recipient country in China's aid landscape	Main recipient of China's aid	Small recipient of China's aid	Main recipient of China's aid in the Pacific
Geography	Southeast Asia	Southeast Asia	South Pacific
Project field	Agriculture	Agriculture	Health

Population ⁵	15.32 million (2014)	1.21 million (2014)	7.46 million
Land area	176,520 km	14,870 km	452,860 km
Project execution	2011-2014	2013-2014	2015-2017
Project value ⁶	\$610,000	\$400,000 (China side) \$5 million (US side)	AU\$4 million

Source. Compiled by author from own analysis and based on John Gerring's categories of case selection (2007, 89–90).

To reduce the risks of case selection bias and underrepresentation, I have taken a few measures. I have done a comprehensive background study of China's existing trilateral aid projects, which gives me a clear idea of what are possible causal factors. This reduces the risk of missing important causal factors in my small-N case study. I have also avoided random selection, which has high risks of bias as China's trilateral aid projects are limited in number. Random selection may choose an 'inappropriate' trilateral project that is determined by case-specific technical factors such as an individual official's preferences, which could undermine the validity of the conclusions. Finally, I have selected cases that range in regions, project fields, the importance of the recipient countries in China's foreign aid landscape and the importance of the traditional donor partners to China.

As Table 2 shows, typical cases, diverse cases, most different cases and least likely cases are chosen which can compensate for the absence of a bilateral aid project in my case study. These criteria tease out unimportant technical factors and allow us to test China's interest calculations, international engagement and domestic institutions in a wider context.

China–UNDP–Cambodia trilateral aid project on cassava

International organisations are significant partners of Chinese multilateral aid cooperation projects and could be the catalyst for the evolution of Chinese aid preferences. The UNDP is the largest UN agency focusing on development. It is also among the earliest and most active of the international organisations in promoting multilateral partnership with China. In 1979, not long after the end of the Maoist era, the UNDP established an aid cooperation partnership with China, although the early focus was on aid to China. In 2010, the two sides signed a new memorandum of understanding and pledged to promote trilateral aid cooperation, which marked the commencement of their second phase of cooperation (Wang Min 2013). Cambodia is

⁵ The data on population and land area comes from the World Bank's database.

⁶ The project value on the China–US–Timor-Leste trilateral agricultural project is an estimate from the author's interviews.

one of the main recipients of Chinese aid in Asia. Due to historical and strategic reasons, Cambodia enjoys close diplomatic relations with China. Cambodia is also a major recipient of international development assistance. Nearly 90 per cent of the Cambodian government's expenditure has relied on foreign assistance since 2005 (CDC 2008, 1). In addition, this cassava project is the first trilateral project between the UNDP and China.

These reasons make this trilateral project a typical case in China's trilateral cooperation. This research will examine China's identity, interest calculation and ideas in the process of China–UNDP engagement on development cooperation. This project can shed light on China's trilateral aid cooperation with multilateral aid agencies, especially UN agencies, and how they differ from China's interaction with traditional donor states.

China–Australia–PNG trilateral project on malaria control

Australia is the leading traditional donor in the Pacific and enjoys close relations with Melanesian countries. Papua New Guinea is the largest and one of the most influential countries in the region. Australia–PNG relations are among the top priorities of Australia's foreign policy. In 2014–2015, Australia's total aid budget to PNG reached \$421.2 million (AU\$577.1 million),⁷ accounting for nearly 60 per cent of Australian aid to the Pacific (DFAT 2015). PNG is also China's leading partner for economic cooperation in the Pacific region and an important recipient of China's foreign aid. However, in aid management, PNG is plagued by a weak institutional capacity.

On the one hand, the China–Australia trilateral aid cooperation in PNG is a typical case of cooperation between China and traditional donors on the regional level. On the other hand, it is a least likely case given the chaotic aid coordination in PNG in comparison to other Pacific Islands countries especially Samoa, which have a stronger institutional capacity on aid management and a stronger desire to see aid coordination among donors, as will be discussed in Chapter Seven. Similarly, this research will analyse China's identity, interest calculations and idea changes in the process of China–Australia engagement on development cooperation. It will also examine the particularities of this China–Australian–PNG trilateral aid project on malaria control.

⁷ US\$1 equals around AU\$1.37 on 31 December 2015.

China–US–Timor-Leste trilateral project on agriculture

China and the United States are important in developing global aid norms: the former is the largest emerging donor while the latter is the largest traditional donor. Their aid cooperation in Timor-Leste, while little known even in policy-making circles, has significant implications for the evolution of the international aid regime. In recent years, China and the US have exhibited a growing interest in conducting trilateral aid cooperation, and have started to put their ideas into practice. The US is the main priority of China's foreign policy. It is also the most vocal critic of China's foreign aid practices.

According to the neorealist approach, China and the US are potential rivals, and foreign aid serves their national interests respectively. It seems they will be least likely to cooperate in delivering foreign aid. However, as China's national economic and military capacity grows it gains the strength to act more assertively through bilateral means. Furthermore, Timor-Leste is not a focal point in terms of foreign aid or foreign policy for either China or the US.

These reasons make this trilateral cooperation project a valuable least-likely case. This study will analyse China's identity, interest calculations and ideas through the lens of China-US engagement on development cooperation, in the specific context of a trilateral agricultural project in Timor-Leste. It will attempt to explain what causal factors made this least likely case a reality.

Considering the wide range of variations of indicators in Table 2, we can see that the three cases are diverse in nature. In particular, case one and case two are most different cases in many aspects. A comparative analysis of the three cases will be conducted in the following chapters to strengthen this research.

Focus on the Asia-Pacific region

My case studies will concentrate on China's trilateral aid cooperation in the Asia-Pacific region for four reasons.

- This region is an important focus of Chinese foreign aid policy.
- The Asia-Pacific region is defined as China's 'great periphery'⁸ in foreign relations, which is critically linked to its stability and development. This diplomatic position directly shapes Chinese aid policy towards the region.

⁸ The definition of 'great periphery' comes from speeches made by Chinese President Hu Jintao at the 10th and 11th conferences of Chinese ambassadors held in 2004 and 2009 respectively. See Chen, Xiangyang. 2009. 'Xinshiqi zhongguo da waijiao de fangxiang' (Direction for China's big diplomacy in a new era). Xinhua. Online: http://lw.xinhuanet.com/htm/content_4954.htm (accessed 30 September 2014).

- Pacific Island countries are heavily dependent on foreign aid and are traditionally located within the spheres of influence of the US, France, Australia and New Zealand. This makes the Pacific an ideal place to review the dynamic interactions between China and traditional donors.
- Far less attention has been given to the Pacific region compared to Africa and Asia.⁹

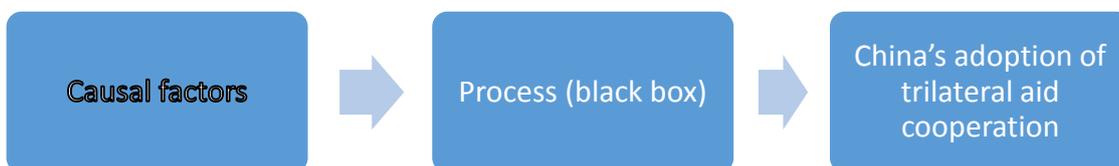
Though the case studies focus on the Asia–Pacific, this research covers China’s foreign aid policy as a whole. For instance, it will discuss the significance of the China–US–Africa trilateral dialogue on development cooperation.

The timeframe of this research will cover Chinese foreign aid in the relatively long period from 1950 to 2016. This is necessary not just because China’s engagement in development cooperation dates back to the 1950s, but because constructivist theories are best applied to research subjects that can be examined longitudinally. As Wendt argues, the analytical division of labour is that, ‘rationalism for today and tomorrow, constructivism for the *longue durée*’ (1999, 367). In particular, China’s foreign aid since 2000 will be highlighted because China’s development assistance has increased significantly over the past decade and China’s trilateral aid cooperation emerged during this period.

B. Process tracing method

As Figure 2 illustrates, the causal process linking causal factors and China’s adoption of trilateral aid cooperation is sealed in a black box and remains unknown. An analysis of this process will greatly facilitate the understanding of this black box and the whole causal process.

Figure 2. Process tracing Chinese trilateral aid cooperation



Source. Compiled by author from own analysis

Process tracing is tasked with identifying the causal mechanisms as:

⁹ A topic search combining the key words ‘Chinese aid’ plus ‘region’ in the ProQuest Database dated 19 April 2016 finds 2028 items (including books, journal articles, news reports, etc.) on Chinese aid to Africa, 2399 on Asia, 706 on Latin America and 147 on the South Pacific.

Ultimately unobservable physical, social, or psychological processes through which agents with causal capacities operate, but only in specific contexts or conditions, to transfer energy, information, or matter to other entities. In doing so, the causal agent changes the affected agencies' characteristics, capacities, or propensities (Bennett and Checkel 2015, 12).

Process tracing is employed in this research for its strengths. For instance, it can address the issue of equifinality-multiple paths to the same outcome, by affirming or disconfirming particular causal mechanisms as viable explanations in individual cases. It also has strength in reducing the risk of omitting important causal factors (Bennett and Checkel 2015, 20).

Process tracing has its own weaknesses including the resource problem, the measure-of-fit problem, the story-telling problem and the problem of generalisation (Schimmelfennig 2015, 102–104). I have taken measures to minimise these problems. For instance, while using process tracing in case studies, if we need to select case studies, Frank Schimmelfennig suggests we select typical cases, conduct two to three diverse cases, and make use of least likely cases (2015, 105). This coincides with my case selections above.

In my case studies, I will use process tracing to examine the whole process of China's trilateral aid cooperation, from the initiation of the project idea, through the idea flow, the coordination among the three countries in each project, and coordination among China's domestic aid institutions, through to the final execution of the project on the ground. In particular, critical junctures and the sequence of decision making will be highlighted.

When using process tracing in the search for evidence in case studies, different tactics including the smoking gun test, the hoop test, the doubly decisive test and the straw in the wind test will be used (Mahoney 2012, 574–83). Alternative theories will be tested.

(4) Data collection techniques

Data for this research is mainly collected through interviews and documentation. Documentation includes primary and secondary sources. Primary sources include government policy papers and media reports. Secondary sources include literature on Chinese foreign aid. Though my cases focus on China's trilateral cooperation in the Asia–Pacific region, as Africa is the largest recipient of China's foreign aid, some sources on China's aid cooperation in Africa will be referred to.

Table 3. A breakdown of my interviews

	Government aid officials	Research institutes	Non-Chinese diplomats, multilaterals	Chinese officials, companies	Business, media, civil society	Total
China	13	12	14			39
Australia	1	7		5		13
New Zealand	6	1				7
Papua New Guinea	15	4	8	6	1	34
Timor-Leste	12	1	11	1	2	27
Cambodia	5	4	4	1	1	15
Samoa	2		2			4
Cook Islands	1					1
Total	55	29	39	13	4	140

Source. Compiled by author from own analysis.

Taking into consideration that one great obstacle in studying China's foreign aid is the lack of available data, especially from the Chinese side, I have taken advantage of my language skills as a native speaker of Chinese and based my analysis on a large number of China's public documents, including white papers, speeches of state leaders and aid officials, and media releases. Careful content analysis of these documents have revealed a lot about Chinese decision makers' views on foreign aid. I have also enriched this research by widely surveying the literature produced by Chinese researchers. This thesis aims to enrich the existing research on Chinese foreign aid by interpreting China's aid through the lens of Chinese decision makers. In addition, it builds on extensive interviews with the main participants in each of the three partner countries (see Table 3), which has increased the validity of the research.

Table 4 demonstrates the research transparency which includes data access, data collection techniques and data process methods.

Table 4. Research transparency in this project

China's trilateral aid cooperation	Perspective One: Interest calculations	Perspective Two: International engagement	Perspective Three: Domestic aid institutions
Main concepts	China's identity, interest, ideas on aid modalities.	Learning from international engagement on aid issues.	Impact of trilateral aid cooperation on China's aid agencies.
Sub-questions	What are the changes of China's identity, interest and ideas on aid modality? Why and how have they occurred?	How is the learning process? What are the results?	What are the portfolios of China's aid agencies? What are their attitudes towards trilateral aid cooperation? Why?
Data acquired	China is placing growing emphasis on its identity as a rising great power and its global image building in diplomacy.	International engagement has led to China's changing views on western aid and cooperation with traditional/multilateral donors. China has been learning to reform its aid policies.	China's aid agencies have demonstrated diversified positions on trilateral aid cooperation.
Research methods	Three case studies; process tracing.		

Data collection techniques	Interviews: aid officials, participants of China's trilateral aid projects, scholars from China, traditional donors, multilateral aid agencies and recipient countries; Documentation: official documents, speeches, media reports from China, traditional donors, multilateral aid agencies and recipient countries; existing literature.
Data processing	Triangulation is applied to increase data reliability; Comparative analysis of the three cases.

Source. Compiled by author from own analysis¹⁰

Triangulation

I am fully aware that as China does not release country-based figures for its aid data, researchers on Chinese aid have to work much harder to triangulate open access data. I have taken into account the possibility of bias in my data and where possible have used triangulation to reduce this risk. As much data derives from interviews with aid officials and trilateral project participants, I have been cautious of their answers to my interview questions and considered the context behind their views. As an example, it is common that government officials tend to exaggerate the positive aspects of the projects and conceal their real motivations. To address this issue, I have asked the same question during interviews with officials and stakeholders from the three countries involved in each trilateral project, and compared these views to increase the reliability of data.

I have also compared the views of aid officials from these countries with relevant government documents. In terms of data reliability, written speeches and documents differ from spontaneous speeches. Remarks in public differ from remarks made on private occasions. Therefore, I have provided interview questions to interviewees on some occasions but not the others.

In terms of interviews, my choice of my interviewees depended on their availability, but I also considered the hierarchical nature of the policy-making system, particularly in China. Low-level officials do not have decision-making authority, but they have a better understanding of the background information, while it is opposite for the high-level officials. Interviews with these two types of aid officials have their own advantages and disadvantages. Therefore, I chose to interview these two types of aid officials on some questions and triangulate. In addition to one-on-one interviews, I also conducted a focus group interview with aid officials and students of agriculture from Timor-Leste National University who participated in the China–US–Timor-Leste trilateral project.

¹⁰ The idea for this table was triggered by the following book: Diana Kapiszewski, Lauren M. Maclean and Benjamin L. Read. 2015. *Field Research in Political Science—Practices and Principles*. Cambridge: Cambridge University Press, 92–93.

3. Conclusion

This chapter has studied the existing literature on China's foreign aid motivations and identified the main gaps in explaining the motivations for China's growing interest in trilateral aid cooperation. Based on that, it introduces the main theories of international relations on identity, interests, ideas and social interaction. Constructivist theories and cognitive learning theories are foregrounded because of their potential to explain China's adoption of trilateral aid cooperation. In addition, research methods of case studies and process tracing as well as data collection methods are explained to demonstrate the transparency of this research.

Let me conclude by citing the metaphor from Professor Li Anshan, a senior Chinese expert on China–Africa relations and Chinese foreign aid from Peking University, on the gradual evolution of China's aid policies:

A US expert on Chinese affairs [Denis Waitley] wrote a book *Dragon and Eagle*. He described China as a dragon. As a giant, the dragon will not feel a single gentle touch from outside at all. Similarly, China is a huge country and receives a lot of information from different perspectives. It will only pay attention when different sources [forces] touch it on the same place ... China's diplomacy will take into considerations factors from all aspects. It will not be influenced easily by an individual Chinese scholar (Interview, Beijing, 30 August 2015).

Though he talked about the limited role of Chinese think tanks in the policy circle, the metaphor suggests that the Chinese government considers a wide range of factors before adjusting its policies. As such, an inclusive analysis of both domestic and international factors seems to have strength in examining China's adaption of trilateral aid cooperation.

Chapter Three

China's Foreign Aid and Trilateral Cooperation— Interest Calculations, International Engagement and Domestic Institutions

1. Introduction

Building on the three theoretical dimensions of my conceptual framework outlined in Chapter Two, this chapter will elucidate them in China's context. It will examine China's political, economic and global image interest calculations in its provision of overseas assistance, China's international engagement in development assistance, and China's domestic bureaucratic institutions on foreign aid management. These three dimensions will help explain the rationale of China's foreign aid policy and its evolution. In particular, they will provide insights into China's adoption of trilateral cooperation as a new modality of aid delivery amid its seemingly immutable aid practice with Chinese characteristics.

This chapter is organised into four sections. The first two sections elaborate on China's interest calculations and international engagement. Section three introduces Chinese aid agencies and their reactions to trilateral aid cooperation. The final section summarises the findings: China's adoption of trilateral aid cooperation is the result of China's stronger desire for global image building as a responsible great power and for cognitive learning to improve its aid performance.

China's trilateral aid cooperation will be analysed against the broad backdrop of the evolution of Chinese development assistance. The rationale is threefold. First, as ideas and norms seldom change over the short term, a long period is needed to test whether China's aid policies have changed, what have changed and whether the changes are caused by change of ideas or material power. This will give us insights into the extent to which China's adoption of trilateral cooperation is instrumental or otherwise. Second, China's trilateral aid cooperation remains in its infancy. The numbers of projects are limited and research is almost non-existent. Examining the historical reasons for shifts in China's aid policies will help us understand China's current involvement in trilateral aid cooperation. A final but methodologically important reason for doing so is that China's aid projects occasionally are subject to the influence of case-specific factors such as an individual official's personal preferences or connections. These cases cannot fully reflect the actual reasons for China's trilateral cooperation. If this research focuses only on recent years to examine China's trilateral cooperation, it could miss the longer-

term setting for China's evolving approach and changing motivations. Situating China's trilateral aid cooperation in historical context reduces this risk.

2. Interest calculations and China's trilateral aid cooperation

This section attempts to analyse whether China's identity and calculation of its political, economic and global image-building interest have changed. If so, how have these changes related to China's participation in trilateral aid cooperation?

Before proceeding, the relationship between China's foreign aid and its foreign policy needs to be explained to understand Chinese aid evolution. The Chinese government has repeatedly emphasised that the provision of foreign aid is an integral part of China's foreign policy. In October 2010, China's Minister of Commerce (MOFCOM) Chen Deming stated, 'The foreign aid of our country is an important part of our external work' (2010, 1). As China's foreign policy serves its national development, the study of China's foreign aid should be put against the broader backdrop of China's development.

The pursuit of prosperity has been China's core focus after it suffered from invasion and piecemeal occupation by western powers and Japan from the 1840s onwards. A belief that strong societies survive while weak ones perish has formed the core philosophy of the Chinese leadership (Waley-Cohen 1999, 209). The 'century of humiliation' has had a tremendous influence on Chinese nationalism, which features a strong sense of insecurity about China's international position (Gries 2004, 43–53; Callahan 2010). As a result, domestic development and economic growth has become the top priority of China's national policy since the adoption of 'reform and opening up' in 1978. Substantial progress has been achieved. Susan Shirk argues, 'China's dramatic economic transformation has revived it as a regional and global power after over a century of humiliating weakness' (2007, 17).

China has been a beneficiary of engagement with other nations in the past four decades. It has changed from being 'a revolutionary to a stakeholder' of the international system (Wang and Rosenau 2009, 11). Beijing has realised it must continue to open to the outside world. Chinese leadership has emphasised the need to consider both the circumstances inside China and abroad, and both China's domestic and overseas markets (Hu 2007, 1). China has looked outward to secure resources to maintain its growth trajectory and protect its interests 'by all means necessary' (Economy and Levi 2014). The Chinese government views development assistance as a

useful tool in the service of these objectives. In 1989, then Vice Minister of MOFCOM and later Vice Premier Li Lanqing highlighted:

Providing foreign aid is a serious political task and has been under the direct leadership of the Chinese Communist Party Central Committee and the State Council. It is China's global obligation and an important component of its diplomacy to provide economic and technical assistance to friendly countries from the Third World. This is very necessary in order to strengthen China's solidarity and cooperation with the Third World and to create a peaceful and stable global environment to serve China's socialist modernization. It also plays an important role in raising China's global position and influence (Shu 1989, 3).

Since 2000, the Chinese leadership has stressed the importance of leveraging foreign policy for the purpose of better using the period of strategic opportunity (*zhanlüe jiyuqi*) to support China's economic development in the first two decades of this century (Wu 2009a, 1). The main goal of Chinese diplomacy is to secure a sound international environment to facilitate its domestic economic development over this 20-year period. Being part of China's foreign policy, China's foreign aid is provided to serve this objective. It is helpful to bear this big picture in mind when interpreting China's foreign aid.

1949–1978: As a socialist country

From 1949 when the People's Republic of China was founded until 1978 when China officially adopted its reform and opening policy,¹ China was isolated by the US-led western countries² and later by the Soviet Union when relations deteriorated in the late 1950s, China's identity as a socialist country was more visible in its foreign aid provision than the other aspects of its identity. China provided foreign aid to other socialist countries and developing countries to build an extensive united front against western countries and later the Soviet Union.

In October 1958, the Chinese government issued an official document stating that 'foreign economic and technical assistance work is a serious political task. Any mistake

¹ Some scholars including Warren Sun and Frederick Teiwes argue that many reforms had started during Hua Guofeng's administration before 1978, but 1978 has become an easy shorthand. For more information, see Frederick Teiwes and Warren Sun. 2010, 'Xiandaihua gongshi de xingcheng: dadao 'Sirenbang' zhi shiyijie sanzong quanhui qijian Zhongguo de jingji zhengce 1976–1978' (An evolving consensus on modernization: PRC economic policy from the purge of the 'Gang of Four' to the Third Plenum 1976–1978). In *Dangdai Zhongguo yu tade Fazhan Daolu* (Contemporary China and its Development Road), ed. Zhu Jiamu, 404–22. Beijing: Contemporary China Publishing House.

² Though China began to improve its diplomatic relations with western countries such as Australia and New Zealand from 1972, China and the US did not establish diplomatic relations until 1979.

in foreign aid work may have an unfavourable political impact, to which the whole party must pay high attention' (Xinhua 2005). The Eighth National Congress of the Communist Party of China (CPC) came to the conclusion that the growth and solidarity among socialist countries was the most favourable international condition for building socialism in China (Liu 1956). Chairman Mao Zedong told African delegates in 1963 that, 'It is our international obligation as a nation that has achieved revolutionary success to help those countries who are still fighting for their revolutionary success' (Xinhua 1963, 1).

When Somali Prime Minister Abdirashid Ali Sharmarke expressed gratitude to China for an aid of 80 million Swiss francs, China's Premier Zhou Enlai replied that China has the obligation to provide aid to other countries that achieved victory at a later stage because China achieved revolutionary victory earlier than them (MFA 1993, 216). Premier Zhou highlighted in his report to the Third National People's Congress in December 1964,

The basic point of departure of China's foreign aid policy is to provide aid to support socialist construction in fraternal countries and increase the strength of the socialist camp based on the spirit of proletarian internationalism. China's aid to fraternal countries and newly independent countries increases the strength of the socialist camp and reduces the strength of imperialism, which means great support to China in return (Xinhua 1964, 1).

Though the flavour of ideology faded since 1978, China still formally maintains this obligation. In March 1983, Chinese leaders emphasised at the Sixth National Conference on Work Relating to Foreign Aid that, China as a socialist country needs to provide aid to other countries though China itself is poor, because this is determined by the identity of China as a socialist country (Shi 1989, 70).

To China, the importance of developing good political relations with other developing countries can never be downgraded because it needs their support in international affairs. Chinese leaders repeatedly emphasise at the CPC national congress that it is the fundamental standing point of China to strengthen its solidarity and cooperation with Third World countries.³ The support from developing countries for PRC's admission to the UN Security Council in 1971 remains fresh in the minds of the Chinese leadership. Among the 23 developing countries who initiated the supportive proposal, 22 were recipients of China's foreign aid with Yugoslavia as the only

³ For example, see Xinhua. 2002. 'Jiang Zemin zai dang de shiliuda shang suozuo de baogao' (Jiang Zemin delivered the report at the 16th CPC national congress). Last modified 17 November. Online: http://news.xinhuanet.com/newscenter/2002-11/17/content_632296.htm (accessed 20 May 2015).

exception. Forging relations with developing countries forms the basis of China's political interest when it provides foreign aid. It explains why political interests prevail over short-term economic interests at times of conflicts.

1978–1999: As a developing country

Since China formally adopted the reform and opening up policy in 1978, China's identity as a developing country was emphasised and domestic economic development became its top priority. To facilitate its engagement with the outside world, China became an ardent supporter of the existing global economic order, which is in stark contrast to Mao's opposition in the 1950s and 1960s (Lampton 2007). The Chinese government amended the ideology-based foreign policies and took a more pragmatic approach to its foreign aid provision. Though China continued to provide aid to Third World countries, guided by the principle of 'being practical and acting within one's capacity' (*shishi qiushi, liangli erxing*), China tightened its control on its aid budget which accounted for as high as six to seven per cent of government expenditure in the early 1970s (Zhou and Xiong 2013, 19).

In 1996, Yan Xuetong, Dean of the Institute of Modern International Relations at Tsinghua University, ranked China's national interests based on the urgency and importance of four factors: external environment, national strength, levels of science and technology, and subjective understanding. He argues China's prime national interest is its economic interest, followed by political, security and cultural interests (Yan 1996, 111).

Advertising its identity as a developing country brings benefits for China. It puts China in an advantageous position to focus on domestic development and guard against pressures from traditional donors and recipient countries pushing China to provide more aid. As Mao Xiaojing, Division Chief from the China Academy of International Trade and Economic Cooperation (CAITEC) argues, as western donors try to put pressure on China's foreign aid, shape China's aid delivery, and integrate China's foreign aid into the western-dominated aid regime, China can repel the pressure by insisting that its aid is a South–South cooperation and differs from western aid (Mao 2010, 60).

Compared with traditional donors, the identity as a developing country gives China a natural advantage to partner with other developing countries, and gain their support on global issues. As China's then Premier Zhao Ziyang reaffirmed at the Conference on South–South Cooperation in Beijing in April 1983, the Chinese government will unswervingly use its solidarity and cooperation with the Third World as the

fundamental standing point for China's foreign policy (Zhao 1983, 261). The Chinese government to this day highlights this.

Holding on to its identity as a developing country, China does not see itself as a 'donor'. China regards its foreign aid as South–South cooperation and believes it differs significantly from western aid or North–South cooperation. This justifies the way China uses its aid to promote mutual benefit. While assisting other countries, China believes it is understandable for it to secure access to natural resources in recipient countries and support Chinese companies in exploring markets in these countries (Interview with Chinese contractors, Port Moresby, November 2014). China believes it is appropriate to use Chinese contractors, workers and building materials for China's aid projects because it needs to create employment for its citizens at home (Ibid). This explains why when Zhu Hong, Deputy Director General of the Department of International Trade and Economic Affairs (DITEA) of MOFCOM attended the fourth High-Level Aid Effectiveness Forum in Busan in April 2011, he highlighted the 'common but differentiated responsibilities' between traditional and emerging donors (MOFCOM 2011a).

The benefits of identifying as a developing country also explains why when the international community began to debate whether traditional donors still need to provide aid to China, MOFCOM hosted a policy coordination conference for donors and international organisations in December 2004 to quell the debate. MOFCOM's then Associate Minister Yi Xiaozhun told the conference that while China's economy has been growing fast, the per capita GDP is still low and China is far from graduating from poverty. He insisted China still needed full support from the international society, and foreign aid to China would continue to play an irreplaceable role in China's development (Shi 2004, 1).

It is noteworthy that China's experience of domestic economic development has informed its foreign aid program. For example, Merriden Varrall argues this experience has underpinned Chinese elite views of 'what is "developed"', 'how development should be achieved' and 'how should China play a role in international development' (2013). From 1978 to 1999, China was preoccupied by its economic development task at home as a developing country. It did not have incentives to promote trilateral cooperation with traditional donors. Though it continued to provide overseas assistance, it was not central to China's foreign policy.

Since 2000: As a rising great power

Its identity as a rising great power has received growing attention from the Chinese government since 2000 onwards. China's growing economy paves the way for it to regain its lost position as a global great power. As David Lampton argues, China's growing capacity built over the past four decades has transformed its global role and strengthened its power projection which includes not only military might but also other means such as overseas financing and development assistance (2014, 51-52). Being recognized as a global great power requires not only a growing economy but also a positive global image to earn respect from other nations. This explains why the Chinese government places increasing emphasis on global image building.

Is China using foreign aid provision as a tool to lift its global image as a responsible leader? If so, we should expect to see China fulfil its moral duty by continuing to deliver foreign aid and getting more responsive to the increasing demands for more aid from recipient countries, and to the demands from traditional donors and recipients to improve aid delivery in areas such as social responsibility and environmental protection. Evidence as follows shows that the Chinese government is getting more conscious of external criticism regarding its foreign aid, whether from recipient countries or from traditional donors. It is aware of the demands from traditional donors for more cooperation in development assistance.

The emphasis on moral duty can be traced back to the early years of the PRC. Chairman Mao Zedong said in 1956 that, 'China, a country with an area of 9.6 million km² and a population of 600 million people, needs to make a fairly big contribution to mankind' (1956, 1). China's leader Deng Xiaoping said in 1979:

Though China faces economic difficulties, we still need to allocate a certain amount of money for foreign aid. When China is fully developed, it needs to allocate a substantial amount of money for foreign aid. China should not forget about this when it is fully developed' (Shi 1989, 70).

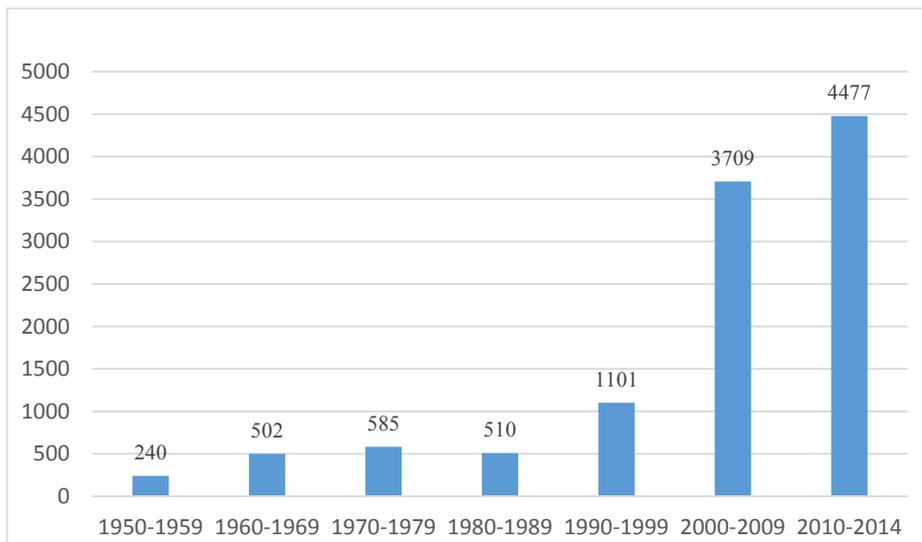
President Jiang Zemin said in 1990s that, 'We cannot forget about our poor friends just because our economy is developed, or because our economic development only needs the funds and technologies from the developed countries' (Cui 2010, 6).

In recent years, the moral imperative of China's foreign aid was further highlighted with increasing attention being drawn to China's foreign aid and growing pressure on the Chinese government to increase aid transparency and accountability. After the release of China's second *White Paper on Foreign Aid* in July 2014, searches for 'China's foreign aid' on Baidu (China's largest search engine) increased by 81 per cent

in the first month (Song 2015, 81). Figures 3 and 4 illustrate the rapid growth of international⁴ and domestic⁵ attention to China's foreign aid.

Since 2000, the Chinese government put forward a series of new concepts with the aim of muting the 'China threat' discourse and improving China's global image. In September 2005, Chinese President Hu Jintao officially raised the concept of 'building a harmonious world' (*jianshe hexie shijie*) when he addressed the 60th session of the United Nations. He announced substantial aid measures and pledged that China was willing to work together with the international community to promote a twenty-first century that benefits everyone (Hu 2005, 3). MOFCOM Minister Chen Deming highlighted that providing foreign aid and honouring its global obligation is an important way for China to present its image as a responsible great power⁶ and make China's contribution to build a harmonious world visible (2010, 44).

Figure 3. International reports on China's foreign aid

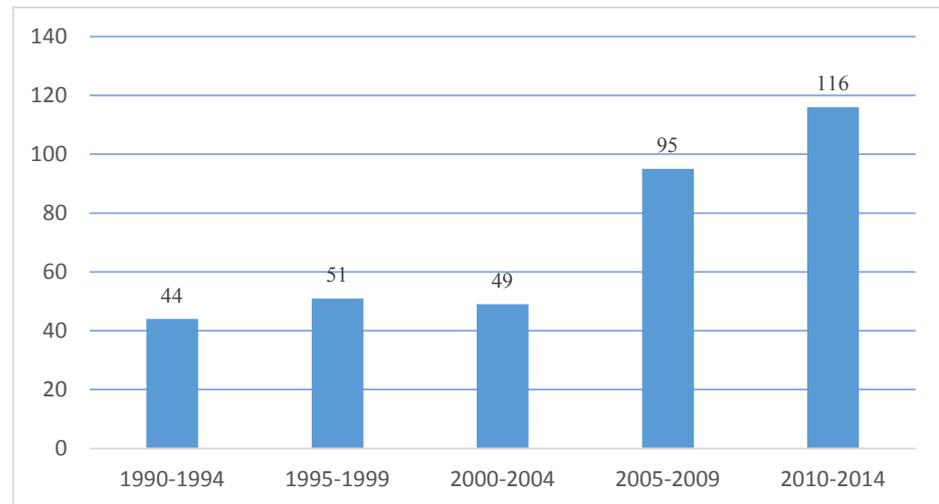


Source. Compiled by author from ANU Library ProQuest database

⁴ The key searching words are 'China's aid' OR 'Chinese aid' OR 'China's foreign aid' OR 'China's foreign aid' OR 'China's assistance' OR 'Chinese assistance' OR 'China's foreign assistance' OR 'China's foreign assistance' OR 'Chinese overseas assistance'. All these phrases are typed in one search to maximise searching results.

⁵ The key searching terms are '中国援助' (Zhongguo yuanzhu, China's aid/Chinese aid) OR '中国对外援助' (Zhongguo duiwai yuanzhu, China's foreign aid/Chinese foreign aid) OR '中国援外' (Zhongguo yuanywai, China's aid overseas/Chinese aid overseas) OR '中国外援' (Zhongguo waiyuan, China's aid overseas/Chinese aid overseas). All these phrases are typed in one search to maximise searching results.

⁶ This point could also be supported by China's rapidly growing humanitarian assistance overseas in recent years.

Figure 4. Domestic reports on China's foreign aid

Source. Compiled by author from ANU library *People's Daily* database

China released its *White Paper on Peaceful Development* in September 2011 and promised to follow a path of peaceful development, cooperative development and common development (State Council 2011c). A senior official from MOFCOM's Department of Foreign Aid (DFA) explained, the release of China's first *White Paper on Foreign Aid* in 2011 was to respond to the long-standing concerns of Chinese citizens and the international community about China's foreign aid (Zhao and Wang 2014).

At the Central Conference on Work Relating to Foreign Affairs held in November 2014, China's President Xi Jinping emphasised that China needed to do good work on foreign aid in order to uphold justice and pursue shared interests (*hongyi rongli*) (Xinhua 2014b). In February 2015, President Xi and Premier Li Keqiang attended the conference on the work of economic offices in China's diplomatic missions overseas which reiterated the importance of upholding the right concepts of justice and interests in China's foreign aid (*zhengque yiliguan*) (Xinhua 2015d).

At the UN Sustainable Development Summit in September 2015, President Xi stressed that China will continue to take a right approach to justice and interests by prioritising justice over interests (*yili xiangjian, yili weixian*) (MFA 2015a). He pledged China would provide an initial contribution of US\$2 billion to set up a South–South cooperation assistance fund and write off the debt of the outstanding inter-governmental interest-free loans due by 2015 owed by the least developed, landlocked and small islands developing countries (MFA 2015a). This provides some evidence to suggest that China is taking its obligations as a rising great power seriously.

The Chinese government has made greater efforts to improve its image by providing better aid. An example is that China is improving quality assurance of its foreign aid projects in the 2014 *Measures for the Administration of Foreign Aid*, a document which sets out long term quality assurance and technical support for China's complete aid projects.⁷ As MOFCOM Assistant Minister Zhang Xiangchen explained, the emphasis on quality assurance of China's aid projects is one of the main features of China's aid management reform. He said, 'The work of foreign aid relates to China's image. We cannot tolerate any negligence or project of poor quality' (MOFCOM 2014b).

To improve its global image, China has even begun to soften its position on some of the defining principles of its foreign aid. Deborah Bräutigam, a US expert on China's foreign aid, provides an example of how China's non-interference policy experienced changes in Darfur. She described how at first China refused to support the UN in pushing the Sudanese government to accept the deployment of UN peacekeepers in Darfur. As the international pressure built up and campaigns surfaced to boycott the 2008 Beijing Olympic Games to protest China's role in Darfur, China's position began to change. Chinese President Hu Jintao persuaded Sudan's President Bashir to agree to the UN proposal. China appointed a special envoy to continue dialogue, and later dispatched 300 peacekeepers to join the mission. Bräutigam argues that, 'Without the threat to the Olympics, Hu Jintao may not have been so keen to ensure that Khartoum "got the message" [China wants Khartoum to accept the deployment of the UN peacekeeping mission]' (Bräutigam 2009, 281–84).

Interest calculations and China's growing trilateral aid cooperation

The change of China's identity focus has informed China's interest calculations and foreign aid policy changes. Since 2000, China's identity as a rising great power is getting more attention from the Chinese government. This means that the Chinese government seems to be willing to pilot more trilateral cooperation projects to improve its global image as a responsible global power, though as will be demonstrated, the attitudes of China's aid agencies towards trilateral partnership vary. While continuing to retain its identity as a developing country, China is getting stronger economically and can afford to sacrifice some short-term economic interests for the benefit of its global image. The remarks of then Chinese President Hu Jintao provide further evidence that

⁷ Complete aid projects refer to those that are done by China from the designing to completion. Most of them are infrastructure projects.

the Chinese government is firm on using foreign aid to serve its national interests including global image building. On the relations between commercial and public interests, the market and the government in China's foreign aid, President Hu emphasised, 'The government cannot be held hostage to the market. On the contrary, it should guide the market' (Zhou and Xiong 2013, 28).

The Chinese government views trilateral aid cooperation as a new way to pacify traditional donors and improve China's global image. It wants to be seen as a responsible stakeholder that is willing to honour its obligations as an emerging donor in areas including aid coordination. It wants to convey the message that China has no intent to challenge the traditional donors' leadership in the international aid regime and alter the status quo. During meetings at the sideline of the fourth WTO Aid for Trade Global Review Conference in Geneva in July 2013, MOFCOM Vice Minister Li Jinzao noted that China would continue to increase its foreign aid, but South–South cooperation would complement North–South cooperation which remains the main channel of development assistance (MOFCOM 2013b). Compared with some other areas, foreign aid is a less sensitive area to pilot cooperation between China and traditional donor nations. In the context of China's rise as an emerging donor and the substantial differences between China and traditional donors in their bilateral aid, trilateral aid cooperation, if it proceeds well, has the potential to become a new modality for these two types of donor configuration to find common ground in development cooperation. More than that, trilateral aid cooperation will also enrich broader bilateral relations between China and traditional donors. Xu Weizhong, Director of the African Research Institute of China Institute of Contemporary International Relations said:

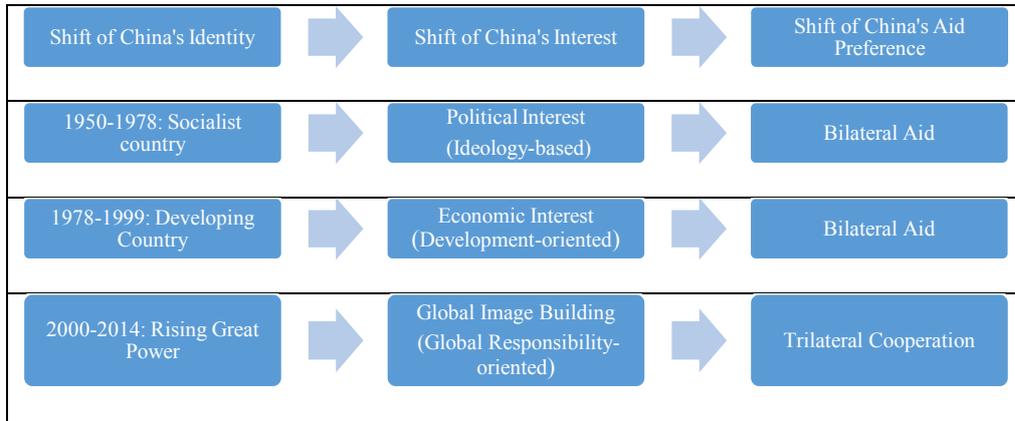
Trilateral aid cooperation is a new area for emerging donors and developed countries to learn to live with each other. If China and traditional donors such as European countries cannot cooperate on aid issues, how can we expect them to cooperate in other areas that are more sensitive? (Interview, Beijing, 24 August 2015).

Further evidence for this shift came when President Xi announced a generous aid plan at the UN Sustainable Development Summit on 26 September 2015, triggering heated debate among Chinese citizens. To counter the negative reactions, two days later the *People's Daily* published a long article listing five benefits that justified China's overseas assistance:

History has proven that moral conduct and efforts to safeguard justice will be paid off at the international arena. Regarding China's forgiveness of debts owned by the least developing countries, let's listen to what Xi Jinping has said, 'We need to pay more attention to big gains

rather than small gains. Especially we need to pay more attention to political and strategic gains rather than economic and short-term gains' (Wang, Li and Li 2015).

Figure 5. China's changing identity, interest calculations and aid modality preferences



Source. Compiled by author from his own analysis

To sum up, as Figure 5 summarises, China's shifting focus among its three identities—socialist country, development country and rising great power—has informed its shifting interest calculations and aid modality preferences. Professor Gilbert Rozman from Princeton University argues that, 'China's identity has changed more rapidly than that of other states' (2012, 95). Although these three identities exist concurrently in China, the focus of China's identity has shifted due to changes in its domestic and international circumstances. In the first stage of China's foreign aid (1950–1978), China focused on its identity as a socialist country. This drove China to use foreign aid bilaterally to promote the building of a revolutionary united front against western capitalist nations. In the second stage (1978–1999), China focused on its identity as a developing country. It concentrated on its domestic economic development and reduced its foreign aid. Since 2000, China has focused on its identity as a rising global power, using foreign aid to promote its global image building as a responsible and leading global power. Trilateral aid cooperation is piloted by China as a new means to benefit its global image.

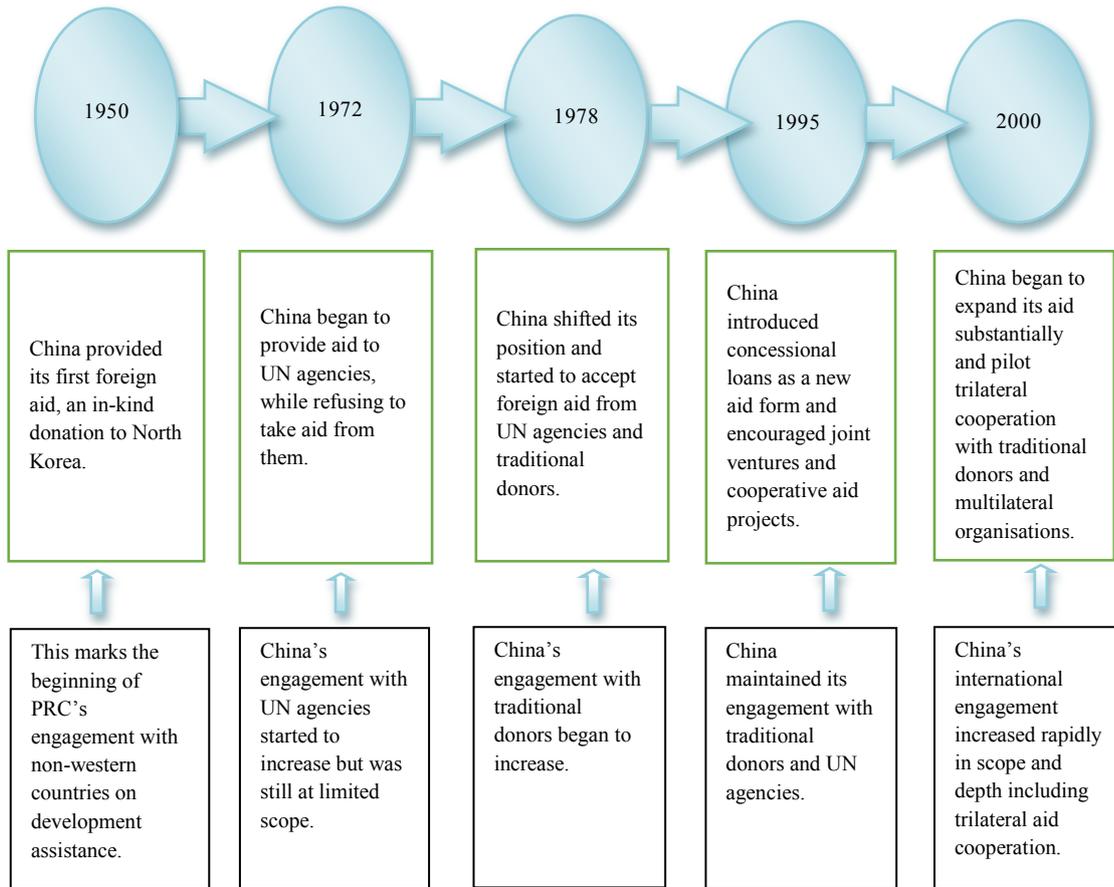
It is worth noting that a state's identities and interests are always multifaceted and cannot simply be reduced to single formulations over a set period of time (see also Shambaugh 2013). Likewise, the boundary of China's three identities, as analysed above, is not clear-cut but blurred; China's emphasis on one particular identity within a specific period does not exclude the presence of the other two. It means this identity is more visible and receives more attention from China's policymakers. The other two identities along with their influences and norms remain. It is equally important to recognize that internally China is far from a monolithic entity (see also Kelly 2006,

429). For example, as will be discussed in the next section, China's aid agencies have divergent interests and compete acutely for influence in decision-making.

3. International engagement

This section will examine the impact of China's growing international engagement, especially with traditional donors and UN agencies on its conduction of trilateral cooperation. It will discuss whether and how this interaction has contributed to mutual learning and changes in the mindset of Chinese policymakers on foreign aid, and led to China's gradual acceptance of trilateral cooperation as an acceptable aid modality. The analysis will concentrate on five periods within the trajectory of Chinese aid policy evolution (see Figure 6), and test the role of engagement and mutual learning in triggering changes. The fifth period will be highlighted because it relates to China's adoption of trilateral aid cooperation.

The focus on the learning process also arises from the Chinese government's own claim that it is a firm supporter of international exchanges and has been good at learning from international engagement in development assistance. As China has been exposed to the outside world in diversified areas including foreign aid since late 1970s, its learning claim will be tested.

Figure 6. China's foreign aid evolution and five crucial time points⁸

Source. Compiled by author from own analysis

Learning from non-western countries (1950–1971)

The Kuomintang regime did not provide aid over the period from 1928 to 1949, a time of domestic disturbance. The PRC's international engagement on development assistance began as early as in 1950 when it provided in-kind donations to the Democratic People's Republic of Korea, marking the beginning of the PRC's foreign aid. Later, China provided foreign aid to other socialist and developing countries.

At that time, China received aid from the Soviet Union and socialist countries in Eastern Europe (Wu 2010). The aid from the Soviet Union was initiated by China to obtain capital, equipment, knowledge and development experience to support industrialisation. China proposed the aid projects, machinery equipment, and list of experts to the Soviets (Zhou 2015, 17). In the 1950s, China received around \$1.4 billion

⁸ There are different ways of demarcating China's aid history. For instance, former MOFCOM Deputy Minister Fu Ziying divides China's aid history into five periods (1950s, 1960s–1970s, 1980s, 1990s, and 2000s). Professor Zhou Hong from CASS merges these into three periods (1950–1970s, 1980–1990s, and 2000s). See Zhou Hong, *Zhongguo yuanwai liushi nian* (China's Foreign Aid: 60 years in Retrospect). Beijing: Social Sciences Academic Press, 2013), 1. My method of division emphasises the most notable aid policy changes over time.

aid in loans from the Soviet Union for the construction and upgrading of 156 industrial projects in China (Wei 1992, 5).⁹ These included military and economic loans, most of which had an annual interest rate of two per cent for 2 to 10 years (Shi 1989, 318).

The process of China learning from the Soviet Union is apparent. In the early 1950s, the Chinese government realised that they needed to fully rely on learning from the Soviets to build modern factories in China including using Soviet design, technologies, machinery and experts, which was put into practice (Shen 2001, 58–59). This point is reinforced by Zhou Hong who noted:

The Soviet Union's planning and management methods were solidified into the systems and mechanisms of China's planned economy ... Aid projects [from the Soviet Union] brought not only hard-ware and equipment to China, but also technology, ideas, management methods, behaviours, and a whole set of management system for planning. These factors, together with Soviet aid to China's heavy industrial machinery, continued to influence China's development path and development model between the cessation of Soviet aid and the beginning of aid from the West (Zhou 2015, 18).

From 1950 to 1971, China's international engagement on foreign aid was restricted to socialist and developing countries because China was isolated by US-led western nations, which recognised the Republic of China (Taiwan) at the UN. In this period, China's foreign aid provision was dominated by ideology, reflecting the broader Cold War context. The objective was to build good relations with other socialist and developing countries and improve China's political status and national security. However, even during this period, China's foreign aid also yielded lessons to support China's own economic development.

China's then Premier Zhou Enlai stressed that providing foreign aid to other countries could spur China to make greater progress in economic and technological development. To Zhou, the wishes of recipient countries forced China to work harder and be more innovative and he urged Chinese aid technicians to learn the latest technologies from other countries, such as desert road-building skills from the United Arab Emirates and Morocco (Xue 2013, 72–73). Foreign aid also provided an opportunity for testing new technologies. The technology of building light steel-

⁹ According to Shen Zhihua, China received \$300 million aid in loans from the Soviet Union in the early 1950s. The loans had a duration of five years with an annual interest rate of one per cent. They were provided to China in the form of machinery, equipment and materials. One condition for the loans was that China needed to supply strategic metals such as tungsten, antimony, lead and tin to the Soviets. See Zhihua Shen. 2001. 'Xin zhongguo jianli chuqi sulian duihua jingji yuanzhu de jiben qingkuang (shang) – laizi zhongguo he eguo de dang'an cailiao' (Basic information on the Soviet Union's aid to the PRC in the early days (Part One) – Based on archival data from China and Russia). *Russian Studies* (1): 53–66.

structured factory buildings was successfully tested in China-aided construction of the Matches and Cigarette Factory in Guinea, and later applied to buildings in Southern China (Xue 2013, 73). Similarly, China tested and produced a second-generation diesel locomotive for the Tanzania–Zambia railway, China’s largest foreign aid project at the time (Chen 2011, 5).

Limited engagement with UN agencies (1972–1978)

China’s engagement with UN agencies on foreign aid officially began in 1972. In October 1971, the PRC won China’s seat at the UN including permanent membership of the UN Security Council from the Republic of China, or Taiwan. This paved the way for China’s economic and technical cooperation with UN agencies. China established cooperative relations with UN agencies including the UNDP, the UN Industrial Development Organization (UNIDO) and the UN Department of Technical Cooperation for Development (Shi 1989, 496). China started to attend international conferences on development issues, voiced its official positions, and started to get involved in the policy making processes of these UN agencies and review their financial and administrative work (Shi 1989, 496–97). In addition, China started to provide voluntary donations to UN agencies, which were used to arrange visits, technical training and international conferences in China for other developing countries. From 1972 to 1978, China donated a total of RMB16.2 million and \$400,000 to the UNDP, the UNIDO and the UN Capital Development Fund (Shi 1989, 498).¹⁰

China itself was poor in this period and needed foreign assistance. UN agencies were enthusiastic about including China in their aid programs, but they were rebuffed by China. In that ideology-based era, China equated the concept of ‘self-reliance’ (*zili gengsheng*)¹¹ with rejecting external assistance. Even after a 7.8 magnitude earthquake levelled Tangshan city in 1976 and claimed 240,000 lives, the Chinese government turned down offers of humanitarian aid from the international community (Han and Ren 2008, 26). In this period when China was experiencing the final years of the Cultural Revolution, the people remained conservative and the influence of ideology remained

¹⁰ The donations were made in RMB and US dollars respectively. As a result, I did not convert them into the same currency.

¹¹ The Chinese government has been emphasising the concept of ‘self-reliance’ (*zili gengsheng*) since the founding of the PRC in 1949. The concept was included in China’s official documents such as the government report of 1964. The Chinese government drew this conclusion from the bitter experience of China’s ‘century of humiliation’ (1840–1949) that the help of foreign countries in nation building was not reliable.

strong. As a consequence, although the door was open, China's engagement with UN agencies remained limited in scope and was restricted to voluntary donations to the UN, conference participation and involvement in some UN activities. China began to obtain fresh knowledge of the UN system, but the potential for learning was outweighed by ideological considerations as China turned down aid offers from the UN, and missed opportunities for further engagement and mutual learning.

Active engagement with UN agencies and traditional donors (1978–1994)

The year 1978 was a turning point in China's foreign policy. The Third Plenary Session of the 11th CPC Central Committee in December 1978 elected a new leadership led by Deng Xiaoping and endorsed the reform and opening up policy. Under the new leadership team, peace and development were endorsed as the two central themes of the era, and domestic economic development was prioritised as the paramount task. Ideology-based policies began to weaken.

As a result, the mindset of China's policymakers changed. They believed China should use all possible opportunities, including accepting external assistance, to facilitate economic development. China's Permanent Mission to the UN produced a report in 1970s that recommended China make good use of the UN's \$25 billion annual aid budget including around \$5 billion in grants, and this report caught the attention of Chinese high-level officials (Wang Chang 2001, 172). China began to adopt a new aid principle—'to take while giving' (*you ji you qu*)—allowing it to receive foreign aid while providing aid overseas.

Guided by this principle, China opened its door to UN agencies and traditional donors, and began to accept their aid. It marks a significant shift in China's foreign aid policy. In 1978, China began to approach the UNDP for economic and technical assistance for the first time and received a positive response (Shi 1989, 498–99). In 1979, China began to receive aid from the UNDP, and later on from other UN agencies including the UN Population Fund, UNICEF and UNIDO. From 1979 to 1985, China received \$210.8 million in grants from UN agencies (Shi 1989, 500). China received more external aid than it gave in aid overseas, becoming a net recipient in 1986. Taking the UN system as an example, China donated in total RMB29.11 million and \$23.41

million¹² to UN agencies over the period from 1972 to 1987 while it received over \$300 million aid from the latter from 1979 to 1987 (Zhang 1989, 1).

The Chinese government felt more comfortable working with UN agencies on development cooperation, seeing them as politically neutral compared with western countries.¹³ China was also attracted to the UN agencies' advanced technologies, strong fund-raising capacity and established information network that could be used to support China's own development. For instance, the UN Population Fund provided high-performance computers which could not be purchased from commercial channels to assist China in conducting its third national census (Wang 2005, 3). China learned many new ideas and concepts including 'Baby-friendly hospitals', 'Child-friendly learning environments', and 'happy learning methods' from UN aid (ibid).

While starting to receive aid from UN agencies, China continued to work together with UN agencies to provide aid to other developing nations. In 1986 alone, China pledged and subsequently undertook 121 technical cooperation projects at a UNIDO conference in New Delhi and at a conference of Technical Cooperation among Developing Countries in Beijing (Chen 1987, 3).

Similar to China's growing engagement with UN agencies, the warming of China's foreign relations with the US, Japan and other developed countries facilitated their engagement on development assistance. Along with UN agencies, traditional donors were keen to extend an olive branch to China and commence aid cooperation. Providing aid to China would broaden their aid programs and boost understanding of China. It would also strengthen their bilateral relations with China and facilitate access to the growing economic opportunities of one of the world's fastest growing economies.

The engagement with western donors was also rewarding for China as it was desperately in need of western capital, advanced technologies and management skills to fill the gaps in China. China stepped up its engagement with traditional donors such as Japan, Australia, West Germany, Canada, Belgium and European Community, and began to receive bilateral aid from them after 1979. The total aid amount pledged by these six donors to China reached \$278 million (RMB 892 million) from 1979 to 1985 (Shi 1989, 549). Aid from traditional donors covered areas such as agriculture, forestry

¹² The donations were made in RMB and US dollars respectively. As a result, I did not convert them into the same currency.

¹³ This point was repeatedly highlighted by Chinese officials and scholars during the author's interviews, Beijing, August-September 2015.

and technical training. Similar to aid from UN agencies, it has been aligned with China's domestic development plans.

In addition to extra financial resources, foreign aid substantially contributed to the transfer of technologies and skills to China. For instance, China learned from Canada and improved its research skills in areas of computerisation, electrical operations, testing and environmental protection in power plants (Shi 1989, 556). In the area of patent promotion, China dispatched 150 technicians to study in West Germany in the early 1980s. With the resulting improved institutional capacity, 4,452 patent applications were processed in the first two years after the Patent Law was promulgated in China in 1984 (Shi 1989, 557).

These tangible benefits reinforced the perception among China's policymakers that aid from traditional donors and UN agencies could be of great assistance to China's development. For instance, the UNDP funded a \$1.65 million research project in December 1992 to improve China's planning and macroeconomic management capacity. This project was credited by the Chinese government. Fang Weizhong, Deputy Director of the State Planning Commission said:

This project provides an opportunity for China to learn more about the experiences of western countries on developing their market economy. It will be of great assistance to China in developing its market economy, accelerating its concept updating on the planned economy and improving its planning methods (People's Daily 1992, 2).

On 30 October 1998, the *People's Daily*, China's official newspaper, published an article praising the EU's aid to China as an example of successful cooperation (Zheng 1998, 6). This is another example demonstrating the Chinese government's increasingly positive view of western donors, at least of their skills and technologies. According to the report, the EU provided substantial aid to support China's agriculture, especially to the dairy industry. It contributed to the average rapid growth rate of 13.2 per cent of China's dairy production after 1978. The article also acknowledged the EU's contribution to combating AIDS in China—the first AIDS program between China and other countries.

The international engagement with UN development agencies and traditional donors triggered new ideas for development cooperation from the Chinese government. Sun Guangxiang, Director General of the Department of Foreign Aid of the Ministry of Foreign Trade and Economic Cooperation,¹⁴ stated that from 1978 China began to

¹⁴ The Ministry of Foreign Trade and Economic Cooperation was the predecessor of MOFCOM.

explore new modalities of foreign aid delivery. Among them, China and recipient countries would jointly contribute funds for China's companies to carry out aid projects in recipient countries and China could work together with international financial organisations or other donors to deliver aid to recipient countries for projects implemented by Chinese companies (Sun 1993, 10). He suggested that China learn from internationally recognised aid norms, common practices and advanced management skills to align with these effective international standards (Sun 1993, 11).

Wang Xitao, Director of the Academic Committee on Development Assistance from the China Association for International Economic Cooperation,¹⁵ proposed in 1988 that China should learn international common practices and effective management experience on aid from UN agencies (Wang 1988, 5). He suggested that China increase multilateral aid cooperation with the UN and international financial organisations and conduct aid projects funded by these organisations in third countries (Wang 1988, 6).

China, traditional donors and UN agencies started to explore trilateral development cooperation as far back as the 1980s. In Gambia, China built a small brick factory with the UN Capital Development Fund and a maternity clinic with the UN Family Planning Association (Bräutigam 2009, 59–60). In November 1987, China, West Germany and the UNDP co-hosted a symposium on foreign aid and cooperation. Delegates from West Germany argued that China could become a partner of development cooperation and a 'transfer station' when West Germany and other traditional donors provided aid to other developing countries (Lin 1987, 20). They suggested that West Germany and China conduct trilateral cooperation with West Germany contributing funds and China providing technicians and technologies, and these suggestions won support from the Chinese delegates (Lin 1987, 20). This was one of the earliest occasions when China and traditional donor states discussed trilateral cooperation.

Introducing concessional loans (1995–1999)

The year 1995 marked another turning point in China's foreign aid as China hosted a national conference on foreign aid reform, and decided to make two big adjustments to China's foreign aid in October. First, China would introduce concessional loans as a new form of aid delivery, which could scale up China's foreign aid by combining the

¹⁵ This association was established in Beijing in 1983. It is a nationwide organisation under the leadership of MOFCOM. The main task is to conduct policy research and exchange on China's participation in international economic cooperation. It has acted as a bridge between the Chinese government and enterprises, universities, research institutes and even organisations from overseas.

government aid budget with bank funds. It could also assist Chinese companies in exporting equipment and building materials for aid projects in recipient countries. Second, China would promote foreign aid projects in the form of joint ventures and cooperative projects. This was to complement China's aid budget with finance from companies and to deepen the cooperation on project management and technological exchanges between China and recipient countries.

To implement the reform measures, the Export-Import Bank of China (China Exim Bank), the China Development Bank, and the Agricultural Development of China were established in 1994 as China's three policy banks. Among them, the China Exim Bank is the only one to manage China's concessional loans, although the majority of its loans are commercial. The Exim Bank's concessional loan portfolio has grown rapidly. After the first concessional loans framework agreement was signed with Zimbabwe in July 1995,¹⁶ China had signed 56 such agreements with 43 countries by 1998 (Wei 1999, 4), among which 14 agreements were signed with 14 different recipient countries in 1997 alone (International Economic Cooperation 1998, 1).

The overhaul of China's foreign aid in the mid-1990s has roots in domestic policy adjustment and international engagement. Domestically, China was looking to further deepen its economic reform to overcome the economic stagnation of the early 1990s. In November 1993, the Third Plenary Session of the 14th Central Committee of CPC pledged to develop China's socialist market economy. China's foreign aid was adjusted accordingly to support its economic reform by facilitating Chinese companies to go overseas.

Externally, China was influenced by traditional donors to carry out foreign aid reform. As MOFCOM Minister Wu Yi said at the aid-reform meeting in 1995, the introduction of concessional loans was to align with common international practice and China would encourage companies from China and recipient countries to play a bigger role in China's foreign aid delivery, and promote direct interaction and cooperation between these companies (Qi 1995, 5). One reason was because recipient countries were under pressure from traditional donors to implement economic liberalisation and privatisation and they were keen to attract more investment from foreign companies and reduce the debt burden on their governments (Qi 1995, 5). This point was echoed by

¹⁶ For China's concessional loans, the Chinese government will sign a framework agreement with the recipient government. Then, China Exim Bank will sign an agreement with their counterpart in recipient countries on how to use the loans for the aid project.

African delegates at the conference on development in Africa held in Tokyo in October 1993 (Wang 1994, 7).

Expanding international engagement on development assistance (2000–2014)

From 2000, China's foreign aid exhibited new features. China's foreign aid has increased substantially and experienced an annual increase of 29.4 per cent from 2004 to 2009 (State Council 2011d, 22). The forms of China's foreign aid have diversified greatly. From 2010 to 2012, concessional loans accounted for more than half of China's total aid. China has increased its aid projects related to poverty reduction, human resources training and global issues such as climate change. China dispatched its first teams of youth volunteers and Mandarin language teachers in 2002 and 2003 respectively (Mao 2012, 90). It set up regionally specific initiatives such as the Forum on China–Africa Cooperation (FOCAC) and the China–Arab States Cooperation Forum.

China's engagement with traditional donors and multilateral development organisations continues, but at a faster pace and with a broader scope. China participated in the high-level aid effectiveness fora in Paris, Accra and Busan. It attended the first high-level meeting of the Global Partnership for Effective Development Cooperation in Mexico in April 2014. China has been actively involved in the international aid for trade efforts. From 2008, China began to provide \$200,000 annually to support the WTO Aid for Trade initiative and doubled the volume since 2011 (State Council 2014, 22). Since 2008, China has also actively involved itself in working group discussions on development in the Heiligendamm process, joining G8 members and major emerging economies to examine issues such as aid effectiveness, aid to Africa and trilateral aid cooperation (MOFCOM 2009b).

The growing interest in engagement arises from traditional donors as well. Their purposes include gaining a better understanding China's foreign aid, seeking opportunities for cooperation and influencing Chinese aid practice. A researcher from CAITEC, the think tank involved in developing Chinese aid policies, echoes this:

The international community did not pay much attention to China's foreign aid before 2006. We [CAITEC] had almost no exchanges with foreign countries at that time. The 2006 Summit of the Forum of China-Africa Cooperation had a tremendous influence. After that, the governments and research institutes of foreign countries began to approach us to learn about China's foreign aid. Later, some western scholars put up suggestions to strengthen exchanges and cooperation with China on foreign aid. They used many terms including 'engage China'. These western scholars realized that criticizing China [for its aid practice] could not solve the problem. Therefore, they

suggested traditional donors conduct trilateral aid cooperation with China to promote mutual understanding (Interview, Beijing, 4 August 2015).

Attitude towards learning

China has recently demonstrated a more eager attitude toward aid reform and learning. Shen Danyang, then Deputy Director of CAITEC and current Director General of MOFCOM's Department of Policy Research, pointed out in 2005 that China needs to strengthen research on ODA. He argued that while sticking to its principles of foreign aid, China needs to put more emphasis on learning effective aid practices from other donors, and it is an urgent task for China to establish innovative aid concepts and strategies and conduct aid reforms by learning from other donors (Shen 2005, 32). To Shen, it could even be an option for China to join the Paris Club—a group of OECD DAC member nations who are traditional donors—in the future, and China should be more open to development cooperation with other donors (Shen 2005, 32). By examining China's growing role in the global governance of food security, Professor Katherine Morton argued that China has placed great emphasis on the 'learning by doing' process (Morton 2012).

China's engaging with UN agencies provides an example of its cognitive learning and the change of mindsets. Professor Zhang Qingmin, Chair of the Department of Diplomacy at Peking University, argues that by participation in multilateral diplomacy including with the UN, China's attitude towards the international system has changed from high levels of suspicion, through gradual acceptance to active participation (Zhang 2006, 58). To him, the change of ideas takes place because Chinese leaders have begun to view international relations as mutually beneficial rather than viewing them merely through a security or a strategic prism (Zhang 2006, 58–59). More importantly, ideational change is attributable to the adaption and learning process provided by China's participation in the global system (Zhang 2006, 59). Ideational change has been an incremental rather than a sudden process (Carstensen 2011).

At the National Conference on Work Relating to Foreign Aid in August 2010, Chinese Premier Wen Jiabao emphasised that on the basis of consolidating China's traditional foreign aid methods, China needs to actively promote the innovation of its foreign aid methods, build a more dynamic, efficient and open foreign aid system, and strengthen engagement and cooperation with the international community on aid issues in an active and prudent spirit (*People's Daily* 2010, 1). Remarks made by MOFCOM Deputy Minister Yi Xiaozhun at the High-Level Segment Development Cooperation

Forum of the UN Economic and Social Council in New York in June 2010 brought insight into the psyche of China's aid decision makers on the role of development cooperation. This insight can also apply to China's desire to learn from traditional donors in trilateral partnership. This rhetoric has also been supported by China's growing engagement with traditional donor states and organizations such as the OECD in recent years.

China is a beneficiary of international development cooperation ... China's own development experience shows that international cooperation, effective utilization of resources and international best practices will help developing countries to accelerate the development process ... Here are some examples. In the 1980s, with UNICEF's support, China developed the 'cold chain' system for the Expanded Program of Immunization and met the target of 85 per cent child immunization coverage ahead of schedule; since the 1990s, China has cooperated with UNDP on microcredit schemes in 17 provinces, cities and autonomous regions covering one million poor people ... Clearly, China's efforts in reform and opening-up were greatly facilitated by international development cooperation, without which its pursuit of poverty alleviation would not have been possible (Yi 2010).

At the press release of China's first *White Paper on Foreign Aid* in July 2011, Vice Minister Fu Ziyong of MOFCOM stressed, China's foreign aid is open to change, reform and innovation. He claimed this as an important reason for the success of China's foreign aid over the past six decades (State Council 2011b). In November 2014, MOFCOM issued *Measures for the Administration of Foreign Aid*, the first comprehensive regulation on China's foreign aid management. This document states that China will make a medium- to long-term aid plan, establish the reserve of aid projects and make country-based aid plans (MOFCOM 2014a). A Chinese aid official explained, 'These new measures originated from China's learning from traditional donors' (Interview, Beijing, 4 August 2015).

At the subsequent media briefing hosted by MOFCOM in December 2014, Wang Shengwen, Director General of MOFCOM's Department of Foreign Aid, stressed that China is learning from other donor countries to improve its foreign aid delivery and paying more attention to the needs of recipient countries (MOFCOM 2014b). For instance, China is increasing aid projects to improve people's livelihood and human resources training, supporting regional interconnection and communication, and strengthening environmental protection (MOFCOM 2014b). Yu Zirong, Deputy Director General of the same department, pointed out that aid evaluation remains a weak link in China's foreign aid management, as China traditionally emphasises project

implementation, and he saw western donors' aid practices as useful references for China (MOFCOM 2014b). This could be one major area for reform in the near future.¹⁷

There is evidence to suggest that mutual learning has been an important factor in China's growing engagement with traditional donors. As a Chinese aid official commented (Interview, Beijing, 4 August 2015):

When we do research on China's foreign aid, we will check how traditional donors deliver their foreign aid and make policy recommendations referring to some foreign aid projects conducted by the western donors in China. In terms of China's trilateral aid cooperation, we are also learning how other donors such as Germany, Japan and Brazil are doing their trilateral projects. So, this is a process of mutual influence. Though China's [fundamental] aid policies are hard to change because of China's emphasis on South-South cooperation, we can still learn from each other on many specific aid practices. In areas where we believe the western countries are doing better, we will absorb their good practices. China has kept on learning some specific aid practices from the West at the micro-level. For instance, we learned from western countries to combine foreign aid with trade and investment. The aid from Japan and many European countries to China was mixed with their economic activities.

Learning by doing in controversial areas

The learning process has reached into divisive issues where China is under criticism. An example concerns the environmental standards in China's overseas projects, which were high on the list of the US and Japan's objections to the establishment of the China-sponsored Asian Infrastructure Investment Bank. In February 2013, China promulgated the *Guidelines for Environmental Protection in Overseas Investment and Cooperation*, China's first specialised guideline on environmental protection for overseas projects. Bie Tao, Deputy Director General from China's Ministry of Environmental Protection explained that China encourages its companies to research and learn the principles, standards and common practices on environmental protection from international organisations and multilateral financial institutions such as the UN and OECD agencies (MOFCOM 2013c).

Debt relief is another example. In 2000, China began to write off debts for heavily indebted and least-developed countries, which was the first time China had forgiven debts based on initiatives from international development organisations and using a country list drafted by western organisations (Wang 2009, 42). Chinese leaders made

¹⁷ This point was repeatedly mentioned by Chinese aid officials and scholars during author's interviews, Beijing, August-September 2015.

similar efforts at high-profile international events, including debt-relief measures announced by Xi Jinping at the 2015 UN Development Summit.

The Chinese government is also softening its position on aid coordination, another sign of its gradual integration with the international community as a result of learning and its desire for image building. Not being a member of the OECD DAC, China refused to adopt the Paris Declaration on Aid Effectiveness and some regional aid effectiveness agreements including the Cairns Compact in the Pacific. However, it became a signatory to other agreements on aid effectiveness that were initiated by developing nations. China signed the Vientiane Declaration on Aid Effectiveness in 2006 and the Kavieng Declaration on Aid Effectiveness in 2008, which are local versions of the Paris Declaration in Laos and Papua New Guinea. China and seven traditional donors signed the Kavieng Declaration that pledged to:

Conduct more and make greater use of joint missions and analytical work ... rationalise their systems and procedures by implementing common arrangements for planning, design, implementation, monitoring and evaluation ... make full use of respective comparative advantage at sector level by aligning support and deciding, where appropriate, which development partner will lead the co-ordination of programs, activities and tasks ... enhance the predictability of future aid through joint decision making processes with the GoPNG (PNG DNPM 2008, 5–6).

This demonstrates that China is showing more readiness to engage and coordinate with traditional donors on aid delivery in selected countries such as PNG.

Learning from the OECD

The OECD has become another source of learning of aid knowledge and skills. China has increased its efforts to engage with the OECD in recent years. The China–DAC study group was set up in 2009 with the aim of promoting knowledge sharing and experience exchanges between China and the OECD, and introducing China's development experience to Africa (OECD 2011). China participated in DAC high-level meetings, the OECD Global Forum on Development, and OECD–WTO's work on tracking aid for trade.

China is increasingly involved in the substantive work of the OECD's specialised committees. In November 2013, the OECD and MOFCOM co-hosted a symposium on cooperation attended by 26 Chinese ministries, 18 OECD member states and the EU (OECD 2014a, 4). China stated that it valued the mutual learning process between China and the OECD to facilitate China's development. As Wang Shouwen, Assistant Minister of MOFCOM said, 'Its [the OECD's] research results, along with the

experiences of its member countries, [that] provide valuable references for China in deepening reform, further opening up and participating in global economic governance' (ibid).

Growing trilateral aid cooperation

In recognition of China's growing economic strength, traditional donors began to phase out their aid to China. Japan was comfortably the largest donor to China. From 1979 to 2004, cumulative aid from Japan to China exceeded 3.3 trillion Yen (RMB 164.9 billion in contract value), accounting for more than 60 per cent of total external aid to China (Pei 2004, 1). From 2001 to 2004, the annual reduction of Japan's aid to China exceeded 20 per cent (ibid). The World Food Programme had ceased its food assistance to China by the end of 2005. Traditional donors have also shifted their aid to China from providing hardware aid to soft areas such as training for Chinese staff, providing consultancy, targeting sectors such as poverty reduction, environmental conservation, public health and governance.

While phasing out aid to China, traditional donors and multilateral development organisations have growing interest in inviting China to jointly provide aid to other developing countries. To them, China is no longer in need of external aid as it has achieved remarkable economic and social development over the past three decades, and China has become a major emerging donor with a different modality. Therefore, it becomes imperative for traditional donors and multilateral development organisations to promote coordination and cooperation with China through trilateral cooperation. Traditional donors expect that increased coordination and cooperation will not only facilitate their understanding of China's foreign aid, but also leverage and influence China's foreign aid delivery (Interviews, Beijing, 29 July; 4 and 26 August 2015). As an OECD report pointed out, 'how to engage with China in a manner that contributes to the international aid effectiveness agenda and the achievement of the Millennium Development Goals has been an issue of great concern for DAC donors' (OECD 2012b, 4).

Strengthening cooperation with traditional donors and multilateral development organisations is attractive to China as well. As China has expanded its foreign aid substantially in recent years, the desire to learn useful aid policies and practices from traditional donors has grown even stronger. A former senior Chinese aid official explained, 'China wants to learn from traditional donors in areas including aid procedures, feasibility study, evaluation and monitoring. China is weak in these aspects'

(Interview, Beijing, 1 September 2015). As a consequence, China and traditional donors as well as multilateral development organisations have stepped up their engagement in exploring trilateral cooperation as an innovative method of partnership.

In 2005, CICIR and the US–China Relations Council co-hosted the China–US aid workshop in Beijing, the first of its kind in China. Officials and experts from the two countries as well as other traditional donors proposed ideas for aid cooperation (Glosny 2006). In July 2013, MOFCOM’s Vice Minister Li Jinzao met with DAC Chair Erik Solheim and responded positively to the OECD’s call for development cooperation in Africa. Mr Li suggested the two sides choose an African country that has an interest in trilateral aid cooperation to initiate such a plan and gradually expand it later on (MOFCOM 2013b).

The diversified engagement has boosted China’s understanding of traditional aid and led to the change of ideas on external aid and cooperation in the mindset of Chinese policymakers. To them, engagement and cooperation with these donors and organisations in trilateral cooperation is attractive to China. Thus, the Chinese government has agreed to pilot trilateral aid cooperation.

4. Domestic institutions

The first two sections have explained China’s calculation of interests and its growing international engagement on development cooperation. This kind of external interaction, however, is filtered through a complicated domestic process involving a cluster of China’s aid agencies before it can wield influence on China’s foreign aid. This section will explore four aspects of this domestic process: China’s aid management structure; the decision-making procedure of China’s foreign aid; two channels to influence Chinese officials’ perceptions of aid; and the diversified positions of China’s aid agencies on trilateral cooperation.

China’s aid management structure

A clear understanding of the identities and interests of China’s main aid agencies will provide a basis for exploring their attitudes toward trilateral aid cooperation. Though China does not have a single aid agency, it established an inter-agency liaison mechanism in October 2008 and upgraded it to an inter-agency coordination mechanism in 2011. Members meet regularly to coordinate aid policies and discuss policy planning and institutional building. This coordination mechanism on foreign aid consists of 33 agencies chaired by MOFCOM (chair), MFA (deputy chair) and MoF (deputy chair) as

the three core players. The three ministries and the China Exim Bank play the most important roles in China's foreign aid. China's State Owned Enterprises (SOEs) enjoy much influence in this process as project contractors. In addition to the coordination mechanism, China has held nine National Conferences on Foreign Aid Work attended by Chinese premiers or vice premiers.

Table 5. Interest-based alliance propensity of Chinese aid agencies

Interest-based alliance propensity \ Personnel	Weak	Strong
Weak	MoF Other ministries	SOEs China Exim Bank
Strong	MFA	MOFCOM

Source. Compiled by author from own analysis

I use the variables of 'personnel' and 'interest-based alliance propensity' to illustrate roughly how different aid agencies wield influence on China's foreign aid (see Table 5). 'Personnel' refers to the power of the aid agencies in China's domestic politics and their human resource capacity to manage aid. 'Interest' refers to material benefits. The 'interest-based alliance propensity' refers to the tendency of aid agencies to form alliances based on their respective material interests.

MOFCOM

MOFCOM is tasked with managing China's foreign aid and thus plays the most important role. Other line ministries are required to support MOFCOM in aid delivery. The Department of Foreign Aid is the organisation tasked by MOFCOM to manage Chinese foreign aid. Its responsibilities include drafting China's foreign aid policies, aid regulations,¹⁸ aid plans including the annual plan, approving and managing aid projects. The department has a team of around 70 staff specialising in foreign aid.¹⁹ Compared

¹⁸ China does not have a comprehensive law outlining its foreign aid regulations. China's foreign aid is mainly governed by a handful of regulations drafted by MOFCOM. Important regulations include *Measures for the Administration of Foreign Aid (trial)* in 2014; *Measures for the Administration of Complete Foreign Aid Projects (trial)* in 2008; *Measures for Accreditation of Qualifications of the Enterprises Undertaking Foreign Aid Projects* in 2015; and eight regulations covering areas such as the inspection, construction management, and project design of complete projects.

¹⁹ This figure comes from author's interviews. It also matches the figure Zhou Hong and Xiong Hou provide. According to them, in 1998 MOFCOM's Department of Foreign Aid had 64 staff. Zhou Hong and Xiong Hou, *Zhongguo yuanywai liushi nian* (China's Foreign Aid: 60 years in Retrospect). Beijing: Social Sciences Academic Press, 2013, 29.

with other aid agencies, this department has the largest concentration of aid technocrats in China.

Combining the number of staff from this department and the three executing aid agencies affiliated to MOFCOM including from the Executive Bureau of International Economic Cooperation (96 staff), China International Centre for Economic and Technical Exchanges (140) and the Academy for International Business Officials (over 200 staff), the total number of MOFCOM aid officials is around 500.²⁰ However, excluding support staff, the number of foreign aid officials in China is between 200 and 300.²¹ This is in stark contrast to 1,652 employees of the Australian aid program in the financial year of 2012–2013 and 3,797 employees of the US aid program in 2015 (excluding an even bigger number of their local employees in recipient countries) (APSC 2013, 253; USAID 2015a, 4).

In addition, there is one division within MOFCOM's Department of International Trade and Economic Affairs that traditionally looks after inbound grant aid provided by traditional donors and UN agencies to China. With experience gleaned over more than three decades dealing with traditional donors and UN agencies, this department is also involved in China's foreign aid.

MOFCOM is also the point of contact (*guikou danwei*) designated by the Chinese government to liaise with traditional donors and UN development agencies on their aid to China.²² In terms of providing bilateral aid in grants to China or conducting trilateral aid cooperation with China in a third country, traditional donors and UN agencies have to go through MOFCOM, regardless of their inclination to do so. Once approved by MOFCOM, they can move on to contact other line ministries in China.

²⁰ Figures from the websites of these agencies. MOFCOM. 2011. 'Yu shangwubu guoji jingji hezuo shiwu ju Li Wenmin juzhang wangshang jiaoliu' (Online interview with Li Wenmin, Director-General of MOFCOM's Agency for International Economic Cooperation). Online: <http://www.mofcom.gov.cn/fangtan/zssh/110510.shtml> (accessed 12 April 2014); MOFCOM. 2011. 'Yu zhongguo guoji jingji jishu jiaoliu zhongxin Wao Shenhong zhuren wangshang jiaoliu' (Online interview with Wao Shenhong, Director-General of China International Center for Economic and Technical Exchanges). Online: <http://www.mofcom.gov.cn/fangtan/zssh/110706.shtml> (accessed 12 April 2014); MOFCOM. 2011. 'Yu shangwubu guoji shangwu guanyuan yanxiu xueyuan Jin Xu yuanzhang wangshang jiaoliu' (Online interview with Jin Xu, Director-General of MOFCOM's Academy for International Business Officials). Online: <http://www.mofcom.gov.cn/fangtan/zssh/110831.shtml> (accessed 12 April 2014).

²¹ Based on author's interviews, Beijing, August 2015. It also matches with the finding of Song Wei from CAITEC. See Song Wei. 2015. 'Zhongguo duiwai yuanzhu yiyi de zai sikao' (Rethinking on the significance of China's foreign aid). *International Economic Cooperation* 1: 81-84, p. 83.

²² The responsible agency for the World Bank and Asian Development Bank is China's MoF. Similar matching relations are: China's Ministry of Agriculture (FAO) and the World Food Programme; the People's Bank of China (IMF).

Table 6. Status of three ministries in China's political system

	Number of ministers	Number of ministers becoming state leaders
MOFCOM	8 (1982-2013)	4 (Deputy Chair of National People's Congress: 1; Vice Premier: 2; member of Chinese Communist Party Politburo: 1)
MFA	5 (1982-2013)	4 (Vice Premier: 2; State Councilor: 2)
MoF	5 (1980-2013)	1 (Deputy Chair of National People's Congress)

Source. Compiled by author from online data

In terms of MOFCOM's domestic influence, it plays a prominent role in Chinese politics. As economic development has been regarded as the top priority of the Chinese government, MOFCOM naturally enjoys high political status and many MOFCOM ministers have been promoted to high positions as state leaders. This can have a decisive influence when controversial issues surface including whether MOFCOM or the MFA should take charge of China's foreign aid. Table 6 presents a brief comparison of the political promotions of former ministers from MOFCOM, the MFA and the MoF, which testify to the status of these ministries in China's political system.²³

Economic and commercial counsellor's offices

Unlike China's other aid agencies, MOFCOM enjoys the privilege of sending its staff to Economic and Commercial Counsellor's offices in almost all of China's diplomatic missions overseas, including embassies and consulates. Due to the shortage of staff in MOFCOM, it is common for MOFCOM to select commercial officials from the provincial and city level to staff some Economic and Commercial Counsellor's offices, particularly smaller and more remote postings such as those in the South Pacific.

One duty of these offices is to look after aid projects on behalf of MOFCOM in China's diplomatic missions, though aid is not a priority in their daily work compared to trade and investment. These offices have the advantage of obtaining first-hand information on Chinese aid projects on the ground and reporting to MOFCOM promptly, which gives MOFCOM the advantage of access to information, that it may or may not choose to share with the MFA or the MoF. Economic and Commercial Counsellor's offices will represent MOFCOM and the Chinese government in liaising with recipient governments, receive aid proposals from them and report back to

²³ There are several vice premiers in the Chinese government. The positions held by former MOFCOM ministers in the graph are ranked more highly than those held by former MFA ministers. For instance, former MOFCOM minister Li Lanqing and his successor Wu Yi were the highest-ranked vice premiers in the State Council. Mr. Li was also a member of the standing committee of the politburo, the core decision-making organ in China.

MOFCOM. They will get involved in the negotiations between China and recipient governments and supervise the progress of aid projects.

However, as they lack aid expertise, staff from the Economic and Commercial Counsellor's offices are mainly involved from the political perspective as representatives of MOFCOM, but not from the technical perspective. Technical experts employed by Chinese contractors look after technical issues for each aid project. While the Economic and Commercial Counsellor's offices can offer advice on aid projects, they are constrained by MOFCOM's policy instructions. They are executing agents in essence rather than policymakers.

Executing aid agencies

MOFCOM has three affiliated executing aid agencies to share its workload. The Executive Bureau of International Economic Cooperation was created in 2003. Once MOFCOM's Department of Foreign Aid has completed internal procedures to approve the proposed aid project (both complete projects and technical cooperation projects), it is handed over to this bureau to manage the implementation, including designing the project, signing the implementation agreement/contract with the recipient country, doing the pre-qualification of Chinese bidding contractors²⁴, overseeing the bidding process, signing the internal contract with Chinese companies, monitoring the project management, doing the project acceptance after completion, and handing it over to the recipient country (MOFCOM 2016).²⁵

The China International Centre for Economic and Technical Exchanges (CICETE) and the Academy for International Business Officials (AIBO), which were established in 1983 and 1980 respectively, as two more executing agencies, were tasked by MOFCOM in 2008 to manage foreign aid. CICETE was tasked with managing China's in-kind donations including the bidding arrangements and project management after MOFCOM's Department of Foreign Aid has carried out internal checks on a given project. Similarly, AIBO implements China's aid training, including organising, managing and evaluating them after MOFCOM's Department of Foreign Aid has completed internal procedures to approve the projects.

²⁴ Bidding can take the form of open or negotiated bids. Negotiated bidding is used in circumstances such as when the aid project is urgent, there are fewer than three qualified bidding companies, or the potential contractors have to be appointed because of patent or other reasons.

²⁵ Please also note the Executive Bureau of International Economic Cooperation has recently been re-named as the Agency for International Economic Cooperation in English.

MOFCOM's relations with Chinese companies

As MOFCOM is the statutory body on economic development and caretaker of Chinese companies overseas, the consideration of economic interests plays a prominent role when MOFCOM makes decisions on foreign aid. After the 'Go Global Strategy' (*zouchuqu zhanlue*) was adopted in October 2000, Chinese companies—many of whom had gone global long before this—were encouraged to explore economic opportunities overseas including in trade, investment and resource development (CCPIT 2007). Guided by principles of mutual benefit in providing foreign aid and this 'Go Global Strategy', MOFCOM has been actively assisting Chinese companies in going overseas to deliver foreign aid, explore overseas markets for Chinese products and satisfy the resource needs of China's fast-growing economy. In contrast to the MFA or the MoF, it is easier for MOFCOM to form alliances with Chinese companies under circumstances where a conflict between economics, diplomacy and global image arises.

The MFA

The MFA is the statutory body of China's foreign relations with other countries. Its overarching task is to build positive external relations and create a favourable environment for China's domestic development and stability. Foreign aid has been used as a diplomatic tool for such purposes and has served as an integral part of China's diplomacy.

Central to understanding the MFA's role is the term *zhengzhi* (politics) in China's foreign policy, including economic diplomacy and foreign aid policy. Chinese leadership and official documents always highlight three terms: *jiang zhengzhi* (talk politics), *zhengjing jiehe* (combine politics and economics), and *yijing cuzheng* (use economics to promote politics). As China's then Premier Wen Jiabao said at the National Conference Relating to Central Economic and Diplomatic Work towards Developing Countries in 2004, 'China has good relations with developing countries and needs to be good at combining economic and political work, and using economic work to promote the political relations between China and other countries' (Gong 2004, 2).

China's diplomacy always emphasises the political relations between China and other countries. In the eyes of the MFA, the importance of political relations prevails over the importance of short-term economic gains, because in China's philosophy, it is not possible to develop good economic relations without the establishment of excellent political relations. This explains why in some circumstances, where economic interest conflicts with political interest, the Chinese government chooses to safeguard long-term

political interests at the expense of short-term economic gain. To the Chinese government, if the loss of an economic benefit leads to the improvement of political interests, this will create more economic opportunities for China in the future: a loss in the short term means profit in the long run (Ibid).²⁶

This explains why the Chinese government has kept focusing on the importance of ‘talking politics’, and it has instructed Chinese aid agencies that they need to implement China’s foreign aid projects ‘from the height of talking about politics’, ‘combining the strengths of political relations and economic benefits’, and ‘using economic benefits to promote better political relations’ between China and recipient countries. It also underpins the role played by the MFA in China’s foreign aid delivery. As a practical example, the Chinese Follow-up Committee of FOCAC is co-chaired by MFA minister and his counterpart in MOFCOM. The secretariat of the committee is located in MFA’s Department of African Affairs, with the Director General of this department acting as the Secretary-General (MFA 2013). Li Anshan, a Chinese expert on foreign aid from Peking University, said,

It is inappropriate to say that MOFCOM dominates China’s foreign aid delivery. The approval of a foreign aid project is the result of coordination among MOFCOM, MFA and other line ministries. MFA has to make sure the projects serve China’s national interest (Interview, Beijing, 30 August 2015).

As a generalisation, the MFA strongly supports providing foreign aid because this will help enhance China’s diplomatic relations with other countries and make life easier for the MFA. It values the diplomatic and strategic interest of China above short-term economic interests. Bilateral relations between China and recipient countries play an important role in China’s foreign aid provision. It is the precondition that the recipient country must enjoy good relations with China and fully support the ‘One China’ policy before China provides a single *fen* of aid to this country, though exceptions exist in circumstances including humanitarian disasters. Foreign aid in turn will be used by China to improve relations with recipient countries.

Ambassadors and the economic and commercial counsellor’s office

Compared with the Economic and Commercial Counsellor’s office, Chinese ambassadors exert influences in China’s foreign aid in different ways. In regions such

²⁶ This point is also supported by the author’s observations in the previous decade-long work experience in the government.

as the Pacific where the Taiwan issue is still in play as small island nations occasionally sway their diplomatic recognition between Mainland China and Taiwan, each Chinese ambassador is provided with a small amount of discretionary funds (around \$50,000) which is used for some small aid projects (Smith et al. 2014, 10). Moreover, in small nations, the Economic and Commercial Counsellor's office is part of the embassy.²⁷ Foreign aid reports drafted by the Economic and Commercial Counsellor's office need to be signed by the ambassador and sent to both MOFCOM and the MFA through the embassy.

In terms of proposing aid projects, there could be divisions between the ambassador and the Economic and Commercial Counsellor's office. The ambassador, in most cases a career diplomat from MFA, represents the interests of MFA and places more emphasis on China's diplomatic interests in determining aid spending. By contrast, the Economic and Commercial Counsellor's office is a branch of MOFCOM and they are inclined to give more considerations to China's economic interest when they make aid proposals. For the sake of diplomacy, the ambassador may also suggest new aid projects directly to MOFCOM. However, the amount of influence the ambassador has over the aid projects provided to his or her country is debatable, as the final say comes from MOFCOM. It is fair to say the Economic and Commercial Counsellor's office has more direct influence than the ambassador on aid in the country. In extreme cases, ambassadors based in the Pacific learn of Chinese aid projects in their country for the first time in the local newspaper.

Why does MOFCOM oversee China's foreign aid?

As foreign aid is so closely linked to China's foreign policy and the Taiwan issue in foreign aid is directly linked to China's diplomatic efforts, why has the MFA not taken over foreign aid from MOFCOM? Which ministry do Chinese aid officials and scholars see as the most suitable to oversee China's foreign aid? These issues have been debated for a long time in China. Some background information helps to frame the question.

As mentioned earlier, China's foreign aid started as early as the 1950s when China provided aid, mostly in the form of in-kind donations supplemented by occasional money transfers, to other socialist countries and developing countries such as North Korea and Vietnam. China's Ministry of Foreign Trade, established in August 1952 (the

²⁷ In countries such as Papua New Guinea, the Economic and Commercial Counsellor's Office is separate from the embassy.

predecessor of MOFCOM),²⁸ was tasked with managing China's foreign aid by instructing its subordinate export and import companies to purchase the materials and then provide them to the recipient countries. Since then, MOFCOM and its predecessors have remained the custodians of China's foreign aid.

Some Chinese officials and scholars have challenged this arrangement. To them, MOFCOM's focus on seeking economic gains and promoting the interests of Chinese companies could have a negative impact on its management of foreign aid, whose purpose is to support China's strategic and diplomatic interests. They suggest the MFA should be in charge of China's foreign aid (Interviews, Beijing, 30 August, 1 September 2015). On occasion, the State Council has been called upon to deliberate this question, but to date they have decided in favour of MOFCOM.

The MoF

The MoF is responsible for drafting and managing China's budget. The aid plan drafted by MOFCOM needs to be accepted by the MoF and integrated to the annual national budget. After approval, the MoF will allocate aid funding to be disbursed by China's ministries. As the MoF is the keeper of the purse strings, foreign aid project proposals need to be circulated to the MoF for approval. This is also a process of budget monitoring. The gap between the commercial and concessional interest rate of the concessional loans provided by China Exim Bank is included in the annual aid budget overseen by the MoF.

The MoF is also in charge of China's multilateral aid including donations to the World Bank and UN agencies. In terms of bureaucratic interests, the MoF's role in China's foreign aid is relatively neutral compared with MOFCOM and the MFA. In addition, the MoF looks after bilateral loans from traditional donors and loans from multilateral agencies to China.²⁹ The MoF's Department of International Economic and Financial Cooperation is tasked with managing these loans, including from the World Bank, the Asian Development Bank (ADB), the International Fund for Agricultural

²⁸ China's ministry in charge of foreign aid has experienced quite a few restructures. In 1949, China's Ministry of Trade was established, and was soon renamed the Ministry of Foreign Trade in 1952. In 1961, a new agency was created to manage aid: the General Bureau for Economic Relations with Foreign Countries. It was upgraded to the Commission for Economic Relations with Foreign Countries in 1964, and upgraded again in 1970 to become the Ministry of Foreign Economic Liaison. In 1982, the Ministry of Foreign Trade, Ministry of Foreign Economic Liaison, the State Import Export Regulation Commission and the State Foreign Investment Regulation Commission merged into the Ministry of Foreign Economic Relations and Trade, which was renamed in 1993 as the Ministry of Foreign Trade and Economic Cooperation. Since 2003, it finally became the Ministry of Commerce.

²⁹ MOFCOM used to manage bilateral loans from traditional donors in China.

Development, and the European Investment Bank. Some grants mixed with loans projects in China are also within the MoF's purview. The MoF also manages grant aid from the Global Environmental Facility to China.³⁰

China Exim Bank

The China Exim Bank, its Concessional Loan Department to be specific, is responsible for China's expanding concessional loan portfolio. At the policy level, it is still subject to the supervision of MOFCOM. As discussed above, it was created in 1994 to manage China's concessional loans. China's concessional loans have increased tremendously in recent years, exceeding 30 per cent growth rate annually since 2005 (China Exim Bank 2014, 10). The loans have facilitated Chinese companies going overseas. As a result, the China Exim Bank enjoys an important status in the politics of Chinese aid.

Another reason for the importance of the China Exim Bank is that, in addition to providing concessional loans, the China Exim Bank also provides preferential buyer's credit to support economic and trade cooperation between China and other developing countries. This kind of credit is not counted as China's foreign aid (Bräutigam 2011, 756–57).

Concessional loans target big infrastructure projects and involve large amounts of aid money. They are implemented by Chinese companies, typically powerful State-Owned Enterprises. With support from the China Exim Bank, a number of China's companies such as the China Road & Bridge Corporation, China Harbour Engineering Company, Sinohydro Corporation, Shanghai Construction Group and Gezhouba Group have rapidly expanded their overseas operations (China Exim Bank 2014, 11). The China Exim Bank has supported nearly 1700 'going out' projects conducted by Chinese companies. The contract value of these projects accounted for more than 20 per cent of China's foreign direct investment and its overseas project contract value combined (Jin 2014). Therefore, the tendency to form alliances between the China Exim Bank and China's SOEs is high. Because of their shared interest in safeguarding the economic interests of Chinese companies, the China Exim Bank and MOFCOM also have a high propensity for interest alliance. Lucy Corkin argues that while the MFA sees China's

³⁰ MoF. 2016. 'Guoji caijin hezuo si' (The Department of International Economic and Financial Cooperation). Online: <http://gjs.mof.gov.cn/pindaoliebiao/dhgz/> (accessed 20 November 2016). The MoF's Department of International Economic and Financial Cooperation was established in 2014 by merging the original Department of Finance (managing bilateral loans coming in to China) and the Department of International Cooperation (managing loans received from multilateral organisations).

concessional loans in Africa as a diplomatic tool, MOFCOM ‘sees them as principally a market-entry tool for Chinese companies’ goods and services’ (Corkin 2011, 73).

Other line ministries

China’s other line ministries—such as the Ministry of Agriculture, National Health and Family Planning Commission, Ministry of Education, Ministry of Science and Technology and Ministry of Civil Affairs—are also involved in providing foreign aid. They compete for a share of the growing foreign aid budget, in an extension of domestic competition for scarce budgetary resources. Their mandate is to provide foreign aid within their specialised areas. For instance, the Ministry of Agriculture provides agricultural support overseas, sending agricultural technicians to almost every developing country that recognises the PRC. These teams are often on the ground in unstable regions where aid contractors from developed nations would be reluctant to work. Following a similar modality, the Ministry of Health is responsible for China’s foreign aid in the health sector, including the donation of medical equipment and medicine, and dispatching medical teams overseas. Since China sent its first medical team overseas to Algeria in April 1963, 21,000 Chinese medical staff had been sent to 69 developing countries by 2010 (MOFCOM 2010). Compared with MOFCOM, the MFA and the MoF, these line ministries concentrate more on technical issues in their areas rather than political and economic issues.

Not all aid projects in specialised fields will be conducted by line agencies. As an example, the Ministry of Agriculture will not carry out all agricultural aid projects. This is because all of China’s aid projects go to MOFCOM, who have the option to conduct any given project by themselves (Interviews with Chinese aid officials and scholars, Beijing, August-September 2015). They may approach other line ministries such as the Ministry of Agriculture for technical support in specialised areas. If MOFCOM does not want to take on the project, it may ask other line ministries to do it and the project budget will be allocated to these line ministries. However, some line ministries have been delegated by the State Council the responsibility to deal directly with some donor organisations. These aid projects do not need to go through MOFCOM, or seek its approval. China’s Ministry of Agriculture deals directly with the FAO and the World Food Programme. The Ministry of Agriculture can directly approve aid from these multilateral agencies for projects inside China, or with them in third countries. In addition, many line ministries have an annual budget for promoting international

cooperation. Typically, about half to two-thirds of it is used for aid projects. These projects do not need to be approved by MOFCOM.

China's SOEs

China's companies—especially large SOEs—are powerful players in Chinese domestic politics. The state controls the majority of large economic entities in China to ensure that it remains a socialist country with a high level of state ownership. SOEs produce a large percentage of China's annual GDP, create employment for Chinese citizens and generate revenue for the government. Barry Naughton argues that China's SOEs accounted for 26.7 per cent of industrial output and 20.4 per cent of industrial employment in 2009 (2011, 315). SOEs still accounted for over half of China's industrial output in six sectors such as electrical power and heat power, mining and the washing of coal in 2011 (Lardy 2014, 76–77).

Most Chinese SOEs have their origins in China's ministries. This explains why they enjoy close relations. The China Road and Bridge Corporation was formed on the basis of the Foreign Aid Office of China's Ministry of Transport in 1979 as required by the reform efforts to separate the government from companies. Similarly, the predecessor of the China Railway Engineering Corporation is the General Bureau of Capital Construction of the Ministry of Railways which was established in 1950. The China Nuclear Engineering and Construction Corporation, a military industrial corporation, was established in 1999 on the basis of the former China National Nuclear Corporation. A number of International Economic and Technical Cooperation Companies were also set up in China's provinces to conduct foreign aid projects. They enjoy close relations with their provincial governments. In China's political system, the directors of large SOEs are interchangeable with high-ranking political positions such as provincial governors and ministers.³¹ This illustrates how important they are in China's domestic politics. Aside from the personnel connections to the Party-state, large SOEs are favoured to implement China's foreign aid projects because they are state companies and generate revenue for the government, and also because they have resources including technologies, skills and qualified staff to implement aid projects.

³¹ State Councillor and Minister of Public Security Guo Shengkun, former Minister of Finance Lou Jiwei, Minister of Industry and Information Technology Miao Wei, Director of State-owned Assets Supervision and Administration Commission Xiao Yaqing, Governor of Shandong province Guo Shuqing, Governor of Shangxi province Li Xiaopeng, Governor of Hebei province Zhang Qingwei, former Governor of Fujian province Su Shulin are all former heads of Chinese SOEs.

The strategy developed for China's agricultural aid in Africa illustrates how SOEs are favoured in China's aid delivery. China's agricultural demonstration centres have been widely piloted in Africa since 2006. These centres will operate for 15 years. For the first three years, China's SOEs are contracted to construct the centre with grants provided by the Chinese government, and for the second 12-year phase, a Chinese SOE will take over the centre and run it on a commercial basis (Gabas and Tang 2014, Nzikou-Massala 2014, 19).

Being the implementer of China's economic diplomacy and the Go Global Strategy, China's SOEs receive a lot of support from the Chinese leadership. Xu Weizhong, a Chinese aid expert from CICIR explained:

When Chinese leaders visit Africa, they often hold meetings with China's SOEs working in these countries and listen to their views on economic issues. Chinese SOEs are often consulted by MFA and MOFCOM for advice before the conferences of the Forum on China-Africa Cooperation are held (Interview, Beijing, 24 August 2015).

Another way SOEs wield influence on China's foreign aid is to propose aid projects to the Economic and Commercial Counsellor's office at China's diplomatic missions and even to MOFCOM directly. As these SOEs have previously carried out aid projects in the recipient countries and become established, they have close relations with both the Chinese government (including MOFCOM, the MFA and the Economic and Commercial Counsellor's office) and the governments of recipient countries. They are familiar with China's foreign aid policies and the bilateral relations between China and the recipient countries.

Due to their close relations with aid officials and some politicians in recipient countries, China's SOEs also have easy access to information on recipient countries' demands for aid projects from China. They are keen to lobby China and the recipient countries for new aid projects because once both countries agree upon a given project, the SOE, which initiated the project, will typically win the contract to carry it out. That explains why in some circumstances, Chinese SOEs and recipient governments enter into an informal alliance in which China's SOEs persuade recipient governments to raise some new aid projects with China while the SOEs promise to help behind the scenes to secure financing. In return, recipient governments will propose to the Chinese government that they want these SOEs to do the aid projects. It becomes a win-win situation for China's SOEs and their partners in recipient countries. Some Chinese

SOEs subcontract the project to other contractors from China or another country, while taking a commission.³²

In comparison with MOFCOM, the MFA and the MoF, China's companies care less about China's political interests, and focus more on their commercial interest. The principal-agent dilemma is obvious in many cases. The Chinese government hopes to deliver good-quality aid projects that benefit China's long-term political and economic interests, while building good relations with recipient countries. In contrast, China's companies conduct aid projects mainly for economic gain. They want to finish the projects as soon as possible, sometimes at the expense of project quality. This leads to a negligence of factors such as the environmental impact of the projects, their social responsibilities to local communities, and the relations between the SOE's management team and the local workforces. In many instances, short-term economic interest has the upper hand over China's long-term geopolitical interests.

Another reason for some companies' ignorance of the Chinese government's requirements is that these companies take aid projects as a first step towards establishing themselves in the market of recipient countries. Over time, they move on to commercial projects, which are usually more profitable than aid projects. However, things are more complicated than that. These companies realise that if they have a poor record and reputation for their aid projects, it becomes difficult for them to win commercial contracts, especially in smaller countries where news spreads quickly. Therefore, companies that manage to get established in the recipient countries start to care more about establishing a good name for themselves, although they may still give little thought to China's national interest.

Think-tanks

The role played by think tanks in China's foreign aid is limited. In the Chinese government system, the shifting of personnel between government and academic posts is rare. This is different from western countries such as the US where it is relatively common for government officials and academic researchers to switch roles. However, it is important to note that many of China's ministries, particularly the more influential

³² One example is that China Civil Engineering and Construction Corporation subcontracted the Palace renovation and wharf projects in Tonga to Fletcher Royco. Tongan Ministry of Information and Communications. 2010. 'CCECC subcontracts Fletcher Construction Ltd. to build a new Vuna international passenger wharf in Nuku'alofa'. Last modified 24 June. Online: <http://www.mic.gov.to/ministrydepartment/14-govt-ministries/internal-affairs/1545-ccccc-subcontracts-fletcher-construction-ltd-to-build-a-new-vuna-international-passenger-wharf-in-nukualofa> (accessed 4 July 2014).

ones, have affiliated research academies which provide information to these ministries and conduct research on selected topics for their paymasters. Some think tanks have more influence than the others.

CAITEC, which has over 140 staff and carries out research work on behalf of MOFCOM, is one of the most important affiliated think tanks. MOFCOM's Department of Foreign Aid only has about 70 staff to manage China's global aid program. Unsurprisingly, they are overwhelmed by their rapidly growing workload. To compensate, CAITEC has been tasked with a number of research projects on behalf of MOFCOM, such as drafting Chinese white papers on foreign aid and doing research on trilateral aid cooperation as a new phenomenon. Some CAITEC officials have been promoted to senior positions within MOFCOM. Shen Danyang, former Deputy Director of CAITEC, is now the Director General of the Department of Policy Research and the spokesman of MOFCOM. Through such channels, CAITEC plays an influential role in developing China's foreign aid policy.

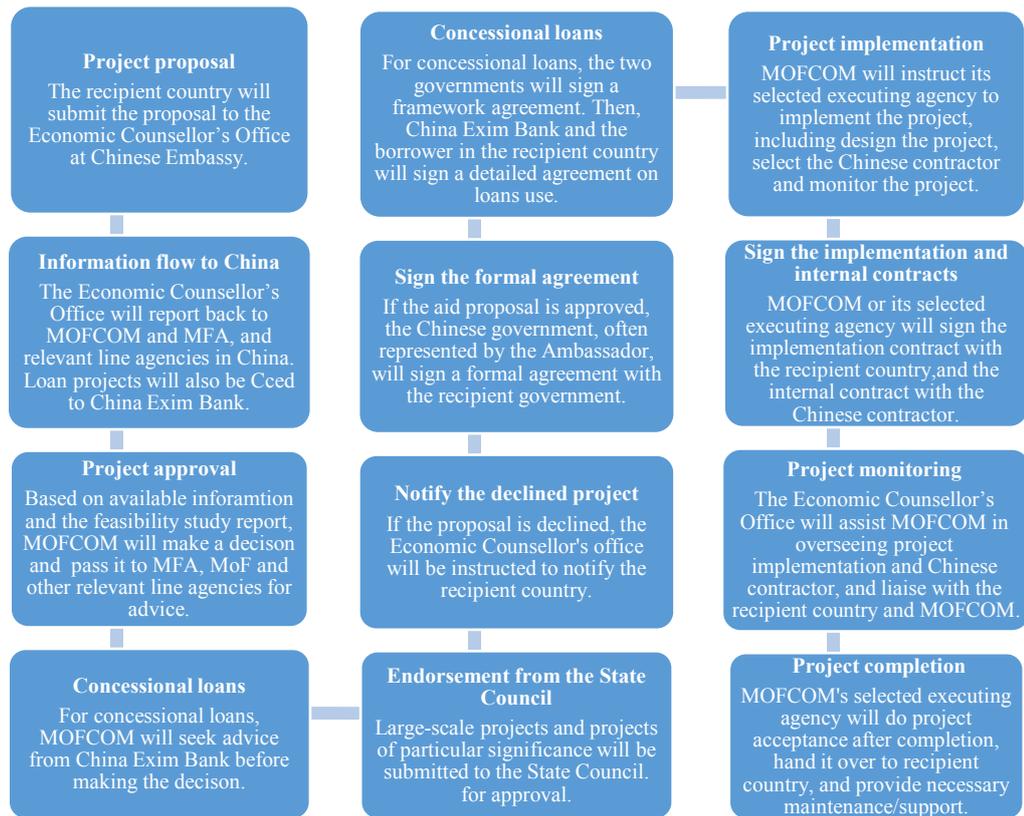
The China Foreign Affairs University and the China Institute of International Studies are think tanks affiliated with the MFA. However, as their research is focused on broad global issues, their research into China's foreign aid is limited. The situation at the MoF is similar. The Research Institute for Fiscal Science is the think tank affiliated to the MoF, but their research on China's foreign aid is also sparse.

China's aid decision-making procedure

Figure 7 summarises China's aid formal decision-making procedure, from project initiation, through international coordination to its implementation.³³

³³ This flow chart draws on the following references: MOFCOM. 2014. 'Duiwai yuanzhu guanli banfai (shixing)' (Measures for the administration of foreign aid (trial)). Online: <http://yws.mofcom.gov.cn/article/gzdongtai/201411/20141100803904.shtml> (accessed 15 November 2016); China Exim Bank. 2014. 'Zhongguo jinchukou yinhang liangyou daikuan yewu jieshao, youhui daikuangbu' (Introduction to the two loans of China Exim Bank, by department of concessional loans at China Exim Bank). China International Contractors Association. Online: <http://www.chinca.org/cms/html/files/2013-12/16/20131216102948872930302.pdf> (3 May 2015); Zhou, Hong. 2008. 'Zhongguo duiwai yuanzhu yu gaige kaifang sanshinian' (China's foreign aid and 30 years of reform). *World Economics and Politics* (11): 33–43.

Figure 7. China's aid decision-making procedure



Source. Compiled by author from own analysis

Two ways promoting new information flow

Taking the case of MOFCOM, this section will illustrate two ways that new ideas about foreign aid are promoted even though other ways may also exist. Most university graduates who are recruited into MOFCOM's Department of Foreign Aid do not major in foreign aid and development, as these courses themselves are rare. Instead they come from diverse fields such as foreign languages especially English, business and law. Their knowledge of foreign aid comes from daily practical work in MOFCOM and their senior colleagues. One major source of new ideas on foreign aid is the exchange with traditional donors and multilateral development organisations.

Take the exchange between China and the OECD as an example. China's officials have benefited from the OECD's training programs, which introduce new ideas. Xue Hong, then a CAITEC senior aid official, visited OECD DAC in 1992 for three months, the first Chinese aid official to be posted there, and he was exposed to the DAC's aid policies and practices (Interview, Beijing, 1 September 2015). Later, Mao Xiaojing, Division Director of International Cooperation from CAITEC took part in the same exchange program (Interview, Beijing, 1 September 2015). At the end of 2012, the OECD and the German Federal Enterprise for International Cooperation co-funded the

Program of Temporary Assignments for Chinese Officials to the OECD, which offered opportunities for mid-level Chinese officials to work at OECD headquarters in their specialised areas for a few months (OECD 2014a, 7). This boosted the level of China's learning from the OECD. From 2012 to 2013, 11 mid-level Chinese officials from ministries including the National Development and Reform Commission, Development Research Centre of the State Council, MOFCOM, MoF and Ministry of Science and Technology participated in this program which focuses on China's 12th Five-Year Plan covering areas including aid effectiveness (OECD 2014a, 7). This program contributed not only to closer relations between China and the OECD, but also to the flow of new ideas among Chinese officials and policy reforms.

In July 2015, China's Premier Li Keqiang became the first Chinese leader to visit the OECD headquarters in Paris. During the visit, China agreed to join the OECD Development Centre, a platform to find solutions to stimulate growth in developing countries. OECD Secretary-General, Angel Gurría, credited this agreement as 'a historical and transformative opportunity for mutually beneficial knowledge-sharing [between China, OECD, and other developing countries]' (OECD 2015b). China has also agreed to accept the OECD Policy Coherence for Sustainable Development, a policy tool to integrate the various dimensions of sustainable development into policy-making and to ensure they are mutually supportive (OECD 2015a, 24). This has the potential to improve the development coordination between China and OECD members in other developing countries.

The movement of aid officials within the Chinese government system has spread new ideas about aid further. Officials sometimes have the opportunity to move to positions in other departments. This movement brings knowledge from the old department to the new workplace. It is not unusual for aid officials to shift between MOFCOM's Department of Foreign Aid and their Department of International Trade and Economic Affairs. As they are in charge of China's outgoing foreign aid and development assistance coming in to China respectively, this movement of aid officials could promote knowledge sharing about the practices associated with these two types of aid flow. The promotion of aid officials to higher position in new departments facilitates information flow. As mentioned earlier, Shen Danyang, former Deputy Director of CAITEC, was promoted to the position of Director General of the Department of Policy Research, and MOFCOM's chief spokesperson. Clearly, new aid ideas from CAITEC can easily get his attention and with his support, it is more likely that these new ideas will become aid policies.

5. Reaction of China's main aid agencies to trilateral aid cooperation

As China's trilateral aid cooperation is still quite new, the attitudes of China's aid agencies towards trilateral aid cooperation are not that clear at this stage. Based on my interviews and inference from the interests of these aid agencies, the following conclusions can be drawn (see Table 7).

Table 7. Attitudes of China's aid agencies towards trilateral cooperation

Aid agencies	MFA MoF Other line ministries	MOFCOM China Exim Bank	SOEs
Attitude	Positive	Cautiously positive	Ambiguous

Source. Compiled by author from own analysis

The MFA

The MFA is the most active Chinese agency in promoting trilateral aid cooperation. As the MFA's primary concern is China's diplomatic relations with foreign countries, trilateral aid cooperation has appealed to them as a new way for China to promote new partnerships with traditional donors and multilateral development organisations. For instance, trilateral aid cooperation has become an important new component of China's partnership with traditional donors including the US, UK, Australia and New Zealand. From this perspective, MFA supports this new modality of aid delivery. This point is confirmed by Merriden Varrall, a former UNDP senior representative in Beijing, who argued that the MFA is pushing MOFCOM to undertake trilateral cooperation and the MFA believes trilateral cooperation could also ease China's troubled relations with developed nations including the US (Varrall 2016, 30).

MOFCOM

MOFCOM's attitude towards trilateral aid cooperation is more cautious compared with that of the MFA. MOFCOM is tasked with improving the effectiveness and efficiency of China's foreign aid. In this sense, MOFCOM is interested in new aid modalities such as pilot trilateral aid projects. MOFCOM also faces pressures from other line ministries to pilot trilateral aid cooperation for their political and technical benefits. However, MOFCOM is mindful of obstacles for advancing trilateral aid cooperation including its unfamiliarity with this aid modality, the wide gulf that its officials perceive between Chinese and western foreign aid practices and norms, the increasing cost of aid coordination when more donors are involved, and the ambiguous attitude of Chinese aid contractors and their partners in recipient countries toward trilateral cooperation.

In this complicated situation, MOFCOM, as the custodian of aid management on behalf of the Chinese government and the Communist Party, takes a cautious attitude toward trilateral cooperation. We can expect that China will be stubborn in maintaining its core aid principles and the independence of its foreign aid delivery rather than being bound by western aid norms. Based on this precondition, China will be open to more international engagement and pilot trilateral aid cooperation so as to learn from traditional donors and multilateral development organisations. This cautious attitude is evident in MOFCOM's conduction of selected trilateral projects upon which all parties seem to agree. It is watching these pilot projects closely and gaining experience for future expansion of trilateral cooperation. This reflects the wisdom of 'crossing the river by feeling for stones'³⁴ which is gained from China's reform and the opening up process (Chen 1980, 279).

The MoF and other line ministries

Being the caretaker of China's annual budget, which includes the aid budget, the MoF's position on foreign aid is detached to some extent. They do not stand to lose much from trilateral cooperation, but have the opportunity to promote mutual learning with their counterparts such as the World Bank and the ADB. Therefore, their overall attitude towards trilateral cooperation is more positive than that of MOFCOM (Interview, Beijing, 6 August 2015).

Other line ministries including the Ministry of Agriculture and Ministry of Health are active in promoting trilateral cooperation. Line ministries, especially those with technical expertise, are more interested in the exchange of skills in foreign aid provision and are keen to use trilateral cooperation as an opportunity to learn from their western counterparts. A Chinese aid expert involved in the China–Australia–Cambodia Irrigation Dialogue, a trilateral project on knowledge sharing, applauded this project. He said, 'Australia has very advanced theories and practices in areas such as legislation, well-defined users' rights, trading and monitoring of water resources. This is a good learning opportunity for China' (Interview, Beijing, 24 August 2015).

³⁴ 'To cross the river by feeling for stones' is a concept raised by Chen Yun in December 1980, and endorsed by Deng Xiaoping, the architect of China's reform process. In Chen's thinking, as China had no experience in reform, it had to be careful and move slowly. One useful way was to conduct pilot projects and accumulate experience for later projects, a practice that can be traced back to the Maoist era. After the benefits were found to outweigh the risks, or in Deng's terminology 'flies', the experiment was expanded to the whole country.

Line ministries are also keen to apply and test their technologies in unfamiliar environments. In the case of agriculture, there is also a profit motive and access to new markets for China's agricultural expertise and products such as agricultural machinery. Other sectors such as health and disaster relief are similar. For instance, one motivation of China's Ministry of Civil Affairs (MCA) in joining the trilateral project with the UK's Department for International Development (DFID) on disaster relief in Bangladesh and Nepal was to expand the influence of China's disaster relief experience (Interview, Beijing, 4 August 2015). This in turn can add value to the MCA's portfolio and expand their influence.

In addition, every line ministry has their Department of International Cooperation, tasked with liaising with foreign countries. These departments were mainly responsible for dealing with traditional donors and receiving their aid to China. As traditional donors reduce their aid to China, these departments have a strong motivation to explore new markets for their work, so as to maintain staffing and funding levels. Conducting trilateral cooperation with traditional donors in third countries is such a market. This explains why these departments in various ministries are actively pushing for trilateral cooperation.

The China Exim Bank

The China Exim Bank's attitude is ambiguous. It seems to be cautious about undertaking trilateral projects due to concerns about the coordination costs. As the Bank's large proportion of concessional loan projects are large-scale infrastructure projects, the work of coordination in potential trilateral cooperation could be daunting (Interview with MOFCOM aid official, Canberra, 19 July 2016). Another possible reason is that it could be difficult to divide the dividend in concessional loan projects that have substantial commercial interests. However, as concessional loans now account for more than half of China's total foreign aid, it is natural for the China Exim Bank to get involved in trilateral aid cooperation. At this stage, the China Exim Bank is trying to bypass the difficulty of dividing up its commercial interests, by conducting trilateral aid projects in which China and traditional donors are each responsible for their own part of the project under the broad umbrella of trilateral cooperation. The China–New Zealand–Cook Islands trilateral project on water supply in Rarotonga is a good example. In effect, this is parallel rather than trilateral cooperation.

Chinese companies

The attitudes of China's aid contractors towards trilateral cooperation are similar to that of the China Exim Bank. They are not accustomed to working jointly on aid projects with traditional donors and construction companies from developing nations, nor are they keen to divide up the economic benefits of these projects or take direction from foreign project managers. Yet an increasing number of Chinese companies are gaining this kind of experience by winning commercial contracts from traditional donors. A good example is the China Harbour Engineering Corporation (CHEC), which won a contract from the ADB for building the port in Lae, the second largest city in Papua New Guinea (CHEC 2014). The CHEC is gaining knowledge of how to deal with traditional donors and multilateral development organisations. Chinese companies are also keen to learn from traditional donors skills and management expertise in areas such as social responsibility and environmental protection with which Chinese companies are less familiar (Interview with Chinese companies, Port Moresby, 10 and 11 November 2014). To some Chinese resident managers, promoting partnership with their western counterparts might also help in moving their businesses up the value chain and even in accessing markets in developed nations.

In short, identities and material interests influence China's aid agencies' attitudes towards China's foreign aid and trilateral aid cooperation. The MFA is the most supportive of trilateral cooperation, while MOFCOM cautiously welcomes it. The MoF is more positive as it has less 'skin in the game' than MOFCOM, and other line agencies also welcome this new aid modality. The China Exim Bank and Chinese companies have ambiguous or conflicted attitudes.

6. Conclusion

This chapter has analysed the evolution of China's foreign aid policy and practices, especially its adoption of trilateral aid cooperation, from external and domestic perspectives, as well as interest calculations by the Chinese government. This triangulation reduces the research bias and errors that might occur if the research focuses solely on one perspective.

From the perspective of the Chinese government's interest calculations, China's leaders continue to emphasise their three identities as a socialist country, a developing country and a rising great power. The shift in identity over time has led to the shift in China's interest calculations. From 1950 to 1978, the Chinese government focused on its identity as a socialist country and thus foreign aid was used to promote its political

interests by building a revolutionary united front against western countries. From 1978 to 1999, China put forward the reform and opening up policy to rejuvenate its moribund economy. China's identity as a developing country received more attention and foreign aid was seen as promoting mutual benefits for China and the recipient countries, rather than revolution. To China, the provision of foreign aid could help Chinese companies gain access to overseas markets for their products and investment, and obtain resources to support domestic economic development.

Since 2000, China's economy has continued to grow and its economic strength has been significantly boosted. In the area of development cooperation, the Chinese government has focused more on its identity as a rising global power. Thus, the importance of global image building has begun to prevail over short-term economic benefits. Foreign aid serves this purpose. China's policymakers, looking to promote China's global image as a responsive, responsible and respectable global power, have come to accept trilateral aid cooperation, albeit to differing degrees.

From the perspective of international engagement, the PRC government has been engaging with the outside world since 1950 when it began to provide development assistance. China's engagement with traditional donors and multilateral development organisations has increased since 1978 after which China agreed to accept their assistance. Since 2000, this engagement has diversified and expanded substantially. The influence of China as an emerging donor is growing rapidly. The focus of western donors and multilateral development organisations on development cooperation with China is shifting from providing aid to China to aid coordination and the joint provision of assistance to other developing countries. As a consequence, trilateral aid cooperation is discussed and piloted between China and traditional donors and multilateral development organisations.

From the perspective of China's domestic foreign aid bureaucracy, China's aid agencies differ in their human resources capacity to manage foreign aid. Based on their own interests, the objectives they seek to achieve by providing foreign aid are also different, which defines their differing propensities for interest-based alliances. This point applies to their attitudes towards trilateral aid cooperation. Among these agencies, the MFA, with its diplomatic focus, is an enthusiastic supporter of trilateral cooperation, while MOFCOM welcomes it with some reservations. The China Exim Bank is piloting 'parallel' aid cooperation, where China and traditional donors separately conduct their own part of the project under the umbrella of a trilateral project. China's other ministries show more interest in the opportunities of learning technical and management

skills in their areas of specialisation, and largely support trilateral aid cooperation. China's aid contractors have conflicted attitudes towards aid cooperation as they oppose cooperation on projects with substantial commercial interests, while being keen to learn useful aid practices and skills from their western counterparts.

Based on the above discussion, and with the hindsight of empirical support from the following three case study chapters, I argue that China's adoption of trilateral aid cooperation reflects China's stronger desire to be seen globally as a responsible great power and its stronger desire to learn through growing international engagement with traditional donor states and multilateral development agencies on aid delivery. Professor Zhou Qi from the China Academy of Social Sciences provided another example of China's aid evolution as a result of cognitive learning and global image building. She traced the process of China's changing position on participating in global peacekeeping from outright opposition (1949–1980), through acquiescence (1981–1988) to active support (since 1989) (Zhou Qi 2010). In explaining this evolution, she argues that China has become actively involved in global peacekeeping for reasons including global image building as a responsible great power and learning advanced technologies and management skills from the peacekeepers of other countries (Zhou Qi 2010, 59).

How will China reform its foreign aid in the future? MOFCOM Vice Minister Fu Ziying's remarks are instructive:

There will be no big changes to China's foreign aid policies, but changes may happen regarding its foreign aid structure and in some areas due to the new circumstances and changes in global development ... China will further promote its external engagement on development assistance, to learn some advantageous and effective ways of aid delivery from international multilateral organizations and other countries, so as to improve China's foreign aid system, ways of delivery, policies and measures (State Council 2011b).

Chapter Four

The UNDP as a Catalyst for China's Development Cooperation—the Case of China–UNDP–Cambodia Trilateral Cassava Project

1. Introduction

The devil, as they say, is in the detail. The following three case study chapters will test whether the proposed theories and argument in Chapters Two and Three are able to pass the test on the ground. These cases are not simply reduced to an analysis of trilateral aid projects. They are much broader thematic case studies concerning China's evolving approach towards development aid cooperation with a micro-study on trilateral cooperation. As a result, these chapters will analyse China's interest calculation and the cognitive learning process with regards to its trilateral aid cooperation in three different project settings. The subtle reactions of China's diversified aid agencies in each trilateral aid project will also be discussed.

United Nations agencies have played a significant role in spurring economic and social development in developing countries. Among them, the United Nations Development Programme (UNDP) is one of the most active players. The UNDP works in more than 170 countries and territories to promote poverty alleviation and development. It has been pushing hard to achieve the Millennium Development Goals (MDGs), strengthen the post-2015 development agenda, and adopt the new Sustainable Development Goals (SDGs) in September 2015 (UNDP 2015e). In 2014 alone, the UNDP claims to have contributed to the improved livelihoods of 11.2 million people in 94 countries, and the creation of 920,000 new jobs in 77 countries (UNDP 2015d).

China seems to value its cooperative relations with UN agencies. China's international engagement on development cooperation started with UN agencies in the 1970s. As will be elaborated, the Chinese government has put more trust in cooperating with UN agencies relative to western sovereign states. In terms of trilateral aid cooperation, China has been actively conducting pilot projects with the UNDP, the FAO and the UNIDO. Through a detailed examination of the China–UNDP–Cambodia Trilateral Cassava Project, this chapter will investigate the catalytic role of the UNDP in the evolution of China's trilateral aid cooperation engagements.

The chapter is structured as follows. It will begin with an examination of China–UNDP interactions from the 1970s and their impact on China's trilateral aid cooperation. Then, an overview of the evolving trends in aid to Cambodia, especially

China's foreign aid will be provided as background. What follows is an in-depth discussion of the recent China–UNDP–Cambodia trilateral project on cassava, the first trilateral project between China and UNDP. Finally, the impact of this project on future cooperation between China and UNDP will be discussed.

2. China–UNDP engagement on development cooperation

This section will review the engagement between China and the UNDP on development cooperation since the 1970s, with a focus on recent events. To follow the theoretical thread of this thesis, it will analyse how China's changing identities and interests have informed its ideas on cooperating with the UNDP in the area of foreign aid during the course of their interactions. It argues that China's growing desire for global image building and learning from the UNDP has led to its deepening trilateral aid cooperation with the UNDP.

(1) Multilateral diplomacy at the UN

According to the Chinese government, a basic principle guiding China's economic and technical cooperation with the UN since the 1970s has been 'supporting the third world countries' and 'supporting their just positions and requirements on important economic and social development issues' (Shi 1989, 504). At a time when the western developed countries isolated China in the early 1970s, the Chinese government perceived the UN as an ideal platform to build consolidation with other developing countries. Pu Ping from Remmin University of China argues that in the early 1970s, China viewed the UN as a diplomatic platform and worked on behalf of the third world countries (Pu 2009, 83). China's participation in UN activities has evolved from being passive in the early and mid-1970s, due to a lack of understanding of the UN and the domestic Cultural Revolution, to becoming increasingly active from the late 1970s (Zhang and Feng 2011).

In recent years, multilateral diplomacy especially at the UN has received further endorsement from China's leadership. At the 10th conference of China's ambassadors in April 2004, multilateral diplomacy was prioritised as 'a significant platform' in China's diplomacy (Chen 2009). In his address at the 70th UN General Assembly, President Xi Jinping referred to the UN as 'the most universal, representative and authoritative inter-governmental organization' (Xi 2015b).

Working on multilateral diplomacy is even linked to the fast promotion of officials within China's Ministry of Foreign Affairs (MFA). Many officials from the MFA's

Department of International Organisations and Conferences, the main agency in charge of China's multilateral diplomacy, have been appointed as senior ministers including the current two highest-ranking Vice Ministers Zhang Yesui and Li Baodong, and ambassador Liu Jieyi as China's Permanent Representative to the UN.

Multilateral diplomacy at the UN has also been highlighted by Chinese scholars. Wang Yizhou, Deputy Dean of the School of International Studies at Peking University, argued that while caring about China's own development, China also needs to consider its global responsibility and image (Wang Yizhou 2001, 7). He noted, 'Carrying out multilateral diplomacy is the path China must follow in order to become a global power' (ibid, 8). Vice Professor Su Changhe from Fudan University argued that China has developed a new thinking in its diplomacy, believing global and regional public issues should be settled based on multilateral institutions (Su 2005, 13). His colleague Professor Wei Zongyou from Fudan University argued that in response to 'China threat' and 'China pride' discourses, China has used multilateral venues, including the UN, to propose policy initiatives such as 'peaceful development' and 'building a harmonious world' to project its image as a responsible power (Wei 2014, 20).

Professor Shi Yinhong from the Renmin University of China introduces two main concepts to explain China's foreign policy. The first is that economic development is the top priority, and the second relates to China's increasing integration into the global system. He argues that China's foreign policy is tightly linked to these two concepts and China's perception of its identity has evolved from 'a country out of the global system' to 'a country in the global system' (Shi 2006, 34–35). Following Professor Shi's logic, it is natural for China to promote multilateral diplomacy to play its role in the global system.

China's diplomacy towards the UNDP is also reflected in its aid policy alongside China's changing identity and interest calculations. In the 1970s, China began to engage with the UNDP, but high suspicion lingered from China's isolation by and mistrust of western countries and the UN. By emphasising its identity as a socialist country of self-reliance, China refused to take aid from the UNDP. As China began to emphasise its identity as a developing country and shifted its priority to economic development from the late 1970s, China increased cooperation with the UNDP and began to accept its aid. China adopted a more positive view of the UNDP and believed the UNDP's aid to be conducive to China's development. In recent years, China has highlighted its identity as a responsible growing power. It has begun to pilot trilateral aid cooperation—starting

with the UNDP—as a way to promote its global image, and also to learn to improve China’s own aid performance, as the following discussion illustrates.

(2) Cognitive learning

The following section will analyse how four decades of engagement between China and UNDP have influenced China’s ideas on foreign aid and trilateral cooperation.

1970s: Tentative engagement

China’s engagement with the UNDP started in the early 1970s and mutual understanding began to increase. In October 1972, China pledged to donate \$400,000 and RMB 3.2 million to the UNDP which was China’s first donation to the organisation (Shi 1989, 510). In January 1973, China was an observer at the 15th UNDP Governing Council meeting for the first time (Shi 1989, 649). In October of the same year, UNDP administrator Rudolph A. Peterson visited China and exchanged views with the Chinese government on the use of Chinese donations and the dispatching of Chinese staff to work at UNDP headquarters (Shi 1989, 511). For the first time in capacity as a full member, China attended the 19th UNDP Governing Council meeting in New York in February 1975 (Shi 1989, 653).

During this period, China refused to receive development assistance from the UNDP. Its involvement with the UNDP was restricted to conference participation and voluntary donations. Though limited in scope, this engagement between China and the UNPD increased their mutual understanding and trust, and paved the way for greater cooperation in the years that followed.

The Chinese government officially divides its engagement with the UNDP into two main periods. According to Ambassador Wang Min, Deputy Representative of China’s Permanent Mission to the UN, the first period of cooperation (1979–2009) focused on the UNDP’s development assistance to China’s domestic development, while the second period started in 2010 as the two sides signed a MOU to promote trilateral aid cooperation in third countries (Wang Min 2013).

Following the formal adoption of China’s reform and opening up policy in 1978, the mind-sets of the Chinese leadership towards cooperating with the UNDP began to change. The Chinese government became aware that in addition to its donations to the UNDP, China could benefit by receiving aid from the UNDP to support its domestic development. In September 1978, a Chinese delegation led by Wei Yuming, Vice

Minister of China's Ministry of Foreign Economic Liaison¹ visited the UNDP headquarters in New York. They discussed the issue of receiving aid from the UNDP with UNDP administrator Bradford Morse and got positive feedback (Shi 1989, 498–499). According to then interpreter of the meeting Long Yongtu—who later became Vice Minister of MOFCOM and Chief WTO Negotiator—when Minister Wei said China decided to accept aid from the UNDP, the UNDP side was shocked by China's dramatic change of policy, and double-checked it with Interpreter Long (Long 2015, 46). In the following month, Vice Minister Wei wrote a formal letter to Mr. Morse, stating that 'the Chinese government would welcome UNDP's technical assistance to assist China in learning from the advanced external technologies and managerial experiences' (Shi 1989, 499).

On June 29 1979, Mr. Morse and China's Ambassador to the UN Lai Yali signed the *Agreement between the government of the People's Republic of China and the United Nations Development Programme* (UN 1979, 16–25). This document marked the beginning of the cooperation between the two sides and opened the door for the flow of the UNDP's aid to China. The UNDP China office was opened by Administrator Morse during his visit to China in September 1979 (Shi 1989, 511). After that, engagement between China and the UNDP in the development sector began to increase substantially, which has had a three-fold impact on China.

A. Financial support

The UNDP has provided substantial financial and technical assistance to support China's economic development since the 1970s. The UNDP's aid has provided 'seed money' and been 'a catalyst' as it also mobilises substantial aid funds from the Chinese government and other UN agencies.

Table 8 provides an overview of the UNDP's aid to China since 1979. The UNDP conducted 328 aid projects in China with an allocation of \$15 million over the period of 1979–1981 (CICETE 2014a).² Its first country plan for China over the period of 1981–1985 coincided with China's Sixth Five-Year Plan and China received aid of \$134 million from the UNDP (CICETE 2014e). In the following years, the UNDP provided \$122 million (1986–1990), 189.9 million (1991–1995), 76.3 million (1996–2000) and

¹ The predecessor of MOFTEC (1993–2003) and MOFCOM (2003 to present).

² The UNDP's country plan usually has a lifespan of five years. The UNDP did not draft its country plan for China in 1979–1981 because its program cycle (1977–1981) had already started in 1977. According to MOFCOM, there is some convergence of UNDP's aid to China in the year 1981 as illustrated in Table 8.

39 million (2001–2005) respectively (CICETE 2014b, c, d, UNDP 2001).³ The UNDP aimed to mobilise \$133 million and 136.5 million for China over the period 2006–2010 and 2011–2015 respectively (UNDP China 2005, UNDP 2010).⁴

Table 8. UNDP’s development assistance to China over 1979–2015

Time	Aid Volume, in US dollar
1979–1981	15 million
1981–1985	134 million
1986–1990	122 million
1991–1995	189.9 million
1996–2000	76.3 million
2001–2005	39 million
2006–2010	133 million
2011–2015	136.5 million

Source. Compiled by author from CICETE and UNDP website data⁵

One significant feature of the UNDP’s aid to China is that it aligns with China’s own five-year plan and China has demonstrated strong ownership in the process. The China International Center for Economic and Technical Exchanges, an aid implementation agency affiliated to MOFCOM, is designated by MOFCOM to draft plans for UNDP’s aid in China (CICETE 2014f). As China’s 11th Five-Year Plan (2006–2010) highlighted the vision of building ‘a moderately prosperous society’ (*xiaokang shehui*), a concept of Confucian origin and best known during President Hu Jintao’s Administration (2002–2012), the UNDP together with other UN agencies assisted China in developing economic and social policies to operationalise the ‘moderately prosperous society’ vision in the UN Development Assistance Framework for China (2006–2010) (UNDP China 2005).

B. Technological support

In terms of new technologies, China has benefited greatly from its interaction with the UNDP. As the *International Business Daily*, a newspaper run by MOFCOM, noted, ‘To solve development challenges, China not only needs to make great efforts by itself, but

³ According to a report from the Department of Commerce of China’s Hunan Province, the UNDP provided about USD 50 million to China over the period 2001–2005.

⁴ Neither MOFCOM nor UNDP has published the final figures for the period 2006–2010 and 2011–2015.

⁵ The figure from the Council for the Development of Cambodia calculates only the disbursement from the donors’ own funds and excludes funds from other sources for the aid projects.

also to learn from good external experiences and practices through international cooperation' (Wang 2005). To assist China in achieving the target of tripling its agricultural and industrial outputs by 2000, the UNDP's aid to China in 1986–1990 listed technological development as a main area of cooperation such as introducing advanced technologies in the areas of energy-efficiency fuel, building nuclear power stations and developing solar power (CICETE 2014b).

The UNDP funded the establishment of China's first laser parameter testing centre at the Beijing Institute of Opto-Electronic Technology in the 1980s. With the UNDP's support of technical training and research, this testing centre adopted the crucial technology of producing a helium-neon laser (Shi 1989, 541). In April 1991, the UNDP and China signed an aid agreement to conduct an industrial modification program of machine tools for the Beijing No. 2 Machine Tool Works Co. Ltd. With funding of more than \$12 million, this cooperation was the UNDP's first aid program rather than a project in China (Zhou 1991).

Over the period 1991–1996, the UNDP assisted China in establishing a management and surveillance system for forestry resources to achieve a target of increasing China's forestry coverage rate from 13 to 17 per cent (CICETE 2014c). From the 1990s, the UNDP also introduced microcredit projects to assist low-income families in rural western provinces such as Gansu, Guizhou and Sichuan, which facilitated the Chinese government's understanding of microcredit and the promulgation of related policies (CICETE 2009).

With the technical assistance of the UNDP, the IRICO Colour Picture Tube Company in China's Xianyang city completed a technical innovation project in climate and stratospheric ozone protection, and the project manager Ma Mingqing received the 2004 Climate Protection Award from the U.S. Environmental Protection Agency (Wu 2004). Through the UNDP, China also learned the concept of a 'human development index', and by October 2005, the UNDP introduced nearly 1000 technologies to support China's industrial modernisation (Wang 2005).

China paid tribute to the substantial support from UNDP China's development achievements (IPRCC 2007, UNDP and MOFCOM 2010). As early as 1989, Shi Lin, former Vice Minister of China's Ministry of Foreign Economic Liaison stated:

The UN's multilateral economic and technical cooperation has a history of nearly four decades. It has a good financing channel, advanced technical know-how and an excellent information network. By making a full use of the UN system to conduct various forms of international cooperation, it will

be beneficial for the self-reliance of developing countries and for socialist modernization in China (Shi 1989, 506).

C. Sources of ideational change

With a rapidly growing aid budget and footprint overseas, China is increasingly aware of the weakness in its foreign aid performance.⁶ The desire to learn from traditional donors and UN agencies has grown accordingly. China is keen to improve its foreign aid efficiency by learning from the UNDP's experience (UNDP China 2014b, 9). In the process of learning, the UNDP has played an important advisory role to the Chinese government on foreign aid and facilitated the change of ideas in the latter.

The UNDP has seized opportunities as an adviser to introduce new ideas on foreign aid to MOFCOM, China's leading aid agency. In recent years, the UNDP has frequently been approached by MOFCOM to conduct joint projects or provide policy advice. For instance, it has been increasingly relied upon by China to provide policy advice on South-South cooperation and global development issues (UNDP China 2012, 3). As requested by MOFCOM, UNDP China submitted a policy report in April 2011 which provided advice on the evolution of the G20 working group and the role China could play within it (UNDP China 2012, 3). In 2012, the UNDP conducted two research projects on behalf of the China Academy of International Trade and Economic Cooperation (CAITEC), the think tank under MOFCOM, on the roles of civil society and think tanks in foreign aid (UNDP China 2013a, 6).

UNDP China was also approached for advice on China's first *White Paper on Foreign Aid* (Interview with Napoleon Navarro, Deputy Country Director, UNDP Cambodia, Phnom Penh, 15 July 2015). At the request of MOFCOM, the UNDP discussed the draft of China's second white paper on foreign aid with MOFCOM and provided advice in July 2013 (UNDP China 2014b, 11). The UNDP suggested MOFCOM clearly demonstrate the benefits of China's foreign aid (UNDP China 2015f, 5). A former UNDP senior official recalled the engagement at that time:

They [MOFCOM] came to us informally and said, 'Look, we've got a draft of the second white paper here. Could you have a look at it and see what you think the traditional donors or the western world will criticize; will they think it is not good enough? Are we communicating well in the way that our western readers will understand it?' We had very frank conversations with them, very informal. We talked about things that maybe would have some criticism, things that looked good, things that they could expand a little bit more. They re-drafted it many times after that, and some

⁶ This point is also supported by author's interviews with Chinese aid officials and scholars, Beijing, August-September 2015.

of the things we suggested were in the final version (Interview with a former senior UNDP official, Canberra, 28 June 2016).

The UNDP also developed the English version for China's *Measures for the Administration of Foreign Aid*, which was released in late 2014 (UNDP China 2015f, 5). This umbrella document introduces Chinese foreign aid management including project set-up procedures and monitoring principles.

Secondment to UNDP headquarters and regional offices is another source of ideational change for China's aid policy makers. In September 2013, two senior aid officials from MOFCOM's Department of Foreign Aid (DFA) were seconded to UNDP headquarters in New York for six months, with the stated aim of increasing their understanding of UNDP's aid policies (UNDP China 2014b, 9). Recently, another three division/deputy division directors from the DFA have participated in this exchange program and chosen to work in the UNDP offices in Bangladesh, Zambia and New York so as to diversify their experiences of the UNDP's aid practices (Interview with UNDP official, Seoul, 10 December 2015).⁷ This exchange has greatly contributed to the DFA officials' support for trilateral aid cooperation with the UNDP (Interview with UNDP official, Canberra, 29 June 2016), as will be elaborated later on. It also reinforces the argument in Chapter Three that this kind of exchange program has been a major source of new ideas on aid cooperation within MOFCOM.

The UNDP and China jointly reviewed various approaches to foreign aid and their impact on China's aid reform (UNDP 2015c). The UNDP was also invited by the Chinese government to present papers on a number of occasions such as the Global Think Tank Summit (June 2011), the first MOFCOM Capacity Development Seminar (August 2011), the Conference on the Economic Outlook for Sub-Saharan Africa (October 2011) (UNDP China 2012, 4–5). Joint research between the UNDP and MOFCOM has even extended to Pacific Islands countries. In 2014, the UNDP and China CAITEC launched a joint research project which was chaired by Dr. Graeme Smith from The Australian National University. The research team assessed the demands from Pacific Islands countries and identified a wide range of potential areas for trilateral aid cooperation between traditional donors and China in these countries (Smith et al. 2014). As a follow-up, since May 2016, the UNDP has been undertaking a research on China–Pacific Island countries South–South cooperation in the context of the Post-2015 Sustainable Development Agenda.

⁷ The UNDP covers the costs of these exchange programs.

In addition to MOFCOM, the UNDP has also provided support to the MFA and China's think tanks on development assistance. In preparation for the Fifth Ministerial Conference of the Forum on China–Africa Cooperation to be held in Beijing in July 2012, the MFA requested advice from the UNDP on the potential areas of cooperation between China and Africa in the area of development and this advice was accepted with appreciation (UNDP China 2013a, 7). In June 2014, the UNDP and MFA's Department of International Economic Affairs discussed issues of post-2015 process (UNDP China 2015f, 17).⁸ Four months later in October, the UNDP and the China Center for International Economic Exchanges, the think tank under the China National Development and Reform Commission, convened the First and Second High-Level Policy Fora on Global Governance and discussed global economic governance and sustainable development financing for the post-2015 agenda (CCIEE and UNDP China 2013, UNDP China 2015f). The UNDP produced a paper in 2011 for the China Development Research Foundation, a non-profit organisation under the State Council Development Research Center, on the impact of China's WTO accession on other developing countries (Bhattacharya and Misha 2015). In October 2011, UNDP China conducted a joint assessment with the Peking University and the Edinburgh University on the development impact of China's scholarships on recipient countries especially in Africa (UNDP China 2012, 3).

The UNDP has also been assisting China to participate substantially in regional and global dialogues, negotiations and development initiatives (UNDP China 2005, UNDP 2015c). In preparation for the upcoming Mexico High Level Meeting on Global Partnership for Effective Development Cooperation in April 2014, The UNDP and CAITEC co-hosted a workshop in April in Beijing where government and civil society representatives from 11 emerging donors exchanged views for the Mexico meeting and agreed that trilateral aid cooperation can draw upon the comparative advantages of different stakeholders and contribute to increased understanding among them (UNDP China 2014c).

The UNDP's support on sensitive areas of Chinese aid is also apparent. It is lending support to the Chinese government in the area of corporate social responsibility (CSR), a weakness of China's aid providers overseas. In 2013, China's State-owned Assets Supervision and Administration Commission (SASAC) requested that the UNDP

⁸ This is a new department that was created in October 2012 as a result of the growing workload in global governance. It was born out of the existing Department of International Organisations and Conferences.

develop a CSR framework to guide Chinese companies abroad (UNDP China 2014b, 16). The UNDP is optimistic that its dialogue with SASAC and CAITEC on this issue 'can yield considerable influence on policies and guidelines for Chinese companies' overseas investments and bring about a transformational change' (UNDP China 2015f, 13). The three sides co-produced the 2015 report on the sustainable development of Chinese companies overseas which assessed the performance of Chinese companies overseas and provided policy advice (UNDP China 2015a).

The UNDP is also partnering with China's private sector and pushing it to abide by internationally recognised norms overseas with regards to environmental and labour standards (UNDP 2015c), as most—but not all—of China's aid providers are State-owned Enterprises. It is also assisting China in improving its aid evaluation mechanisms, another 'soft rib' of Chinese foreign aid. It is supporting CAITEC to conduct research on the approaches of traditional and emerging donors including Japan, Australia, India, Mexico and Brazil to international development evaluation (UNDP China 2014b, 11).

IPRCC

The establishment of the International Poverty Reduction Centre in China (IPRCC) is an important example of the UNDP's support to the Chinese government on South–South cooperation. At the sideline of the Global Poverty Reduction Conference in Shanghai in May 2004, the UNDP and the Chinese government, represented by MOFCOM and the State Council Leading Group Office of Poverty Alleviation and Development, signed a MOU on the establishment of IPRCC, the only organisation of its kind in China (IPRCC 2007).⁹ The purpose is to use this centre as a platform to promote the sharing of China's development experiences with other developing countries. The Chinese government is aware of the differences between its foreign aid—part of South–South Cooperation—and the ODA of traditional donors. It is not shy to feature its distinct aid practices globally and therefore is using cooperation with partners including the UNDP to promote China's experiences in the developing world.

With the support of the UNDP and other partners, the IPRCC has hosted 74 workshops on poverty reduction for 1798 trainees from 104 developing countries (UNDP China 2015d). The UNDP and the IPRCC have co-convened high-level

⁹ IPRCC has close links with the Chinese government. For instance, the first director of IPRCC Zhang Lei was a senior official (director general level) from the State Council Leading Group Office of Poverty Alleviation and Development.

conferences on poverty alleviation including China's annual International Poverty Reduction Forum. In December 2008, MOFCOM, CICETE and UNDP China agreed to launch a four-year project of \$4 million for strengthening the capacity of the IPRCC (CICETE and UNDP 2008). In November 2010, China and the UNDP co-hosted the first China–Africa Poverty Reduction and Development Conference in Addis Ababa with Ethiopia, and signed the letter of intent to expand the scope of sharing China's development experience with African countries (UNDP China 2015d).

In January 2012, the UNDP and the IPRCC co-hosted a symposium at Shenzhen University and discussed how Africa could learn from China's experience in establishing Special Economic Zones (SEZ) (UNDP China 2013a, 14). This was a reaction to the sensitive issue—some of these SEZs such as in Ethiopia had run into trouble (Bräutigam and Tang 2011). A main achievement of UNDP–IPRCC cooperation in 2014 was the testing of a new model for the training of government officials by using the pilot China–Bangladesh Urban Solution Lab (UNDP China 2015f, 7). The project aimed to learn from China's 'one-stop' urban service centres—which are meant to deliver social safety nets to the poor—and adapt it to Bangladesh.

The close engagement between China and the UNDP can be attributed to the accumulated trust the Chinese government has in the UNDP, which in turn paves the way for future cooperation. As UNDP China noted, 'this [providing policy advice to China on South–South cooperation and global development issues] is a highly strategic area of work that UNDP is opening that are sometimes less available to others' (UNDP China 2012, 3). One reason for the Chinese government's trust in the UNDP is that, compared with traditional donor states, China regards the UNDP as a multilateral agency which is relatively politically neutral and does not pose a threat to the Chinese government.¹⁰ Similarly, in contrast to some other multilateral agencies including the World Bank and the International Monetary Fund which are dominated by western nations, China believes the UNDP is more trustworthy and China can exert influence on the UNDP more easily as an important member. Another reason for the trust relates to the UNDP's cautious approach: trying not to take a judgmental attitude but provide objective and helpful advice when approached by Chinese ministries (Interview with former senior UNDP official, Canberra, 28 June 2016). In terms of staff, in a way that differs from these multilateral agencies, the UNDP China office has around 75 per cent

¹⁰ This point is supported by author's interview with Chinese aid officials, Beijing, August 2015. It also builds upon author's observations during his decade-long career as a diplomat.

of its staff as Chinese nationals, which could also help the UNDP earn trust from the Chinese government.¹¹

(3) Trilateral cooperation: A new focus

UNDP administrator Helen Clark's visit to China in November 2009 was an important event in the evolution of UNDP–China trilateral aid cooperation. She met with China's Premier Wen Jiabao and his senior ministers of commerce, foreign affairs, finance and environmental protection. The two sides discussed the upgrading of their three-decade cooperation to a new strategic level including piloting trilateral aid cooperation in third countries, which was agreed to by China's ministers (UNDP 2009b). MOFCOM Minister Chen Deming noted that the planned trilateral partnership would greatly support development in third countries, and China's Minister of Environmental Protection Zhou Shengxian expressed willingness to share China's environment-friendly technologies with other developing countries through trilateral cooperation with the UNDP (UNDP 2009b).

With Premier Wen and Administrator Clark as witnesses, MOFCOM Vice Minister Wang Chao¹² and UN Assistant Secretary-General and UNDP Assistant Administrator Ajay Chhibber signed an MOU¹³ on Strengthened Cooperation between China and UNDP in New York in September 2010, the first of its kind China had signed with a multilateral organisation (UNDP China 2015e). The two sides pledged to focus their partnership on the five main areas: 1) trilateral cooperation; 2) experience sharing on foreign aid systems; 3) global and regional issues; 4) private sector engagement and South–South cooperation; 5) sharing development experiences and lessons through South–South dialogue (UNDP China 2013a, 1).

The signing of this MOU further reflects China's trust of the UNDP. As the MOU states, 'the trilateral cooperation (between China and UNDP in the future) should be built on an existing long standing, trusted and strong base of cooperation in the past thirty years' (UNDP and MOFCOM 2010). The stated aims were, in addition to

¹¹ This point is also supported by author's interview with UNDP official, Canberra, 29 June 2016.

¹² Mr. Wang has been a career MOFCOM official since 1982. He was appointed Vice Foreign Minister (3rd highest ranking vice minister) in January 2014. This is a rare movement as most MFA senior officials have been appointed from within rather than outside. The other exemption is Vice Foreign Minister Xie Hangsheng who used to work in the People's Bank of China. To some extent, Mr. Wang's appointment as Vice Foreign Minister could be interpreted as Xi Jinping Administration's emphasis on the economic diplomacy in its foreign policy.

¹³ The MOU was kindly provided by UNDP official in August 2015.

bringing greater benefits for the recipient countries, that China and the UNDP would strengthen their understanding of each other's foreign aid modalities through trilateral aid cooperation (UNDP 2015c).

In its Development Assistance Framework for China (2011–2015), the UNDP aims to encourage China's greater participation in the global community to bring about wider mutual benefits. To achieve this target, the UNDP pledged to further facilitate the sharing of China's development experience with other developing countries through ways including the UN–China South–South trilateral development partnership (UNDP 2010, 19). In November 2010, the UNDP and China's Ministry of Science and Technology signed a letter of intent to conduct trilateral cooperation in Africa in the areas of food security and poverty alleviation in rural areas (UNDP China 2015d). The two sides also signed a letter of intent to share the experience of their UNDP–China program on technical extension services for rural development with other developing countries.

From August 27 to September 3 2013, UNDP administrator Helen Clark paid her second visit to China and exchanged views with senior Chinese officials on issues including South–South cooperation and trilateral partnership. During the meeting, China's Vice President Li Yuanchao expressed his support for China–UNDP South–South and trilateral cooperation (UNDP China 2013b, Dai and Li 2013). He also commended the UNDP's three major contributions to China's development as follows. Although some analysts see the UNDP as an ineffective aid provider, Vice President Li's remarks sent a signal that the Chinese government is supportive of China's continued cooperative relations with the UNDP:

1. Bringing in and spreading advanced ideas and concepts, such as sustainable human development.
2. Helping to train Chinese Government officials, including officials from central to local levels.
3. Piloting new approaches to solving China's development challenges in poverty reduction, governance and environmental protection (UNDP China 2013b).

Table 9 is an overview of China–UNDP trilateral aid projects. In addition to the recipient countries involved, more countries have expressed interest in cooperation (UNDP China 2014b, 5). The UNDP is optimistic that its trilateral cooperation with China will be extended to new countries and sectors (UNDP China 2015f, 10).

Table 9. China–UNDP Trilateral aid projects

Recipient country	Area	Partner in China	Funding (USD)	Status
Cambodia	Agriculture (cassava cultivation and exporting)	MOFCOM	Phase One China: 210,000	Completed
			Phase Two China: 400,000	Completed
Ghana	Renewable energy	Ministry of Science and Technology	Denmark: 2,720,000 China provides expertise.	2014–2018
Zambia	Renewable energy	Ministry of Science and Technology	Denmark: 2,624,400 China provides expertise.	2014–2018
Bangladesh Nepal	Disaster risk management	Ministry of Civil Affairs	Phase One DFID (UK): 4.2 million; China provides expertise.	Completed
			Phase Two DFID (UK): 6.1 million; China provides expertise.	2015–2017
Malawi	Disaster risk management		MOFCOM: 500,000 UNDP Malawi: 400,000	Upcoming

Source. Compiled by author from online data and interviews¹⁴

(4) China's domestic structure on working with UNDP

As mentioned in Chapter Three, MOFCOM is designated by the Chinese government as the point of contact for the UNDP's activities in China. This means the UNDP has to go through MOFCOM before it can contact other line ministries in China such as agriculture, health, science and technology, no matter whether the issue of discussion is within MOFCOM's portfolio or not (Interviews with Chinese aid officials and scholars, Beijing, August–September 2015). This is a tricky issue that often confuses aid officials and analysts of other countries and even Chinese scholars.¹⁵

Here are two examples. Though agricultural cooperation is within the portfolio of China's Ministry of Agriculture (MoA), the China–UNDP–Cambodia trilateral project on cassava is done by MOFCOM because MOFCOM provided the funding and also had interest in doing it. Dr. Prum Somany, then Deputy Director of the Department of International Cooperation from the Cambodia Ministry of Agriculture, Forestry and Fisheries (MAFF) and the main participant of the trilateral cassava project from the MAFF, said, 'I really want to include China MOA in this project, but Chinese policy is that foreign aid has to go through MOFCOM' (Interview with Dr. Prum Somany, Phnom Penh, 15 July 2015). For the China–UNDP trilateral projects on renewable energies in Ghana and Zambia, although MOFCOM provided the funding from the

¹⁴ It is worth attention that the China-UNDP-Burundi project on renewable energy which was included in UNDP's website has been suspended due to the civil war in Burundi.

¹⁵ During interviews, I have been reminded frequently by Chinese officials that although this issue of domestic structure is awkward, it is a continuation of policies in history and I need to have a clear understanding of China's domestic bureaucratic arrangement in order to do my research well.

Chinese side, MOFCOM does not want to manage the projects, so they are taken over by China's Ministry of Science and Technology (MOST). Another reason MOFCOM's involvement in the Cambodia project and MOST's involvement in the Ghana and Zambia projects is that the Cambodia project, being explorative in nature, was the first pilot project between China and the UNDP, and MOFCOM was cautious. The UNDP also aimed to promote MOFCOM's understanding of trilateral partnership through this project. As a contrast, the Ghana and Zambia projects are more technical in nature. They are about the transfer of Chinese technical expertise through MOST to Ghana and Zambia (Interview with UNDP official, Canberra, 29 June 2016).

More specifically, MOFCOM's Department of International Trade and Economic Affairs (DITEA) has historically taken responsibility for receiving the UNDP's aid to China. Benefiting from its established network with the UNDP, DITEA remains the liaison contact for UNDP China regardless of whether the issues are about the UNDP's aid to China or trilateral aid projects with China in third countries.¹⁶ This arrangement becomes 'the structural constraint in the first place' for the UNDP to seek cooperation directly with MOFCOM's Department of Foreign Aid (DFA) which looks after Chinese aid overseas (Interview with former senior UNDP official, Canberra, 28 June 2016).

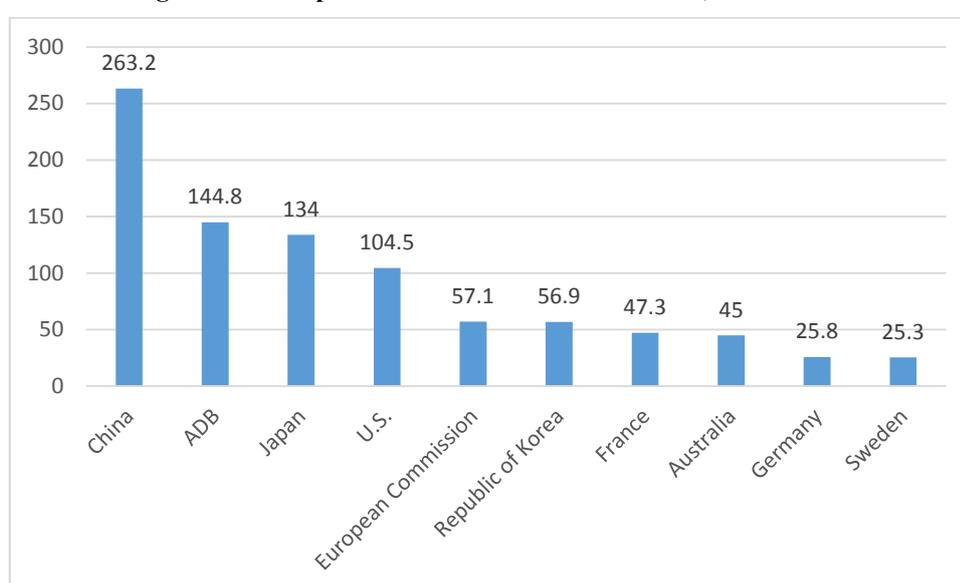
A latest shift in China–UNDP trilateral aid cooperation is that the DFA has, since September 2015, started to actively approach the UNDP for trilateral partnerships. This is in stark contrast to the tradition that DITEA rather than the DFA is the main partner for UNDP China. One main reason, according to UNDP officials, is that the DFA is eagerly looking for appropriate trilateral projects to materialise part of the \$2 billion South–South Cooperation Fund pledged by Chinese President Xi Jinping at the UN Sustainable Development Summit in September 2015 (Interview with UNDP officials, Canberra, 29 June & 4 July 2016). Currently, the DFA is has agreed in principle to undertake three trilateral aid projects with the UNDP: in Fiji (renewable energy); Kenya (bamboo growth and market exploration); and Bangladesh (sustainable communities in urban areas) out of a list of options offered by UNDP China (ibid). As a result, UNDP China is conducting two streams of trilateral projects with MOFCOM, one with DITEA and one with DFA.

¹⁶ This point is also supported by author's interview with a UNDP China official, Beijing, August 2015.

3. Evolving trends in aid to Cambodia

Cambodia is one of the most aid-dependent countries in Asia. Foreign aid has accounted for nearly 90 per cent of the Cambodian government's expenditure since 2005 (CDC 2008, 1). The total amount of foreign aid to Cambodia reached about \$5.5 billion over the period 1998–2007 (Sato et al. 2011, 2093). By 2015, Cambodia had received aid from 40 bilateral and multilateral donors including Australia, Canada, China, France, Japan, South Korea, the US, the World Bank and the Asian Development Bank for 2,572 aid projects (CDC 2016a).¹⁷ In 2015, disbursements for aid projects in Cambodia exceeded \$1.1 billion (CDC 2016c).

Figure 8. The top ten donors in Cambodia in 2015, USD million



Source. Compiled by author from CDC aid database¹⁸

Figure 8 lists the top ten donors in Cambodia in 2015. In terms of the disbursement by aid projects, the UNDP was the 15th largest donor in Cambodia in 2015 (CDC 2016a). By 2015, the UNDP had 65 aid projects in Cambodia with a total budget of \$373.1 million (CDC 2016a). Some notable evolving trends in aid to Cambodia in the last two decades is that, (1) foreign aid to Cambodia has increased over time, rising from \$555.4 million in 2004 to over \$1.1 billion in 2015 (CDC 2008, ii); (2) Countries such as Kuwait and Qatar have joined the donor camp to provide aid to Cambodia; (3) Aid from China to Cambodia has grown rapidly and this trend continues. In particular,

¹⁷ The database of the Council for the Development of Cambodia includes the completed, ongoing, suspended and pipeline projects. The majority of them fall under the category of completed or ongoing projects. The access date was 9 Jan 2016.

¹⁸ The figure from the Council for the Development of Cambodia calculates only the disbursement from the donors' own funds and excludes funds from other sources for the aid projects.

Chinese aid to the infrastructure sector in Cambodia has been prominent, as will be discussed.

Chinese aid to Cambodia

China began to develop close relations with Cambodia since the latter's independence from France in 1953. China's leadership including that of the late Chairman Mao Zedong and Premier Zhou Enlai established a strong friendship with Cambodia's late King-Father Norodom Sihanouk on occasions including at the Bandung Conference, the first Asian-African Conference which was held in Bandung, Indonesia in April 1955. Cambodia has lent persistent support to the 'one China policy', a most important and sensitive issue in China's diplomacy. Sophie Richardson argues, 'Without Cambodia's help, China's battle to regain the UN seat (from Taiwan in October 1971) would likely have taken far longer than a decade' (2010, 48), though most of the Chinese discourse tends to give the credit to Africa.

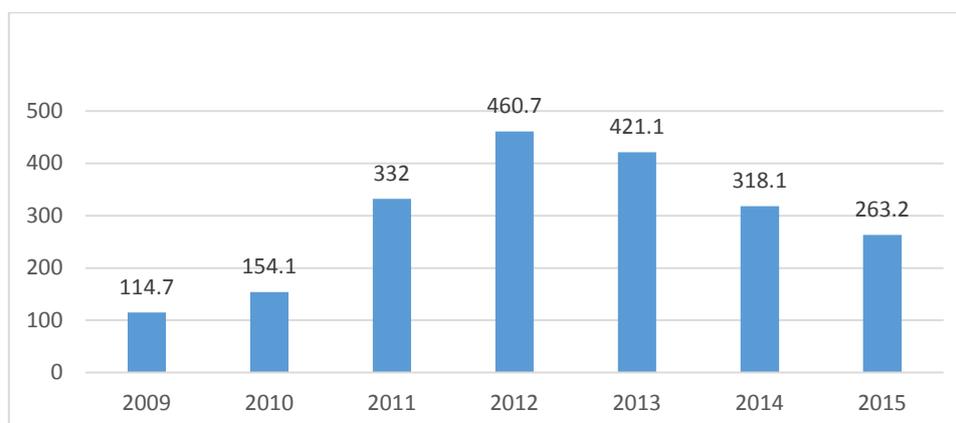
Chinese foreign aid to Cambodia dates back to 1956. On 21 June 1956, the two countries signed an agreement on economic assistance, making Cambodia the first non-socialist country in Asia, Africa and Latin America to receive Chinese aid. Based on the agreement, China provided a grant of £8 million for in-kind assistance and infrastructure projects including textile, plywood, paper making and cement plants (Shi 1989, 37–38). The four factories produced around half of Cambodia's gross industrial output at the time, and laid the foundation for the earliest modern enterprises in Cambodia (Zhou and Xiong 2013, 216). This aid agreement was credited by the Chinese government as 'a concrete result of China and Cambodia's implementation of the resolution of the Bandung Conference, and another good example of the peaceful coexistence and friendly cooperation among Asian countries' (People's Daily 1956).

China's foreign aid to Cambodia is divided into two main periods by Xue Li from China Academy of Social Sciences and Xiao Huanrong from the Communication University of China (Xue and Xiao 2011). China mainly provided grants and military support to Cambodia over the period 1953–1989. Chinese aid was strongly ideology-based and gave scant consideration to economic return. Since 1990,¹⁹ and especially in recent years, China has emphasised mutual benefit in its aid to Cambodia: concessional loans rather than grants became the main form of assistance. For instance, among the

¹⁹ China began to emphasise the mutual economic benefits in its aid to other countries from the late 1970s and early 1980s. This feature did not apply to Cambodia until 1990 because of the domestic disturbance in Cambodia.

\$600 million in aid pledged by visiting Premier Wen Jiabao in 2006, the overwhelming majority was in the form of concessional loans (Xue and Xiao 2011, 27).

Figure 9. Chinese aid to Cambodia over the period 2009–2015, USD million



Source. Compiled by author from CDC aid database²⁰

China's influence and aid to Cambodia has grown rapidly over the past nearly two decades. The Cambodian government led by Prime Minister Hun Sen turned to Beijing for diplomatic and financial support after 1997 when it faced considerable pressure from western donors after the coup to oust the co-premier Prince Norodom Ranariddh. An important reason for the peak of Chinese aid to Cambodia in 2012, as shown in Figure 9 (CDC 2016c), also relates to President Hu Jintao's state visit to Cambodia from late March to early April in 2012. As a common practice in China's diplomacy, China signed a number of projects including aid projects with Cambodia during this high-level visit. In addition, China's largesse in 2012 could also be attributed to China's seeking diplomatic support on sensitive regional issues, especially the South China Sea when Cambodia chaired ASEAN in 2012.

Table 10. Summary of China's aid projects in Cambodia

	Grant Aid Projects	Concessional Loan Projects
Total number	9	46
Total value	USD 161,094,731	USD 2,859,934,652
Percentage of project value	5.27	94.73

Source. Compiled by author from CDC aid database²¹

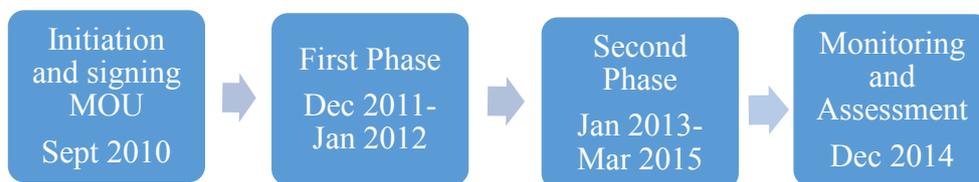
²⁰ As some Chinese aid projects, especially big infrastructure projects, take a few years to complete, yearly disbursements may differ. To some extent, this explains the fluctuations in the Figure.

²¹ This graph is made by the author based on the aid database from the Council for the Development of Cambodia.

Table 10 is an overview of China's aid projects in Cambodia. According to the aid database of the Council for the Development of Cambodia, the government agency in charge of aid in Cambodia, China has provided a total budget value of around \$3,057 million for 55 aid projects in Cambodia by 2015 (CDC 2016b).²² Large infrastructure projects with China's concessional loans are visible across Cambodia. By October 2013, the China Export-Import Bank had provided \$2.856 billion in concessional loans to Cambodia and conducted a number of infrastructure projects including roads, bridges, agricultural irrigation and power stations (MOFCOM 2013d). Though the workload of China's foreign aid in Cambodia is heavy and growing, there is only one staff member working on aid from the Economic and Commercial Counsellor's office from the Chinese Embassy in Cambodia. This makes it extremely difficult for the embassy to manage its aid program effectively. It could also explain partially why the embassy's involvement in the China–UNDP–Cambodia trilateral cassava project is very limited.

In addition to infrastructure, China has provided a large quantity of aid to the Cambodian military such as donating helicopters, trucks, aircraft, uniforms and providing military training.²³ For instance, Cambodia purchased two MA 60 aircraft from China in 2012 with Chinese interest-free loans (MOFCOM 2012).

Figure 10. Timeframe of the China–UNDP–Cambodia trilateral project



Source. Compiled by author from own analysis

Phase One: Capacity building (December 2011–January 2012)

The trilateral cassava project is the first trilateral project since China and the UNDP signed their MOU on strengthened cooperation in 2010. Discussions took place between China and the UNDP on the possibility of exploring trilateral cooperation. According to

²² Total aid volume includes USD 2 billion and RMB 6.8 billion (equivalent to around USD 1 billion based on the exchange rate of 6.478 on 31 December 2015). The database includes most Chinese concessional loans projects in Cambodia, but grants and interest-free loans are incomplete. For instance, it doesn't include the Cambodia Senate building project (USD 7.7 million, Chinese grants), the Cambodia Agricultural Laboratory Building (USD 9.26 million, Chinese grants), two MA 60 aircraft to the Cambodian military (interest-free loan) and the recent donation of 200 ambulances to Cambodia. The date of access to DCD database was 9 January 2016.

²³ Unlike DAC donors, China includes military aid in its ODA.

Napoleon Navarro, then Deputy Country Director of UNDP China, UNDP initiated this trilateral cassava project. China agreed to 'experiment' with trilateral cooperation, but 'there was some caution of what we will do and how we can do it' (Interview with Napoleon Navarro, Phnom Penh, 15 July 2015).

In 2011, a scoping mission from UNDP China visited Cambodia to flesh out this project. Officials from UNDP China and UNDP Cambodia discussed issues with the Cambodian MAFF. An episode took place during discussion. Prum Somany from the MAFF at first mistook the trilateral cooperation proposal as another China–Cambodia South–South cooperation project. He explained that he was concerned, because South–South cooperation is difficult to implement in Cambodia as it requires Cambodia to pay for the accommodation of international experts and local transport, which MAFF could not afford due to its limited budget (Interview with Dr. Prum Somany, Phnom Penh, 15 July 2015). He was later briefed that it would be a new type of initiative.

According to Dr. Somany, the proposal for trilateral cooperation came at the right time because, although China had signed two bilateral agreements with Cambodia in agriculture,²⁴ Cambodia did not have the capacity to produce good quality and large volumes of cassava for export to China. As such, he proposed the cassava sector to the visiting UNDP delegation for a potential project (Interview with Dr. Prum Somany, Phnom Penh, 15 July 2015). This proposal was also supported by MOFCOM.

The first phase of the project was undertaken by UNDP China and MOFCOM from 27 December 2011 to 16 January 2012. Thirty trainees were selected from Cambodia including the General Directorate of Agriculture, the provincial departments of agriculture, the Royal University of Agriculture, Cambodian Agricultural Research and Development Institute, Prek Leap and Kampong Cham National Schools of Agriculture (UNDP Cambodia 2012). They attended three weeks of training on cassava cultivation techniques at the China Academy of Tropical Agricultural Sciences (CATAS) in Haikou (CATAS 2012).

The training combined classroom lecturing, visits to CATAS cassava laboratories and field experimentation. The training covered a number of topics including soil preparation, variety selection, breeding and genetic transplanted, planting techniques, pest control, weeding, harvesting and processing (UNDP Cambodia 2012). Deputy

²⁴ They include a MOU on Strengthening Agricultural Cooperation (March 2010), and the MOU on SPS cooperation in the field of animal and plant inspection and quarantine; the protocol of phyto-sanitary requirement for Cambodia's milled rice export to China; and cooperation relating to the working plan of the quarantine market access of tapioca chips from Cambodia to China (October 2010).

Division Director Cai Fang from MOFCOM's Department of Foreign Aid addressed the opening ceremony on behalf of the Chinese government (CATAS 2012, 13). Zhu Hong, Deputy Director-General from MOFCOM's Department of International Trade and Economic Affairs and UNDP country representative in China Christophe Bahuet officiated at the conclusion of the training, and promised to provide further support (UNDP Cambodia 2012). Their commitment materialised in the second phase of the project.

MOFCOM contributed \$210,000 (RMB 1.3 million) to this first phase (Mo 2013). It provided training facilities, experts, accommodation and related expenses. UNDP offices in China and Cambodia conducted a comprehensive assessment of Cambodia's training demands. They also contributed to the training agenda and fielded an international expert on cassava and a Chinese-speaking staff member from UNDP Cambodia to facilitate during the training. The government of Cambodia, mainly through MAFF, put forward the demands for training and selected the trainees (UNDP China 2012, 2).

Phase Two: Cassava cultivation and trading (January 2013–March 2015)

Phase Two is designed to be an extension and expansion of Phase One. While the first phase focused on capacity building for cassava cultivation, the second phase extended the scope of cooperation to cassava cultivation and trading. It aimed to assist Cambodian cassava growers to cultivate high quality products and move up the trade chain while minimising the environmental impact (UNDP China 2015f, 9).

Due to a lack of technical support and market information, Cambodia is incapable of exporting its cassava products directly to the international market. In 2012, it had to export half of its fresh cassava, 40 per cent of its dried cassava and ten per cent of its cassava starch to traders in Vietnam and Thailand (Mo 2013). By exploring the route to market, the project aimed to improve farmers' livelihoods by promoting direct export of cassava products to China, rather than seeing profits captured by middlemen in Vietnam and Thailand.

This project had a project steering committee which was comprised of the Department of International Cooperation from Cambodia MAFF, Cambodia Agricultural Research Development Institute, the Trade Promotion Department of Cambodia Ministry of Commerce, Cambodia Association of Cassava Exporters and Producers, MOFCOM, UNDP Cambodia and UNDP China (Cambodia MAFF and UNDP Cambodia 2013, 10). Cambodia MAFF was the project implementer responsible

for overall daily activities. Benefiting from its familiarity with China, UNDP China assumed the role of a 'strategic liaison partner' responsible for coordinating with UNDP Cambodia, MOFCOM and Chinese institutions and technical experts. MOFCOM played a role as the financial and technical partner. It contributed \$400,000 to finance the project (Cambodia MAFF and UNDP Cambodia 2013), making China's total contribution to the two phases \$610,000. It also maintained close contact with UNDP China on the progress of the project, including monitoring and assessment. Through UNDP China, Chinese agricultural experts were also purchased to provide technical input for the environmental impact report and technical solutions during project implementation.

The second phase of the project claims achievements including 'the completion of need assessment study, environmental impact study, development of the training materials, ad hoc training, training of trainers, business matching mission to Guangxi, and joint monitoring mission from China' (UNDP 2015a). To meet the targets set out in the project document, the project team completed a 'needs assessment study' in consultation with Cambodian cassava farmers, processors and exporters (Cambodia MAFF and UNDP Cambodia 2013, UNDP 2015a). In addition, as cassava growth has been expanding rapidly in Cambodia while its environmental impact and related mitigation solutions are unknown (Interview with Dr. Prum Somany, Phnom Penh, 15 July 2015), an 'environmental impact study' was conducted which examined the potential short- and long-term impacts of cassava cultivation on the environment such as soil degradation/erosion and water pollution (UNDP 2015a). The research found that cassava production in Cambodia would not necessarily have a negative environmental impact, which is contrary to some people's presumption (Interview with UNDP Cambodia officials, Phnom Penh, 15 July 2015).

Based on the above-mentioned 'needs assessment study' and 'environmental impact study', the project team tailored training manuals for trainers, farmers, processors and exporters as sampled in Figure 11 (Cambodia MAFF and UNDP Cambodia 2015). One training program was provided to agricultural extension workers who later acted as trainers for cassava farmers. Two sessions of training were conducted to the selected farmers in the cassava provinces of Tbaung Khnum and Kampong Cham. The training covered theoretical lecturing, interactive discussion and field demonstration (UNDP 2015a). In total, the trilateral project has provided technical training to 114 beneficiaries (UNDP China 2015b). Taking into consideration the small scale of this trilateral project (\$610,000) and the huge challenges faced by Cambodia's

agricultural extension system, the final impact of the above technical training on Cambodia's cassava industry should not be overestimated.

Figure 11. Project training manual for farmers (pp. 1 and 5)



Source. Cambodian MAFF and UNDP Cambodia 2015

In addition to the improvement of cassava production, market exploration was another major task of the trilateral project. In September 2014, a 17-member Cambodian business-matching mission visited Guangxi, the largest cassava growing and trading province in China (UNDP China 2015f, 9). The mission was made up of Cambodian MAFF officials, UNDP staff, cassava farmers, processors and traders, and was led by H.E. Mom Thany, Under Secretary of State from MAFF. By meeting with the Chinese hosts including the Vice Governor of Guangxi, MOFCOM officials, private business and research institutes, the delegation improved their understanding of the cassava demands and technical requirements of the Chinese markets, and increased business links with Chinese businesspeople, which paved the way for the direct export of Cambodian cassava to China. An example is that, in November 2014, the Cambodian company Advanced Glory Logistics was contracted to export 150,000 tons of cassava directly to the Chinese biofuel firm Henan Tianguan Group, and the first shipment took place in January 2015 (Styllis and Sony 2015).

China's motivations

As China's foreign aid has increased dramatically since 2000, traditional donors and UN agencies have either phased out or reduced their aid programs in China. At the same time, they have approached China to explore new types of cooperation including

trilateral aid cooperation. Likewise, UNDP China has been actively promoting trilateral partnership with China in third countries. In this circumstance, China has agreed to test trilateral cooperation as a response to increasing calls for cooperation from the UNDP. What is visible is that China hopes to project an image that it is ready to work together with the UNDP to deliver better foreign aid to the third countries. As one of China's agricultural experts who was heavily involved in the cassava project emphasised, 'Working with UNDP on this trilateral project will help project China's image globally and in Cambodia as a responsible power' (Interview, Beijing, 25 August 2015). MOFCOM former Vice Minister Long Yongtu also believes that cooperating with the UN in foreign aid is beneficial for China's global image, noting:

China was poor in the past. When China provided aid to other countries at that time, it was appreciated because China was poor. But nowadays (as China becomes rich), Chinese aid is not appreciated that much because the recipient countries tend to suspect some hidden agenda behind it. In this case, I believe the UN system provides a new channel and good framework for China's foreign aid and South-South cooperation, and will help improve the effectiveness of China's foreign aid. (Long 2015, 47)

In addition, China feels more comfortable in piloting trilateral cooperation with the UNDP because of the UNDP's political neutrality,²⁵ China's membership of the UNDP, and the trust accumulated over the past nearly four decades. Long Yongtu emphasised that the UNDP's political neutrality was a main reason for China's acceptance of its aid in the late 1970s as China believed the UNDP would not interfere in China's sovereignty and impose pressures on China's policies (Long 2015, 46). While China suspects a 'hidden agenda' behind traditional donor states' push for trilateral cooperation, it feels more relaxed working with the UNDP. That is also why China insists that the UN should play a central role in global governance including in post-2015 development agenda. Li Baodong, China's Deputy Foreign Minister in charge of multilateral affairs argued,

The UN system has played a key coordinating role in advancing the MDGs, and the UNDP in particular deserves much of the credit. China always believes that it is important to establish and improve an international development architecture centred on the United Nations and supported by other multilateral institutions (Li Baodong 2014).

The trust of UN and the desire to burnish China's global image by supporting the UN system also explains China's recent agreement to a substantial increase of its UN

²⁵ This point is also supported by author's interview with UNDP official, Beijing, 18 August 2015.

membership fee (7.9 per cent) and contribution to UN peacekeeping (10.2 per cent) over the period of 2016–2018. According to Ambassador Wang Min, Deputy Representative of China's Permanent Mission to the UN, this increase reflects China's responsibility and obligation as a UN member (China's Permanent Mission to UN 2015).

Geostrategic considerations

It is worthwhile here to analyse the China–Cambodia bilateral relationship, which is characterised by complex historical and geostrategic considerations. There is a compelling alternative argument: China conducts trilateral aid cooperation for its own strategic and geopolitical gain.

China has invested substantial efforts including through foreign aid to strengthen its strategic relations with Cambodia. To a great extent, this can be attributed to Cambodia's geopolitical position in China's diplomacy in Southeast Asia. This becomes more obvious in recent years as China faces mounting pressure from some ASEAN countries on sensitive issues, in particular maritime disputes with countries such as the Philippines and Vietnam over territory in the South China Sea. According to Colonel Veasna Var from the Cambodian Royal Army, 'For China, Cambodia has the strategic importance of its geopolitical location allowing for security and oversight in the South China Sea with Vietnam, Taiwan, and the Philippines, especially to secure its claim on the disputed Spratly Islands and natural resources' (Var 2011, 32).

China's largesse in Cambodia has yielded success. Cambodia has provided open support for China even at the expense of irritating ASEAN member states. In July 2012, ASEAN Foreign Ministers' meeting in Phnom Penh failed to issue a joint communiqué for the first time in its 45-year history. As the rotating chair, Cambodia was blamed for siding with China on the South China Sea disputes (BBC 2012). Colonel Veasna Var noted, 'Cambodia's foreign policies are heavily influenced by China. Cambodia is playing a strategic[ally] important role for China's political diplomatic interests in the region and the world' (Var 2014, 10). He also argued that the Cambodia government has taken different approaches to the construction of dams by China and Laos along the Mekong River. While expressing strong opposition to the construction of dams in Laos, due to China's massive economic influence in Cambodia, the Cambodian government took a softened stance on Chinese dams and was reluctant to take up this issue directly (Var 2011, 28–29). In April 2016, Cambodia, along with Laos and Brunei, reached a four-point consensus with China, which supported China's position on the settlement of the South China Sea disputes (MFA 2016b).

Others argue that the Cambodian government acted in China's favour on a number of sensitive issues including denying the visa to Dalai Lama, repressing Falun Gong practitioners in Cambodia in 2002 and withdrawing support for Japan's 2005 bid for a Permanent UN Security Council seat (Ciorciari 2015, 261–62). While the US slammed Cambodia's deportation of 20 Uyghur asylum seekers to China in December 2009 (CNN 2009), China's MFA spokeswoman Jiang Yu insisted 'every country [referring to Cambodia] has its right to make decisions according to its domestic laws' (*People's Daily*, 23 December 2009). She reiterated China's no-strings-attached aid principle amid speculation that this deportation case was linked to China's aid in Cambodia (ibid). In April 2012, China's former ambassador to Cambodia Hu Qianwen credited Cambodia's support for China. He said, 'Cambodia has provided a "high-degree" of understanding and support for China's core interests including the Taiwan and Tibet issues, and also maintained a "just" position on the South China Sea issue' (Xinhua 2012).

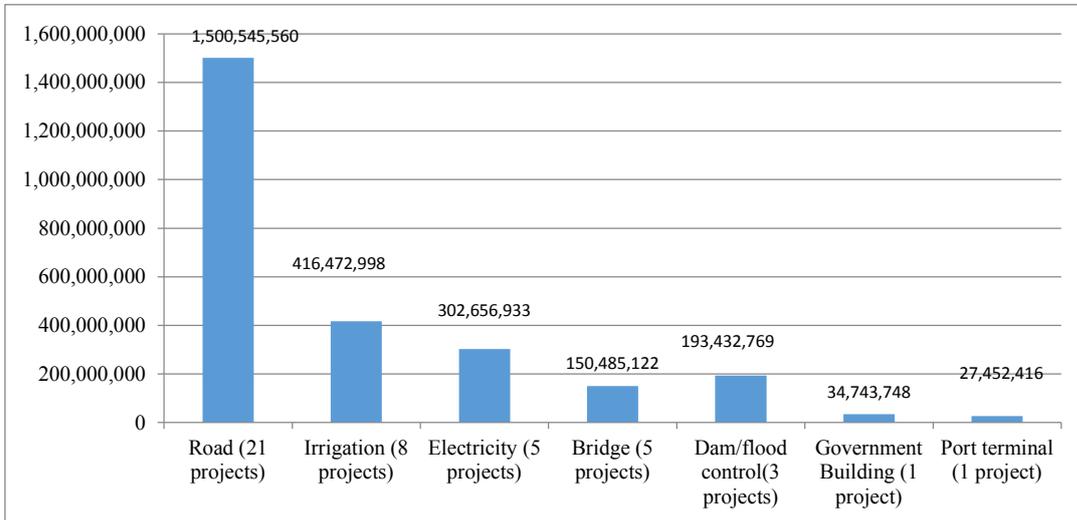
It is fair to admit that the geostrategic factor has dominated China's foreign aid to Cambodia due to its geopolitical importance to China's diplomacy. China has a much stronger strategic interest in Cambodia than in the other two recipient countries—PNG and Timor-Leste, my selected cases of trilateral cooperation in Chapters 5 and 6. However, it is evident that this geostrategic factor alone is insufficient to explain China's adoption of trilateral cooperation in Cambodia. First, as bilateral aid would better serve China's geostrategic benefits because China would not need to share the credit with other donors, diluting its influence on the Cambodian regime, why should China agree to conduct this cassava project in trilateral way? Second, Cambodia, PNG and Timor-Leste have different geostrategic weights in China's diplomacy, but China has conducted trilateral aid cooperation in each of these countries. This makes the geostrategic consideration not a necessary and decisive factor in China's trilateral aid cooperation. On the contrary, the global image factor has a stronger explanatory strength in analysing this trilateral cassava project in Cambodia.

Learning by doing

As discussed in Section One of this chapter, China hopes to improve its aid delivery by learning from the UNDP's experiences. For instance, China expects its trilateral project with the UNDP on renewable energy in Ghana 'will support the review and updating of South-South cooperation policies and guidelines' and 'contribute to solid capacity building, enabling China to engage more systematically in South-South cooperation'

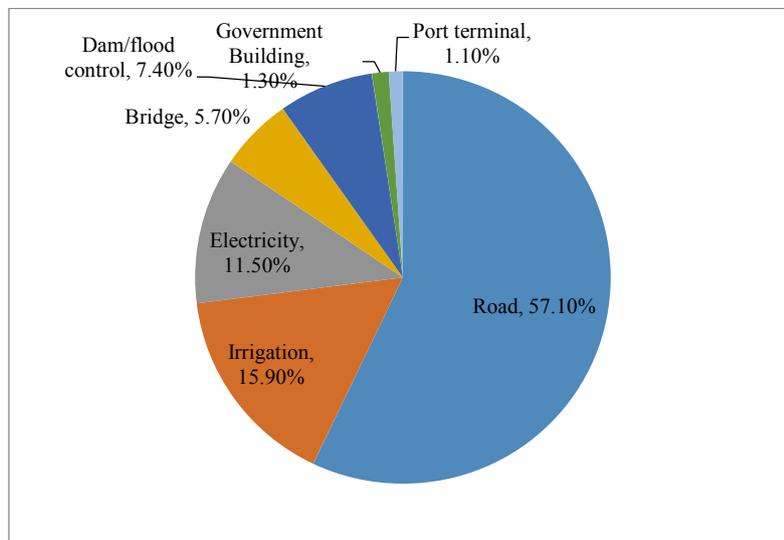
(UNDP China 2015c). China’s learning desire is also evident in this trilateral cassava project. As one Chinese agricultural expert involved in the cassava project suggested, China wanted to learn from the UNDP’s expertise and this project has exactly combined China’s funding with the UNDP’s expertise (Interview, Beijing, August 25 2015).

Figure 12. China’s infrastructure concessional loans projects in Cambodia by value



Source. Compiled by author from CDC aid database

Figure 13. China’s infrastructure concessional loans projects in Cambodia by percentage



Source. Compiled by author from CDC aid database

China hopes to learn to pilot its aid in soft areas by moving away from over-concentration on hard infrastructure projects, which could improve China’s aid delivery. This problem has already been pointed out by Chinese scholars such as Song Lianghe from Xiamen University and Wu Yijun from Jilin University (Song and Wu 2013). Currently, the majority of Chinese aid projects in Cambodia are supported by

concessional loans with fixed interest rates of 1, 1.25, or 2 per cent. As Figures 12 and 13 show, among China's 46 concessional loan projects in 2015, 44 focus on infrastructure especially roads, agricultural irrigation, electricity and bridges (CDC 2016c).

Though infrastructure projects are of great significance to Cambodia, China is mindful that it needs to increase its aid in soft areas such as capacity building to complement the hard projects. As such, China's Economic and Commercial Counsellor's office in Cambodia expressed interest in the trilateral cassava project, noting, "soft, grassroots-oriented" trilateral cooperation helps shape "hard" bilateral aid and business towards more poverty reducing outcomes' (UNDP China 2014a). Hannah Ryder, Head of Policy and Partnership Unit of UNDP China concurs with this view. She elaborated:

What have we learned about China's South-South cooperation from this project? I think there are two things we have learned. First that China's South-South cooperation at the moment especially is very hard infrastructure focused. We hear about it all the time. But with this project and increasingly so, China is expressing a real interest in more grassroots poverty reduction livelihood-focused type projects. They are harder to implement and harder to get results from but China is really interested. The second thing we have learned is that China really cares about the fact that government (of the recipient country) owns the project (UNDP China 2015b).²⁶

Facing donors' evolving aid policies including China's attempt to invest more aid in 'soft' areas, the Cambodian government's position has been detached to a great extent. Some scholars argue that Cambodia welcomes emerging donors' aid as an alternative to aid from traditional donors and is reluctant to address aid fragmentation (Sato et al. 2010, 18; Greenhill, Prizzon and Rogerson 2013, 28–30). As a response, Cambodian senior aid officials argued that their government has been promoting aid coordination and welcomed donors to provide aid to areas of comparative advantage, 'but at the end of the day, donors, especially those who bring in their own grants and own money, they have a lot more say than the Cambodian government' (Interviews with Cambodian officials, Phnom Penh, 3 and 7 July 2015).

Judging from this, while the Cambodian government welcomes Chinese aid in infrastructure in Cambodia, it is also open to China's growing input in aiding 'soft' areas. To elaborate, while appreciating China's no-strings attached principle and huge contribution to infrastructure in Cambodia, Cambodian aid officials have also shown

²⁶ This transcript comes from a video clip on the UNDP China website regarding the trilateral cassava project.

interest in improving Chinese aid practices in Cambodia by promoting China's learning from traditional donors. One senior Cambodian aid official revealed his observation of aid projects from China and Japan in his country: while working on the same type of aid such as road projects, the Japanese aid workers will talk to the local people including the villagers and establish good public relations, the Chinese workers seldom do this and just focus on their work. This official noted that it would be beneficial for China to learn from their Japanese colleagues (Interview, Phnom Penh, 27 May 2015).

Agriculture is a major sector for Chinese aid in Cambodia. It has been highlighted as one of the three priority areas for bilateral cooperation²⁷ since 2002 (Li, Ye, and Mi 2002). It is also included in the areas of cooperation under the China–Cambodia Strategic Comprehensive Partnership Agreement of 2010, an umbrella document guiding bilateral cooperation. As China's aid to the agricultural sector in Cambodia traditionally focused on individual infrastructure projects and technical training, the second phase of the trilateral cassava project 'brings in a more systematic way of providing support in the form of a longer-term development project' (UNDP 2015a). The cassava industry is an ideal sector for experimentation as China is the largest importer of cassava products, importing 84 per cent of global import for fresh/dried cassava and 34.5 per cent for cassava starch in 2012 (Cambodian government 2014, 319). The Cambodian government places high hopes on the Chinese market. Moreover, there is great room for Cambodia's export as the bilateral trade is in China's favour with a surplus of \$2.8 billion in 2014, nearly six times that of Cambodian export to China (\$483 million), although food export accounts for 6.6 per cent (He 2015).

The UNDP's motivations

The UNDP has aligned its development assistance with the development priorities set out by the Cambodian government. The United Nations Development Assistance Framework (2011–2015) for Cambodia has made economic development and sustainable development (including enhancing Cambodia's agricultural sector) as the UNDP's first priority in Cambodia (UN Cambodia and Cambodian government 2010).

As the UNDP pledges to scale up its support for South–South and trilateral cooperation in its Strategic Plan 2014–2017 (UNDP 2013), it has been enthusiastic in shifting from providing aid to China to promoting trilateral partnership in third countries. This has the potential to promote aid effectiveness in other developing

²⁷ The other two areas are human resources development and infrastructure construction.

countries by leveraging China's resources and fresh development experiences and UNDP's expertise, management and worldwide networks. Furthermore, as some Chinese and UNDP officials said, by trilateral cooperation, the UNDP expects to influence the reforms of Chinese aid policies by encouraging China to learn from the UNDP (Interviews, Beijing, 18 and 20 August 2015). Moreover, the UNDP is keen to maintain the networks with the Chinese government.

The UNDP has taken the lead in promoting trilateral partnership with China and has maintained the trust it has earned over the years from MOFCOM. For instance, while insisting traditional donor states should provide funding for trilateral projects with China, China is willing to fully underwrite trilateral cooperation projects carried out with the UNDP, allowing the cash-poor UN agency to bring only technical assistance to the table. Cooperating with UNDP is appealing to the Chinese government in two main ways. First, it bears plenty of symbolic significance as the UNDP is the UN's largest development agency. Partnership with the UNDP could strengthen China's image as a responsible member state within the UN system. Second, the Chinese government is keen to benefit from the UNDP's abundant expertise and wide network in development (UNDP and MOFCOM 2010). However, compared to some other multilateral agencies such as the World Bank, the UNDP's available funding to China is limited, which to some extent limits its influence in China.

The roles of different UNDP offices in this trilateral cassava project need to be explained. The UNDP head office was not directly involved in project implementation, but their support such as through UNDP Administrator Helen Clark's two visits to China in 2009 and 2013 set the general tone for trilateral cooperation with China. The UNDP China played a major role in the project such as liaising with all the relevant actors, selecting Chinese cassava experts and making project assessment. Their main goal was to make this trilateral project a model for the UNDP's trilateral partnership with China. UNDP Cambodia was responsible for liaising with the Cambodian government, jointly selecting Cambodian trainees for the first phase of the project and jointly managing the second phase together with the Cambodian government. UNDP Cambodia's role was more supportive compared to UNDP China. It is helpful to mention that although UNDP China's communication with offices in other countries was blamed for being weak in some cases, its coordinating role in this project seems to have been successful based on interviews with a wide range of actors.

Cambodia's motivations

The Cambodian government is open to trilateral cooperation. Heng Chou, Director General from the Council for the Development of Cambodia noted, 'We welcome trilateral cooperation because of the advantages each partner brings to us' (Interview with Heng Chou, Phnom Penh, 7 July 2015). However, Cambodia's endorsement for this trilateral cassava project was pragmatic. This project was designed as an important part of larger support to the cassava industry under the Cambodia Export Diversification and Expansion Program funded by the Enhanced Integrated Framework, under the Cambodia Cassava Trilateral Assistance and Diagnostic Trade Integration Strategy Enhancement Program (Cambodia MAFF and UNDP Cambodia 2013). Enhancing the agricultural sector has been highlighted persistently as the first side of the 'growth rectangle' in Cambodia's Rectangular Strategy Phase I, II and III (Cambodian Government 2004, 2008, 2013).

Cassava is the second most important agricultural crop in Cambodia after rice. It is potentially among the five top global exporters of fresh/dry cassava and a conservative estimate of Cambodian cassava by informal exports was about \$200–300 million in recent years (Cambodian government 2014, 318).²⁸ The planting area of cassava in Cambodia has increased dramatically from around 16,000 hectares in 2000 to more than 345,000 hectares in 2012 (ibid, 324).

However, the cassava sector faces serious challenges such as rare technical support to the sector and limited market information. In addition, the Cambodian government noted that they need a trustworthy report with scientific evidence on the environmental impact of cassava cultivation to help them make decisions on the cassava industry (Cambodia MAFF and UNDP Cambodia 2013, 3). H.E. Teng Lao, Secretary of State from Cambodia MAFF noted, 'Though 80 per cent of Cambodia's population work in the agriculture sector, lack of access to the market information and technology has made the export of Cambodian agricultural products extremely difficult' (Mo 2013).

For cassava exports to China, one challenge is transport costs and seaport loading capacity. Another hurdle is the inability of Cambodian cassava products (chips, starch, ethanol, animal feed, other) to meet stringent sanitary and phyto-sanitary requirements in China (Cambodia MAFF and UNDP Cambodia 2013, 3). Due to technical and

²⁸ According to the Cambodia government, most of its cassava export belongs to the informal and unrecorded cross-border trade with Thailand and Vietnam.

information constraints, Cambodian farmers, processors and exporters struggle to compete with their counterparts in other countries for the Chinese market.

To meet the challenges, the Cambodian government has emphasised the application of new technologies and adding value to agricultural products (Cambodian Government 2013, 17). The Cambodian National Strategic Development Plan (2014–2018) and the Cambodia Trade Integration Strategy (2014–2018) set out targets to enhance cassava quality to meet sanitary and phyto-sanitary requirements, increase the direct export of cassava to China and Korea, and reduce the dependence on exports of unprocessed tubers to Thailand and Vietnam (Cambodia MOP 2014, 74,189; Cambodian government 2014, 24). This trilateral project was initiated and undertaken as a move in this direction.

Project assessment

Overall, the three participants of the trilateral cassava project credited the project as a success, at least in public (Interviews with UNDP officials, Phnom Penh and Beijing, June to September 2015). In December 2014, a joint monitoring and reviewing mission led by Liang Hong,²⁹ Division Director of MOFCOM's Department of International Trade and Economic Affairs, and Hannah Ryder, Deputy Country Director of UNDP China assessed the project progress in Cambodia, lauding it as 'a complete success' (UNDP China 2014a). They have drawn the following lessons:

The experience gained thus far shows the crucial importance of strong demand and buy-in from the third country government and participating institutions. These are not only core principles for both UNDP and the Chinese Government, but also the key to project success and sustainability. Work done in 2013 has also shown that trilateral cooperation as an innovative modality requires flexibility, with allowance to be made for a step-by-step process as partners learn about each other's approaches. Mutual learning is a key part of trilateral cooperation: different and complimentary contributions are made by all partners, and different approaches to what 'development' means and how it can best be achieved are seen as strengths (UNDP China 2014b, 5).

This project has yielded tangible results for the cultivation and export of Cambodian cassava to China's market. For instance, in March 2013, the first shipment

²⁹ Linking this to the previous fact that Deputy Division Director Cai Fang from MOFCOM's Department of Foreign Aid, and Deputy Director General Zhu Hong from MOFCOM's Department of International Trade and Economic Affairs were involved in phase I, we can tell that the two departments were both involved in the trilateral cassava project. At this stage, which department should take care of trilateral aid cooperation is still not clearly defined within MOFCOM.

of 8,000 tons of dried Cambodia cassava left for China, the first time Cambodia had exported cassava to China by shipping in bulk (Mo 2013). The sanitary and phytosanitary (SPS) issue is also being addressed. With a grant of around \$9.26 million (over RMB 60 million), China funded the construction of the Cambodia Agricultural Laboratory Building and donated three whole sets of SPS equipment for agricultural products (Peng 2013).

However, though the two phases of the trilateral cassava project have exposed the Cambodian farmers, processors and traders to advanced cultivation technologies and market information in China, this is only a first step in a long journey. Dr. Somany from Cambodia MAFF emphasised the need for follow-up. He pointed out that there are half a million cassava growers in Cambodia while less than 120 of them have received training through the trilateral project. In order to test whether the training manuals are effective, the donors and the Cambodian government need to provide trainees with more support such as fertilizer. Otherwise, the farmers could not afford to buy fertilizer and follow the cultivation instructions in the manuals (Interview with Dr. Prum Somany, Phnom Penh, 15 July 2015), which to some extent suggests that the training manuals are unrealistic, as they do not match with agricultural conditions and the financial circumstances of farmers. Therefore, with a top-up of \$50,000 from the UNDP, Cambodia MAFF is planning to establish 12 one-hectare family farms and provide inputs including seeds and fertilizers to test the result of the training manuals (ibid). In addition, more work is needed in the long run to integrate different sectors of the cassava value chain including growth, processing, marketing and exporting, and to promote closer coordination among government agencies and the private sector. Improvements in infrastructure, such as expanding seaport loading capacity is needed. High-level commitment and support from Chinese and Cambodian governments on these issues are also needed.

Reservations exist for this cassava project. As this cassava project was small, some participants think it was set too ambitious a target from the beginning regarding issues such as the environmental study and the linking to the Chinese market (Interviews with one Chinese aid official and one UNDP official, Beijing, 4 and 18 August 2015). As Niels Knudsen, Assistant Country Director of UNDP China said, the UNDP–China joint assessment mission in December 2014 thought the cassava project had reached the ceiling and faced practical challenges including infrastructure and transport problems in Cambodia (Interview with Niels Knudsen from UNDP China, Beijing, 30 July 2015). A

third phase pilot project apparently cannot help to solve these problems. Thus, a third phase seems unlikely unless the high-level leadership of MOFCOM and the UNDP wills it.

5. Conclusion

This trilateral cassava project in Cambodia is a model of China's trilateral cooperation with the UNDP that has played a catalytic role in promoting China's experimentation of this new modality. As the above discussion has demonstrated, China participated in this project for two main reasons. The first is that, China values its cooperation with the UNDP and wants to use trilateral aid cooperation to promote its global image as a responsible power. Second, the four-decade-long engagement between China and the UNDP in development cooperation has formed the perception in the mindset of Chinese policy makers that the UNDP could play a positive role in China's development cooperation, and China could benefit by learning from the UNDP's aid practices and expertise through trilateral cooperation. These findings support the arguments of constructivism and cognitive learning theories on a state's identity, interest and ideas, and on the role of engagement in bringing about idea changes.

While trilateral cooperation with the UNDP has taken place in Cambodia, it could be more difficult for China to conduct trilateral projects with western donor states. Colonel Veasna Var argues that while Cambodia turns to China for foreign aid and to the US for defence cooperation, the competition between the two superpowers puts the Cambodia government's future policy making in a dilemma between the extremely important issues of aid and democracy (Var 2011, 31). It is also sometimes in the Cambodian government's interest to play the superpowers off against each other. Therefore, China and the US will readily endorse bilateral rather than trilateral cooperation in Cambodia. However, this does not rule out the potential for trilateral cooperation between the two superpowers in less sensitive areas such as agriculture and public health. The thing is that, as the strategic motivations behind China and the US's aid to Cambodia are strong, the start of a trilateral cooperation will require high-level political commitment from the two governments.

Let me conclude this chapter with a quotation from a Chinese official on his view of trilateral aid cooperation. This could shed light on China's future trilateral cooperation with the UNDP, other UN agencies and traditional donor states. Ambassador Wang Min clearly stated China's official position for trilateral cooperation with the UNDP in September 2013:

While identifying trilateral cooperation projects with the UNDP, the Chinese government mainly has three factors in mind. First, the will of the government of the third country involved in the project should be fully respected. Second, the project should give full play to the synergy of China and the UNDP in terms of experience and resources. Third, the outcome of the project should bring maximum benefit to all three sides (Wang Min 2013).

Chapter Five

Peaceful Co-existence in the Pacific?

China–Australia–Papua New Guinea Trilateral Malaria Project

1. Introduction

The previous chapter has analysed China's trilateral aid cooperation with UNDP in Asia, the second largest recipient of Chinese aid next to Africa. This chapter will move to the Pacific region which has been a place of experimentation for China's trilateral partnership though the region is a small recipient of Chinese aid globally. In particular, the chapter will explore China's historical engagement with Australia and their joint trilateral aid project in Papua New Guinea.

Australia is an established traditional donor and the largest donor to Pacific Islands countries. Its aid budget to the region totalled \$705.5 million (AU\$966.6 million)¹ in the 2014–2015 financial year alone (DFAT 2015). Though geographically distant from the Pacific region, China's overseas assistance to this area has grown impressively. China's official figures reported aid of \$577.8 million (RMB 3.75 billion) to the Pacific region over the period 2010–2012 (State Council 2014, 22). The Lowy Institute noted China provided \$1.06 billion aid to the Pacific from 2006 to 2013, ranking China as the fifth largest donor behind Australia, US, Japan and New Zealand, and the first largest donor to Fiji (Brant 2015).²

While welcoming China's contribution to the development of the Pacific region, traditional donors have shown growing concerns about China's aid volume, the motivations behind Chinese aid and its implications for the traditional aid regime. Against this backdrop, China and traditional donors have embarked on trilateral aid partnerships in the region. As an example, China and New Zealand officially launched their first trilateral aid project on a water supply upgrade in the Cook Islands (Te Mato Vai) in February 2014. The trilateral aid cooperation between China and Australia on malaria control in Papua New Guinea (PNG) officially commenced in January 2016.

¹ US\$1 was equivalent to AU\$1.37 on 31 December 2015. This rate is used consistently in the thesis.

² This article from Philippa Brant was referred to because it includes Chinese aid volume to the Pacific over 2006–2013, making the comparison to traditional donors in the same period possible. The Lowy Institute's website on 'Chinese aid in the Pacific' does not provide such data. The website states its database covers projects since 2006 onwards, but Chinese aid pledges in the last two years are not fully included. Lowy Institute staff said they are still updating the data.

Taking into consideration that China is the largest emerging donor and Australia is the largest traditional donor in the Pacific, this chapter will use the China–Australia–PNG trilateral aid malaria project to illustrate the motivations behind growing engagement and cooperation between China and traditional donors in the region.

The chapter unfolds in four sections. Section One examines the China–Australia engagement on aid since late 1970s and its impact on China’s development cooperation. Section Two briefly discusses Chinese aid to the Pacific more broadly and the evolving trends in aid to PNG. Section Three analyses the China–Australia–PNG trilateral project on malaria control. It examines how the China–Australia engagement has led to changes in China’s ideas on aid. It also demonstrates how China’s change of ideas and interest calculations triggered this trilateral project. The final section discusses the implications of this trilateral project for future cooperation between China and Australia as well as other traditional donors in the Pacific and Asia–Pacific region at large.

2. China and Australia engagement on development cooperation

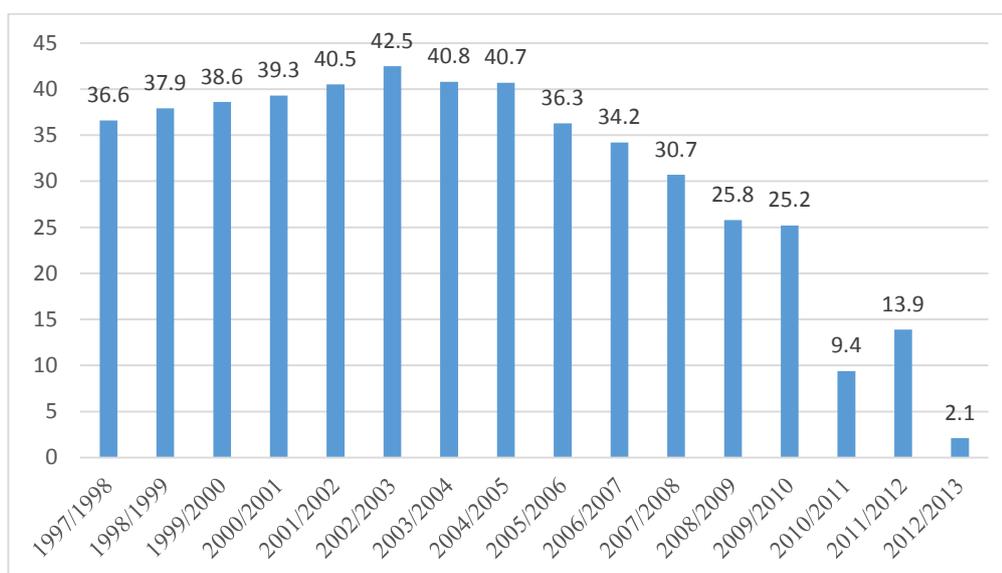
This section will outline China–Australia interactions on development since 1979, shifting from China receiving Australian aid to jointly conducting trilateral cooperation in a third country. In particular, it will examine the impact of the engagement on China’s evolving views on Australian aid and cooperation with Australia, which significantly contributed to China’s approval for piloting trilateral aid cooperation with Australia.

Australia was the first western bilateral donor to China. China changed its attitude towards foreign aid and agreed to take aid from traditional donor states and UN agencies after 1978. The Australian government reacted quickly and expressed willingness to offer a loan of AUD 50 million to China in November 1978 and the Chinese government accepted the loan in April 1979 (Hou 2006, 83). This marked the beginning of Australian aid to China, and also indicated the Chinese government was abandoning its ideologically oriented thinking and was starting to approach Australian aid as a useful means to promote China’s economic development.

In November 1980, China and Australia signed a meeting minute on conducting development and technical cooperation, and discussed ways and procedures for cooperation (Shi 1989, 551). In October 1981, the two governments signed an official agreement on technical cooperation for development and selected areas for cooperation which include land development, agriculture, fisheries and animal husbandry, natural science, civil engineering, medical science and English language training (ibid).

In the 1980s, China was receiving AUD 20 million in annual aid from Australia (Zhang 1989, 1). In 1988, China and Australia signed a MOU on concessional loans which greatly boosted the Australian aid volume to China until these loans were cancelled in 1996 (Hou 2006, 83–84). By 2011, China had received a total aid of AUD 1.2 billion in grants from Australia and 136 aid projects were implemented, covering areas including poverty reduction, health, sanitation, governance and capacity building (MOFCOM 2013a). Figure 14 depicts the trend of Australian bilateral aid to China from 1997 to 2013.

Figure 14. Australian bilateral aid to China over 1997–2013, million AUD



Source. Compiled by author from AusAID annual reports

In light of China's expanding influence as an emerging donor globally and especially in the Pacific region since 2000, Australia showed growing interest in China's overseas assistance program. Greater efforts were made by the Australian government to encourage China to engage with traditional donors and participate in joint aid projects in other developing countries. In 2003, the Australian Senate's Foreign Affairs, Defense and Trade Committee produced a report on the implication of China's emergence on Australia. It recommended that Australia encourage China to accept and observe the OECD principles on development assistance and jointly conduct aid projects in the South West Pacific (Bishop 2011). In a similar report produced by this committee in 2006, it expressed concerns about Chinese aid in the Pacific and suggested:

Clearly, the political rivalry between China and Taiwan in the Southwest Pacific does not provide an environment conducive for the most effective use of development assistance ... funds provided to local politicians or government officials without proper conditions attached can encourage

fraudulent behaviour and undermine political stability. Without appropriate safeguards, aid assistance may not be directed to where it is most needed; it may find its way into the hands of local politicians, officials, or other improper beneficiaries. Serious corruption or political unrest can also occur as rival factions bid for increased untied grants in return for promises of diplomatic recognition ... The Australian government, through the Post Pacific Islands Forum, encourage China to adopt, and adhere to, the OECD principles on official development assistance for the islands of the Southwest Pacific ... [The Senate Committee also suggested that] Australia work closely with China to encourage both countries to enter joint ventures designed to assist the development of the island states of the Southwest Pacific (Australian Senate 2006, 172–82).

AusAID's launch of the *China, Australia Country Program Strategy 2006–2010* sent a strong message of change in AusAID's policy towards China. Australia was to shift from providing bilateral aid to China in support of poverty reduction to promoting knowledge sharing, high-level capacity building and policy engagement. To Australia, the change in policy could harness common interests with China including 'building government-to-government linkages and seeking ways for both countries to work together on regional issues, as partners, reflecting China's emerging role as a player in global development' (AusAID 2006b, 2).

China watched the change of AusAID aid policy towards China closely. In September 2006, the MOFCOM Policy Research Office interpreted *China, Australia Country Program Strategy 2006–2010* as follows: Australia views China as a strategic partner of cooperation and wants China to shoulder greater international obligations; Australia wants to treat China as a donor rather than as a recipient country and share its aid experience with China, which sets a precedent for China's bilateral and multilateral cooperation with traditional donors (MOFCOM 2006). Based on this analysis, MOFCOM suggested that China prepare to 'graduate' from being an aid recipient and instead build on its experience as an aid recipient to promote its overseas assistance (ibid). It also emphasised that potential trilateral cooperation in a third country in areas of poverty reduction and environmental protection could become a shining point in future development cooperation between China and Australia (ibid).

Australia's new aid approach was also to promote mutual understanding, particularly China's understanding of the aid principles and practices of traditional donors. A better understanding of traditional donors has the potential to increase China's acceptance of OECD DAC norms and practices. Through growing engagement, Australia sought to influence China's aid evolution. This explains why AusAID stated clearly it would provide capacity building opportunities for China's government aid agencies to better understand how AusAID and OECD DAC operate (AusAID 2006b, 7).

In an address to the Brookings Institution in March 2008, then Australian Prime Minister Kevin Rudd explained his thinking on further engagement with China:

As China makes the transition from development assistance recipient to donor, China should be encouraged to work with other donors to develop appropriate OECD-consistent norms for development assistance delivery. Having made the transition, China's experience would be invaluable to other developing nations. For Australia, getting development assistance to the Pacific island nations on a stable footing is crucial, and we'd be happy to partner with China in some pilot projects. In short, we look to China to make a strong contribution to strengthening the global and regional rules-based order (Rudd 2008, 35).

He admitted that engaging with China is complicated, 'But one key is to encourage China's active participation efforts to maintain, develop and become integrally engaged in global and regional institutions, structures and norms' (ibid, 36). This explains the rationale that Australia has been working hard over the past decade to promote aid coordination and cooperation with China on development assistance. This tone for engagement was clearly reflected in AusAID's 2008–2009 annual report:

As an international power and driver of regional and global economic growth, China's economic growth is an important catalyst for development in the Asia-Pacific and global achievement of the MDGs. In addition, China's influence on international development, including as a growing donor to the Asia-Pacific, underscores the importance of engaging China on these issues. As such, the China country strategy's goal is to further mutual national interest by supporting China's balanced development policies and working together in the region (AusAID 2009, 95).

Australian bilateral aid to China was reduced to reflect the above thinking. In July 2011, then Australian Foreign Minister Kevin Rudd announced that Australia would phase out its bilateral aid program in China as it had become one of the largest economies in the world (2011). Australian bilateral aid to China came to an end in June 2013. Promoting trilateral aid cooperation with China became a new focus of Australia.

Moving towards trilateral cooperation

In recent years, Australia and China have stepped up their efforts in exploring trilateral aid cooperation, which is an important element of the broader shift from China being a recipient of Australian aid to China emerging as a donor in its own right. It is fair to admit that Australia has been more proactive in this process and China's role has tended to be more reactive. This is similar to other trilateral aid projects between China and traditional donor states as well as multilateral development agencies such as the US and the UNDP in the previous two chapters. Moreover, new aid modalities including

trilateral cooperation have been in vogue in the first decade of this century. Not only are Australia and China exploring this field, but also a lot of other donors are exercising the same.

Engagement between Australia and China on development cooperation has increased notably, which paved the way for their trilateral cooperation later on. In March and October 2007, Wang Shichun, Director-General of MOFCOM's Department of Foreign Aid met with visiting AusAID Deputy Director-General Annmaree O'Keefe and Murray Proctor in Beijing. The two sides exchanged views on aid delivery and expressed interest in development cooperation (MOFCOM 2007a, b). In April 2009, Mr. Wang and his deputy Gao Yuanyuan met with AusAID Deputy Director-General Richard Moore and discussed the potential for aid cooperation in Southeast Asia and the Pacific region (MOFCOM 2009c).

Australia's capacity building programs for Chinese aid officials in the last decade cannot be underplayed. According to a former senior AusAID official, although Australia still had its bilateral aid program in the years before it came to an end in 2013, AusAID began to increase capacity building to Chinese aid officials in the area of aid management itself (Interview, Canberra, 5 May 2016). In a sense, this was a crucial transitional moment between the era of Australia providing aid to China, and the era of Australia cooperating with China as a fellow donor (ibid). MOFCOM aid officials attended such training programs hosted by AusAID. For instance, they attended a training program on aid evaluation funded by AusAID in Thailand from 23 February to 1 March 2009 and updated themselves on international aid evaluation theories and practices (MOFCOM 2009e). From late February to early March 2009, MOFCOM aid officials visited AusAID and learned about AusAID policies, institutions and management practices (MOFCOM 2009d). In July 2009, China and Australia jointly hosted a symposium on their overseas assistance. Chinese aid officials from MOFCOM's Department of Foreign Aid expressed their willingness to conduct feasible aid cooperation with Australia in the Pacific region and agreed to carry out working level negotiations to realise this proposal (Bishop 2011).

A range of high level mechanisms between China and Australia have included development cooperation on their agenda as follows. It is frequently discussed on bilateral and multilateral occasions including the Pacific Bilateral Official Talks, the Pacific Island Forum Post Forum Dialogue, and meetings between the Australian Embassy in Beijing and China's aid agencies such as MOFCOM, MFA and China Export-Import Bank (Interview with DFAT official, Canberra, 23 September 2014).

MOFCOM's Assistant Minister Yu Jianhua visited Australia in November 2012, and also discussed issues of development cooperation with his Australian counterpart including AusAID Deputy Director-General James Batley. They agreed on three priorities for regional development collaboration between AusAID and China: negotiating a new MOU on regional collaboration; establishing a high-level dialogue mechanism; and joint cooperation in areas such as regional public health and water resources management in the Pacific and Southeast Asia (Chinese Embassy in Australia 2012). This visit laid the foundation for the two countries to enter into a formal agreement on development cooperation.

In April 2013, China and Australia signed a MOU on development cooperation and pledged to conduct trilateral aid cooperation in third countries (DFAT 2013), which marks a new kind of partnership between the two countries on foreign aid. The two countries noted their common interest in reducing poverty, advancing development and promoting stability in the Asia–Pacific region and the world at large. The MOU sets out partnership principles and priority areas for cooperation and coordination which cover global poverty reduction, health, water, environmental sustainability, economic and fiscal reform, food security and humanitarian assistance (ibid). It can be expected trilateral aid cooperation between China and Australia will occur in these areas in future.

In February 2014, Australian Foreign Minister Julie Bishop explained that Australia strengthened engagement with China on development assistance ‘for not only it [China] is a growing presence in our region, but we should be doing what we can to capitalise on our respective strengths, using our combined weight to bear overcoming some of the development challenges of the Pacific’ (Bishop 2014). This point was echoed by her top assistant Peter Varghese, Secretary of Department of Foreign Affairs and Trade in the same month, ‘I don’t see why they [China] should be inherently incompatible with Australia’s interests ... there’s nothing illegitimate about China also pursuing relationships with the South Pacific’ (Varghese 2014). He mentioned that Australia is looking for opportunities for trilateral aid cooperation with China in the South Pacific (ibid).

At present, China and Australia have embarked on two trilateral aid projects. One is on malaria control in PNG which will be introduced later in the chapter. The other one is the China–Australia–Cambodia trilateral cooperation on irrigation dialogue. This project consisted of three visits by officials and experts from the three countries to these countries in 2013 and 2014, which aimed to promote knowledge and experience

exchange in agricultural irrigation in these countries and strengthen irrigation management in Cambodia (Interview with officials and project participants, Phnom Penh and Beijing, June to September 2015). These two areas—water and health—were already highlighted as areas of priority for cooperation in the new Australian aid policy towards China released in 2006 (AusAID 2006b, 4).

Engagement's impact on China

Growing interaction with Australia has promoted changes in thinking among China's policy makers. In stark contrast to China's indiscriminate refusal of aid from traditional donors up to the late 1970s, China has improved its understanding of Australian aid through the gradual learning process. Australia is accredited by MOFCOM, China's guardian of foreign aid, as 'the most active and distinctive development partner though it is not the largest bilateral donor to China' (MOFCOM 2006). The engagement has created three roles for Australian aid in the eyes of China.

Economically, Australia is a developed western country with advanced technologies and management skills that can be learnt by China to support its own modernisation in sectors such as agriculture, iron and steel. For instance, AusAID provided over AUD 8 million to support a project for the improvement of livestock and grassland in China's Yunnan Province from 1983 to 1991 (Zhao and Jin 1991, 33). This project assisted in the development of human resources from China side, and was lauded by Chinese official media as 'a great success' with remarkable achievements including that the project cultivated over 20 new species of grass for China; the grass yield and stock-carrying capacity of the forage legume reached four times the original natural pasture; species of Australian premium beef cattle were introduced to China (ibid).

AusAID also funded a Freon-free compressor refrigerator project in Jingdezhen city of China's Jiangxi province in the period 1990–1993. This was the first time that China had introduced this technology in the refrigerator industry (Hou 2006, 84). As Australia has rich experience in the iron and steel industry, AusAID provided a technical training program for the Wuhan Iron and Steel Company in China from 1990 to 1995 and improved the production efficiency of the company (ibid).

Politically, as the first western donor to provide bilateral aid to China, Australia can set an example for other traditional donors, which may encourage them to follow

suit and provide foreign aid to China along similar lines.³ This complies with the trope in Chinese politics and culture that being ‘first’ carries a significant impact⁴. That is why Professor Hou Minyue argued that the significance of Australian aid to China was not restricted to the economic arena. To him, Australia continued to provide aid to China when some traditional donors such as Japan announced the cessation of their aid programs in China in the early 2000s, which underlined the prominent political role of Australian aid to China (Hou 2006, 84).

From the perspective of foreign aid, China values the engagement with Australia and shows interest in learning from Australian aid practice. Zhou Taidong, a former MOFCOM official and Mao Xiaojing from CAITEC argue that China should learn from Australian practices on aid transparency and increase engagement with traditional donors (Zhou and Mao 2013). Sun Tongquan from the China Academy of Social Sciences and Zhou Taidong recommend that China learn from the Australian regulatory system of foreign aid and adopt reform measures including formulating a clear foreign aid strategy, reducing aid fragmentation, strengthening inter-agency coordination, establishing inclusive partnerships with different actors and focusing on the results of aid projects (2015, 137).

Australia’s development cooperation with China has been appreciated by the Chinese government. An example is that AusAID was nominated by the Chinese government as one of the only two nominees from foreign development agencies for the first and second China Poverty Alleviation Awards in 2004 and 2006, though the World Bank and the UNDP eventually won the awards (CFPA 2004; *People’s Daily* 29 September 2006). The Chinese government praised AusAID as follows,

AusAID’s aid to China was not only big in volume, but also focused on poverty alleviation and social development. Among bilateral donors in China, AusAID’s performance and contribution to China’s opening up and poverty alleviation has been outstanding (ibid.).

³ This point is also strongly supported by author’s own observations during his decade-long career as a diplomat.

⁴ Another example is Chinese leaders repeatedly mentioning the ‘firsts’ between China and New Zealand: New Zealand was the first western nation to recognise China’s market-economy status, the first developed nation to start to negotiate a Free Trade Agreement and the first to sign the agreement. By highlighting these ‘firsts’, the Chinese government is demonstrating its satisfaction with the bilateral relations, and signalling to other nations that they may have forgone benefits by not being ‘first’.

Capacity building: A good way to promote idea changes

Building institutional linkages with China's government ministries and agencies is a main strategic objective of AusAID's new approach towards China (AusAID 2006b). AusAID stated that its aid practice in China has lifted Australian engagement with China to 'a strategic policy and institutional level' (AusAID 2010a, 86).

Providing capacity building programs has become an important component of Australian aid to China and a way to promote idea changes among Chinese aid officials. In the 1990s, as China was moving from a planned economy to embracing a market economy and preparing for its accession to the World Trade Organization, AusAID provided aid to strengthen China's capacity building in this direction. In 1997–1998, Australia and China reached an agreement on a four-year capacity building program in China with a budget of AUD 20 million and the objective of the program was to introduce Australian expertise to China to facilitate the latter's transition to a market economy (DFAT 1998). In the same year, with AusAID support, a trade policy library was established in China's Ministry of Foreign Trade and Economic Cooperation, the predecessor of MOFCOM (*ibid*).

Official training programs are another component of AusAID's engagement with China. In 1997–1998, twelve Chinese officials completed a Graduate Diploma in International Economics in Australia under AusAID scholarships (DFAT 1998). In 2000–2001, AusAID funded capacity-building programs for 650 Chinese officials in liberalised foreign trade policy and procedures and for over 840 Chinese officials in China's transition to a market economy (AusAID 2001, 48). In 2003–2004, 1718 Chinese officials attended AusAID training on China's entry into the WTO and more than 600 officials across China's over 20 ministries and agencies benefited from AusAID's capacity building program (AusAID 2004, 72).

These official training programs have forged close links between Australia and China at a policy level, which boosted China's understanding of Australian foreign aid and paved the way for cooperation in the future. In 1998–1999, Australia provided aid to China's Ministry of Labor and Social Security, National Audit Office and State Administration of Taxation on capacity building in their respective areas (AusAID 1999, 57). In 2004–2005, AusAID initiated a program of events with China's Central Party School and mobilised a major governance program aiming to help China implement governance reforms in areas of fiscal management, trade-related and social security, and to improve strategic linkages between government agencies of the two countries (AusAID 2005, 72, 2010b, 5). In 2005–2006, Australia provided training to

China's Ministry of Finance on fiscal policy and management practices (AusAID 2006a, 79).

These training programs have had a far-reaching impact. They have not only exposed China to Australian technologies and skills, but also triggered idea changes from Chinese officials on foreign aid, which is a source of aid reforms in China. Based on her research on foreign aid in China, Zhou Hong from the China Academy of Social Sciences argued that foreign aid training programs in China 'have a subtle effect on the ideas and practices of Chinese project workers. These changes can also penetrate into the deeper levels of "identity" that is to change the identity held in the mind of the participant' (Zhou 2015, 296). One example is that, a Chinese official participated in a health aid project⁵ and realised that he needed to shift his identity from a 'government official or health technician' to a 'social worker' in order to do the project well (ibid).

The evolving trends in aid to PNG

This section will provide an overview of Chinese aid to the Pacific region and the evolving trends in aid to PNG, the largest and most populous country in the region. As Chinese aid to the Pacific is growing fast and this region is crucial to Australian policy, this section will serve as necessary background to understanding China and Australia's enthusiasm for engagement which led to their trilateral project in PNG.

Chinese aid to the Pacific

China started to provide foreign aid to Pacific Island countries in the 1970s when it established diplomatic relations with countries such as Fiji and Samoa. As China's international aid began to grow substantially after 2000, its aid to the Pacific region also expanded. The inaugural China-Pacific Economic Development and Cooperation Forum meeting held in Nadi, Fiji in May 2006 was a landmark event in China-Pacific relations. China's Premier Wen Jiabao attended the conference and pledged a significant aid package for Pacific Island countries. The most significant part relates to \$463.1 million (RMB3 billion) concessional loans pledged to the region over the following three years (Wen 2006, 11). Wen also promised that China would write off debts that matured by 2005 for the least-developed Pacific countries, and granted an extension of ten years for mature debts of the other Pacific countries (ibid).

⁵ Although this is an aid project from the UK rather than Australia, according to Zhou Hong, these projects have had a similar impact on changing the attitudes of Chinese officials.

These concessional loans have funded the construction of a number of major infrastructure projects in the Pacific. A typical example is the rebuilding of the Central Business District in Nuku'alofa, the capital city of Tonga after the old area was burnt down during a riot on 16 November 2006. China's concessional loans, however, were criticised by some traditional donors and researchers for leading to the spiralling external debt in these financially fragile Pacific states (Dornan and Brant 2014, 353–55).

In November 2013, the second conference of the China-Pacific Economic and Development Cooperation Forum was held in Guangzhou, China. Similarly, China made new pledges of aid including \$1 billion in concessional loans to the Pacific over the next four years (Wang Yang 2013). For the first time, Australia was invited to attend the conference as an observer, testimony to the growing engagement between China and Australia since the signing of the 2013 MOU on development cooperation (Interview with Australian diplomat, Port Moresby, 5 November 2014).

In November 2014, Chinese President Xi Jinping visited Fiji and held a group meeting with state leaders of the eight Pacific Island countries that have diplomatic relations with China. This was the first time in history for a Chinese president to visit the Pacific region. In addition to standard pledges to establish strategic relations of mutual respect and common development, Mr. Xi announced new aid to these countries including granting zero tariff for 97 per cent of exports to China from the least developed Pacific Islands countries, providing 2,000 scholarships and 5,000 short-term training opportunities. He also invited these countries to participate in the China-initiated '21st Century Maritime Silk Road initiative' (Du and Yan 2014, 1).

Traditional donors are concerned by the largesse of Chinese aid and China's inflexibility in its way of aid delivery. In August 2012, Cui Tiankai, Deputy Foreign Minister of China in charge of Pacific affairs, briefed the media that 'China's foreign aid to Pacific Islands countries belongs to South–South cooperation which is the mutual assistance among developing countries and differs totally from South–North cooperation' (Liu and Huang 2012). Though Australia and New Zealand approached China to join the *Cairns Compact* which was initiated at the 2009 Pacific Islands Forum meeting in Cairns, China declined the invitation. This remains an important sticking point between traditional donors and China in the region (Interview with former senior AusAID official, Canberra, 5 May 2016). It also underpins the differences between China and traditional donors.

Positive things, however, have taken place from China's side on the ground. In 2008, China signed the *PNG Declaration on Aid Effectiveness*, a local version of the *Paris Declaration* in Papua New Guinea (PNG DNPM 2008). For the first time, China and the US attended the Heptagon group of donors meeting in Auckland in October 2014 as observers together with current Heptagon members including Australia, New Zealand, Japan, the European Union, the World Bank, the ADB and the IMF (Interview with DFAT official, Canberra, 23 September 2014).

Reasons behind China's aid in the Pacific

As discussed in Chapter Three, China is under the influence of three identities: a socialist country, a developing country and a rising great power. As a result, China provides overseas assistance to other developing countries to serve China's triple-interest of safeguarding its political interest as a socialist country, advancing its domestic economic development and building a favourable global image as a responsible partner. This applies to China's aid efforts in the Pacific.

Politically, China needs support from Pacific countries at international and regional fora. A typical issue is the 'One China' policy which relates directly to China's national unification. Among the 22 countries that recognise Taiwan diplomatically, six are small Pacific countries: Nauru, Kiribati, Solomon Islands, Marshall Islands, Palau and Tuvalu (see Table 11). As the following graph clearly demonstrates, the diplomatic tug-of-war between Mainland China and Taiwan had been tense in the past three decades as quite a few small Pacific countries swung between the two sides. China extended invitations to the above six Pacific Islands countries to attend the 2006 China-Pacific Economic Development and Cooperation Forum meeting in Fiji, though they did not attend because of pressure from Taiwan (Interview with Chinese scholar, Beijing, 19 August 2015).

Tension eased in 2008 when the two sides reached a diplomatic truce. It is reported that for the sake of cross-Strait relations, Mainland China even refused requests from at least five countries including El Salvador and Panama to switch their diplomatic allegiance from Taiwan to Mainland China after 2008 (*The Economist* 26 June 2009). However, in light of the changing politics in Taiwan and the cross-Strait relations, the 'One China' issue will remain an important and sensitive issue for China in the long run. In his statement published in the *Fiji Times* and the *Fiji Sun* in November 2014, President Xi Jinping said, 'We are so grateful to the long-term precious support from the Pacific islands countries on issues relating to our core interest' (Xinhua 2014c) which includes the Taiwan issue. Moreover, new signs of cross-Strait rivalry appeared

after the pro-independence Progressive Democratic Party won the presidential election in January 2016. The two latest examples are Mainland China's establishment of diplomatic relations with Taiwan's former allies Gambia and Sao Tome and Principe in March and December 2016 respectively. China is also using aid to pressure recipient countries to shut down or restrict Taiwan's unofficial representatives, with Nigeria ordering Taiwan's trade office to move out of the capital city in January 2017.

In addition to the Taiwan issue, China looks to Pacific countries for support on issues such as reform of UN Security Council as well as domestic issues. For instance, President Xi lauded Fiji's efforts in chasing corrupt Chinese officials abroad when he met with Bainimarama in November 2014 (Beijing Youth Daily 2014b, A03). With the help of Fijian officials, a Chinese economic crime suspect and a drug smuggler were seized in Fiji (ibid).

Table 11. Diplomatic landscapes of Mainland China and Taiwan in the Pacific region

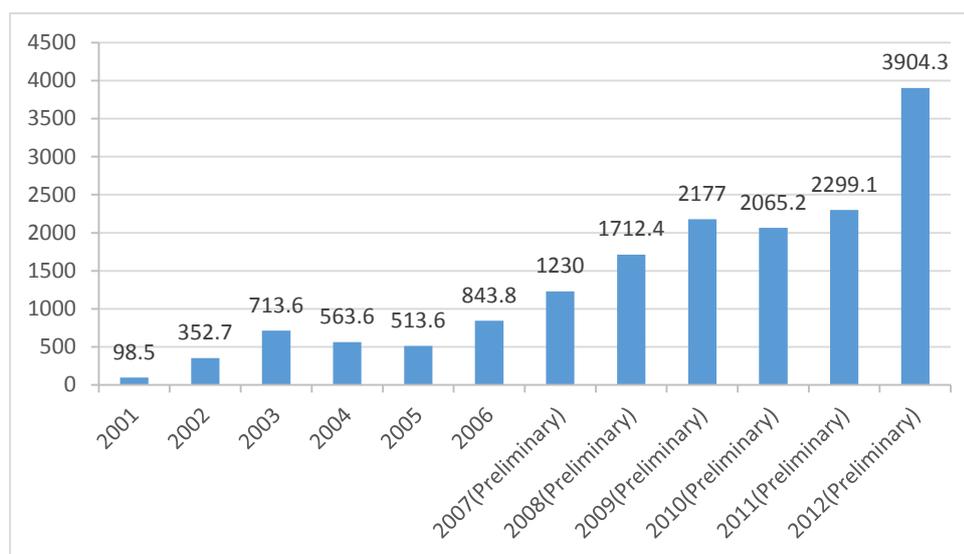
Pacific country	ROC/Taiwan	PRC	ROC/Taiwan	PRC
PNG		12 Oct 1976	5 Jul 1999	21 Jul 1999
Fiji		5 Nov 1975		
Samoa	29 May 1972	6 Nov 1975		
Cook Islands		25 July 1997		
Federated States of Micronesia		11 Sep 1989		
Niue		12 Dec 2007		
Tonga	10 April 1972	2 Nov 1998		
Vanuatu		26 Mar 1982	3 Nov 2004	Nov 11 2004
Kiribati		25 Jun 1980	7 Nov 2003	
Palau			29 Dec 1999	
Marshall Islands		16 Nov 1990	20 Nov 1998	
Nauru	4 May 1980	21 July 2002	14 May 2005	
Solomon islands	24 Mar 1983			
Tuvalu	19 Sep 1979			

Source. Compiled by author from online data

Economically, China has approached the Pacific region for raw materials and natural resources to support China's national development (see also Wesley-Smith 2010, 31-32). The \$1.4 billion Ramu Nickel mine in PNG is China's largest single investment project in the Pacific (Smith 2013, 180). The China Export-Import Bank provided substantial financial support to the PNG LNG (Liquefied Natural Gas) project which is listed as one of the most important projects in the history of the China Export-Import Bank (Jin 2014). China Sinopec will purchase two million tons of LNG annually from PNG for 30 years (MFA 2014c).

China's fishing fleet has been expanding in the Pacific Ocean. The China Overseas Fisheries Corporation has been in the Fijian exclusive economic zone since 1998. It owns 43 tuna long liners and operates in the waters of Fiji, Vanuatu, Solomon Islands and Tuvalu (China Overseas Fisheries Corporation 2013, D4). The Pacific region has also provided economic opportunities for Chinese companies. China's bilateral trade with the Pacific Islands nations grew at an average annual rate of 27 per cent over 2006–2013 and reached \$4.5 billion in 2013 (Wang Yang 2013). Nearly 150 Chinese companies have established businesses in the Pacific region with a total investment of nearly \$1 billion, and the contract value of projects by Chinese companies exceeded US5 billion (*ibid*). Figure 15 shows the rapid growth of China–PNG trade, though it was in PNG's favour in the period 2001–2006 and it has been in China's favour since 2007. It is important to note that many Chinese companies especially those state-owned ones have played an active role in China-Pacific commercial and aid engagement (see also Smith and D'Arcy 2013).

Figure 15. Trade between PNG and China over 2001–2012, million kina



Source. Compiled by author from PNG government data⁶

In terms of global image building, the support from these small Pacific Islands countries is important as well. Chen Mingming, member of China's MFA's Public Diplomacy Advisory Committee and former ambassador to New Zealand, Cook Islands and Niue, explained in November 2014, 'establishing excellent bilateral relations with the Pacific islands countries is conducive to China's global image as a growing power, and helps China "win hearts"' (2014a, A03). As China has been promoting initiatives

⁶ The data was kindly provided by an official from PNG Department of Trade, Commerce and Industry.

such as ‘peaceful development’ and ‘the China dream’, support from Pacific countries is much needed. It also explains why China has been increasing its aid to the Pacific on climate change. The second China-Pacific Economic Development and Cooperation Forum meeting coincided with the China International Green Innovation Products and Technology Show. In November 2014, President Xi Jinping reaffirmed China’s support for the Pacific’s efforts on climate change (Du and Yan 2014, 1), placing them at odds with the Australian government.

Moreover, image building in the Pacific region, and other regions such as Asia and Africa, has realistic significance for China. As China’s economic presence is growing rapidly, negative aspects of China’s engagement such as the poor quality of some Chinese products and construction projects, low environmental standards and political lobbying, coupled with biased media reports, have complicated China’s diplomacy in the region. For instance, the Ramu Nickel mine project in PNG was delayed for years as a result of local concerns of its environmental impact. To some extent, Chinese foreign aid is expected by Beijing to play a role of image building in the Pacific island countries and mitigate the negative impacts of its economic engagement.

Although China provides foreign aid to the Pacific to further its political, economic and global image interests, global image building has been a more significant motivation in recent years. First, the political factor of the ‘Taiwan issue’ has been less evident between 2008 and 2015. The Pacific is not a priority in Chinese diplomacy according to China’s leading Pacific experts, such as Yu Changsen and Guo Chunmei (Interviews, Beijing, 6 and 26 August 2015; Yu 2016). Moreover, compared with other regions, the Pacific ranks low in China’s economic priorities due to the small size of its markets and lack of natural resources other than fisheries. The political and economic motivations do not provide adequate explanations for China’s increasing aid to the Pacific region.

The Fiji issue

China’s aid to Fiji is an issue with which traditional donors such as Australia and New Zealand have concerns. While Australia and New Zealand imposed sanctions on the military regime in Fiji after the 2006 coup, China forged closer relations with Fiji and provided large amounts of assistance to the country. This has further increased China’s profile in the ‘backyard’ of Australia and New Zealand. It is reported that the Australian and New Zealand governments protested against then Chinese Vice President Xi Jinping’s stopover visit to Fiji in 2009 in fear of compromising their sanctions on the

Fiji military regime (Field 2011). Fergus Hanson, then research associate at the Lowy Institute and author of several reports on China's rising influence in the Pacific, criticised Chinese aid support to the Bainimarama regime in Fiji as a double standard, questioning 'how can Beijing complain about other countries interfering in its internal affairs when it interferes so dramatically to prop up a dictatorship [in Fiji]?' (Hanson 2008a).

In terms of Chinese aid to Fiji, from 2006 to 2013, China provided a total aid of \$333 million with a majority in concessional loans to Fiji, making China the largest donor to Fiji ahead of Australia and Japan (Brant 2015). The year 2014 is another example to illustrate the magnitude of China's aid commitment. In addition to a grant aid of \$12.3 million (RMB 80 million) to Fiji when Fiji President Epeli Nailatikau attended the Youth Olympic Games hosted by China in Nanjing in August, Chinese President Xi announced an additional grant aid of \$10.8 million (RMB 70 million) to Fiji during his visit to the country in November (Devi 2014), meaning China's total pledged grant aid from 2014 visits exceeded \$23 million. As China's influence is increasing so rapidly, it makes sense that Australia and New Zealand become more eager to increase their engagement with China to promote coordination on regional issues including the Fiji issue, with a view to influencing China's policies. It is noteworthy that in November 2016, Fiji was awarded the Presidency for the 2017 UN climate summit (COP 23) to be held at the end of 2017 in Bonn, Germany. In this context, China could be expected to increase its engagement with the Fiji government on climate change issues, provide more aid to Fiji and seek Fiji's support for China's position of 'common but differentiated responsibility'.

China's aid to PNG

Since the establishment of diplomatic relations on 12 October 1976, Chinese aid began to flow into PNG. One caveat is that, as China does not release country-based and annual figures for its aid data, it is extremely difficult to find accurate data on Chinese aid to PNG. However, by triangulating sources including official reports of China MOFCOM, the MFA, mainstream media, the PNG government departments and some existing literature, we are able to grasp the main features of Chinese aid to PNG.

Most notable is China's fast growing concessional loan program, as China was eager to materialise \$643.1 million (RMB 3 billion) in concessional loans pledged by

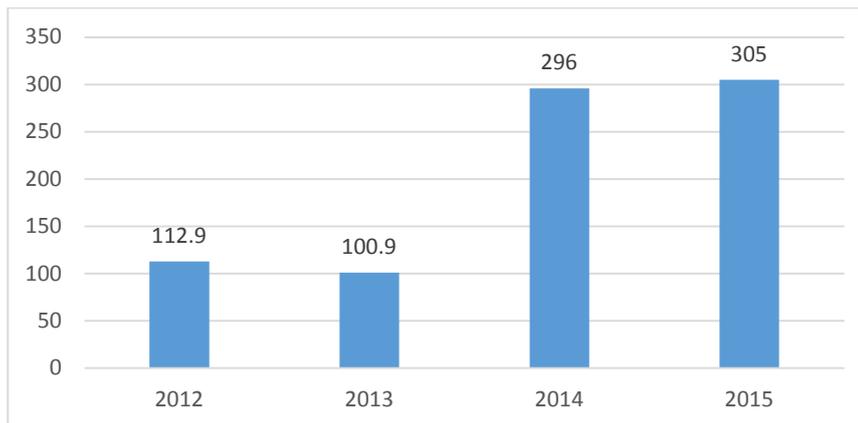
Premier Wen Jiabao in 2006. Below are examples of Chinese large-scale concessional loan projects.

Table 12. Examples of Chinese concessional loan projects in PNG

Project	Value	Chinese contractors	Status
University of Goroka dormitory construction, phase 2–4	\$45.3 million (RMB 294 million)	Guangdong Foreign Construction Company	Completed
National electronic identity card project	\$55.4 million (RMB 359 million)	Huawei	Completed
Integrated government information system	\$109 million	Huawei	Completed
NCDC road upgrade in Port Moresby	\$109.6 million (RMB 710 million)	China Harbor Engineering Company	Ongoing
Pacific marine industrial zone Project	\$95 million	China Shenyang International Economic and Technical Cooperation Corporation	Ongoing

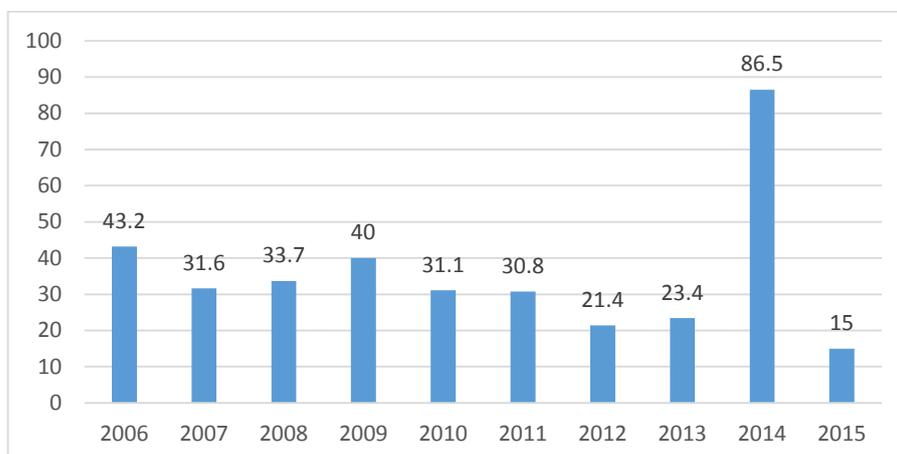
Source. Compiled by author from website of China Embassy in PNG

Figure 16. Chinese concessional loans to PNG over 2012–2015, million kina



Source. Compiled by author from PNG Treasury annual reports

Figure 17. Chinese grant aid to PNG over 2006–2015, million kina



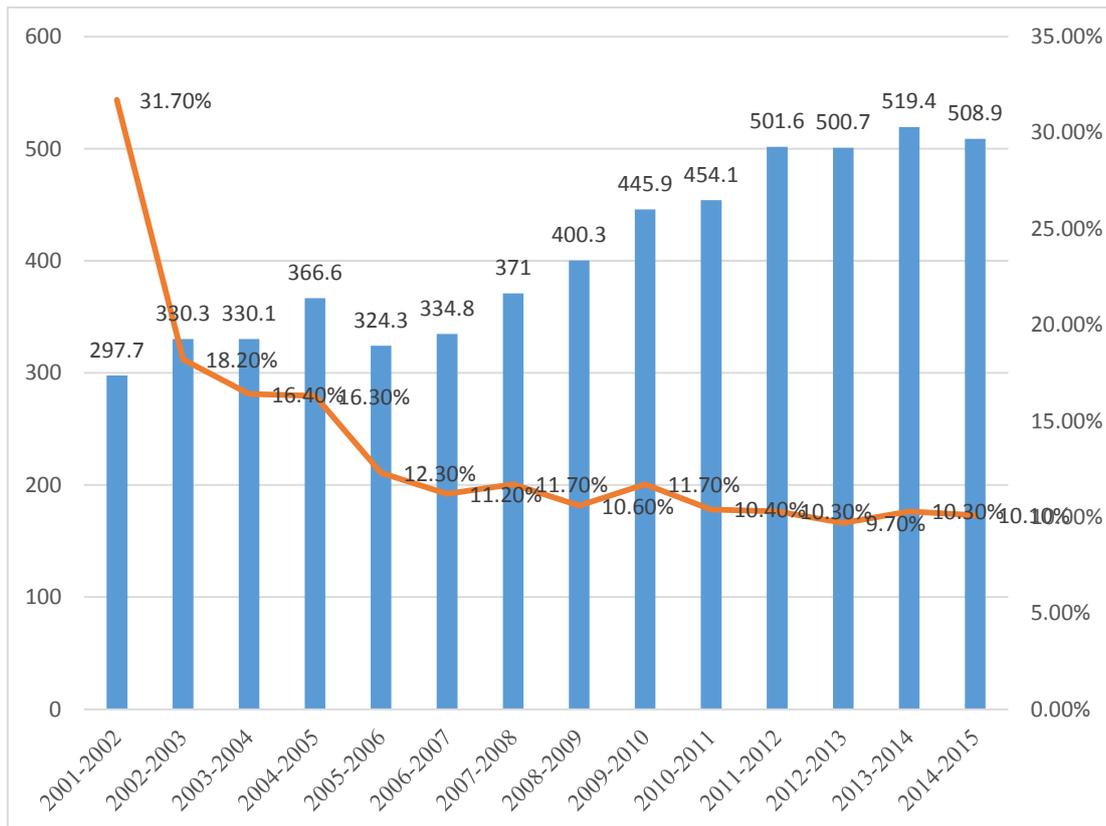
Source. Compiled by author from PNG Treasury annual reports

The University of Goroka dormitory project was China's first concessional loan project in PNG. As a Chinese company representative noted, this project was hailed as a success and changed the reluctance of the PNG government towards accepting China's concessional loan. It has become a bargaining chip in demonstrating the capacity of the PNG government to manage China's soft loan projects when the PNG government lobbies for more Chinese loans (Interview, Port Moresby, 10 November 2014). The Figures 16 and 17 summarise Chinese concessional loans and grant aid to PNG in recent years.

Australian aid to PNG

As PNG is an Australian former colony and near neighbour, the two countries enjoy close political, economic and strategic relations. Australia has been providing aid to PNG since decolonisation in 1975 and Australia is easily the largest donor to PNG. In the 2014–15 financial year, the total Australian aid to PNG reached \$371.4 million (AUD 508.9 million), accounting for 10.1 per cent of the total of Australia's overseas aid and nearly 44 per cent of Australian aid to the Pacific (DFAT 2016, 5).

Figure 18 is an overview of Australian aid to PNG between 2001 and 2015. Australian aid to PNG is focused on priority areas including education, health and HIV/AIDS, transport infrastructure, law and justice. Great efforts have been invested by Australia on the improvement of aid effectiveness in PNG. The two countries have entered into a new aid partnership which aims to better align with the priorities of the two governments and unlock PNG's economic potential (DFAT 2014).

Figure 18. Australian aid to PNG over 2001–2015, million AUD

Source. Compiled by author from AusAID/DFAT annual reports

Evolving trends in aid to PNG

With a landmass of 452,800 square kilometres and a population of around 7.5 million, PNG is the largest and most populous country in the Pacific, dwarfing the other thirteen island nations. Though it is blessed with an endowment of natural resources, poverty and development remain intractable challenges. PNG ranked 158 out of 188 countries in the UNDP 2015 Human Development Index (UNDP 2015b, 49). As a result, PNG has been a major aid recipient in the Pacific region. More than a dozen bilateral and multilateral donors including Australia, New Zealand, China, Japan, the Asian Development Bank, the European Union, the World Bank and the UN operate in PNG.

The trends in aid to PNG are evolving. The increasing number of donors has compounded aid coordination difficulties in PNG. China is a typical example amid the expanding footprint of emerging donors. Internally, the PNG government is constrained by its limited capacity to manage foreign aid. The PNG Department of National Planning and Monitoring (DNPM) is entrusted by law to coordinate foreign aid in the country including identifying and appraising aid projects and programs. In reality, due to factors such as political corruption and governance challenges, the DNPM is frequently bypassed by donors who go straight to politicians and line agencies in PNG

to lobby for support (Interview with DNPM official, Port Moresby, 11 November 2014.). The PNG Department of Foreign Affairs and Trade is the custodian of all bilateral agreements with foreign countries. However, it does not have a big say on aid projects. It provides only political endorsement for foreign aid and gives advice to DNPM, which is often largely symbolic. It is not always kept up to date with the latest developments on aid projects in the country.

Furthermore, continuous economic growth in PNG has given the government more capacity to direct its own money to domestic development rather than relying on external assistance, thus making it more confident in increasing its voice on aid management. For instance, donor grants accounted for nearly 20 per cent of total expenditure in PNG ten years ago, and this figure was reduced to 16 per cent five years ago and 10.2 per cent in 2014 (PNG Department of Treasury 2014). This change has the potential to strengthen the PNG government's ownership of foreign aid. It is worth noting that PNG has also been an aid donor since 1997 with donations to the Solomon Islands, Fiji and some other Pacific nations (Batley 2015). However, changes have taken place since 2015. PNG's economy is now in difficulties because of falling natural gas prices. PNG has been short of foreign exchange and the government made major cuts to its 2016 budget.

While welcoming the addition of new donors, PNG aid officials insisted donors need to follow PNG aid processes, procurement procedures, show respect for the PNG government as a recipient, and promote greater cooperation with other donors (Interview with DNPM official, Port Moresby, 6 November 2014). In July 2015, the PNG Prime Minister Peter O'Neil even announced a ban on foreign advisors working in PNG government agencies—for two concerns: PNG staff's over-dependence on foreign advisors and spying (Cochrane 2015). This will impact on many foreign advisors especially from Australia who are working under the aid program.

PNG development plans and foreign aid

The PNG government has drawn up plans to address aid effectiveness issues although there is always a large gap between plans and implementation. In July 2008, the Rt. Hon. Paul Tiensten, PNG Minister for National Planning and District Development signed *The PNG Commitment on Aid Effectiveness* with its main donors including Australia, the EU, Japan, New Zealand, the World Bank, the Asian Development Bank, the UN and China (PNG DNPM 2008).

The PNG Medium Term Development Plan 2010–2015 emphasises that all foreign aid needs to comply fully with the *PNG Development Strategic Plan*. Based on this development plan, the PNG government expects to achieve targets including: establish and operationalise national and sectoral dialogue for development partners; encourage PNG central and line agencies to meet global principles on aid effectiveness; achieve significant reduction in aid fragmentation; adopt new modalities of aid and technical support such as co-financing schemes; and promote South–South cooperation with proper monitoring and evaluation procedures (DNPM 2010b, 122).

The PNG Development Strategic Plan 2010–2030 outlines broad objectives and strategies for PNG foreign policy and foreign aid. The PNG government aims to move from dependence on aid to being a donor in the Pacific region in the period of 2011–2030 through measures including guiding donors to areas of infrastructure building, skills training and education (DNPM 2010a, 129). A typical concern of the PNG government relates to its dependence on donors for providing skilled personnel, which the PNG government aims to address by 2020 (ibid). The PNG government is keen to achieve development objectives by abiding by the *Paris Declaration* principles of ownership, alignment, harmonisation, managing for results and mutual accountability (DNPM 2010a, 129–130). The *Papua New Guinea Vision 2050*, the long-term development plan, reaffirmed PNG’s commitment to directing all foreign aid to priority impact projects (PNG government 2011, 47).

PNG’s view of Chinese aid

Chinese aid in PNG receives a mixed reaction from the PNG government. PNG aid officials positively view the contribution of Chinese aid to areas including infrastructure and education as well as its quick delivery (Interview with PNG officials, Port Moresby, 6 and 12 November 2014). As one PNG aid official said, ‘A good thing about Chinese programs is once you want something and you request them, they don’t have much lengthy processes to go. They just advise their government and they say it’s good, and get it funded. It is very quick response’ (Interview with DNPM official, Port Moresby, 6 November 2014). At the same time, PNG aid officials expressed frustrations with Chinese aid practices:

You know the Chinese way of doing business. They are very good with our politicians ...That is how they get most of the projects. Frankly speaking, our coordinating roles sometimes become very difficult. Because some of the process has been bypassed, we have to find some rules to

accommodate them. It makes our facilitation difficult. But sometimes you have to allow them to go through because it has to (Interview with PNG official, Port Moresby, 6 November 2014).

To sum up, deep historical and strategic interests in PNG make Australia the single largest donor to PNG. As China has increased its foreign aid substantially to PNG in recent years, Australia's interest in China's impact has grown accordingly (Interview with a former senior AusAID official, Canberra, 5 May 2016). From the PNG government's perspective, to meet the challenges of aid effectiveness, the need for aid coordination is rising, as is its confidence in aid management. Promoting aid cooperation, including through trilateral partnership, becomes a possibility within such a context.

3. China–Australia–PNG trilateral project on malaria control

This section offers an in-depth analysis of the China–Australia–PNG trilateral aid project on malaria control in PNG. Based on my fieldwork interviews and archival research, process tracing will be employed to uncover the 'black box': the background and negotiation process behind the project. In particular, the motivations of the three countries will be studied.

This China–Australia–PNG trilateral malaria project was officially launched in January 2016 with a duration of three years. PNG Deputy Secretary of Health Dr. Paison Dakulala explained the two main objectives of the project (Interview, Port Moresby, 14 November 2014):

- 1) Malaria diagnosis. This part aims to strengthen the capacity of PNG's health system on malaria control. It will be achieved by improving PNG Central Public Health Laboratory (CPHL) services with a focus on:
 - i) Upgrading lab infrastructure, improving capacity for malaria diagnosis (e.g., microscopy) and monitoring drug efficacy.
 - ii) Building capacity of the labs and technology
 - iii) Training in microscopy
 - iv) Upgrading lab equipment
- 2) Malaria operational research. This part aims to strengthen PNG malaria operational research by assisting the PNG Institute of Medical Research (IMR) in Goroka. This trilateral project will align with the *PNG National Malaria Strategic Plan 2014–2018* to strengthen malaria research.

This project is a combined effort involving the following main stakeholders from Australia, China and PNG as outlined in Table 13.

Table 13. Main stakeholders in the China–Australia–PNG trilateral malaria project

Australia	Department of Foreign Affairs and Trade (DFAT); Some Australian universities may get involved in a later stage.
China	Ministry of Commerce (MOFCOM); National Health and Family Planning Commission; National Institute of Parasitic Diseases of the National Centre for Diseases Control and Prevention
PNG	National Department of Health (including National Malaria Control Program Unit) PNG Institute of Medical Research (PNG IMR) Central Public Health Laboratory (CPHL)

Source. Compiled by author from own analysis

DFAT represents the Australian government in both the policy setting and operation of the project. It has pledged to provide AUD 4 million to fund the project including paying for secure accommodation for Chinese experts in PNG, which is a major concern of the Chinese side due to the notoriously bad security situation in Port Moresby. Australia provides logistical support because of its long establishment and knowledge of PNG. Australian universities may join the project at a later stage to conduct joint research projects with PNG IMR (Interview with Australian aid official, Port Moresby, 4 November 2014).

China will contribute experts and applicable technology on malaria control (MOFCOM 2015d). MOFCOM represents the Chinese government's participation in the project on a policy level and for signing the project documents. It also leads the coordination with other Chinese stakeholders in the project at the policy level. MOFCOM's role is more symbolic compared with that of the China National Health and Family Planning Commission (NHFPC) in terms of project implementation.⁷ The NHFPC concentrates on the technical aspect of the project and oversees the performance of National Institute of Parasitic Diseases (NIPD). The NIPD, based in Shanghai, will dispatch technical experts to work at PNG IMR headquarters in Goroka and the Central Public Health Laboratory at Port Moresby General Hospital. The NIDP was chosen because it has similar functions to PNG CPHL as a reference and quality assurance laboratory. It is also a research body, which makes it a suitable partner for the PNG Institute of Malaria Research, at least on paper.

In addition, the NIDP has the advantage of drawing on an extensive network of provincial institutes in China to support its work in this trilateral project. The salaries of Chinese experts will be paid by China, in a similar way to that of the Chinese medical

⁷ China National Health and Family Planning Commission was created in 2013, combining former Ministry of Health, and National Population and Family Planning Commission.

teams, youth volunteers and Chinese language teachers who are supported by the Chinese aid program. China may also offer some training opportunities for PNG staff in China.

As the host country, the PNG government will facilitate the operation of the project. It will provide staff and facilities as required and oversee the project. The daily management of the project is contracted with the Health and HIV Implementation Services Provider (HHISP) which is managed by Abt JTA in association with the Burnet Institute.⁸ The HHISP has been supporting the health and HIV program on behalf of AusAID and the PNG government since it commenced in April 2012. It is required to report to the DFAT counsellor for Development and Cooperation in PNG, China's National Institute of Parasitic Diseases and the PNG National Department of Health (Devex Corporation 2014).

Why malaria matters?

Why have China, Australia and PNG chosen to focus on malaria in their first trilateral aid cooperation? The reason from the PNG side is relatively simple. Malaria was chosen because PNG has a large burden of malaria, which will be elaborated upon later.

China supports this malaria project because it has an impressive record on malaria control and elimination at home, which should enable China to make a significant contribution to malaria control in PNG. According to Qian Huilin, associate chief physician at China NIPD, China used to be a victim of malaria which was prevalent across 1,829 counties (around 80 per cent of counties in China) in the 1950s, and 5.97 million malaria cases were reported in 1955 with an incidence rate of 102.8 per 10,000 (Qian and Tang 2000, 225). By 1998, the malaria cases and incidence rate were reduced by over 99 per cent with only 31,300 identified cases across China and the incidence rate was lowered to 0.25 per 10,000 (ibid). Malaria cases were further reduced to less than 3,000 in 2013 and the WHO accredited most parts of China as malaria-free (WHO 2014). At present, China has reached the stage of near elimination of malaria. Though China and PNG differ remarkably in areas including health systems and human resources, China's experience including laboratory expertise can be borrowed and applied to PNG.

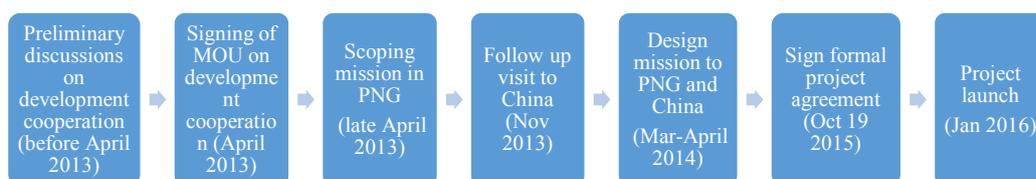
⁸ Abt JTA is an international consulting firm on health and the social sector operating in Australia and the Asia-Pacific. The Burnet Institute is an Australian not-for-profit organisation that links medical research with public health action.

Australia has taken a lead in supporting malaria control and elimination in the Asia–Pacific. A number of new initiatives were proposed by Australia. AusAID initiated and supported a joint assessment of the response to artemisinin resistance in the greater Mekong sub-region from November 2011 to February 2012 (Tulloch et al. 2012). From 31 October to 2 November 2012, the Australian government hosted a major conference *Malaria 2012: Saving Lives in the Asia-Pacific* in Sydney, which brought together ministers of health and foreign affairs, as well as regional and international partners from around the region. During the meeting, the Australian government pledged more than \$73 million (AUD 100 million) to help eliminate malaria in the Asia–Pacific (APMEN 2012). In October 2013, the Prime Ministers of Australia and Vietnam jointly initiated the establishment of the Asia Pacific Leaders Malaria Alliance which was endorsed by 18 leaders from the region (WHO 2013). This initiative aims to strengthen the political commitment and efforts to combat malaria regionally and globally. During these meetings, Australia, China and PNG officials discussed potential development cooperation on malaria.

A lengthy negotiation

As discussed above, Australia and China have been involved in growing engagement opportunities on development cooperation in recent years. This broad engagement has paved the way for the two donor countries to reach agreement on this trilateral project.

Figure 19. Timeline for the China–Australia–PNG trilateral malaria project



Source. Compiled by author from own analysis

This trilateral arrangement was based on a request from PNG’s Secretary of Health Pascoe Kase to China and Australia for assistance in combating malaria in PNG in August 2012 (Interview with PNG Deputy Secretary of Health Paison Dakulala, Port Moresby, 14 November 2014). This was after a previous visit of PNG government delegates to China in the same month when PNG and Chinese officials discussed possible collaboration in areas including malaria control (ibid). The MOU on development cooperation signed by China and Australia in April 2013 stands as a milestone umbrella agreement between China and Australia on development

cooperation. Once this high-level decision was made, bureaucrats from China, Australia and PNG set out to determine specific projects for cooperation. Later, the three countries held several rounds of discussions and malaria control was identified as a specific area for cooperation.

In late April 2013, a joint scoping mission comprised of Australian and Chinese officials and experts led by AusAID consultant Dr. Jim Tulloch visited PNG to explore possibilities for collaboration on malaria control. This visit coincided with a review of the PNG national malaria control program. During the trip, the delegation held discussions with officials from AusAID, the National Department of Health, the CPHL, the IMR, the Chinese medical team based in Port Moresby and other stakeholders. They made enquiries about PNG's needs and learned that PNG needs quality assurance in malaria and related capacity building. After assessing the situation of malaria control in PNG, the delegation identified possible areas of development cooperation for further discussion. Supporting malaria research at PNG IMR and laboratory services at CPHL were included in these further discussions (Interviews with Australian aid official and PNG Deputy Secretary of Health Paison Dakulala, Port Moresby, 4 and 14 November 2014).

In November 2013, Dr. Geoff Clark, AusAID Counsellor for Development Cooperation (Health and HIV) in PNG, and Dr. Justin Pulford from PNG IMR visited China to follow up on the malaria project options proposed by the exploratory delegation in April 2013 (Interview with Australian aid official, Port Moresby, 4 November 2013). The delegation had discussions with officials from China MOFCOM, the NHFPC and the NIPD in Shanghai, and agreed in principle that the three countries would carry out the malaria project (ibid). From March to April 2014, AusAID consultant Jim Tulloch led a second visit to PNG and China which consisted of officials and experts from Australia, China and PNG. This visit fleshed out the design and details of the trilateral aid project (Interview with participant of the trilateral project, Canberra, 30 March 2014). On 19 October 2015, the project agreement was finally signed by the three countries (MOFCOM 2015d). The project was officially launched in January 2016 in Port Moresby.

This malaria project is a drop in the bucket in terms of project value compared with Australia's annual aid outlay of around half a billion Australian dollars to PNG. However, as illustrated in Figure 19, it has taken the three countries a year and a half to finalise the project agreement. Trilateral cooperation is a new aid modality to Chinese officials and they want to understand it clearly before the project starts. As one

Australian interviewee revealed, ‘A MOFCOM aid official said, for China, this is a new thing. So, it takes a long time. This is already quite quick [in Chinese terms]. They [Chinese] are very careful about wording’ (Interview, Port Moresby, 4 November 2014).

Based on my interviews with officials and experts from Australia, China and PNG, a strong impression is that, Australia and China especially Australia have played a more proactive role in the negotiation and promotion of this trilateral project. From the Chinese side, most of the preparation and negotiation work was done by MOFCOM, NHFPC and NIPD at their headquarters in Beijing. The involvement of the Chinese Embassy and the Economic and Commercial Counsellor’s office in PNG were limited compared with their Australian counterparts. MOFCOM and the NHFPC’s direct involvement demonstrates the significance China has placed on this pilot project.

The role of the PNG government is limited if not minimal, and it failed to demonstrate sufficient ownership in the process. Most officials from the main PNG aid agencies including the Department of National Planning and Monitoring, the National Department of Health, the Department of Foreign Affairs and Trade are not aware of the project, let alone the details. Leo Makita, Director of Malaria and Vector control from the PNG National Department of Health noted, ‘The project was involved at high-level of the three governments and filtered to me [and other bureaucrats]’ (Interview, Port Moresby, 12 November 2014).

Motivations of the three countries

Although my research question is what factors drive China’s trilateral aid cooperation, in addition to analysing China’s motivations, the motivations of the other two countries in the trilateral project need to be examined. Providing a comprehensive view of the trilateral project will help the readers better understand the project. More importantly, it takes three to tango in a trilateral project. China’s motivations do not stand alone. They are subject to the influence of the other two partner countries in the project and evolve through the process of interaction.

China

There are two main reasons for China’s participation in this trilateral project. First, providing aid in the health sector has been regarded by the Chinese government as an important way to demonstrate its moral duty and improve its global image. In recent years, China has increased its foreign aid in public goods such as health and climate

change. Malaria control is a significant component of China's health aid. As China's first *White Paper on Foreign Aid* pointed out, health is an important sector of Chinese development assistance, and China established 30 malaria prevention and treatment centres in Africa and donated artemisinin anti-malaria medicines worth \$29.3 million (RMB 190 million) to African countries from 2006 to 2009 (State Council 2011d, 22). China has also provided anti-malaria medicines to the Pacific as pledged by Chinese Premier Wen Jiabao in 2006 (Wen 2006, 11).

In addition, as discussed earlier, China has a strong technical capacity in malaria control. Artemisinin (*qinghaoSu*) was first discovered and extracted by Chinese medical experts from annua wormwood (*qinghao*), a traditional Chinese medical plant in the 1960s, and was then widely used in the treatment of malaria, which has saved millions of lives across the globe (Miller and Su 2011). Tu Youyou, a Chinese researcher who was heavily involved in the discovery of artemisinin, was awarded the 2015 Nobel Prize in medicine. It is widely used in PNG.

With regards to PNG, China has been providing assistance to the PNG health sector since 2002, including dispatching medical teams and donating medical equipment. China is well placed to share its experiences in malaria control and elimination with PNG. But China's experience to deliver aid to the wider public domain in PNG is limited (Interview with PNG Deputy Secretary of Health Paison Dakulala, Port Moresby, 14 November 2014). This gap can be filled by Australia's rich experience in PNG developed over the years. PNG also offers a challenging site for Chinese scientists to carry out applied research in malaria.

A second main motivation relates to China's desire to learn from Australia's aid practices and thus improve China's aid effectiveness. Broadly speaking, the interaction between China and traditional donors including Australia has increased in the last decade. Engagement provides the spark to experiment with new ideas including trilateral cooperation. Trilateral cooperation, at least in theory, is a good way to make use of each donor's comparative advantages and promote mutual learning. There is genuine interest on the Chinese side to learn how traditional donors deliver their aid. A former Chinese senior aid official said, 'Through trilateral aid cooperation, China hopes to learn and improve its aid practices in the areas of feasibility study, institutions, project evaluation and supervision' (Interview, Beijing, 1 September 2015). The willingness of Australia to cover the costs strengthens China's interest in the project. We need to clarify that China's learning desire does not contradict with its official discourse that Chinese aid is different from aid of traditional donors. China's purpose is

to selectively learn from some aspects of traditional donors, such as aid monitoring, so as to improve Chinese aid delivery rather than accept all of them.

Another Chinese aid official on health who participated in the trilateral project explained China's learning imperative as follows:

China can learn through trilateral aid cooperation with western countries. China can learn from their advanced practices in design, management and evaluation of aid projects. Western aid, what they call 'aid programs', has a whole set of management models and frameworks covering areas such as impact assessment and outcome management. In contrast, many of China's foreign aid projects such as providing medical training and dispatching medical teams are not programs. They can only be called 'aid activities' (*huodong*) (Interview, Beijing, 26 August 2015).

China values Australia's broad knowledge of PNG which has been built over many decades. As China's foreign aid arouses concern from traditional donors, trilateral cooperation is a test case for future cooperation, with the potential to not only promote aid effectiveness but also improve China's global image as a good international citizen. As two Chinese participants in this trilateral project said, 'This project can uplift our global influence and visibility, and the Chinese government is willing to shoulder greater international responsibility' (Interviews, Beijing, 24 and 31 August 2015). Guo Chunmei and Tian Jingling, scholars on Oceania from the China Institutes of Contemporary International Relations, argue that by working in trilateral partnerships with regional donors such as Australia, China wants to present the image of a cooperative partner in the Pacific rather than a state who seeks to dominate the region (Interview, Beijing, 6 August 2015).

MOFCOM and the NHFPC are the two of China's government agencies most deeply involved in this project. MOFCOM cares about the improvement of China's aid effectiveness by learning from Australia on aid policies and on the ground management. The NHFPC has dual interests. From the technical perspective, this project provides the NHFPC with an excellent opportunity to test and apply malaria technologies in a totally new environment. This is good for China's malaria research and application as malaria cases in China have been rare in recent years. Another benefit for the NHFPC is, as one project participant explained, 'This cooperation offers MOH [NHFPC] officials and experts another opportunity to walk out of their office and travel to an exotic place: PNG' (Interview, Canberra, 30 March 2015).

Lu Guoping, Division Director of NHFPC's Department of International Cooperation, is deeply involved in this project on behalf of NHFPC. At the Seventh China Health Communication Conference in July 2012, she used the China-UK Global

Health Support Program, a trilateral initiative signed in September 2012, as an example to explain the benefits China expects to reap from trilateral cooperation:

It [trilateral aid cooperation] provides opportunities for the Chinese government and academic institutes to learn about the latest global developments in health and the best practices, and to learn how other donors deliver aid, how international organizations conduct cooperative projects and participate in global health activities. It will also strengthen our capacity, including the capacity of the Chinese government and academic institutes. It will train Chinese experts and help them participate in global health activities (Finance China Web 2012).

The bureaucratic imperative is another important factor. There are a growing number of professionalised aid officials and experts in China. As Professor Stephen Howes from the Development Policy Centre of The Australian National University argues, this new generation of Chinese officials want to do good aid projects and are supportive of learning from traditional donors, including through trilateral aid cooperation (Interview, Port Moresby, 2 November 2014).

China has demonstrated its changes of aid practices in this trilateral project. As an AusAID official stressed,

This trilateral malaria project is the first time that this is not their [Chinese] plan. They are supporting another country's (PNG) plan. The hardest thing we have to do to get over to them is that they [China] keep designing their own plan, and we (Australians) keep saying no ... The recipient country [PNG] knows their country. So, it is better we support them implementing their own plans instead of writing our own plan ... What we want China to do is to support the PNG government implementing their own plan. PNG has its own national malaria plan ... It is a very big shift from how China has done cooperation in the past' (Interview, Port Moresby, 4 November 2014).

Australia

Australia has been seeking a different kind of relationship with China on development cooperation in recent years. From a global perspective, China's economy is maturing and the country is moving away from being an aid recipient, even though intractable poverty remains in many rural areas. The Australian Government is encouraging China to play a more active role in global development. As the first western donor to China, Australia's aid cooperation with China is shifting from providing aid to China to jointly providing aid to other developing countries, with a focus on the Asia-Pacific. This serves Australia's broader strategic and diplomatic objective of strengthening its relations with China—Australia's largest trading partner and a potential superpower globally. In practical terms, through this trilateral malaria project, Australia also expects

to wield influence on China's aid delivery and utilise China's expertise in malaria control, in particular the development of effective artemisinin-based treatments, though this point is less prominent compared with Australia's strategic and diplomatic objectives as mentioned above.

The image-building imperative applies to Australia as well. Australia wants to avoid being seen as competing with China in the Pacific. Moreover, jointly providing aid with China to the PNG health sector serves Australian interests. Australia is the largest external contributor to the PNG health sector. Due to the geographical proximity, helping the PNG government improve its capacity in health sector, particularly the control of communicable diseases, is also in the interests of Australia. As Grant Muddle, Chief Executive Officer of Port Moresby General Hospital commented, 'The Australian government will accept help from anybody that is going to help improve health in PNG because health in PNG is Australian largest bio risk' (Interview, Port Moresby, 3 November 2014).

In February 2014, Australian Foreign Minister Julie Bishop credited the complementary roles of Australia and China in this trilateral aid project and lauded it as 'a positive concrete example of China's active engagement in international development and Australia's responses to the realities of the global economy' (Bishop 2014). This perception is echoed by an Australian aid expert, 'this trilateral project on malaria is something of a natural synergy and partnership' (Interview, Port Moresby, 4 November 2014).

PNG

Foremost, malaria control is a priority task for the PNG government in the health sector. According to the *PNG National Malaria Strategic Plan 2014–2018*, 'malaria remains one of the most important public health problems in Papua New Guinea (PNG) and the National Health Plan 2011–2020 identifies reducing malaria-related morbidity and mortality as one of its key objectives' (NDH 2014, 10). An estimated 94 per cent of PNG's population lives in areas which are classified as highly endemic for malaria and on average 1.5 to 1.8 million suspected cases of malaria are reported by PNG health facilities annually (NDH 2014, 26, Australian High Commission 2016).

This trilateral project focuses on both research and operations where there is a huge capacity gap in PNG. Microscopic examination of the blood of patients with suspected malaria has been the mainstay of malaria diagnosis. However, there is only one PNG expert throughout the whole country who knows how to use microscopy (Interview with

Chinese health expert in the project, Beijing, 31 August 2015). This project aligns closely with the objectives in the *PNG National Malaria Strategic Plan 2014–2018* including strengthening ‘the capacity of the CPHL to manage microscopy quality assurance and training services’ and improving ‘surveillance, monitoring, evaluation and operational research’ (NDH 2014, 35–36). The support from Australia and China is expected to align with the *PNG National Malaria Strategic Plan 2014–2018*.

Australian aid experts explained PNG’s malaria control situation as follows:

Although there have been some recent improvements on malaria control in PNG, most cases of suspected malaria are treated without a diagnostic test. This has led to over-treatment, which is not only wasteful but also results in patients not receiving treatment for the real cause of their illness, and may contribute to drug resistance. PNG lacks adequate quality assurance mechanisms for diagnosis with diagnosis often inaccurate. Improving diagnosis is critical to ensure effective treatment and to give confidence to the assessment of the impact of malaria control based on reports of confirmed cases. The emphasis on operational research also aims to link technical research with the malaria policy and programming of PNG National Department of Health.⁹

The weak capacity of PNG in health is affirmed by the PNG government itself, which acknowledged that the reported reduction in malaria cases requires careful interpretation due to challenges including the data quality and completeness (NDH 2014, 24–25). In addition, PNG is coming to the final global round in terms of addressing malaria. One PNG health official revealed that this trilateral aid project is timely because the Global Fund funding for AIDS, tuberculosis and malaria ends in 2014 and PNG will have to look for new sources of funding (Interview, Port Moresby, 19 November 2014). PNG Deputy Secretary of Health Dr. Paison Dakulala explained the position of his department on trilateral aid cooperation as follows,

This is a relatively new approach and the benefits of it will be yet to be determined. However in principle, a trilateral agreement will provide an additional broad support from three different countries’ compared to only two in a bilateral arrangement ... It opens new horizons for donor funding in PNG (ibid).

The potential of trilateral aid cooperation to promote aid coordination and reduce duplication is another motivation from the PNG side, though it is less obvious compared with the pressing needs of malaria control. Aid fragmentation has remained a headache in PNG and become a burden on PNG’s limited institutional capacity. Many PNG officials stressed they were keen to guide donors to provide aid in areas of their

⁹ This data is from an anonymous Australian DFAT aid officials who generously provided advice on my *In Brief* (No. 2015/14) on this trilateral project which was published at The Australian National University.

comparative advantage so as to promote better results and increase aid efficiency. By guiding donors to align with PNG priorities rather than imposing aid projects on PNG, the central government hopes to strengthen its ownership of aid management. A high-level official from PNG Department of Foreign Affairs said this project utilises Australian, PNG, Chinese funding and resources, and will address the aid accountability issue as more actors are involved (ibid).

A senior aid official from the PNG Department of National Planning and Monitoring explained her vision for improved aid coordination:

Currently we have four to five donors in one sector. You can imagine the person coordinating and satisfying them. We are thinking of putting the money [from donors] in the basket. We want to have aid more coordinated rather than allowing them to run to agencies and coming to us ... If they have the same goal, why not put their money in a basket and drive forward? ... Donors have to align to our priorities and harmonize into our system. If you think my system is not working, please help us build our system. We are a step forward in localizing aid effectiveness agenda ... The current aid policy we are drafting now will try to push their aid to areas of their comparative advantages, areas we feel they are better at because they have been with us for these longer years. We trust them in areas which we believe they can deliver best and give us the value for money (Interview, Port Moresby, 6 November 2014).

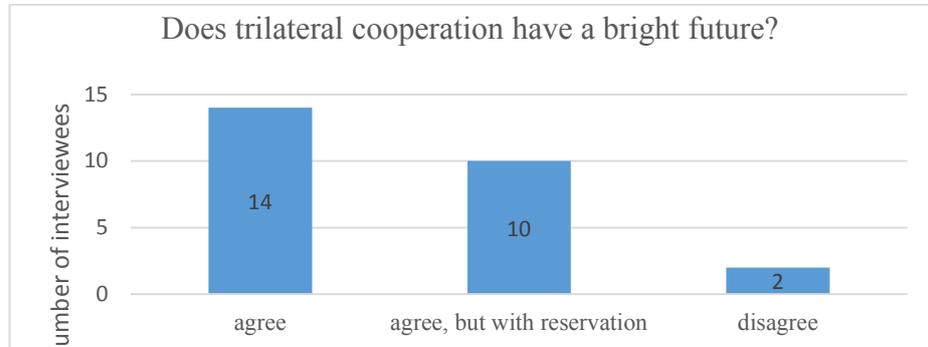
Strengthening bilateral relations with China is another motivation for PNG's involvement in this trilateral project. China is becoming one of the most important trading and investment partners of PNG, as the PNG government acknowledged, 'Robust growth in China is particularly important for PNG as the revenues received for PNG's mineral exports will increasingly become dependent on the dominant China market' (DNPM 2010b, 118). Ray Anere, senior research fellow at the PNG National Research Institute argued, entering into trilateral partnership with Australia and China in this project 'signifies the maturity in PNG's bilateral relations with China and with Australia' (Interview, Port Moresby, 10 November 2014).

Reactions towards trilateral cooperation

Based on my interviews with people from PNG government departments, the donor community, international and regional organisations, aid implementation companies, the business sector and think tanks in PNG and Australia in 2014 and 2015, the majority thought positively of the future for trilateral cooperation. Figures 20 and 21 outline their attitudes towards trilateral aid cooperation. There are two caveats. First, the number of interviews is insufficient to generalise, but to an extent it does indicate the reaction of donors and relevant stakeholders to trilateral aid cooperation as a new aid modality.

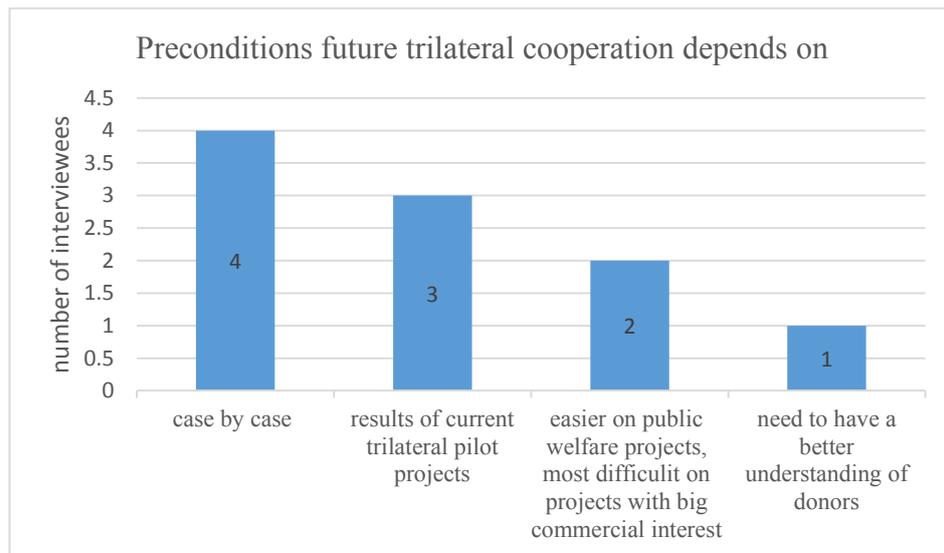
Second, some analysts hold the view that trilateral aid cooperation might have been fashionable for a time, especially while the Australian aid program was growing strongly, but it is no longer seen as important (Interview with former senior AusAID official, Canberra, 5 May 2016).

Figure 20. Interviewees’ reactions to trilateral aid cooperation



Source. Compiled by author from interview data

Figure 21. Interviewees’ perceptions on preconditions for trilateral cooperation



Source. Compiled by author from interview data

4. Conclusion

This chapter has traced the process of China’s engagement with Australia on development cooperation since 1979 especially over the last decade. Against the background of a changing aid landscape in PNG and China’s growing inroad in the region, the first trilateral aid project between China, Australia and PNG was explored.

Similar to China’s engagement with UNDP as analysed in Chapter Four, growing interaction between China and Australia, including through capacity building aid projects, has led to changes in the way Chinese policy makers manage foreign aid and

improved their understanding of Australian aid delivery. Their attitude to aid from Australia as a traditional donor is not hostile as depicted before 1970s. On the contrary, they believe that Australian aid can play an important role, such as facilitating China's adoption of advanced technologies and management skills, in aid delivery. Moreover, though China has increased aid to strengthen its political and economic interests in the Pacific, the factor of global image building is more prominent. China is keen to promote its image building diplomatically in the region as a responsible power. This concurs with the finding of China's trilateral aid cooperation with the UNDP in Cambodia in Chapter Four.

The trilateral aid project on malaria control in PNG supports the above analysis. From the Chinese side, malaria control is China's strength in its foreign medical aid delivery. It is regarded by the Chinese government as an effective way to demonstrate its moral duty in providing global public goods and as a means to improve its global image. Furthermore, through this pilot trilateral project, China is keen to make use of Australia's comparative advantage in PNG and learn how Australia conducts its foreign aid in the Pacific.

Implications for Australia–China future cooperation

This trilateral project, though small, carries significant political and symbolic flavour. As it is the first trilateral cooperation project between China and Australia, it has received great deal of attention from both governments. China MOFCOM characterises this project as 'a complementation of Chinese and Australian strengths' (MOFCOM 2015d). Australian Foreign Minister Julie Bishop hailed this project as 'ground-breaking' in her press release after the signing of the project agreement (Bishop 2015). As this is still the early stage of the project implementation, lessons and experiences are yet to be obtained.

The project has important implications for future cooperation between China and Australia in the Pacific. At a time when this region is crowded with a growing number of traditional and emerging donors, trilateral cooperation has the advantage of reducing mutual suspicions among the donor community and relieving the heavy coordination burden on Pacific Islands nations. A UNDP report explored the development needs of the Pacific Islands countries and identified quite a few options for trilateral partnership between China and traditional donors including joint agriculture demonstration projects, inclusive education, private sector support facility and civil society support program (Smith et al. 2014).

However, aid officials from China and Australia emphasise that prospects for increasing cooperation in future depend on the progress of the pilot project which is exploratory in nature. China MOFCOM has made it clear to Australia, ‘China will not commit to trilateral cooperation in anything else unless they see how this [Australia–China–PNG malaria] project goes. This project is a pilot project. If it is successful, it will pave the way for future cooperation’ (Interview with an Australian aid official working on the project, Port Moresby, 4 November 2014).

The final word goes to a voice from the recipient country, in theory the final beneficiary of cooperation. Regarding PNG’s future plans to conduct trilateral cooperation with China and traditional donors in health, PNG Deputy Secretary of Health Paison Dakulala expressed his personal view:

Traditionally, what we have worked at is bilateral. When we (PNG) talk about Australian and NZ, they are just part of us, within the same Pacific. We are neighbours, we know and understand each other. That relationship is quite clear. When we go down further, outside of the Pacific, our circle of influence becomes tricky. We need partners that have better understanding ... At the end of it, the interest of PNG must come first (Interview, Port Moresby, 14 November 2014).

Chapter Six

A Tango by Two Superpowers— China–US–Timor-Leste Trilateral Cooperation on Food Security

1. Introduction

Chapters Four and Five have examined China's engagement on development cooperation with the UNDP and Australia in the Asia–Pacific region. By tracing the process of the China–UNDP–Cambodia trilateral cassava project and the China–Australia–PNG trilateral malaria project, the analysis concluded that China endorsed these projects for two main reasons. First, China is keen to use development cooperation to project its image as a responsible cooperative partner in the eyes of the UNDP and Australia, which is significant to China's multilateral diplomacy and diplomacy in the Pacific region. Second, thanks to the decades-long interaction with the UNDP and Australia on aid, China has realised that cooperating with these two partners through a trilateral aid partnership would be beneficial for China's learning from them to improve Chinese aid delivery.

This chapter will continue to test China's trilateral aid cooperation in Asia. It will discuss China's trilateral aid cooperation with the United States (US) which is the earliest provider of development assistance. The modern concept of foreign aid started when the US initiated the Marshall Plan to provide aid to Western Europe after World War II in 1947 (Marshall Foundation 2015). The US is also the largest traditional donor. In 2014, its preliminary aid volume reached \$32.72 billion, accounting for 24.2 per cent of the total aid from the OECD Development Assistance Committee (OECD 2014b).

China, the leading emerging donor, has been providing a growing amount of foreign assistance overseas. With its unique features in foreign aid, China has had a significant impact on the traditional aid regime. The US has been the most vocal critic of Chinese aid. In a public lecture at the State Department in January 2011, US Secretary of State Hillary Clinton took issues with comments from China's leaders on China's extraordinary aid progress. She argued that China's aid has raised serious concerns and the US wants to promote common aid standards and approaches (Clinton 2011). In November 2011 and August 2012, Secretary Clinton warned developing countries against cooperating with emerging donors like China who are more interested in exploiting natural resources than promoting real development (Bland and Dyer 2011; Ghosh 2012).

More than that, actions have been taken by the US to offset China's growing influence. This is notable even in the Pacific Islands countries (Firth 2013, 1–3). In her testimony on foreign aid before the US Senate Foreign Relations Committee in March 2011, Hillary Clinton said explicitly, 'We are in a competition for influence with China' (Pennington 2011). In 2012, Hillary Clinton became the first US Secretary of State to attend the Pacific Islands Forum Post-Forum Dialogue in the Cook Islands. While noting that 'The Pacific is big enough for all of us', She declared that 'The 21st century will be America's Pacific century, with an emphasis on the Pacific' and the US will stay 'for a long haul' (Clinton 2012). She pledged an aid package of \$32 million on top of America's annual aid of \$330 million to the region (Larsen 2012), which stands in stark contrast to America's aid cut in the nearly past two decades. In addition, USAID opened its office in Papua New Guinea in 2011 and provided \$100 million in military aid to the region (Larsen 2012). This has been interpreted by some analysts as a move to curb China's influence (Webb 2015).

In this context of rivalry, China and the US, however, have started to explore development cooperation in recent years, bringing hope to the international community that at least in the development arena, these two superpowers can join hands together to deliver aid in third countries. To date, China and the US have conducted the following trilateral aid projects: the Fendell Campus project of the University of Liberia (2008–2010) (China Embassy in Liberia 2008; VOA 2009); peacekeeping in Liberia (2008) (Christensen and Swan 2008); the project on food security in Timor-Leste (2013–2014) (Zhang 2015); the joint training project of Afghan diplomats (since 2012) (Zhang and Ye 2015).

This chapter is organised as follows. First, it will examine the China–US engagement on development cooperation and conclude that China's perceptions on development cooperation with the US have changed, especially from China's image-building perspective. Second, it will analyse the evolving trends in aid to Timor-Leste, including the footprint of China. Section Three will provide a detailed case study of the China–US–Timor-Leste trilateral project on food security, and reveal the motivations of the three countries, especially China. The last section will discuss the prospect of China–US trilateral aid cooperation.

2. China–US engagement on development cooperation

Similar to China's engagement with other traditional donors on trilateral aid cooperation, the US has played a more proactive role in this process. However, the

China–US engagement on development cooperation presents distinctive features. First, the US started its aid program in China in 1999, much later than many other traditional donors. This has greatly limited China’s engagement and learning from US aid practices, and vice-versa. The second feature is that the diplomatic flavour is more visible during interactions as China and the US have viewed development cooperation as a tool to serve their broad bilateral relations. This does not, however, invalidate my argument that engagement leads to mutual learning and ideational change because the China–US engagement is limited compared with other traditional donors.

Learning from US aid

The US Congress started to authorise funding in 1999 to promote democracy in China¹ (US General Accounting Office 2004, 1). In 2000, the US ACT granting permanent normal trade relations treatment to China approved aid programs to foster rule of law and civil society in China (Lum 2013, 5). According to a US expert on China, the US aid programs started late in China due to the substantial differences between the two countries in areas such as trade, security and human rights. Therefore, the US government felt it inappropriate to provide aid to China. In addition, the Chinese government did not accept US aid until some agreements were reached (Email interview, Canberra, 8 December 2015).

US aid to China is mainly administered by the Department of State and USAID. The aid funding predominantly goes through US-based nongovernmental organisations (NGOs) and universities rather than the Chinese government (Lum 2013, 1; Lawrence 2013, 14). The US was the fifth largest donor in China totalling \$63.3 million in 2012 and the largest provider of support for NGOs and civil society programming in China (Lum 2013, 2). Interestingly, the US prefers to call its assistance to China ‘international programs’ rather than ‘aid’ (Fish 2013).

USAID has never had an office in China. The aid programs are implemented by its Thailand-based regional development mission for Asia. Unlike many other traditional donors, the US focuses its aid programs in China on the following three areas rather than economic development: promoting employment creation, management of natural resource-based livelihood and the preservation of cultural heritage in Tibet; addressing

¹ *The Foreign Assistance Act of 1961* of the US stipulated that communist nations including China and its Tibetan region are ineligible to receive US aid. This clause was repealed in December 1985. However, US aid to China did not start until late 1990s. One reason relates to the US’ sanction on China after the 1989 Tiananmen Square event.

cross-border challenges including HIV/AIDS, infectious diseases and wildlife trafficking; promoting the rule of law and reducing greenhouse gas emissions (USAID 2015d). For instance, the US allocated about \$62 million between 2002 and 2014 for its programs in Tibet and Tibetan communities in China (Lum 2013, 8).

US aid to China became controversial in 2011 as China overtook Japan as the second largest economy in 2010 and US aid to China peaked to its highest level in 15 years (Fish 2013). It became an issue in US domestic politics as some politicians used this to attack the government. In November 2011, some members of the US House of Representatives criticised the USAID programs in China, arguing that the US ‘borrow[s] money from China to give back to China to help it fix its own domestic problems’ and this demonstrates ‘the dysfunction in America’s foreign aid spending priorities’ (US Government 2011). This is a parallel with the Chinese government’s dilemma in selling its growing aid program to the domestic audience when there remains a big population of poverty at home.

Learning impact

China has expressed its desire to learn from US aid delivery. In 2007, the Chinese Ambassador to Ethiopia Lin Lin noted that China would consider technical cooperation between China’s Telecommunication Company ZTE and their US counterparts in Ethiopia such as subcontracting some US firms because ZTE lacked the technical expertise in areas including fibre optics (Wikileaks 2007). In 2009, China and the US signed a Memorandum of Understanding (MOU) on agricultural cooperation, which was renewed in September 2015. The two countries agreed to cooperate in areas such as food security, capacity building and personnel exchanges (MoA 2015).

John Kamm, the founder of Dui Hua, a US-based non-profit humanitarian organisation, argued that China’s engagement with the international community including the US has contributed significantly to criminal justice reform in China. He expected that China would continue the international exchanges while eschewing sensitive areas such as political rights and freedom (Lum 2013, 4).

But the short history of US aid to China and its focus on sensitive areas in China have led to limited engagement and learning compared with China’s engagement with other donors. As a result, US aid to China is off the spotlight in China. For instance, the Chinese government allows the US aid program to continue in Tibet because it does not focus on sensitive areas such as democracy and the rule of law, but prohibits the US Peace Corps from working in Tibet (Fish 2013), though they are allowed to operate in

Sichuan, Gansu, Guizhou and Chongqing. Mention of US aid to China from Chinese officials and in the media is rare. Related research is also limited except a handful of articles focusing on the strategic motivations of US aid (Zhou 2002; Liu 2010; Zhou 2013).

Global image building

As I have argued in Chapter Three, the learning imperative through long-term interactions and global image building are the two main driving forces behind China's trilateral aid cooperation. While the learning imperative is less obvious in China-US engagement, global image building has played a notable role in this process.

To elaborate, global image building has played three roles in China's trilateral cooperation with the US and recipient countries. First, the US is the largest traditional donor and the most vocal critic of China's foreign aid. China hopes to reduce the US's criticism by engaging in trilateral aid cooperation. Second, working with the US in areas of critical importance to the recipient countries such as food security and public health is conducive to China's image as a responsible great power. For instance, in order to improve its aid effectiveness and rebut the accusations of a 'China threat' and 'neo-colonialism', China has increased the number of livelihood-related aid projects including establishing malaria control centres and agricultural demonstration farms in Africa.

Most importantly, global image building carries a heavy responsibility in China's diplomacy to project a good image as a responsible stakeholder to facilitate broad China-US relations. At the tenth conference of ambassadors held in Beijing in 2004, China's President Hu Jintao stressed that relations with the big powers are a priority (*da guo shi guanjian*) in China's diplomacy (Chen 2009). As the US is the only superpower and the dominant force in international relations, Chinese leaders and working-level officials attach extreme importance to China-US relations. China's President Xi Jinping emphasised during his visit to the US in September 2015 that 'win-win cooperation is the only right choice for the China-US relations' (MFA 2015c). He suggested the two countries work together to address common challenges to enrich broad China-US relations and provide more public goods to the international community (MFA 2015b).

Through collaboration and cooperation in areas including development cooperation, China hopes to convince the US that China is a trustworthy and cooperative partner and China is willing to work with the US to improve their bilateral relationship. This feature will be prominent in the following discussion.

Development cooperation: Serving broad China–US relations

To make China a responsible stakeholder was the goal of the Clinton administration in the 1990s and the following Bush administration (Donnelly and Monaghan 2007, 2). According to Thomas Donnelly and Colin Monaghan, the Clinton administration practiced an engagement policy with China and worked to establish a strategic partnership. During the election campaign and in the early days of his administration, President George W. Bush presented China as a threat rather than a partner for cooperation. The September 11 terrorist attack in 2001 marked a turning point. The US began to seek cooperation with China in the counter-terrorism campaign: ‘China pledged to play a constructive role in international counterterrorism efforts and the Bush administration pledged to pretend that the Chinese were doing so’ (Donnelly and Monaghan 2007, 2).

It has remained a primary task of the successive US governments to engage China and make it a responsible player in global affairs. During her visit to China in March 2005, then US Secretary of State Condoleezza Rice said that the US ‘look[ed] forward to a confident and a good partner in China’ to address common challenges and she was quite sure the two countries would ‘be able to manage the many issues before us and we will be able to do so in a spirit of cooperation and respect for one another’ (US Department of State 2005a). The term ‘responsible stakeholder’ was coined by the US Deputy Secretary of State Robert Zoellick in his remarks to the National Committee on US–China Relations in September 2005.

For the United States and the world, the essential question is—how will China use its influence? To answer that question, it is time to take our policy beyond opening doors to China’s membership into the international system: We need to urge China to become a *responsible stakeholder* in that system ... In its foreign policy, China has many opportunities to be a responsible stakeholder ... The US response should be to help foster constructive action by transforming our thirty-year policy of integration: We now need to encourage China to become a responsible stakeholder in the international system. As a responsible stakeholder, China would be more than just a member. It would work with us to sustain the international system that has enabled its success (US Department of State 2005b).

The Chinese side has approached this term with caution. *Xinhua*, China’s official news agency, cited an article on its website interpreting this term as US willingness to cooperate with China on the one hand and a sense of suspicion of China on the other hand. It argued that this shows the sentiment of engagement and containment from the US on its relations with China. (*Xinhua* 2006) In a similar vein, Li Zhaoxing, China’s

then Minister of Foreign Affairs argued that ‘China and the US are not only stakeholders but also should be partners of constructive cooperation’ (Xinhua 2006).

More diplomatic efforts began to take place from the US side. US officials on African affairs started to map out a policy of engagement with China in Africa and the Africa Bureau of the US State Department began to focus on China’s engagement in Africa in July 2005 (Shinn 2009, 5). Michael Ranneberger, Deputy Assistant Secretary of State for African Affairs, suggested the US identify areas where the interests of the US and China converge for cooperation such as peacekeeping. He argued that ‘the future of US-China relations in Africa has yet to be charted, but a focused, direct dialogue is an essential starting point’ (US House of Representatives 2005).

In December 2005, Steve Tvardek, Director of the Office of Trade Finance from the US Department of Treasury, and Piper Starr from the US Export-Import Bank met with Chinese officials from MOFCOM, the China Exim Bank and the China Export and Credit Insurance Cooperation in Beijing and exchanged views on development issues (Wikileaks 2008e). The engagement policy was further emphasised in 2008. In June of that year, Thomas J. Christensen, Deputy Assistant Secretary for East Asian and Pacific Affairs, and James Swan, Deputy Assistant Secretary for African Affairs, said before the Senate Foreign Relations Committee:

We see China’s growing activity on the continent [Africa] as a potentially positive force for economic development there ... As President Bush has said, we do not see a ‘zero-sum’ competition with China for influence in Africa ... Our goal is to engage Chinese officials to try to define and expand a common agenda for Africa that ultimately will serve both our national interests and maximize the benefit Africa derives from US and Chinese economic investment in the continent. We are actively looking for areas of complementarity and cooperation with the Chinese (Christensen and Swan 2008, n.p.).

In 2008, Washington created a new position of development counsellor at its Embassy in Beijing ‘to better understand China’s foreign assistance structure and establish a working relationship with key Chinese entities responsible for implementing its foreign assistance programs’ (USAID China 2013). The Obama administration continued to engage with China though more tensions were observed between the two superpowers on the South China Sea disputes. President Obama announced that the US welcomed China’s peaceful rise (Lawrence 2013, 5). He realised that the US needs to step up engagement with China instead of sitting back and complaining about China’s growing influence in Africa (Shinn 2012b). He made it clear that the US needed to ‘draw China into the international system and work with it on shared political,

economic, environmental and security objectives' (Jia 2010, 254). Development cooperation is part of this process. It is noteworthy that the competitive flavour between the two superpowers has become more evident since 2013.

Cooperation in Africa

Africa has been a top recipient of both US and Chinese aid. The Bush administration increased its aid to Africa significantly and the trend was continued by President Obama. The US annual aid budget to Africa has been about \$8 billion in recent years (Shinn 2015). Africa has long been regarded strategically as a cooperative partner by the Chinese government since the People's Republic of China was founded in 1949, though three African nations (Burkina Faso, São Tomé and Príncipe, Swaziland) continue to recognise Taiwan. Africa receives around half of China's overseas assistance (State Council 2011d, 2014).

China's rapidly growing footprint in Africa in recent years, especially after the 2006 summit of Forum on China-Africa Cooperation, has alarmed the US government as this could challenge US influence in Africa. As a response, the US began to increase its engagement with China on development assistance in the late Bush administration (Lu Boynton and Savoy 2012, 8), a move to boost the US understanding of China's presence in Africa and to influence Chinese aid practices. It is unsurprising that engagement on development cooperation began in Africa.

The first China-US Dialogue on African Affairs commenced in 2005. Jendayi Frazer, Assistant Secretary of State for African Affairs noted that the two countries could cooperate in the infrastructure, agriculture and health sectors in Africa to prevent overlapping projects and improve the efficient use of resources (Shinn 2012b). Early in the Obama administration, the African Bureau of the US State Department instructed US embassies in Africa to provide more reporting and analysis on China's activities on the continent (Shinn 2012b).

David H. Shinn, Adjunct Professor from George Washington University and former US ambassador to Ethiopia and Burkina Faso, echoed the potential for trilateral development cooperation. Based on his 37-year-long career in the US Foreign Service and extensive working experience in Africa, he argued that the US and China have surprisingly similar interests in Africa including ensuring access to natural resources, obtaining political support, expanding export markets and minimising the impact of terrorism, international crime and narcotics, and there are numerous areas for cooperation (Shinn 2015). He suggests the two countries cooperate in areas of malaria

control, treatment of neglected tropical diseases including hookworms and schistosomiasis, and pandemic preparedness, arguing ‘Africa is an ideal location for the United States and China to reduce mutual suspicion and benefit African countries at the same time’ (Shinn 2012a). The US embassies in Africa have continued to explore trilateral cooperation with Chinese embassies. In December 2015, Joyce Winchel Namde, chargé d’affaires of the US embassy in Chad, met with her counterpart Nie Bo from the Chinese embassy, and expressed willingness to undertake trilateral aid cooperation with China in Chad (MFA 2015f).

Track two engagements

For cooperation in unfamiliar or sensitive areas, the Chinese government prefers to allow China’s semi-official think tanks to test the water. In 2005, the Brenthurst Foundation initiated the Africa–China–US Trilateral Dialogue mechanism to bring together officials and scholars from the three sides to discuss potential China–US cooperation in Africa, and China responded affirmatively to the invitation (The Brenthurst Foundation et al. 2007). In 2006 and 2007, the China Academy of Social Sciences (CASS) co-hosted three meetings with the Brenthurst Foundation, the Council on Foreign Relations of the US and the Leon H. Sullivan Foundation.

Delegates from China, the US and African countries exchanged views on a wide range of areas including globalisation, democratisation and governance, peace and security, and corporate social responsibility. In particular, they discussed areas for potential trilateral cooperation (The Brenthurst Foundation et al. 2007, 3–4). Witney Schneidman, former Deputy Assistant Secretary of State for African Affairs, suggested China and the US cooperate in Africa in areas such as conflict prevention, integration into the global economy, health (malaria and HIV), energy, good governance and capacity building (The Brenthurst Foundation et al. 2007, 15). Zhang Yongpeng, Deputy Director of International Studies from CASS, highlighted malaria control and health personnel training as two possible areas for China–US–Africa trilateral cooperation (The Brenthurst Foundation et al. 2007, 25). In 2013, a similar trilateral dialogue took place in Washington. Chinese scholars such as He Wenping and Yang Guan from the China Academy of Social Sciences (CASS) encouraged China to conduct trilateral cooperation with the US and African countries in areas including education, health, infrastructure and even security (2013).

Evolving position on development cooperation with the US

The attitude of China, especially MOFCOM, towards trilateral aid cooperation with the US has gradually changed for the positive. As elaborated in the following discussion, to a great extent, this is result of China's high-level support and its diplomatic efforts to engage with the US to build a stable China–US relationship for the sake of China's development and security.

Take the China-US Global Issues Forum as an example. It is another platform for discussing global issues including development cooperation. The first Forum meeting was co-chaired by Assistant Foreign Minister Shen Guofang and Under Secretary of State for Global Affairs Paula Dobriansky in Washington on April 13, 2005. During the segment on humanitarian assistance, poverty alleviation and development financing, views were exchanged on how donors could work to support and improve the international response to humanitarian assistance, development financing and the Millennium Development Goals (Boucher 2005). Officials from China's Ministry of Foreign Affairs, Ministry of Public Security, Ministry of Health, and State Environmental Protection Administration were at this meeting, yet MOFCOM, China's leading agency on foreign aid management, did not attend (China Embassy in the US 2005). This could signal MOFCOM's lack of interest and confidence in engaging in development cooperation with the US at that time.²

MOFCOM attended the second Forum meeting held in Beijing in August 2006 though it was represented by officials from the Department of International Trade and Economic Affairs, the agency in charge of foreign aid to China, rather than the Department of Foreign Aid that manages China's foreign aid (Wikileaks 2006). Nonetheless, this was progress compared with MOFCOM's absence from the first Forum meeting, and demonstrated the importance MOFCOM gave to the broad China–US relationship.

China's Assistant Minister, Cui Tiankai, emphasised at the forum meeting that working together to address common global challenges faced by both China and the US served the strategic interests of the two countries. He indicated that China was willing to further explore development cooperation with the US in areas of poverty alleviation, development assistance, development financing, improvement of aid effectiveness and

² It is extremely difficult to verify whether MOFCOM was invited to the first forum meeting, however, it is more likely that MOFCOM was invited but did not turn up. Otherwise it would be hard to understand why the US or China MFA did not invite MOFCOM which is such an important partner especially regarding bilateral trade issues.

efficiency (MFA 2006). Norman Nicholson, Director for Donor Coordination at USAID presented US views on foreign aid and development cooperation. Chinese officials expressed appreciation for this introduction and said this kind of dialogue on foreign aid issues would yield positive results in the long run (Wikileaks 2006).

China's MFA has been more active than MOFCOM with regard to development cooperation with the US, as analysed in Chapter Three. Mr. Nicholson's observations in China provided further evidence. Mr. Nicholson met with MFA officials at the sidelines of the Forum meeting. Deputy Director-General Wang Xiaolong from the MFA Department of International Organizations and Conferences expressed that China wanted to learn from the experience of other donors including the US to improve the effectiveness of its own aid delivery (Wikileaks 2006). Zhang Yiming, Division Director for Pakistan, Afghanistan and Bangladesh from the MFA Department of Asia said that China was interested in conducting aid cooperation with the US in Afghanistan, especially in humanitarian assistance in drought-stricken areas (ibid). However, officials from the MOFCOM Department of Foreign Aid were reluctant to meet with Mr. Nicholson (ibid).

In March 2007, China's Deputy Foreign Minister Dai Bingguo met with US Deputy Secretary of State Negroponte in Beijing. Mr. Dai emphasised that the two countries should view their bilateral relationship from a strategic and long-term perspective and promote dialogue and cooperation, while Mr. Negroponte reiterated that the US viewed China as a constructive partner of cooperation (MFA 2007). Mr. Negroponte discussed a possible dialogue on development assistance with Mr. Dai (Wikileaks 2008b).

The US engagement with China on development cooperation in Africa began to yield results. In October 2007, the Chinese ambassador to Ethiopia Lin Lin signalled China's willingness to explore trilateral aid cooperation with the US in Ethiopia. He welcomed the suggestion from US Ambassador Yamamoto that the two embassies exchange reciprocal visits to their demonstration farms in Ethiopia and explore trilateral cooperation in agriculture and food security in the country (Wikileaks 2007). China MFA officials and scholars said China preferred to start trilateral cooperation with discrete projects and expand it when mutual trust and benefits had been established between China, traditional donors and recipient countries (ibid). To them, the exchange of views on the demonstration farms of China and the US in Ethiopia could be a good first step (ibid).

In May 2007, facilitated by China's Ministry of Finance, Director-General Wang Shichun from the MOFCOM Department of Foreign Aid met with visiting US Deputy

Assistant Secretary of Treasury for International Development Finance and Debt Kenneth Peel. This was the first meeting of its kind as aid officials from the MOFCOM Department of Foreign Aid previously refused to meet and discuss aid cooperation with US embassy staff (Wikileaks 2008e). Mr Peel encouraged China to agree to a long-term bilateral dialogue on development assistance under the US-China Strategic and Economic Dialogue. Director-General Wang agreed to exchange ideas on this issue (ibid).

In August 2007, Charles Aanenson, Counsellor at the US Embassy in Japan met with MOFCOM's Deputy Director-General Liu Junfeng from the Department of Foreign aid. Mr. Liu said China and the US should explore potential aid cooperation in Africa and start to identify specific aid projects for cooperation in third countries (Wikileaks 2008e). This shows that the attitude of the MOFCOM Department of Foreign Aid on development cooperation with the US was softening.

From 2008, the US has stepped up engagement with the Chinese government on development cooperation. In addition to setting up the USAID counsellor position in Beijing in 2008, the US began to raise the proposal for development cooperation directly with China's top leaders. On January 16, 2008, US Deputy Secretary of State Negroponte visited China for the bilateral senior dialogue and met with Chinese Premier Wen Jiabao. Mr. Negroponte raised the proposal for a bilateral dialogue on development assistance and Premier Wen supported the idea (Wikileaks 2008b). Mr. Wen suggested China and the US promote mutual understanding and trust through regular mechanisms such as their bilateral strategic dialogue and deepen their cooperation for mutual benefits (Xinhua 2008).

On the margins of this high-level dialogue, USAID Policy Planning Director David Gordon met with MOFCOM Deputy Director-General Wang Hongbo from Department of American and Oceania Affairs in Beijing on 17 January 2008. Gordon said that the US was not opposed to China's foreign aid and economic activities overseas and shared with China a lot of similar goals in development overseas (Wikileaks 2008b). He reiterated the US's desire to have a dialogue on foreign aid to improve the understanding of each other's foreign aid goals and strategies. Mrs. Wang apologised for the unavailability of aid officials from the Department of Foreign Aid for the meeting due to their previously determined schedule but promised to share the proposal with them and other ministries, stating that the many high-level dialogues between China and the US underscored the importance of this bilateral relationship (ibid).

Vice-ministerial level meeting on development cooperation

Though MOFCOM began to open the door for dialogue with USAID, it was not a linear process. On 7 April 2008, USAID administrator Henrietta Fore met with MOFCOM Vice Minister Yi Xiaozhun at the sideline of the G8 Development Ministerial Meeting in Tokyo. Afterwards, Administrator Fore proposed that the US and China launch a dialogue on development assistance issues including aid management structures, lessons of aid delivery and the multilateral aid of the two countries. Mr. Yi declined this proposal for a bilateral dialogue and suggested a working-level meeting of aid officials would be more fruitful (Wikileaks 2008a). Director Liu Junfeng from the MOFCOM Department of Foreign aid and the USAID Office of Development Partners Director Karen Turner were appointed as the point of contact. Mr. Yi also rebuffed Fore's proposal to include scholars, non-profit organisations, journalists and the private sector in the aid dialogue stating that development economics is not yet a popular subject among Chinese academics (ibid).

This was the first vice-ministerial level meeting between China and the US on development cooperation. The US viewed Deputy Minister Yi's willingness to meet Henrietta Fore 'as a positive step in our efforts to engage China and better understand its development goals and strategies' and 'a unique opportunity to lay the groundwork for our bilateral dialogue on foreign assistance' (Wikileaks 2008e). In July 2009, MOFCOM Vice Minister Fu Ziyang met with Anne-Marie Slaughter, Director for Policy Planning at the US Department of State. The two sides discussed issues including the potential dialogue on development cooperation and pledged to increase working-level communications (MOFCOM 2009a).

China continued to show interest in expanding development cooperation in Africa. The third China-US Dialogue on Africa Affairs was co-chaired by China Assistant Foreign Minister Zhai Jun and US Assistant Secretary of State for African Affairs Jendayi Frazer on 14 October 2008. The two sides exchanged views on their African policies and practices and agreed they have wide common interests in promoting peace, security and development in Africa (MFA 2008b). Mr. Zhai said that the approach of Chinese companies to their work in Africa is imperfect and their international experience is shallow, and the Chinese government wants to learn from the US's rich experience in Africa and their aid programs to improve China's foreign aid approaches (Wikileaks 2008d). He suggested China and the US conduct pilot trilateral aid cooperation in Ethiopia, Ghana and Liberia (Wikileaks 2008d).

Discussions between China and the US on development cooperation were not restricted to Africa. In November 2008, China and the US held their third Dialogue on Latin American Affairs in Beijing. The two sides agreed to maintain dialogue and explore further cooperation in this region (MFA 2008a). The Director-General from the MFA Department of Latin American Affairs, Yang Wanming, told the US Assistant Secretary for Western Hemisphere Affairs, Thomas A. Shannon, that China is open to explore and conduct trilateral aid cooperation with the US as long as the views of the recipient Latin American countries are respected. He suggested the two countries ‘tackle easy issues before thorny ones’ and promote development cooperation step by step (Wikileaks 2008c). The USAID development counsellor at the US embassy in Beijing proposed the areas of potential cooperation including health, environment, education, youth employment, and Mr. Yang asked for concrete project proposals for further considerations (Wikileaks 2008c). With regard to Asia, China and the US held their fifth China-US Consultation on Asian Affairs in January 2014, and agreed to explore trilateral cooperation in areas such as the health sector in Myanmar and to continue their joint training of Afghan diplomats (US Department of State 2014a).

Obstacles for trilateral cooperation

Although the US and China have increased engagement on development cooperation, only a small number of trilateral projects have materialised. David H. Shinn argues that this may be caused by a lack of enthusiasm from representatives of US embassies in particular in African countries and the reluctance of China’s embassies to become too closely linked to the US in Africa (Shinn 2012b). The lack of interest by key Chinese and American personnel on the ground could also explain why, near the end of the Bush administration, the China–US discussions on pursuing security sector reform in the Democratic Republic of Congo and irrigation cooperation in Ethiopia went nowhere (Shinn 2011). Another obstacle is the insufficient number of aid officials and specialists posted to developing countries, when many Chinese Economic and Commercial Counsellor’s Offices are understaffed. The aid officials are struggling to manage the rapidly growing workload on bilateral aid, let alone sparing time to do trilateral cooperation (Interview with MOFCOM officials, Beijing, 4 August 2015). Although China and the US agreed to conduct a joint health assessment in Liberia in 2010, the US proposal to have a similar move in Ghana was rebuffed by the Chinese Ambassador there (Lu Boynton and Savoy 2012, 8).

As is the case for China, agencies within the US have different views on engagement with China. While the US State Department has tended to focus on the positive aspects of the engagement, the Treasury Department has emphasised the negative aspects such as concerns about China's lending practices (Shinn 2009, 7). Reservations from African countries add to the complexity of trilateral aid cooperation. For instance, the proposed trilateral agricultural project between China and the US in Angola in 2007 did not materialise due to lack of interest from Angola (ibid, 8). Kenyan ambassador to China, Julius Sunkuli, and South African Minister Plenipotentiary, Dave Malcolmsen, expressed similar concerns. Ambassador Sunkuli said Africa might gain little from China's development cooperation with traditional donors (Wikileaks 2010). Malcolmsen cited the EU's proposal for trilateral aid cooperation in Africa as an example. He complained that African countries were annoyed because they were not consulted on the issue (ibid). Some African countries have expressed concerns on China-US cooperation, fearing this would compromise China's non-interference policy which was strictly practiced in China's bilateral aid projects in Africa (Shinn 2012b). These obstacles could explain why the US's proposal to have a bilateral dialogue with MOFCOM on development cooperation in the autumn of 2008 (Christensen and Swan 2008) was delayed until 2014.

China-US global development dialogue

With growing engagement and mutual understanding, China and the US held their first Global Development Dialogue in Beijing on 29 April 2014. The dialogue was co-chaired by Mr. Liu Junfeng, Deputy Director-General of MOFCOM's Department of Foreign Aid, and Mr. Alex Thier, Assistant to the USAID administrator. The two sides discussed areas for potential cooperation including scholarly exchanges, training, research in science and technology, and they exchanged views on global development policies (USAID 2014).

According to USAID, this global development dialogue, a platform for regular exchanges on development cooperation between the two countries, 'is a landmark in US-China relations', and 'provides opportunities for mutual learning through information exchanges' (ibid). Thier reflected that China 'exhibited a strong desire to engage with the US Government on global development issues related both to broad international policy as well as practical elements of implementation' (Thier 2014). This inaugural dialogue was listed as a priority achievement in MOFCOM's annual work

review in 2014 (MOFCOM 2015a), indicating its acceptance by senior MOFCOM officials.

Strategic and economic dialogue

Trilateral aid cooperation between China and the US has received growing attention from high-level political leaders of the two countries. It was discussed with increasing level at the annual China–US Strategic & Economic Dialogue (S&ED), the highest level of regular mechanism between the two countries.

In 2009, Hillary Clinton added development cooperation as a topic of discussion to the agenda of the China–US S&ED (Lu Boynton and Savoy 2012, 8). Clinton encouraged China to work with the US to find ‘tangible ways to work together on foreign aid’ (US Department of State 2009). This was upgraded as USAID Chief, Rajiv Shah, and MOFCOM Deputy Minister, Fu Ziyang, held a side meeting on development cooperation at the 2010 Dialogue (Lu Boynton and Savoy 2012, 8).

At the fourth meeting of China–US S&ED in May 2012, the two countries decided to explore ways of cooperation and conduct feasibility studies on trilateral aid programs and projects that would be ‘agreed and selected by all parties, including the host country, in the fields of agriculture, health, and human resources’ (US Department of State 2012). Based on their engagement and preparation for the trilateral project in Timor-Leste, China and the US pledged at the fifth meeting of S&ED in 2013 to build on their experiences of trilateral cooperation in Afghanistan and Timor-Leste and expand their trilateral partnership to other developing countries. The potential areas for cooperation include regional integration, food and nutrition security, financial stability and inclusive and sustainable economic development in Africa, Latin America and Asia (US Department of State 2013).

At the sixth Dialogue meeting in 2014, China and the US agreed to continue their trilateral training program of Afghan diplomats. They also released a list of cooperative projects in the Asia–Pacific, which were reached at their Asia–Pacific Consultation. These projects included exploring trilateral health cooperation in Burma and Afghanistan, and continuing the trilateral project on food security in Timor-Leste (US Department of State 2014b). At the seventh Dialogue meeting in 2015, China and the US reaffirmed their commitment to conducting trilateral aid cooperation. They pledged to identify more trilateral aid projects in countries such as Afghanistan, Timor-Leste and other developing countries. They also agreed to strengthen their cooperation in the health sector in post-Ebola Africa (US Department of State 2015).

At the sideline of this dialogue, the two countries hosted their first regular Vice-Ministerial level dialogue on development cooperation co-chaired by Zhang Xiangchen, Vice Minister of MOFCOM, and Antony Blinken, Deputy Secretary of State of the US. The two sides discussed issues including post-Ebola recovery efforts, humanitarian assistance, disaster relief, finance for development and the Post-2015 Development Agenda (USAID 2015f), and they agreed to establish a bilateral exchange and communication mechanism between USAID and MOFCOM (Lin 2015) which was materialised in September of that year. According to USAID, trilateral aid cooperation between the US and China demonstrates that ‘in working together, the US and China can make a difference’ (USAID 2015f).

MOU on development cooperation

Chinese President Xi Jinping’s state visit to Washington in late September 2015 was an important diplomatic event in China. It also gave a final push to the China–US MOU on development cooperation and the establishment of an exchange and communication mechanism. As is common practice, China signed a number of agreements on cooperative projects with the US as achievements of President Xi’s visit. Among them, the above MOU was signed between Gao Hucheng, Minister of MOFCOM, and Alfonso Lenhardt, Acting administrator of USAID (Lin 2015).

According to the MOU, the two countries pledged to explore trilateral aid cooperation in areas such as poverty reduction, agriculture, education, health, humanitarian assistance and disaster prevention and response (USAID 2015c). In the area of public health, they will cooperate to establish disease prevention and control centres together with the African Union and its member states. They will also work together to improve the public health capacity in western African countries. In the areas of humanitarian assistance, China and the US will cooperate to improve the disaster relief capacity in third countries and continue to support the United Nations International Search and Rescue Advisory Group. (MOFCOM 2015c).

MOFCOM hails this MOU as ‘a new highlight in China–US relations which has not only lifted their level of development cooperation but also added new substance to the bilateral relationship’ (Lin 2015). More than that, MOFCOM believes the significance of the MOU demonstrates the appropriate ways states should follow to deal with each other:

The aid from China and the US belongs to South-South cooperation and North-South Cooperation respectively ... This [the signing of the MOU] has proven strongly that, as long as the two countries

respect the core concerns of each other and do not impose their conception and systems on the other, it is definitely possible for them to seek common ground while putting? Aside the differences, reach consensus among them and the recipient countries, and conduct trilateral cooperation in areas of agreement (MOFCOM 2015c).

3. Evolving trends in aid to Timor-Leste

This section will briefly introduce the evolving trends in aid to Timor-Leste including aid from the US and China. It will serve as the backdrop for the induction of the China–US–Timor-Leste trilateral aid project on food security.

Timor-Leste gained independence on 20 May 2002, ending 24 years of Indonesian occupation. As a young nation, Timor-Leste has received a large amount of aid from both traditional and emerging donors totalling around \$8 billion (Costa 2015, 6). As Timor-Leste's Ministry of Finance noted, ten bilateral and eight multilateral donors committed aid to Timor-Leste in 2015. Among them, Australia, the European Union, Portugal, Japan, New Zealand, the Asian Development Bank, Germany and the World Bank are the top donors and contributed approximately 84.5 per cent of total (grant) aid to the country (Timor-Leste MoF 2014a, 7). China, Brazil and Cuba are the three emerging donors in Timor-Leste focusing on infrastructure, education and vocational training as well as public health in rural areas (Costa 2015).

According to Dr. Helder da Costa, Secretary General of the G7+ and senior advisor to the Timor-Leste government on aid effectiveness, the trends in aid to Timor-Leste have changed dramatically over the past decade. The total aid volume to Timor-Leste was about \$70 million in 2002. It surged to \$300 million in 2003 and then fluctuated between \$180 and 250 million over the past five years as a result of the lack of donors' predictability (Interview, Dili, 3 February 2015). It remained around \$250 million per annum from 2011 to 2013, and a total of \$165.5 million in aid was committed for 2015 (Timor-Leste MoF 2014a, 6).

Timor-Leste's dependence on foreign aid has been decreasing rapidly due to the influx of oil revenue from its Petroleum Fund.³ Timor-Leste has remained highly dependent upon this fund which provides 95 per cent of the national income (Leach 2016, 469). The ratio of foreign aid as a percentage of the state budget has dropped from 86 per cent in 2002 to 16 per cent in 2012 (Costa 2015, 7)—a sharp contrast with the

³ Timor-Leste Petroleum Fund was set up in 2005. All oil revenues are required to go to the Fund. They are then used to invest in overseas financial assets and support the state budget.

case of Cambodia, discussed in the previous chapter. Timor-Leste has also avoided borrowing and has little national debt.⁴

In terms of US aid, between 2005 and 2015, the US has conducted 54 aid projects through USAID and its Embassy in Dili. The actual disbursements of these projects reached \$125.6 million, as illustrated in Table 14.

Table 14. US aid (grant) projects in Timor-Leste over 2005–2015

Project number	Actual commitments USD	Actual disbursements USD
United States (54)	143,581,333	125,605,118
USAID (42)	143,489,998	125,499,233
Embassy of the United States (12)	91,335	105,885

Source. Compiled by author from Timor-Leste MoF aid transparency portal

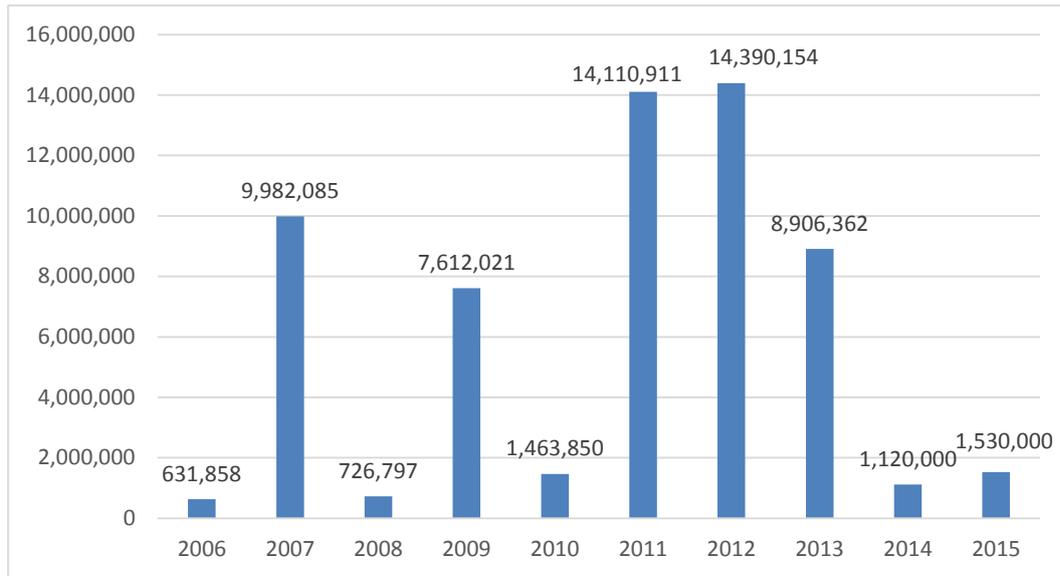
Chinese aid in Timor-Leste

China's assistance to Timor-Leste dates back to the resistance period when Timor-Leste was occupied by Indonesia in the 1970s. China was one of the first countries to recognise the Democratic Republic of Timor-Leste (RDTL) in 1975.⁵ China provided diplomatic and financial support to Timor-Leste even including weaponry, though Indonesian forces intercepted this (Interview with a senior Timor-Leste official, Dili, 6 February 2015). At present, China is the sixth largest donor in Timor-Leste and 'its presence is felt as an emerging non-traditional donor' (Costa 2015). Figure 22 and Table 15 depict China's foreign aid (grants) to Timor-Leste over the decade 2006–2015.⁶ From 2006 to 2015, the actual disbursement of China's aid to Timor-Leste reached \$60.4 million, \$8.9 million more than it committed. This is further evidence of China's growing foreign aid outlay. China announced in November 2013 that it would increase its aid to Timor-Leste to around \$15.4 million (RMB 100 million) a year (Horta 2014).

⁴ This situation is starting to change as Timor-Leste agreed to take US\$50 million in concessional loans from China in December 2015.

⁵ On 28 November 1975, the Revolutionary Front for an Independent East Timor (Fretilin) declared the founding of RDTL, ten days before the Indonesian occupation.

⁶ Figure 22 and Table 15 are based on data from the Aid Transparency Portal of Timor-Leste Ministry of Finance. The calculations based on actual disbursement leads to the fluctuation in the chart because some Chinese aid projects, especially the big infrastructure projects will take a few years to complete. The years of project completion usually have high figures. The aid data before 2006 for many donors including China is unavailable.

Figure 22. Chinese aid to Timor-Leste, USD

Source. Compiled by author from Timor-Leste MoF aid transparency portal

Table 15. Chinese aid (grant) projects in Timor-Leste over 2006–2015

	Actual commitments	Actual disbursements
17 projects, USD	51,555,256	60,474,039
X-Ray Scanner for customs	7,906,763	8,033,419
8500 tons of rice	7,465,636	7,465,636
Construction of F-FDTL HQ	6,367,748	6,907,942
Ministry of Foreign Affairs Office Building (2)	6,033,430	9,316,613
Chinese medical Team	5,731,513	9,769,472
President's office (Geological survey, construction and maintenance)	4,063,306	6,880,096
Study Centre for Diplomats	3,303,861	1,682,692
Construction of Flood-Control Project of 100 quarters for the F-FDTL (2)	2,661,032	2,697,257
Construction of 100 quarters for the F-FDTL	2,488,545	2,654,176
Construction of China-aided Medical Team Dormitory Project	2,290,208	2,090,000
Construction of a Primary School	731,925	731,925
President's Office Building Technical Cooperation	600,179	328,526
50000 sets of blankets	548,632	512,348
Furniture for the Office Building of Ministry of Foreign Affairs	439,181	470,995
Furniture for the FDTL office Building	395,908	401,606
6 ambulances for the Ministry of Health	314,980	321,337
Three-party cooperation on agriculture between China, US & Timor-Leste	212,408	210,000

Source. Compiled by author from Timor-Leste MoF aid transparency portal

In the process of advancing South–South cooperation in Timor-Leste, China has been strategic in providing big infrastructure aid projects which are quite visible within the country. The following China-aided buildings stand as landmark architectures in Dili: the Ministry of Foreign Affairs building (China’s first turn-key project in Timor-Leste); the Presidential Palace; the Ministry of Defence Building; and the Headquarters of the Defence Force. Though unpopular with many ordinary people who see no direct benefits from the projects, these infrastructure projects are needed by the recipient governments and thus draw China and them closer together. Moreover, it seems relatively easy to obtain aid from China than from traditional donors who require lengthy and stringent procedures. As Vicky Tchong, the Timorese Ambassador to China said, ‘We can get almost anything we want from China; all we need to do is to ask’ (Horta 2014).

Technical assistance projects are also conducted by China. A good example is the hybrid rice project which has been contracted to the Long Ping High Tech Agriculture Corporation Limited since January 2008. China provides rice seeds, fertilizer and agrochemicals as well as technical instructions. The experimentation has been conducted in districts including Manatuto, Baucau, Lautem, Bobonaro and Viqueque (China Embassy in Timor-Leste 2011). Timor-Leste has also actively participated in China’s short-term training and scholarship programs. More than 600 Timor-Leste public servants attended training in China in 2013 alone, and 1236 Timor-Leste Students had studied in China by February 2014 (Horta 2014). China also channels aid to Timor-Leste through the Forum for Economic and Trade Cooperation between China and Portuguese-speaking countries.

In contrast to Cambodia where the majority of Chinese aid projects take the form of concessional loans, Timor-Leste has just started to approach China for concessional loans. In 2009, Timor-Leste Foreign Minister Zacarias da Costa revealed that his country was negotiating a loan from China to finance infrastructure projects (Macao Hub 2009). In 2010, Timor-Leste President Ramos Horta requested a loan of \$3 billion from Chinese Premier Wen Jiabao (Horta 2014). In December 2015, the China Exim Bank agreed to provide a concessional loan of \$50 million to Timor-Leste for the construction of the drainage system in Dili over the next three to five years (Timor-Leste MoF 2014b; Forum Macao 2015). This was China’s first concessional loan to Timor-Leste.

4. China–US–Timor-Leste trilateral project on food security

This trilateral project was initiated by the US and China in close discussion with Timor-Leste MAF (Interview with Lourenco Fontes, Dili, 19 January 2015).⁷ In July 2011, US Secretary of State Hillary Clinton and China's Foreign Minister Yang Jiechi discussed issues of common interest to the two countries and announced their intention to conduct a trilateral agricultural aid project in Timor-Leste (US Department of State 2011). In September 2012, Hillary Clinton became the first US Secretary of State to visit Timor-Leste. According to the accompanying US officials, Secretary Clinton wanted to promote aid coordination with China in Timor-Leste (Lakshmanan 2012). As discussed earlier, Hillary Clinton and Dai Bingguo, China's State Councillor in charge of foreign affairs, agreed at their bilateral S&ED in May 2012 that the two countries would collaborate on development cooperation in areas of health and agriculture (US Department of State 2012).

To realise this commitment, a joint scoping mission comprised of nine Chinese and US experts visited Timor-Leste in February 2013. They conducted an assessment of local conditions and discussed the areas for trilateral cooperation (USAID 2013, 2). During the visit, the three countries reached consensus on supporting the Timor-Leste Ministry of Agriculture and Fisheries (MAF) Strategic Plan 2014–2020 to build human capacity through training and technical assistance (Email interview with USAID official involved in the trilateral project, Canberra, 14 January 2015). They decided to focus their first trilateral aid project on increasing Timorese farmers' knowledge and capacity building to increase production of selected crops (Interview with Lourenco Fontes, Dili, 19 January 2015).

The formal signing ceremony of the project agreement took place on 30 October 2013 in Dili. China's Economic and Commercial Counsellor Ding Tian from the Embassy in Dili, Acting USAID Director in Dili Sandra Minkel and Director-General Lourenco Borges Fontes from Timor-Leste MAF signed the agreement on behalf of their governments (*ibid*).

The core of this project is technical assistance. The main stakeholders of the project include MOFCOM, USAID and Timor-Leste MAF. The two donor states provided short-term training and technical assistance targeting selected crops to Timor-Leste. The selected crops included both staple crops of maize and beans, and cash crops of onions and garlic. Maize and beans were chosen because they are two main food sources and

⁷ Lourenco Fontes, Director-General of Timor-Leste MAF.

complementary rotation crops. Specifically, China focused on the cultivation of maize while the US concentrated on beans, onions and garlic. Timor-Leste MAF contributed to the project by providing training facilities and the field side for demonstration plots as well as organising participants to attend the training (ibid). The beneficiaries included four groups of smallholder farmers, extension specialists from Timor-Leste MAF, agriculture students from the National University of East Timor (UNTL), and the NGO/donor program staff and lead farmers (ibid).

The official project ran from October 2013 to January 2015. China and the US each had their own contractors for the project. From the US side, this trilateral project was a part of USAID's Developing Agricultural Communities (DAC) project. With a contract value of \$8.28 million, the whole DAC project (July 2010–February 2015) aimed to assist Timorese farmers to move towards more diversified and income-generating farming and link with the market through technical training. Development Alternative Inc. (DAI), a US-based private development company, was the US contractor for DAC—including this China–US–Timor-Leste trilateral project (USAID 2015b). The Chinese contractor was Long Ping High Tech Agriculture Corporation Limited, which had been working on the hybrid rice demonstration project in Timor-Leste since 2008.

The main demonstration plot was located in Kotolau, Aileu district, six kilometres south east of Dili. The agricultural experts from China and the US co-hosted in-classroom training programs at this plot with each side focusing on their selected crops. Chinese and US experts lectured in Chinese and English respectively, with translation into Tetum, one of two official languages of Timor-Leste. They covered a wide range of topics ranging from land preparation to planting and harvesting (Interview with Tobias dos Santos, Dili, 6 February 2015).⁸ However, China and the US conducted their technical assistance parts separately. USAID conducted some of their own activities in other demonstration plots such as in Bobonaro district and Ainaro district (Interview with Lourenco Fontes, Dili, 19 January 2015).

Being a pilot technical assistance project, the aid volume of this project was small. China and the US paid for their own agricultural experts. The actual disbursement from Chinese side was about \$210,000 (Timor-Leste MoF 2015). The disbursement from the US side is unknown as the trilateral project is a part of the above-mentioned DAC project of \$8.28 million. China hosted five training sessions, each with duration of two

⁸ Tobias dos Santos, coordinator of extension workers from Timor-Leste MAF and four students from UNTL who participated in the project training.

months. More than 120 Timorese participated in China's training (Interview, Dili, 3 February 2015).

A joint mission made up of officials and experts from China, the US and Timor-Leste conducted a final assessment of the trilateral project in April 2015 (USAID 2015f). Overall, the three partner countries stated that they were happy with the result of the project. China and Timor-Leste were quite positive about the project and expressed their enthusiasm for a second phase (Interviews with Chinese aid experts and Timor-Leste MAF officials, Dili, 2, 3, 6 February 2015). A senior official from Timor-Leste Ministry of Foreign Affairs said:

This project is an experimental thing, looks good and the result is amazing ...We hope to continue and expand trilateral cooperation. We are thinking of expanding trilateral cooperation in the future, maybe in agriculture, or other areas (Interview, Dili, 29 January 2015).

Coordination was maintained during the project though its extent was debated (Interviews with Lourenco Fontes, Chinese and US aid officials, Dili, 19 January; 4, 10, 23 February 2015). Some Timor-Leste officials and student participants suggested China's agricultural training should provide more detailed information rather than general theories and involve participants more in the whole cultivation process rather than just harvesting (Interview with Tobias dos Santos, Dili, 6 February 2015).⁹ Relative to China and Timor-Leste, the US was more cautious about its assessment. While acknowledging the achievements, they identified lessons to be learned including selecting a demonstration site appropriate to the selected crops, clearly defining the responsibilities and promoting the coordination (Interview with USAID officials and experts, Canberra, 14 January; Dili, 4 and 10 February 2015).

China's motivations

This trilateral aid project has been a diplomatic tool of the Chinese government to project its cooperative image in managing bilateral relations with the United States. Chinese government and officials have emphasized the importance of promoting cooperation in China-US relations for the benefits of both countries. For example, China's then Deputy Foreign Minister Zhang Zhijun noted, 'If China and the US could not even cooperate in Asia-Pacific, how can they talk about cooperation globally' (Wang Chong 2011). Chinese President Xi Jinping made this point clearer at the

⁹ Tobias dos Santos was coordinator of extension workers from Timor-Leste MAF and students from UNTL.

opening ceremony of the Sixth Round of China-US Strategic and Economic Dialogue in 2014, 'Both history and reality have shown that cooperation between China and the US will benefit both whereas confrontation will hurt both' (MFA 2014a). In practice, the Chinese government has been working hard to persuade the US to build a new type of relations between two powers. Exploring cooperation with Washington in the development sector has been part of China's efforts in recent years, as has been earlier illustrated in their engagement since the late 1990s.

In this context, the Timor-Leste trilateral project has received substantial attention from China's leadership. It is the only project that is highlighted in the outcome list of President Xi Jinping's state visit to the US in September 2015 (MFA 2015d). Together with the joint training program of Afghan diplomats, it is mentioned by Yang Jiechi, China's State Councillor as an example of cooperation in China-US bilateral relations (Yang 2015).

In January 2014, Chinese Ambassador to Timor-Leste Tian Guangfeng visited the trilateral project. His remarks with the Chinese agricultural experts from Long Ping High Tech, China's contractor for the project, provided clues as to how China has approached this project:

The China-US-Timor-Leste trilateral agricultural project is the first agricultural project of cooperation between China and the US since the founding of the People's Republic of China. We need to fully commit ourselves to the project. This project carries a heavy political significance. It should show the image of China's foreign aid projects to the outside world ... The Chinese Embassy in Timor-Leste pays high attention to this project. It will provide further support to make it 'a model of China's multilateral cooperation' (Long Ping High Tech 2014, MOFCOM 2014c).¹⁰

Aid officials from China, the US and Timor-Leste who were either heavily involved in or know the trilateral project well confirm that this project is the result of high-level political commitment from the US and China. A senior official from the China Academy of International Trade and Economic Cooperation, MOFCOM's think tank, said this project was raised by China's Ministry of Foreign Affairs rather than MOFCOM. To this official, the project was conducted to serve the broad China-US relations as the two countries have been including development cooperation as a topic in their Strategic and Economic Dialogue, and they want to have something substantial (Interview, Beijing, 4 August 2015). This view is supported by USAID official

¹⁰ A model of cooperation does not mean the first project of cooperation. That is why in addition to this trilateral project in Timor-Leste, Chinese officials also mentioned they were keen to make a China-US trilateral cooperation in Africa a model.

(Interview, Beijing, 5 August 2015), Gil Rangel da Cruz, Executive Secretary of Food Security and Cooperation from Timor-Leste MAF, and his colleague Octavio da Costa Monteiro de Almeida, Director-General of Planning (Interview, Dili, 2 and 3 February 2015).

China is also keen to promote its image as a responsible power among small states including Timor-Leste through delivering aid including trilateral aid cooperation. On 20 May 2002, China became the first country to establish diplomatic relations with Timor-Leste and Chinese aid flowed in. As China's Ambassador Tian Guangfeng said in 2012, the two countries have built the relationship 'into a perfect example of equality between large and small countries' (Tian 2012). Timor-Leste President Taur Matan Ruak said in September 2012, that 'Timor-Leste and China are allies for the purpose of alleviating poverty and promoting development' (Ruak 2012). To China, trilateral aid cooperation could serve as a new modality to combine China's strength in South-South cooperation with the useful aid practices of traditional donors.

Agriculture is chosen due to its significance as a pillar industry in Timor-Leste. More than 70 per cent of families in the country rely on some sort of farming activity for their survival (Timor-Leste Government 2011, 108). However, agricultural development in Timor-Leste faces tremendous challenges including the shortage of knowledge. For instance, though the agricultural GDP of Timor-Leste grew by just 2.9 per cent between 2000 and 2007, the production of major food crops especially rice and maize and cash crops was erratic and exhibited a very low productivity (Timor-Leste MAF 2012, 7). Agriculture has been listed as a focus for development by Timor-Leste in its *Strategic Development Plan 2011-2030* and *the Strategic Plan 2014-2020* (Timor-Leste Government 2011; Timor-Leste MAF 2012). The improvement of agricultural research and technology development, and value addition are listed as two strategic objectives (Timor-Leste MAF 2012, xiii). Development targets have been set. For example, maize productivity is expected to increase from 1.25 metric ton/hectare (Mt/ha) to 1.54 Mt/ha by 2015, and to 2.5 Mt/ha in the period 2016 to 2020 (Timor-Leste MAF 2012, 15). In April 2014, China signed an agreement with visiting Timor-Leste Prime Minister Kay Rala Xanana Gusmão. The two sides agreed to establish a comprehensive partnership and pledged to 'continue strengthening cooperation in food production and agricultural capacity building' (MOFCOM 2014c). Therefore, Octavio da Costa Monteiro de Almeida, Director-General of Planning from Timor-Leste MAF, said, 'We decided to have cooperation in the area of food security and nutrition [in this

trilateral project] because it is one of the important issues for Timor-Leste' (Interview, Dili, 3 February 2015).

Timor-Leste is a small nation and the low sensitivity of the agricultural sector is conducive to the initiation of this experimental project. This is also supported by the argument from Dr. Helder da Costa: This project focused on agriculture in Timor-Leste because it had nothing to do with the strategic interests of China and the US, and 'the degree of friction is minus' (Interview, Dili, 10 February 2015).

Though the learning imperative was a less prominent factor compared with image building, China was also interested in learning from US practices in foreign aid and agriculture. As a Chinese senior official for this project noted:

China agrees to conduct this trilateral project because China also wants to learn from the US agricultural technologies. For instance, China's previous technological breakthroughs in the sector of maize are closely linked to China's learning from the US. The US has mature experiences in areas including agricultural technologies and market promotion of agricultural products. China attaches importance to agricultural research, but there are gaps in areas such as market promotion. So, through this kind of trilateral project including even the US training materials, China wants to learn from US practices in these areas (Interview, Dili, 3 February 2015).

China's desire to learn from US aid practice does not contradict the fact that experts from the two donor countries worked separately in some aspects of this trilateral project such as working on different selected crops and doing harvest separately. Working jointly on everything in a trilateral project is ambitious at this stage when the two countries are still learning how to deal with each other. In addition to this learning desire, China is showing interest in testing trilateral cooperation as a new modality to promote aid effectiveness. As early as 2010, China's Ambassador to Timor-Leste Fu Yuancong said:

Under the framework of South-South cooperation, China will work with all parties concerned to conduct complementary and fruitful trilateral and regional cooperation on the basis of respecting the needs of recipient countries and jointly promote the process of global poverty alleviation (Fu 2010, n.p.).

The US's motivations

The US has similar motivations. This trilateral project is mainly designed to serve its diplomatic relations with China—a rapidly growing power. As the detailed discussion in Section Two has demonstrated, the US government has made growing efforts to engage with China, a rapidly growing power, and shape it into a responsible

stakeholder. It has regarded development cooperation as an important and less sensitive sector to enrich broader US-China bilateral relations. The US has expanded their conversations with China on aid cooperation and even included the topic in the bilateral strategic and economic dialogues in recent years.

A new director position (deputy-secretary level) in charge of foreign assistance was created at the US State Department in 2006 to ensure that US foreign aid met its diplomatic objectives (Greene 2008, 4). The Director serves concurrently as the USAID administrator. At the signing ceremony of the China-US-Timor-Leste trilateral project in 2013, Scott Ticknor, Chargé d'affaires from the US Embassy in Dili lauded the project, 'This trilateral endeavor is a testament to our [US-China] mutual commitment to peace and prosperity in Timor-Leste, and reflects new types of partnership in the Southeast Asia region' (US Embassy in Timor-Leste 2013). Katherine Duffy Dueholm, Deputy Chief of Mission of the US Embassy in Dili concurred with this view¹¹:

The goal of this trilateral project is to build confidence between China and [the] USA, and to bring the two countries together. It is a good thing to do a trilateral project. Cooperation in development and foreign aid is part of the broad China-US bilateral relations and bilateral cooperation (Interview, Dili, 10 February 2015).

Promoting the understanding of China's foreign aid and integrating it into the international aid system is another motivation of the United States.¹² By engaging China in development cooperation, the US wants to 'encourage China to adopt internationally agreed standards on good donorship' (USAID 2010). Richard L. Greene, Deputy Director of Foreign Assistance from US Department of State, said at the 2008 High-level Segment Development Cooperation Forum of the UN Economic and Social Council that the US needs to work with other donors to sustain development progress (Greene 2008, 2). According to a Chinese aid expert, the birth of this trilateral project also relates to the US desire to learn from China's small-scale agricultural practices due to the similarities of small-scale agriculture in Timor-Leste (Interview, Dili, 3 February 2015).

In addition, the US has hoped to promote agricultural development in Timor-Leste through trilateral partnership. USAID has identified inclusive development in agriculture in Timor-Leste as a central task in its five-year (2013-2018) development

¹¹ Similar views have been expressed by Chinese aid officials and scholars during author's interviews, Beijing, August-September 2015.

¹² This point could also in part be explained by then US secretary of State Hillary Clinton's criticism of China's aid practices in recipient countries, see p. 9.

strategy (USAID 2015b). It has pledged to ‘place increased focus on improving agriculture productivity in terms of responding to the food crisis’ (Greene 2008, 5). While the Chinese side focused on the production of selected crops, the US focused on both production and marketing in their part of the project (Interview, Dili, 19 January 2015).

Timor-Leste’s motivations

Promoting cooperation among other powers on its soil is one major motivation of the Timorese government and serves its interest. It feels comfortable with China and the US cooperating rather than competing in the country, as this makes life easier for Timor-Leste. Timor-Leste Foreign Minister Jose Luis Guterres noted in 2013 that he was very interested in the remark by US Secretary of State Hillary Clinton that ‘the Pacific is big enough for all of us’, as this means there are opportunities for US to cooperate with China in the Pacific (Everingham 2013). The Timor-Leste government has been keen to hail this trilateral agricultural project as a diplomatic triumph. During his attendance at the World Food Day celebrations on 16 October 2013, Timor-Leste President Taur Matan Ruak was proud to announce that, ‘these two giant countries [China and the US] never work together. Only Timor-Leste can unite these countries under the trilateral cooperation in agriculture development’ (Interview with Lourenco Fontes, Dili, 19 January 2015).

Another motivation of the Timorese government is to strengthen its ownership on foreign aid through various means, including trilateral partnership. As the former head for aid effectiveness at Timor-Leste Ministry of Finance (MoF), Dr. Helder da Costa pointed out the issue of donor fragmentation in Timor-Leste and emphasised that ‘donors need to be on listening mode’ and ‘the country (Timor-Leste) must own their development agenda’ (Costa 2015, 5, 11). A lot of progress has been achieved. In 2012, the Development Partnership Management Unit was established within Timor-Leste MoF to ensure the effective use of foreign aid and promote aid coordination and harmonisation (Timor-Leste MoF 2014a, 6). An Aid Transparency Portal has been set up under the MoF as the online database to record all aid flows to Timor-Leste (ibid). Timor-Leste was also among the founding members of the G7+, an intergovernmental organisation to address post-conflict development challenges faced by fragile states including through the better use of foreign assistance and promoting recipient-led strategies for development and South–South cooperation. This trilateral project is one such attempt to promote aid coordination. It is regarded as ‘an attempt to reach out

using each other's comparative advantages and helping' (Interview, Dili, 3 February 2015).

5. Conclusion

This chapter has examined the China–US engagement on development cooperation in recent years. In particular, it has traced the process of this engagement against the backdrop of China–US relations since 1990s. In addition, the China–US–Timor-Leste trilateral aid project on food security was explored in detail. One caveat is that, in light of the difficult data access in China and the US, some data from Wikileaks has been used especially in the section on China–US high-level engagement on development cooperation. To maximise the data reliability, I have made every effort to triangulate Wikileaks data with the available official data released—such as that by China MFA, Chinese official media and the US Department of State.

This chapter concludes that the learning imperative has played a minor role in China's conduct of trilateral aid cooperation with the US due to the short history of US aid to China. On the contrary, image building has been the main driving force of China to pilot a trilateral partnership with the US. The purpose is to project China's image as a responsible stakeholder in development assistance to serve the broad China–US relationship. This point is similar to what I found in Chapters Four and Five on China's trilateral aid cooperation with the UNDP and Australia in Cambodia and PNG respectively: China is keen to promote its image as a responsible partner within the UN and in the eyes of Australia. What is different from this trilateral project with the US, however, is that China has a four-decade long engagement with the UNDP and Australia on aid and hopes to continue its learning from the UNDP's and Australia's aid expertise to improve its own aid delivery.

China and the US have agreed to build their trilateral development cooperation in Africa as 'a highlight and a new area of cooperation in the new model of China-US relations' (MFA 2014b). They have agreed to continue their trilateral aid cooperation on food security in Timor-Leste and explore cooperation on environmentally friendly agricultural technology (MOFCOM 2015c). At the eighth China–US Strategic & Economic Dialogue, the two donors pledged to expand their trilateral aid cooperation including: continue the joint training program for young Afghan diplomats, provide similar training for Afghan health and agricultural workers, and explore new areas of cooperation; explore trilateral cooperation in Timor-Leste on aquaculture; explore trilateral aid cooperation on food security in Africa and jointly support the goals and

objectives of the Comprehensive Africa Agriculture Development Programme (US Department of State 2016). Though the US expressed reservation about the development impact of this trilateral project in Timor-Leste, as mentioned above, the two donor countries still decided to conduct the second phase. This is further proof that this trilateral project was endorsed and continues to receive support from the high-levels of China and the US for the benefit of their bilateral relations. Overall, as demonstrated in the newly signed China–US MOU on development cooperation, trilateral aid cooperation between the two countries is expected to grow in the future, though the materialisation of these projects demands continued political support from the two countries.

It must be remembered, trilateral cooperation between US and China is still in the early stage of experimentation and progress should not be taken for granted. The pilot projects are small in scale and technically based. Potentials are there but obstacles remain which include bureaucratic decentralisation, differences in development assistance goals, divergent methods of aid delivery, capacity gaps, and other political considerations (Lu Boynton and Savoy 2012, 9). Trust building takes time. For instance, as a development expert mentioned, many MOFCOM officials were not very receptive when USAID sent Jennifer Adams as the first Development Counsellor to China in September 2008. The long-standing mistrust between the two countries is deep-rooted and is likely to remain (Lawrence 2013, 2). More information and transparency from both sides is needed. The most challenging areas relate to democracy, good governance and human rights. Further dialogue on these hard issues also needs to be promoted. The reactions from recipient countries are mixed and also demand further attention. The new Trump administration has brought uncertainty to the China–US bilateral relationship, which could affect plans for trilateral aid cooperation.

Tips from Professor Li Anshan at Peking University are thought provoking. Being a senior expert on China–Africa relations, he cautions that China and the US should address a few questions before they can conduct genuine trilateral aid cooperation. The questions include: ‘Should we provide our help to African countries with aid conditions?’, ‘Can we decide the issue for Africans?’ and ‘Can we decide what Africa needs?’ (Freeman III and Lu Boynton 2011, 44–45). He recommends China and the US reach agreement on understanding ‘condition’ in Chinese terms and ‘aid’ in US terms; choose a proper project for cooperation; choose an African country as a partner and seek their approval on the project; devise a clear division of responsibilities and ownership for the pilot project (Freeman III and Lu Boynton 2011, 45–46).

The following remarks provide some answers to the above questions. Following them might be a way to ease the process of securing trilateral aid cooperation with China in the future. During a meeting with US Assistant Secretary for African Affairs Jendayi Frazer in October 2008, China Assistant Foreign Minister Zhai Jun said further development cooperation with the US was possible but three principles need to be observed:

First, respect the views of Africans and do not impose outside views on African countries. Second, seek to gradually increase cooperation, starting with countries with which the United States and China both enjoy good relations and focusing on concrete, small-scale projects in agriculture and health. Third, use existing mechanisms and framework rather than setting up new mechanisms for cooperation (Wikileaks 2008d).

Chapter Seven

Assessing China's Trilateral Aid Cooperation and Foreign Aid Reform

This chapter builds upon the analysis in previous chapters and continues the discussion on China's trilateral aid cooperation. It will provide an overview of Chinese trilateral aid cooperation, including development partnerships, prominent features, China's official position on and bureaucratic arrangement for trilateral aid cooperation. Then, trilateral aid cooperation, especially China's cases, will be assessed. The chapter will also examine China's foreign aid reform, of which trilateral aid cooperation is a manifestation.

1. Overview of China's trilateral aid cooperation

Development partnerships

This research has revolved around China's motivations for trilateral aid cooperation. It concludes that China's adoption of trilateral aid cooperation is the result of its strong desire for global image building as a responsible global power and for cognitive learning to improve its aid performance. This finding is based on careful examination of China's three trilateral projects in Chapters Four, Five and Six, and also an understanding of China's other trilateral projects.

With regard to cognitive learning, we need to emphasise once again that a large proportion of China's learning has been from the process of its acceptance of aid from traditional donors and multilateral development agencies. This process not only made Chinese actors believe that external aid could be beneficial to China's economic development, but also the process increased their understanding of and trust in these partners, which contributed to the confidence of Chinese actors in undertaking trilateral aid cooperation with them.

Following the logic that Chinese actors are keen to improve China's global image and promote cognitive learning, why have traditional donor states and multilateral agencies rather than China taken the lead in initiating the pilot projects? As demonstrated in previous chapters, traditional donor states and multilateral agencies have increased their interest in Chinese foreign aid in the last decade especially after China pledged huge amounts of aid to Africa at the 2006 summit of the Forum on China-Africa Cooperation in Beijing. In response to the anticipated significant

expansion of China's aid, these players began to approach China and increase their engagement. In turn, the Chinese government agreed to get more involved in these kinds of engagements. Chinese officials believed that participating in trilateral proposals initiated by external partners could serve China's interests, including projecting a cooperative image internationally and facilitating China's practical learning from traditional donors. That is why China agreed to tentatively experiment with trilateral aid cooperation but refrained from being more proactive. China's reactive position is also related to its tradition of risk-aversion in dealing with new approaches, such as trilateral aid cooperation. This is complicated by doubts of the Chinese government and many of its agencies about the motivations of external partners especially traditional donor states in pursuing trilateral cooperation agreements with China, particularly in the early stage of engagement. That is also why China was more willing to test trilateral cooperation with UN agencies such as the UNDP which is considered by the Chinese government to be politically more neutral than western donors.

China's strategic approach towards learning in the aid sector has demonstrated similar features to its practices in other fields of international affairs, such as arms control. As mentioned in Chapter Two, Ernst Haas explained two types of learning processes: adaptation and learning. Adaptation means the use of new means to achieve the same goal while learning means the change of both goals and means on the basis of redefining actors' interests (1990, 3–4). Alastair Iain Johnston (1996) used these two concepts to analyse China's development of a more sophisticated and constructive arms control policy in the 1980s and 1990s. He argued that this was a process of adaptation—changing the means of engagement while avoiding a paradigm shift in China's realpolitik arms control policy—rather than a process of learning—a paradigm shift that would involve changes in China's basic assumptions about both the goals and means of arms control policy. My research has reached similar conclusions. China's growing enthusiasm for aid cooperation and engagement with traditional donors has been a process of adaptation. China's perception of cooperation with traditional donors *has* changed greatly since the 1970s, from allowing foreign aid to enter China to piloting trilateral aid cooperation with traditional donors in third countries. China has mainly aimed to build its global image as a responsible global partner and to learn some useful aid practices from traditional donors to fill China's own gap. This kind of learning has been selective and focuses on areas deemed suitable by the Chinese government. There is no change to China's aid paradigm, no shift in the goals and means of its aid program.

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China's basic perception of its aid as part of South–South cooperation has remained unchanged since the 1950s.

The extent to which international aid regimes have independent influence upon China including its adaptation of trilateral aid cooperation also deserves attention. Again, Johnston has examined the impact of international institutions on China between 1980 and 2000 especially in the arms control sector. He argued that international institutions have played three roles in different settings: (1) mimicking: China as a novice in international affairs initially copied the behavioural norms of other states; (2) social influence: China's behaviour as a novice is judged by these states and rewarded/punished; (3) persuasion: China is encouraged to accept particular norms and values of the institutions (Johnston 2007).

In the case of China's aid, as previous analysis has demonstrated, the traditional aid regime and its members—whether traditional donor states or international development agencies—have tried to integrate China into the international aid system and encouraged China's adaption of their aid norms and practices. Their efforts have yielded some results as China agreed to accept aid from these partners from the late 1970s and expanded development engagement and cooperation. Elements of mimicking, social influence and persuasion could be detected in the process of their engagement. For instance, a common goal of the US, Australia and the UNDP in the exemplary trilateral aid projects in Chapters Four to Six was to encourage China to learn from their aid practices, if not explicitly to shape China's aid practices. However, international engagement in itself would not have worked if China had not placed more emphasis on global image building in its diplomacy including aid delivery, because China could turn a blind eye to engagement efforts from traditional donors. Moreover, China's international engagement has been a reciprocal process. While traditional donor states and international organisations have tried to have an impact on China, China has worked to consolidate some of its own rules in cooperation. For instance, in order to reduce the risk of being seen as getting closer to traditional donors and weakening its status as a South–South cooperation partner, China has insisted that trilateral aid cooperation needs to be supported and preferably be initiated by the developing countries. This 'condition' has been accepted by traditional donor states and international organisations in China's pilot trilateral projects.

There have also been finer distinctions for China's image building across diverse settings whether in the development sector or beyond. China has placed increasing efforts on global image building since the 2000s however its objectives vary with

different development partners and different regions. To traditional donor states and international organisations who have taken the lead in engaging with China, China has aimed to project a benign image as a responsible stakeholder and a trustworthy development partner in response to their call for more coordination and cooperation. As the case of China–US trilateral cooperation has shown, building an image as a responsible stakeholder is expected by China to serve broader China–US relations. By contrast, as many developing countries face the growing challenge of aid coordination among donors, China has attempted to use trilateral aid cooperation as an effort to support aid coordination between China and traditional donors in these recipient countries, which will improve China's image.

Furthermore, China's motivations for global image building in its broader diplomacy are not uniform. In Africa, China is seeking to shrug off its negative neo-imperialist image, which is crucial, as China has kept emphasising its common identity with African countries as former colonies of western powers. In Asia—China's immediate neighbourhood where China has intractable territorial disputes—image building in China's broad diplomacy seems to be more about reassurance, especially in light of China's image as an assertive actor in the maritime realm, and perceptions of its neo-mercantilist approach towards commercial investment. For Pacific Island countries that are not a focus of China's diplomacy and economic outreach and do not have territorial disputes with China, China's image building has focused on projecting the image of a good South–South cooperation partner. However, this distinction of global image building in China's broad diplomacy is not that clear in relation to the specific concern of trilateral aid cooperation. This question deserves more investigation in the future as currently China is still in the early stage of piloting trilateral aid cooperation in these regions. At this stage, it seems that China has aimed to use trilateral aid cooperation to improve aid coordination in recipient countries.

China's global image building and cognitive learning vary in different settings. China has a nearly four-decade long engagement with Australia and the UNDP on development cooperation, which has facilitated China's learning from the two partners. However, because China only began aid engagement with the US in 1999, China's learning from the US on aid management is limited. In this case, China's motive to build its image as a responsible stakeholder in the eyes of the US serves their broader bilateral relations.

Before concluding this subsection, it is useful to briefly examine the case of Samoa. This would have been a most likely case for trilateral cooperation to occur, but it failed

Chapter Seven. Assessing China's Trilateral Aid Cooperation and Foreign Aid Reform to eventuate, which confirms my findings. Among the Pacific Islands countries, Samoa has performed well in managing aid effectively and promoting aid coordination among donors (Smith et al. 2014, 18–19; Interview with Peseta Noumea, Assistant Chief Executive of Samoa's Ministry of Finance, Apia, 26 February 2015). Because of this, Samoa has been running training sessions for aid officials from its Pacific neighbours such as PNG on how to promote aid coordination (Interview with Peseta Noumea, Apia, 26 February 2015). Samoa was also among the earliest Pacific island countries to establish diplomatic relations with China.¹ This relationship has been recently lauded by China's Premier Li Keqiang who in November 2015 referred to it as 'a model of the relations between China and the Pacific island countries' (Chinese Embassy in Samoa 2015).

Despite these favourable conditions, China is yet to initiate a trilateral aid project in Samoa. In this respect, Samoa lags behind the Cook Islands and PNG who are already conducting trilateral aid cooperation with China on their own soil. Based on my research, the main reason for this is that currently it is the traditional donor states and multilateral development agencies, rather than the recipient countries or China, that have taken the lead in proposing trilateral projects. Although the Chinese government has agreed to pilot these new partnerships, its behaviour is mostly reactive rather than being proactive in their initiation. This point is borne out, as we have seen in previous chapters, in China's trilateral partnership with the UNDP, the US and Australia. In the case of Samoa, there is little push from traditional donors for trilateral cooperation with China in Samoa. Australia has historically focused on its aid programs on the Melanesian countries, especially PNG, rather than Samoa. Australia and China are also preoccupied with their trilateral project on malaria control in PNG before expanding this modality to other recipient countries (Interview with a senior Australian aid official, Port Moresby, 4 November 2014). Although Samoa is a top recipient of New Zealand's aid in the Pacific, New Zealand has made it clear that it is concentrating on the pilot trilateral water supply project in Cook Islands before extending trilateral partnerships to other recipient countries (Interview with David Nicholson, Wellington, 12 December 2014).²

¹ Fiji established diplomatic relations with China on 5 November 1975 and Samoa did this the following day.

² David Nicholson, Director of Pacific Development Division, New Zealand Ministry of Foreign Affairs and Trade.

Prominent features

China has participated in a growing number of trilateral aid projects in recent years, as elaborated in Table 1. Close observation reveals some distinguishing features of these projects. First, they tend to be small in aid volume. Aside from the \$53.2 million³ China–New Zealand–Cook Islands trilateral project on water supply (Mabbitt et al. 2015, 23),⁴ funding for Chinese trilateral projects is extremely modest. For instance, the China–Australia–PNG trilateral project on malaria control has a budget of only four million Australian dollars.⁵ Second, the projects are technical in nature and focus on less sensitive areas such as agriculture and food security, public health, disaster risk management and technical training. They do not cover politically sensitive issues like good governance, anti-corruption or human rights. The China–Australia–Cambodia trilateral irrigation dialogue (November 2013–June 2014) is also categorised by China and Australia as a trilateral project.

In addition, China has different policies on cooperating with traditional donor states and UN agencies on funding contributions. The Chinese government insists that traditional donor states provide funding in trilateral projects, while China contributes only technical expertise. China believes this position is justified because it is still a developing country compared to traditional donors. Although China made financial contributions to its trilateral water supply project with New Zealand in Cook Islands, this is an exceptional case because the China Exim Bank and the Chinese project contractor CCECC were eager to materialise a concessional loan agreement signed with the Cook Islands government before its expiry (Interview with Hon. Mark Brown, Cook Islands Finance Minister, Apia, 27 February 2015). In contrast to its trilateral partnership with traditional donor states, China has funded some trilateral projects with UN agencies. To the Chinese government, China is a member of these organisations and providing funding to UN agencies is not inconsistent with China's identity as a developing nation. In addition, working with the UN could potentially lift China's

³ The estimated cost of the project is 66.3 million New Zealand dollars, equivalent to USD 53.2 million based on the exchange rate in August 2012 when the project agreement was signed by China, New Zealand and Cook Islands. China Export-Import Bank agreed to provide USD 18 million (RMB 117 million).

⁴ Although the governments of China and New Zealand have highlighted this project as trilateral, some analysts argue that this is not a trilateral project but two bilateral projects in parallel. China is building the main ring of the water supply while New Zealand is responsible for other issues including connecting the main ring to the households.

⁵ I did not convert it into US dollar because the exchange rate between US and Australia dollars has experienced huge fluctuation in recent years.

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global image as a responsible member state of the international community. As a result, China financed the two phases of the China–UNDP–Cambodia trilateral aid project on cassava with \$610,000 in total. Together with the UNDP, China has also approved an allocation of \$500,000 for the trilateral project on renewable energy in Burundi⁶ and another \$500,000 for the project on disaster risk management in Malawi.

Building on the pilot projects, China is moving further towards testing different forms of trilateral cooperation. Similarly, it has started with the UNDP again as a result of their trust building over the past four decades. A UNDP official categorised the development of China–UNDP trilateral aid cooperation into three generations.⁷ The first generation refers to projects conducted with pooled resources especially joint funding from China and the UNDP in a third country. China and UNDP identify a potential project for cooperation, which will combine China's expertise with international best practices from the UNDP. The China–UNDP–Cambodia trilateral project on cassava,⁸ the China–UNDP–Burundi trilateral project on renewable energy, and the China–UNDP–Malawi trilateral project on disaster risk management fall into this category. The second-generation projects are entirely funded by a third developed country. China provides technical experts and know-how while the UNDP manages the project. For instance, the China–UNDP pilot projects on disaster risk management in Bangladesh and Nepal are fully funded by around \$10 million from the UK's Department for International Development. The government of Denmark funds the China–UNDP renewable energy trilateral projects in Ghana and Zambia with around \$5.3 million. The third-generation trilateral projects are still being developed. Ideally, the UNDP will implement one component of a big Chinese aid project. In particular, the UNDP will focus on the soft areas of this project such as capacity building and system strengthening. This trilateral arrangement aims to complement existing Chinese aid practice, which usually focuses on physical infrastructure, and to assist China on improving its aid delivery system.

⁶ This project in Burundi was recently suspended by China and the UNDP because of the civil war in Burundi.

⁷ Author's interview, Beijing, 30 July 2015. The rest of the paragraph is paraphrased based on the remarks of this official.

⁸ The UNDP has categorised the China–UNDP–Cambodia trilateral project on cassava into this first generation, though in reality the project was mainly funded by China and the UNDP contributed expertise and management.

Official position

The Chinese government is taking a cautious and incremental approach towards trilateral aid cooperation. This follows China's tradition of testing new things on a small scale before expansion. For example, in the early 1980s China first tested the Special Economic Zones in the four cities of Shenzhen, Zhuhai, Shantou and Xiamen before expanding them to other cities in China and eventually beyond China's borders to parts of Africa (Bräutigam and Tang 2011). China has dealt with trilateral aid cooperation in a similar manner. At present, the Chinese government has shown interest in testing trilateral aid cooperation and been open to proposals raised by traditional donor states and multilateral development agencies. After several years' experimentation, China's Ministry of Commerce (MOFCOM) is assessing the performance of this new modality. It has tasked its think tank—the China Academy of International Trade and Economic Cooperation (CAITEC)—with reviewing current Chinese trilateral projects and drawing on the past experiences of traditional donors on trilateral cooperation (Interview with Mao Xiaojing, CAITEC Division Director for International Cooperation, Beijing, 4 August 2015).

Trilateral aid cooperation is still a supplementary pilot modality in China. China has not issued a clear policy or guiding document for trilateral aid cooperation. Each project is dealt with on a case-by-case basis. However, China's position on piloting this kind of aid project complies with the core of China's foreign aid policy since 1950s: non-interference, respect for sovereign equality and mutual benefit (State Council 2011d, 2014).⁹ The five principles identified by then Ambassador Liu Guijin in 2008 for China's participation in trilateral aid cooperation in Africa, the largest recipient of Chinese aid, remain instructive. This is the most detailed explanation available from China's official sources. Chinese officials and experts echoed these principles during my interviews.

First, respect for Africa. No cooperation should be conducted at the cost of sovereignty, interest or dignity of any African country. In particular, we should heed the opinions of the African side on

⁹ The three principles are also reflected in the Eight Principles for China's aid to other countries that was put forward by Premier Zhou Enlai during his visit to Africa in 1964. The eight principles include: 1. China always bases itself on the principle of equality and mutual benefit in providing aid to other nations; 2. China never attaches any conditions or asks for any privileges; 3. China helps lighten the burden of recipient countries as much as possible; 4. China aims at helping recipient countries to gradually achieve self reliance and independent development; 5. China strives to develop aid projects that require less investment but yield quicker results; 6. China provides the best-quality equipment and materials of its own manufacture; 7. In providing technical assistance, China shall see to it that the personnel of the recipient country fully master such techniques; 8. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.

Chapter Seven. Assessing China's Trilateral Aid Cooperation and Foreign Aid Reform whether or not and how to conduct such cooperation, instead of imposing our opinions on the African side. Second, be pragmatic. Attention should be paid in such cooperation to combine good practices of other parts of the world with specific conditions of Africa to serve the actual needs of African countries and avoid 'one-size-for-all' practices that are neither practical nor effective. Third, step by step. We should start with small and easily operable projects and learn from experience and constantly improve our work. It is important to remember 'More haste, less speed'. Fourth, everyone doing his best. The key to success of the triangular cooperation is to let each party do what it is best at. When developed countries are involved in the triangular cooperation, their financial strength should be combined with developing countries' advantages in applicable technologies and cost. Fifth, efficiency. The triangular cooperation should make full use of existing authoritative cooperative mechanisms, such as the United Nations development assistance mechanism, to avoid overlapping institutions and waste of resources caused by setting up too many new mechanisms (Liu 2008).

Chinese officials have repeated these principles on other occasions, though briefly. For instance, the China–US MOU on development cooperation, signed in September 2015, states clearly, 'The principle of raised, agreed and led by recipient countries is a prerequisite for all cooperation' and the areas of cooperation must be 'in accordance with the principle of recipient country ownership' (USAID 2015c). The Eighth China–US Strategic & Economic Dialogue held in Beijing in June 2016 pledged that the two nations would promote trilateral aid cooperation under the principle that such cooperation is raised, agreed and led by recipient countries (US Department of State 2016). The same principles were highlighted by China's Ambassador Tian Xuejun on China–western donors–Africa trilateral cooperation in November 2015, and by China's Assistant Foreign Minister Liu Haixing at the symposium on China–France–Africa trilateral cooperation held in Beijing in April 2016 (MFA 2015e, 2016a).

The administration of China's trilateral aid: Bureaucratic arrangements

The Chinese government has committed high-level political support to existing trilateral projects. MOFCOM dominates the approval process. Initiatives from traditional donor states and UN agencies for trilateral cooperation must go through MOFCOM for approval. MOFCOM has shown interest in conducting some selected trilateral projects without involvement from other agencies, as is the case for the China–UNDP–Cambodia trilateral cassava project. Due to human and technical resource constraints, MOFCOM has approved some trilateral initiatives but invited some line agencies in China to help progress them. One typical example is the China–Australia–PNG trilateral malaria control project. Although MOFCOM was involved in the negotiation and

exploratory missions, China's National Health and Family Planning Commission is undertaking the technical work, including the selection and dispatch of Chinese medical experts.

Within MOFCOM, it has not yet been finalised whether the Department of International Trade and Economic Affairs (DITEA) or the Department of Foreign Aid (DFA) should manage trilateral aid cooperation. At present, both departments are involved to a certain extent. In terms of human resources, the involvement of DITEA in China's trilateral cooperation makes sense, although its primary responsibility is to look after foreign aid to China. This business of managing foreign aid to China has dwindled as traditional donors have either phased out or reduced their aid programs in China. As such, DITEA has an incentive to take over some trilateral projects as a new area of business, as the reduction of incoming aid has left it with a surplus of staff and resources. By contrast, DFA is severely under-staffed and overwhelmed by the skyrocketing business of providing bilateral aid overseas. This greatly limits their appetite for initiating or managing trilateral cooperation. A MOFCOM aid official explained that DFA officials could hardly finish their daily work on China's aid projects overseas, let alone spare energy to do trilateral projects (Interview with Chinese aid official, Beijing, 4 August 2015). Under such circumstances, the involvement of DITEA in trilateral aid cooperation is welcomed by DFA, while trilateral projects potentially give DITEA a new lease on life against a background of declining aid to China.

However, in terms of financial resources, DFA still receives an annual allocation of foreign aid funding from China's Ministry of Finance while DITEA does not. For instance, the China–UNDP–Cambodia trilateral cassava project was funded by DFA. In this sense, DFA will 'have to' get involved in China's trilateral aid projects. In addition, being the department tasked to look after Chinese foreign aid, DFA needs to get involved in the trilateral aid projects and ensure that they run well.

As a result, both DITEA and DFA are involved in Chinese trilateral aid cooperation. It is not surprising that sometimes DITEA officials attend the opening ceremony of a trilateral project while DFA officials get involved in the inspection process. It is easier for DITEA and DFA to negotiate and divide the labour among them, as they answer to the same ministry (Interview with MOFCOM former senior aid official, Beijing, 1 September 2015). The China–UNDP–Cambodia trilateral project on cassava, as examined in Chapter Four, is a case in point. Both departments were involved in the project to some extent. The opening ceremony of the first phase in Hainan was addressed by Deputy Division Director Cai Fang from DFA. The

Chapter Seven. Assessing China's Trilateral Aid Cooperation and Foreign Aid Reform conclusion ceremony of the first phase was officiated by Deputy Director-General Zhu Hong from DITEA. Division Director Liang Hong from DITEA headed the joint monitoring and reviewing mission of the second phase.

As discussed in Chapter Four, DFA is becoming more proactive in pushing trilateral aid cooperation with multilateral development agencies including the UNDP, a significant change from past practices. Its main motive is to materialise the \$2 billion South-South Cooperation Fund announced by Chinese President Xi at the UN in September 2015 (Interview with UNDP officials, Canberra, 29 June and 4 July 2016).¹⁰

2. Assessment of trilateral cooperation

The future of trilateral aid cooperation depends on whether positive experiences can be drawn from the pilot projects for all three parties involved. As summarised in Chapter Two, the existing literature expects trilateral aid cooperation to bring in added-value, including facilitating cognitive learning and experience-sharing among different types of donors and recipient countries, scaling up aid cooperation, while facing challenges such as increased coordination and higher transaction costs relative to bilateral aid. The question is, how far are these anticipated advantages and challenges borne out by the experience of trilateral projects on the ground? Based on my extensive interviews with aid officials and participants in Chinese trilateral aid projects, the following trends can be discerned.

Trilateral aid cooperation provides more learning opportunities than bilateral engagement for beneficiaries in recipient countries. These beneficiaries are exposed to technologies and practices from both traditional and emerging donors. They have the luxury of comparing and contrasting, and choosing the more suitable ones for themselves. For instance, China and Australia have completed a trilateral project on irrigation dialogue in Cambodia. Three official trips were organised to observe the different agricultural irrigation policies and practices in the three countries respectively between 2013 and 2014. Dr. Sokhem Pech, the main initiator of the project from Cambodia explained their needs for implementing this trilateral project:

We told them [partners from China and Australia] we want to know how you do water cooperatives, how you promote long-term sustainability [of irrigation], how you make sure you have water for farmers, and how you ensure you can collect fees for cost recovery and for long

¹⁰ MOFCOM's Department of Foreign Aid is in charge of policy planning for projects under the Fund, and MOFCOM's affiliation China International Centre for Economic and Technical Exchanges is responsible for project implementation after approval.

term sustainability financially and in terms of agricultural production (Interview, Phnom Penh, 14 July 2015).

Dr. Sokhem Pech seemed satisfied that these objectives appear to have been achieved in this particular case. Sophak Seng, another main participant in the project from Cambodia Irrigation Services Center agreed with the evaluation (Interview, Phnom Penh, 10 July 2015).

Let's listen to the voices of four students from the National University of Timor-Leste. They participated in the China–US–Timor-Leste trilateral agricultural project and experienced technical training on the cultivation of maize from China, and on the cultivation of onion, beans and garlic from the US. While complaining that Chinese experts only taught general knowledge in the classroom lecturing and only included farmers (but not students) in the field practices relative to their American peers, overall these students were satisfied with what they learned (Interview with the four students, Phnom Penh, 6 February 2015). They also expressed strong interest in learning how the Chinese experts could harvest maize on land that locals deemed unsuitable for growing corn (*ibid.*).

In contrast to traditional donors, it needs to be asked if the technologies from emerging donors are more appropriate and acceptable to recipient countries than from traditional donors? Not necessarily. In addition to the potential advantage in combining the different strengths of traditional and emerging donors, the involvement of these different donors in a single aid project provides more options for recipient countries and exposes them to different practices. As China's trilateral aid cooperation is in its infancy, it will take a while for the beneficiaries in recipient countries to digest this new modality and then judge which technologies (from China or traditional donors) are more suitable for them.

Some argue linguistic and cultural similarities between emerging donors and recipient countries are advantageous for the involvement of emerging donors, but this is not inevitably the case. A study of German trilateral aid cooperation argued that linguistic and cultural similarities between emerging donors and recipient countries do not necessarily favour effectiveness (Lengfelder 2015, 7–9). One policy adviser from the German Ministry of Economic Cooperation and Development noted, some aid officials from emerging donors are drawn from the elite in their countries and have little first-hand experience with poverty and development (Lengfelder 2015, 8). Furthermore, it is natural for people to question the relevance of China's approaches in the context of Africa and the Pacific where presumably cultural and linguistic similarities are lacking.

In terms of assessment, though Germany has been among the earliest pioneers in practising trilateral aid cooperation, German policymakers repeatedly suggest it is still new and difficult to assess the effectiveness (*ibid.*). Turning to China's trilateral cooperation, the differences between China and recipient countries such as PNG, Timor-Leste and Cambodia are substantial in terms of linguistics and cultures. As a result, the workload of project preparation and management has increased.

Transaction cost is another contentious issue for trilateral projects. Trilateral aid cooperation involves additional donor engagement/input relative to bilateral aid. In addition, there are considerable differences between traditional and emerging donors, ranging from guiding aid principles to practices on the ground. The complexity is reinforced by organisational culture and language differences on many occasions. These factors naturally lead to increased costs of coordination and negotiation for trilateral projects, and greater scrutiny in their home countries. Aid officials and researchers from both donor and recipient countries frequently mentioned the issue of additional costs.

Take the China–Australia–PNG trilateral malaria project as a typical example. The three countries began to prepare and discuss it shortly after the signing of the China–Australia MOU on development cooperation in April 2013. However, more than two years elapsed before the three sides finally signed the project agreement in October 2015. A senior Australian aid official commented on this, and his statement included the response from his counterpart in China's MOFCOM. These remarks are illustrative of Australian and Chinese perceptions on the issue of transaction costs:

This malaria project is our first formal thing to have engagement [with China on development cooperation]. Even this project has taken a long time, much longer than it would take for such a small project. This project is 4 million Australia dollars in value. Compared with the Australia aid in PNG about half a billion per year, it is tiny. It has taken over a year, from October 2013 [the formal discussion between China and a visiting Australian and PNG delegation] to October 2014 [the project was agreed in principle]. This is a tiny project, but it takes a long time. But it is understandable. Mr. Zhang, the division director from MOFCOM is quite open to this trilateral malaria project. He said, for China, this is a new thing. So, it takes a long time, and they are even very careful about wording. This is already quite quick [for China] (Interview, Port Moresby, 4 November 2014).

Another senior Australian aid official expressed similar views:

For the Australia–China–PNG trilateral malaria project, though the project volume is not big, the negotiation and coordination cost is huge. The project [was] supposed to start in early 2015, but it has not started yet. It is almost closer to the starting point. The three sides will finally sign the project agreement. The slow progress is not because either side intentionally delays the progress,

but because trilateral cooperation is a new modality, and it takes time for the three countries to coordinate (Interview, Beijing, 4 August 2015).

Some Chinese aid officials share these concerns. A Chinese aid official commented on the transaction cost of the China–UK (together with UNDP) trilateral aid project on disaster relief management in Bangladesh and Nepal, linking it to the understaffing problem with China’s ministries.

For China’s Ministry of Civil Affairs (MCA, main participant from China), they do not have much knowledge of the UK’s Department for International Development (DFID). They hope to increase the understanding of DFID through the conduction of the trilateral project. But in practice, the challenge of coordination is daunting. For instance, The MCA’s division that was involved in the project only has three staff including the division director. What makes the issue worse is that only the division director can speak English. He had to attend all the coordination meetings with DFID by himself. As he has a lot of other work to do every day, how can he spend that sort of time attending DFID’s meetings? That’s why MCA itself did not want to get involved, and designated the project to its affiliate, the China National Disaster Reduction Centre.¹¹

However, some aid practitioners have expressed different views on the transaction costs of trilateral cooperation. A major participant from Australia in the China–Australia–Cambodia triangular project on irrigation dialogue argued that triangular cooperation does not have to be more time-consuming than any other multi-actor aid activity (Interview, Phnom Penh, 20 July 2015).

As China is placing more emphasis on its global image building and learning from traditional donors to improve its own aid practices, trilateral aid cooperation would be expected to grow slowly in China’s foreign aid program. However, this should not be taken as given. Aid officials from both China and traditional donor nations repeatedly reminded me that they are closely following the progress of pilot projects. If these projects are perceived—or reported to be—a success, this could lead to future cooperation. In the absence of positive results, it is likely that China and traditional donors would hold back and perhaps end the experiment. For instance, Chinese officials told Australian aid officials that China would not look at anything else, whether in PNG or elsewhere, unless they see how this malaria project goes (Interview with senior Australian aid official, Port Moresby, 4 November 2014). A senior New Zealand aid official said, ‘NZ is focusing on the current trilateral water project [in Cook Islands], to

¹¹ Author’s interview, Beijing, 4 August 2015. Some scholars have also written about the staffing issue in China. For instance, Kjeld Erik Brødsgaard mentioned in his talk in August 2016 that only four staff in China’s Ministry of Finance oversee the ministry’s earmarked funds to the provinces.

Chapter Seven. Assessing China's Trilateral Aid Cooperation and Foreign Aid Reform see how it progresses. NZ is open to other triangular cooperation opportunities with China, but will not push for them' (Interview, Wellington, 10 December 2014). Merriden Varrall, a former UNDP senior representative in Beijing, argued that China's new Minister of Commerce, Gao Hucheng, who took up his post in March 2013, has 'preferred a more cautious approach to trilateral cooperation, and wanted to see evidence of success with the existing projects before approving new initiatives' (2016, 28). According to Dr. Varrall, Minister Gao's conservative and risk averse manner meant that MOFCOM's enthusiasm for trilateral aid cooperation 'distinctly waned' especially towards cooperation with traditional donor states (ibid.). Some UNDP officials have argued recently, however, that MOFCOM has become more active in exploring trilateral aid cooperation with the UNDP since late 2015 in order to materialise the South-South Cooperation Fund pledged by President Xi at the UN Summit in September of the year (Interview, Canberra, 29 June 2016).

The Chinese government is still assessing the effectiveness of its pilot trilateral aid projects. Its attitude toward future cooperation is not yet fully formed and some confusion and uncertainty remains. A senior Chinese aid official told me that China intended to learn more from the traditional donors' aid practices, but MOFCOM doubts whether this can actually be achieved because its involvement in the process of trilateral aid projects is so limited (Interview, Beijing, 4 August 2015). Although China and traditional donors have started pilot trilateral projects, substantial differences between their aid policies remain and further engagement to boost understanding is expected from both sides.

Moreover, China and traditional donors are still confining their trilateral cooperation to less sensitive areas such as agriculture, public health, food security and technical training. These areas are more acceptable to the Chinese side and make cooperation more feasible. For instance, health seems to be a potential area for China-US trilateral aid cooperation including in Africa. Scholars from China and the US such as Deborah Bräutigam and Vice-President of the China Institute of International Studies, Liu Youfa, propose that the two superpowers could cooperate in this area (Freeman III and Lu Boynton 2011, 11, 15). David H. Shinn argues that cooperation in the health sector in Africa is less likely to cause political conditionalities from the US and thus will avoid potential objections from African countries (Shinn 2011). Trilateral cooperation beyond these areas could be difficult to initiate at this stage. Equally important, China has repeatedly conveyed the message to traditional donors that recipient countries' support is a precondition for China's endorsement of trilateral

cooperation. If recipient countries initiate and propose trilateral projects to China, it will be more likely for China to approve them. Some officials from recipient countries have already complained that they were not consulted adequately in respect of, for instance, the European Union's plan for trilateral cooperation in Africa (Wikileaks 2010).

As China is familiarising itself with trilateral aid cooperation through the pilot projects, it is quite possible that China will continue to experiment with the current crop of 'familiar' traditional donor states and multilateral development agencies. It is likely that they will expand trilateral cooperation into more areas and with more donors. For instance, building on their recent trilateral cooperation on agriculture in Timor-Leste and the joint training of Afghan diplomats, armies from China and the US conducted the Disaster Management Exchange program in November 2015, which USAID said could 'advance coordination in humanitarian disasters taking place in a third country' (USAID 2015e, 4). China and the US are also exploring their trilateral aid cooperation in the area of health (Interview with senior Chinese aid official in health, Beijing, 26 August 2015).

Trilateral aid cooperation between China and the UNDP is expected to grow as the two sides have shown interest in testing different types of trilateral cooperation and expanding this modality. Similarly, China–UK trilateral cooperation is also expected to grow. As early as 2006, UK's Department for International Development launched a formal dialogue with China on development cooperation. The UK Parliament endorsed this engagement, believing it was embedded within the UK's wider strategy for China: 'getting the best for the UK from China's rise; fostering China's emergence as a responsible global player; and promoting sustainable development, modernisation and internal reform in China (UK Parliament 2009, 36). In October 2010, the UK's International Development Secretary Andrew Mitchell told the media, 'We are looking to work very closely with China' as a high priority for the UK government because this will enable the UK to 'do much more to speed up development in Africa' (Hawksley 2010). A more recent development of China's trilateral cooperation relationships is that China and France are exploring opportunities for trilateral aid cooperation, and one such symposium was held in Beijing in April 2016. China's Assistant Foreign Minister Liu Haixing highlighted at the conference that, 'To carry out trilateral cooperation between China, France and African countries conforms to the trend that nations promote cooperation of mutual benefits and strengthen interest integration to realise common development in the context of economic globalisation' (MFA 2016a). It is likely that China will partner with more traditional donors in the future.

In terms of recipient countries, their initial request for such assistance will be a critical factor for China in determining whether it delivers aid bilaterally or trilaterally. It can be expected that China will do more trilateral aid cooperation in recipient countries who are struggling with aid coordination and expressing a desire to boost aid coordination between China and traditional donors. Recipient countries that see more advantages in using Chinese aid to increase their leverage with traditional donors will prefer to receive bilateral aid from China rather than supporting trilateral cooperation. China is unlikely to undertake trilateral projects in these countries. This explains why a senior Chinese aid scholar commented, 'China will not conduct trilateral aid cooperation for the sake of cooperation itself if it comes at the expense of its relations with other developing countries' (Interview, Beijing, 30 August 2015). A possible way to identify trilateral aid cooperation is through identifying recipient countries that have interests in this kind of cooperation. David H. Shinn suggests that the US and China will identify countries like Liberia, that seem to welcome trilateral cooperation, and focus on these countries (Shinn 2011).

3. Chinese aid reform and trilateral cooperation

Trilateral aid cooperation is just one manifestation of Chinese foreign aid reform. To some extent, the future of Chinese trilateral cooperation also depends on the Chinese government's continued willingness to pursue aid reform. Therefore, it is worth elaborating on recent trends in Chinese aid reform.

In the short term, it is most likely that China will continue to increase foreign aid for the benefit of its economic, political and global image interests. China is likely to align its aid program with recently announced initiatives such as the Asian Infrastructure Investment Bank, the Belt & Road Initiative and the BRICS New Development Bank. It is also expected to link its foreign aid to the implementation of Sustainable Development Goals in developing countries.

China's poverty reduction at home and foreign aid provision, two seemingly different themes, are interrelated. China's own experience in eradicating poverty can be shared with other developing countries, though to what extent it can work in culturally diverse settings is debatable. In addition, the international acknowledgement of China's efforts to reduce poverty at home and abroad is deemed conducive, by the Chinese government, to its global image building, and strengthened their interests in development assistance. As a senior Chinese scholar who preferred to remain anonymous revealed, 'Chinese President Xi Jinping was credited for China's incredible

contribution to achieving the Millennium Development Goals during the 2015 UN Summit [he was quite happy with this], which in turn reinforced China's commitment to poverty reduction at home and abroad' (Conversation with Chinese scholar, Canberra, February 2016).

This can be demonstrated by the convening of two highest-level conferences soon after President Xi's trip to the UN. On 23 November 2015, the Political Bureau of the Central Committee of the Communist Party of China (CPC), the top decision-making organ in China, held a special conference on poverty reduction, a rare engagement with this issue at such a high level in China. The conference issued the *Decision on Winning the Tough Battle on Poverty Reduction*¹² and also pledged to implement strict accountability for government officials (Xinhua 2015c). In less than one week, the National Conference on Poverty Reduction was held in Beijing which was attended by all seven members of the standing committee of the CPC political bureau and governors from all the provinces, the highest level in history. President Xi instructed government officials at all levels to 'carry out more targeted and precise measures' to lift the remaining 70 million poor people out of poverty by 2020 (Xinhua 2015a).

On December 15, 2015, the China State Council held a news briefing on poverty reduction in China's 13th Five-Year Plan. Liu Yongfu, Director of the China State Council Leading Group Office of Poverty Alleviation and Development responded to a question raised by Reuters on why China is providing foreign aid while it has more than 70 million people live in poverty at home. As a main decision maker on China's poverty reduction¹³ and international exchange on poverty reduction, his answer sheds some insight on understanding China's motivations behind aid:

China is a developing country and also a responsible great power ... While doing our own things well, we are supporting other [developing] countries by sharing our experiences even piloting poverty reduction within our capacity. We believe it is the right thing to do as we are a permanent member of the UN Security Council, the second largest economy in the world and a responsible great power (State Council 2015).

¹² President Xi's new approach to poverty alleviation such as targeting the individual, employing the whole of government (not just the poverty alleviation bureau) and using a lot of military metaphors, does mark a break with previous approaches, which targeted poverty counties and later poverty villages.

¹³ Although China's poverty reduction at home and its foreign aid delivery are two separate issues, they are related to some extent. Many of China's foreign aid practices take roots in its poverty reduction at home. For instance, as will be mentioned later in this chapter, China's emphasis on aiding infrastructure projects in recipient countries comes from its experience of economic development at home.

Also, it is safe to say that China will not embrace all western aid norms and abandon its own. The main reason is that China will still hold tightly to its identity as a developing country, from which China has reaped and will continue to reap tremendous benefits. This identity will help China lobby for support from other developing countries including at the UN when disputes arise between China and the developed countries. As a result, it is least likely China will join the OECD in the short term even though it is now the second largest economy. Ye Jiang, Director of the Institute for Global Governance Studies from Shanghai Institutes for International Studies said:

China can play a role as a bridge between the South and the North, but will not become a member of OECD as the rich's club. China still sticks to the principle of 'common but differentiated responsibilities' in development cooperation. China will never commit to DAC's 0.7 per cent GNI target, as there is still a big poor population at home.¹⁴

In recent years the OECD has strengthened efforts to engage with China such as establishing the China–DAC study group and providing training for Chinese officials, as discussed in Chapter Three. This engagement is paying off for the OECD. China has demonstrated more readiness to cooperate with the OECD. In July 2015, China's Premier Li Keqiang became the first Chinese leader to visit OECD headquarters in Paris. During the visit, China agreed to join the OECD Development Centre, which represents itself as a platform to find solutions to stimulate growth in developing countries, and pledged to 'share the development experience with other members of the OECD Development Centre and promote global economic growth' (Chen 2015). OECD Secretary-General Angel Gurría credited this agreement as 'a historical and transformative opportunity for mutually beneficial knowledge-sharing [between China, OECD, and other developing countries]' (OECD 2015b). China has also agreed to accept the OECD Policy Coherence for Sustainable Development, a policy tool to integrate the various dimensions of sustainable development into policy-making and to ensure they are mutually supportive (OECD 2015a, 24). This has the potential to improve development coordination between China and OECD members in other developing countries.

Though encouraging, over-interpretation of China's membership needs to be avoided. In addition to 26 members of developed countries, another 22 developing countries including India and Brazil joined the OECD Development Centre prior to

¹⁴ Presentation at the 2016 Australasian Aid Conference at The Australian National University, 10 February 2016.

China. As a senior Chinese aid official reminded me, the OECD Development Centre is totally different from the OECD because the task of the former is about development research, much of which focuses on developing countries (Interview, Beijing, 4 August 2015). Moreover, as a senior Chinese scholar revealed, although the OECD sent an invitation to President Xi Jinping to visit its Paris headquarters during his visit to France in May 2015, China wanted to refrain from being too close to the OECD, and therefore it was Premier Li who visited OECD as a compromise. While significant, China sent its Premier and not its President thereby signalling that this relationship did not yet merit a visit from the country's most senior leader (Conversation, Canberra, February 2016). A former senior Chinese aid official noted that China would not consider joining OECD DAC in the short term (Interview, Beijing, 1 September 2015).

The OECD case also indicates that neoliberalism theories, as mentioned in Chapter Two, are insufficient to explain China's endorsement for trilateral aid cooperation. These theories tend to focus on the roles of international institutions in promoting cooperation among member states. However, as discussed above, China is still cautious about its engagement with the OECD. It has consciously kept its distance from this organisation. By staying out of OECD DAC, China is not bound by their regulations on aid delivery. To put it another way, China's adoption of trilateral partnership in aid delivery is not a result of international institutions such as OECD DAC.

Will China continue its aid reform?

The process of aid reform has already started and is expected to continue. As China increases its foreign aid spending, it has paid more attention to the quality and impact of its aid. The Chinese government has become more conscious of the weaknesses in its aid delivery systems and has started to take remedial measures.

Infrastructure is a main area of concern. Li Xiaoyun and Wu Jin from the China Agricultural University argued in 2009, 'The West's criticism on this issue [China's over-emphasis on infrastructure projects] is reasonable to a great extent. China should pay attention to this issue in its aid to Africa' (Li and Wu 2009, 53). Despite the criticism, however, infrastructure is most likely to continue to be the focus of Chinese aid. One reason is that China has a comparative advantage in this field in terms of cost and speed. Infrastructure projects are often large in scale and also provide opportunities for China to export its equipment, building materials and workforce. In addition, new initiatives such as the Belt & Road initiative, the Asian Infrastructure Investment Bank and BRICS's New Development Bank concentrate on supporting infrastructure

Chapter Seven. Assessing China's Trilateral Aid Cooperation and Foreign Aid Reform construction in developing countries. As China's foreign aid policy is subordinated to wider foreign policy considerations that have a distinct economic and domestic character, a large proportion of Chinese foreign aid will likely be used to complement and support these new initiatives.

Another reason relates to the philosophy of the Chinese government that originated in China's own development experience. The Chinese government sees infrastructure improvement as the first step for poverty reduction and economic development. It has formed an important component of China's own economic development plans. Even nowadays, infrastructure building remains a crucial tool to bolster economic development in China's western regions. The proverb that 'to be rich you have to start by building a road' (*yao zhi fu, xian xiu lu*) has become embedded in the mindset of Chinese officials and civilians. This slogan is still daubed on the outside of many houses in rural China. As Wang Xiaoling, Division Director from China International Poverty Reduction Centre emphasised, one of the important lessons China gained from its past experience of lifting about 600 million Chinese citizens out of poverty is China's reliance on development-oriented poverty reduction (Wang 2014).

However, while continuing to highlight infrastructure, the proportion of Chinese aid in welfare-related projects such as agriculture, health, education and technical training is expected to grow. The Chinese government is increasingly conscious of criticism of its over-emphasis on infrastructure projects, and also becoming more economically capable of increasing the proportion on welfare-related projects. China will also explore new types of aid partnerships. For instance, during President Xi's visit to the US in September 2015, Zhang Xiangchen, Deputy China International Trade Representative (vice-ministerial level at MOFCOM) and Bill Gates signed an MOU on development cooperation. Based on this, the Chinese government and the Bill & Melinda Gates Foundation pledged to promote development cooperation in the areas of agriculture and health in Africa (Chen Yi 2015). This sends a positive signal that China is more open to working with leading global private foundations on aid cooperation.

Similarly, China will pay more attention to the environmental and corporate social responsibility issues surrounding its companies as Chinese aid contractors. David Dollar argues that 'China, in general, does not subscribe to global standards of environmental and social safeguards' (2016, 4). To urge Chinese companies to honour their social responsibilities overseas, a number of guideline documents have been issued jointly by MOFCOM and the Ministry of Environmental Protection, including the 2013 Guidelines for Environmental Protection for Overseas Investment and Cooperation, as

mentioned in Chapter Three. Though this guideline is not binding, companies breaching environmental protection laws in recipient countries will face penalties from their headquarters in China. More similar documents are likely to be issued. However, the ‘principal-agent dilemma’ will remain. While the Chinese government highlights its strategic and global image interest in providing foreign aid, the Chinese aid companies will continue to prioritise their own economic benefits. Therefore, their short-term economic interest could have the upper hand in the competition against the long-term interest of the Chinese state on some occasions. Traditional donors face a similar issue in using private contractors to deliver their aid where ‘boomerang aid’ is common.¹⁵ For instance, the Australian government has insisted that its aid program must be in line with Australian national interests and many aid projects are awarded to Australian private contractors (Aidwatch 2012). One difference is that, it is not mandated that a certain percentage of Australian aid be spent on Australian materials and equipment while in China’s concessional loan projects, no less than 50 per cent of materials and equipment are required to be purchased from China.

Will the Taiwan issue still matter?

The Taiwan issue, a sensitive issue in China’s diplomacy, will continue to be an important factor determining the modality and volume of China’s overseas assistance. It is reasonable that China provides foreign aid in order to consolidate its relations with other developing countries and maintain their support on the Taiwan issue. Again, a similar issue is faced by traditional donors such as Australia whose aid to African countries more than doubled between 2008 and 2012 when it was lobbying for a seat on the UN Security Council, while Australian aid budget for sub-Saharan Africa was slashed by 70 per cent in 2015–2016 (Colebatch 2012; DFAT 2016). Aid for such a purpose is provided and will continue to be provided bilaterally. Although the importance of the Taiwan issue in China’s foreign aid has dropped since 2008 due to a warming in relations between Mainland China and Taiwan, uncertainties remain.

With the Democratic Progressive Party, the party that favours Taiwan’s independence, winning a landslide victory in the presidential election in January 2016, diplomatic tensions between Taiwan and Mainland China are likely to intensify again

¹⁵ Many analysts have complained that much of traditional donors’ aid pledged to their countries have returned to the donors through means such as awarding the contracts to companies from donor states and paying the salaries for consultants from these countries. Some recipient officials and scholars in the Pacific have expressed similar concerns during my interviews in the region between 2013 and 2015.

Chapter Seven. Assessing China's Trilateral Aid Cooperation and Foreign Aid Reform and their competition in foreign aid will be repeated. China's re-establishment of diplomatic relations with Gambia—a former ally of Taiwan—in March 2016 was seen by some analysts as a resumption of the diplomatic battle across the Taiwan Strait (*Economist*, 26 March 2016). Should that happen, it would be more likely that China will favour bilateral rather than trilateral aid cooperation in the relevant countries.

The prospect for a 'China Aid Agency'

It is useful to reflect on the prospect of a 'China Aid Agency' in light of the move in many parts of the OECD such as Australia, Canada and New Zealand to get rid of separate aid agencies and integrate them with their Foreign Affairs' ministries. For instance, the Abbott government integrated AusAID into the Department of Foreign Affairs and Trade in September 2013, and announced a new aid paradigm which is in fact the old paradigm reincarnate with incremental changes such as the alteration to the geographical aid focus (Corbett and Dinnen 2015). Chinese aid officials and analysts acknowledge the complexity and inadequacies of the Chinese aid management system. Xu Weizhong, Director of the African Research Institute of China Institute of Contemporary International Relations and his colleague Wang Lei have argued that 'the fragmentation of aid funding and management has greatly compromised the efficiency of China's current inter-ministerial aid coordination system' (Xu and Wang 2015). They strongly recommend that China establish a separate aid agency (*ibid.*). A senior Chinese aid scholar revealed that MOFCOM's Department of Foreign Aid also supported the creation of a 'China Aid Agency' because its officials are overwhelmed by their current workload (Interview, Beijing, 30 August 2015). She also mentioned that some officials from the China Export-Import Bank also supported the integration of the fragmented Chinese aid agencies into a 'China Aid Agency' and the inclusion of concessional loans under this new agency (*ibid.*). Professor He Wenping from the China Academy of Social Sciences supported the idea of creating a 'China Aid Agency', because 'as Chinese foreign aid is growing fast, it means you are growing up, you are not able to put on the kid's clothes as you did before' (Interview, Beijing, 28 July 2015).

Despite such voices, it is unlikely that China will establish an independent aid agency, at least in the near future. Two main reasons stand out. First, MOFCOM does not want to relinquish control over the business of foreign aid particularly at a time when it is expanding (*ibid.*). Second, the general trend in China's domestic institutional reform is to streamline rather than create new agencies, which makes the establishment

of a new aid agency extremely unlikely (ibid.; Interview with two senior Chinese aid officials, Beijing, September 2015).

Will China attend donors' roundtable?

China has frequently been criticised for not attending donors' roundtable meetings on development cooperation in recipient countries. Uidon Chung, Deputy Country Representative of the Korean International Cooperation Agency in Dili, said he has never seen Chinese aid officials at such meetings. He joked that traditional donors were often overjoyed when he turned up at the roundtable meetings because they mistook him for a Chinese aid official (Interview, Dili, 28 January 2015). Based on my fieldwork in PNG, Timor-Leste and Cambodia, traditional donors and many aid officials from the recipient countries resent that China seldom attends the donors' roundtable meetings. A senior Chinese aid official gave the following reasons for this state of affairs:

China does not often attend this sort of donors' coordination meeting because traditionally China has been cautious. Normally, China will respond by saying that these meetings are not led by recipient countries. If the meetings are indeed led by recipient countries, for instance many such meetings are hosted by the Ministry of Finance in African countries, in general China will turn up, no matter whether it will speak or not. If the meetings are not led by recipient countries, China will not attend in most circumstances. This is because China normally will 'draw the line' believing it and developed countries belong to different camps. In addition, Chinese Economic and Commercial Counselor's offices in many countries are under-staffed. Individual officials from these offices often have varying attitudes towards this sort of donors' coordination meetings. This will also affect whether they will attend or not (Interview, Beijing, 4 August 2015).

The capacity of recipient governments in managing aid coordination will impact on China's attendance at such roundtable meetings. When they push hard, it is more likely that the Economic and Commercial Counsellor's office in China's embassy will send staff to attend these meetings, although how active they will be at the meeting is another question. This concurs with the findings of Matthew Dornan and Philippa Brant who examined Chinese aid to Vanuatu, Tonga, Samoa and Cook Islands, and argued that Chinese aid is better managed in recipient countries with better aid coordination systems such as Samoa and Cook Islands (Dornan and Brant 2014). However, the push from recipient countries is not a guarantee that China's representatives will show up at aid roundtables. Based on the author's personal observations during 2006 to 2008, staff from the Chinese Economic and Commercial Counsellor's office in Tonga did not participate actively in aid coordination meetings hosted by other donors or even by the

Chapter Seven. Assessing China's Trilateral Aid Cooperation and Foreign Aid Reform
Tongan Ministry of Finance. One main reason was that this office was understaffed and the only two staff members were already preoccupied with other work such as trade and investment promotion and hosting visiting Chinese delegations. Even in Samoa, where the Ministry of Finance led the aid coordination meetings, China rarely showed up, and if they did, they would often be late.¹⁶

4. Conclusion

To sum up, this chapter is an extension of the analysis in the previous three chapters. What makes this chapter different is that, it builds upon the findings from those three case studies and extends the discussion on China's trilateral cooperation, including its likely future development. An overview of China's trilateral partnership including the main features, China's official policy and bureaucratic arrangement are examined. It shows that China regards trilateral aid cooperation as a new thing and is expanding the test with caution. China, together with traditional donors, is following closely the progress of the pilot projects. As trilateral aid cooperation is a component of China's foreign aid reform, this chapter has also discussed some aspects of this reform process. It argues that China would continue to reform its aid policies and practices for the sake of improving its aid delivery. The Taiwan issue still matters and could heat up again. It is unlikely that a 'China Aid Agency' will be established in the near future and there is still much room for China to increase its participation in the donors' roundtable meetings in recipient countries.

¹⁶ This data is from one Australian scholar's interview with DFAT official, Apia, 18 November 2013.

Chapter Eight

Conclusion

This concluding chapter presents my reflections on the research undertaken for this thesis. Unlike the previous chapters, it steps back from the details of China's trilateral aid projects and focuses on two broad issues. The first is about theories of international relations (IR) and what light they may shed on China's evolving pattern of trilateral aid cooperation. The second is about the relationship between China's growing trilateral aid cooperation and that country's increasingly assertive diplomacy. Scope for future research on China's trilateral aid cooperation is also briefly discussed.

1. IR theories and aid

China's influence on global governance appears to be growing fast. New initiatives such as the Asian Infrastructure Investment Bank and the Belt & Road have gained significant attention globally and regionally. Being an integral part of China's imprint overseas, Chinese foreign aid has increased dramatically in the past decade, making the research on this topic timely and significant. Against this backdrop, the main research question of this project has been: what are the main factors driving China to conduct an increasing number of trilateral aid projects. This remains a noticeably understudied topic. In my analysis of this central question, some other closely related questions have lingered on in my mind and guided this research project: Should we bother to analyse China's trilateral aid cooperation? If so, how should we approach this phenomenon? Do some strands of IR theories have more analytical power than others in this case? If so, why?

During the thesis proposal defence in 2013 I was asked, 'How important is trilateral aid cooperation in China's foreign aid programme?' Looking back, it is fair to say that trilateral aid cooperation merits academic and policy attention not because its aid volume is substantial, but rather because it signals broader changes in China's overall aid policy. China's trilateral projects are small in both project numbers and aid outlay relative to its bilateral aid projects. Bilateral aid projects still dominate China's aid delivery and this trend seems likely to continue irrespective of the growth in China's trilateral aid cooperation. However, and as was asked in Chapter One, why has China undertaken trilateral aid cooperation despite the obvious differences in aid policies and practices between its own and those of the traditional donors? It is definitely not a trivial development because China's Ministry of Commerce, the main aid guardian, has been

heavily involved in the selection and management of most of these trilateral aid projects. This suggests to me that there is something more going on here that requires investigation and explanation. The analysis in this thesis indicates that China's trilateral aid cooperation is significant because it demonstrates that China can cooperate with traditional donors and that China is becoming more responsive to calls for cooperation from traditional donors. Meanwhile, the Chinese government, especially MOFCOM, is approaching this new aid modality cautiously and incrementally, and in a manner that is consistent with its larger—and evolving—aid and foreign policy priorities.

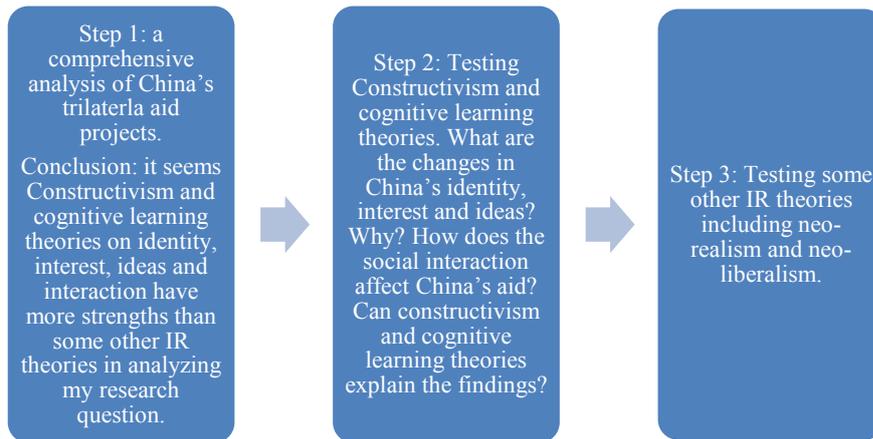
The second question follows from the first. If we accept that undertaking research on China's trilateral aid cooperation is worthwhile for the reasons provided, then what assistance can we get from the toolkit of international relations theories to help explain this phenomenon? As discussed in Chapter One, different strands of IR theory have been employed to explain foreign aid. Similar theories have been used in existing literature to analyse the motivations behind China's bilateral aid, as Chapter Two shows. As China's trilateral aid cooperation is a new and evolving development, a comprehensive analysis based on the available empirical evidence has not been undertaken in the existing literature. This means I needed to find the right theoretical tool by myself. On the other hand, however, it needs to be pointed out that this thesis is not primarily a theoretical thesis. It does not set out to explicitly contribute to theory building in IR or political science. Rather it sets out to investigate a significant and seriously under-researched area of aid policy and practice. Its originality and contribution is primarily in the new empirical material it brings to light, which is a main strength of this study.

Figure 23 is the roadmap of my analysis which leads to my adoption of a more eclectic approach. It is supported by Table 4 on research transparency in Chapter Two. This roadmap explains that I did a thorough desk review of China's trilateral aid projects. After careful consideration, constructivist theories and cognitive learning theories are employed and tested in this thesis including in Chapters three to six. These two strands of theory seem to have more strength than some other IR theories in addressing my research question and shedding light on the subtle relationship between China's evolving identities, national interests and ideas for external cooperation amid social engagement. They seem to have more capacity than other theories to explain China's adoption of trilateral aid cooperation with traditional donors. For instance, neorealism argues that nations are preoccupied with boosting their security against other nations in the anarchic international structure. In this framework, it is expected that

donor states will use foreign aid as a tool and deliver it bilaterally to maximise their own strategic and economic gains. Therefore, it will be unlikely that two rivals such as China and the US would seek to promote trilateral aid cooperation and share the dividend of aid delivery. However, even as strategic rivalry between China and the US is becoming increasingly visible in Asia and the Pacific, the two nations have committed to trilateral aid cooperation in Timor-Leste and elsewhere.

Neoliberalism is also insufficient to explain this phenomenon. Neoliberals argue that although cooperation among nations is difficult, the growth of international/regional institutions promotes inter-state cooperation. The problem is that China has insisted that its foreign aid is primarily about South–South cooperation, which is different from North–South cooperation. China is not a member of the OECD DAC and it has refrained from subscribing to many regional arrangements on development cooperation such as the Cairns Compact. Staying outside these institutions would, logically, make China’s development cooperation with traditional donors difficult. Therefore, in accord with neorealism, neoliberalism has difficulty explaining China’s participation in trilateral aid cooperation. On the contrary, constructivism and cognitive learning theories appear to have more explanatory power in shedding light on China’s willingness to explore trilateral aid partnership.

Constructivist and cognitive learning theories can also complement each other. As discussed in Chapter Two, constructivist theories and cognitive learning share much in common as they focus on identity, interests, ideas and interactions. While cognitive learning derives from regime theory, a branch of IR theory, many constructivist scholars have developed their theories through empirical analysis of international regimes. The difference is that, constructivism focuses more on the relations between identity, interests and ideas, while cognitive learning theories concentrate more on interactions involved in the learning process. As a result, constructivist theories have been used in this thesis to explain how and why China’s identities, interests and ideas around development cooperation have changed, which led to China’s adoption of trilateral aid cooperation in recent years. Cognitive learning theories are useful for analysing what and how China has learned from traditional donors and the UNDP during their interactions around development cooperation, and also provide an important rationale for China’s preference for trilateral cooperation with these partners.

Figure 23. Roadmap of analysis

Source. Compiled by author from own analysis

These theories have passed the test in the analysis of this thesis, which is also a contribution of this research to IR theory. It lends further empirical support to constructivism and cognitive learning theories. From the perspective of identity, interest and ideas, this thesis has examined the evolution of China's calculation of national interests, both political and economic, as well as global image building. It argues that although China has three main identities—a socialist country, a developing country and a rising great power—the focus has shifted over time. China has given growing attention to its identity as a growing great power over the last decade. China is increasingly concentrating on global image building as a responsible stakeholder and the adoption and development of trilateral aid cooperation makes sense in this context with its emphasis on cooperation between China, traditional donors and developing countries. Analysis of China's evolving identity focus, interest calculation and perceptions on cooperation will enrich our understanding of China's foreign policy.

From the cognitive learning perspective, the thesis has reviewed the nearly four-decade long engagement between China and traditional donor states and UN agencies on development cooperation. China has had a dual experience as both an aid recipient and donor over this period. China's attitude towards UN agencies and traditional donor states has undergone a gradual and ongoing shift away from outright distrust to cautious and qualified trust. During this engagement, China has realised that development cooperation with UN agencies and traditional donor states brought both substantial financial resources and access to advanced technologies and new areas of learning for China's own domestic development. The cognitive learning process has also contributed to ideational change among Chinese aid officials as China has learned and continues to

learn from UN agencies and traditional donor states on how to reform and improve its own aid policies and practices.

In addition to the above two analytical perspectives, China's complicated bureaucratic system administering foreign aid has also been examined as the critical domestic institutional context for policy decision-making on aid and one that comprises diverse agencies with different priorities and positions on trilateral aid cooperation. It has shown that while China's Ministry of Foreign Affairs actively promotes trilateral aid cooperation, the Ministry of Commerce continues to take a more cautious approach. Other line ministries are broadly supportive of this new aid partnership. The China Export-Import Bank, the main provider of concessional loans, and Chinese state-owned enterprises—the main contractors for Chinese aid projects—have ambiguous attitudes. The divergent priorities of China's different agencies have determined their subtly distinct attitudes towards trilateral aid cooperation.

Building on the analysis from these three perspectives and the examination of three of China's recent trilateral aid projects—discussed in Chapters Four, Five and Six, the research concludes that China's adoption of trilateral aid cooperation has been the result of China's stronger desire for global image building as a responsible global power and for cognitive learning to improve its aid performance.

It is worth noting that the strength of constructivism and cognitive learning theories in explaining China's trilateral aid cooperation does not render other IR theories irrelevant in helping to explain China's overall approach to foreign aid. As mentioned earlier, it is most likely that bilateral aid will continue to dominate Chinese foreign aid. Bilateral aid has been used by the Chinese government as a diplomatic tool to serve its strategic and economic interest in many cases, as is the case with much OECD aid, which tends to flow to the former colonies of developed nations. Clearly neorealism, which highlights nations' competition for power and security, has substantial strength in explaining many cases of Chinese bilateral aid. For instance, China increased aid pledges to developing countries such as in Africa when it competed with Japan during the latter's bid for permanent UN Security Council membership in recent years. Another example is that China has provided a large amount of aid to woo ASEAN members such as Cambodia and Laos when its territorial disputes in the South China Sea have heated up in recent years. These two cases seem to be better explained by neorealism theories. Also, as explained in Chapter Three, material interest remains an important factor for Chinese stakeholders such as state-owned construction contractors in deciding whether they prefer to deliver aid bilaterally or trilaterally.

Does China's participation in trilateral cooperation arise from instrumentalism or a genuine, though gradual, acceptance of western aid norms or a mixture of the two? The research argues that it is largely a mixture of both. Strategically, China is intentionally putting more emphasis on its identity as a growing great power and on its national interest in global image building. Therefore, China is selectively piloting trilateral aid cooperation in order to improve its image as a responsible and cooperative stakeholder in global affairs. Technically, China also has a strong desire to improve its aid practices by learning from traditional donor states and multilateral development agencies with demonstrated expertise in areas that it lacks. This is a result of China's cognitive learning experience with these partners on development cooperation since the 1970s. China's ideas on development cooperation with these traditional donor partners have changed and become more positive. Trilateral aid cooperation became an important way for China to continue the learning process, although 'What to learn' is filtered by the Chinese party-state, which defines what knowledge is deemed 'appropriate' and 'needed'.

2. Trilateral cooperation and foreign policy

The categorisation of foreign aid as part of Chinese foreign policy is worth further discussion. On the one hand, China is conducting an increasing number of trilateral aid cooperation projects with developed western countries. This demonstrates China's willingness to engage in cooperative partnership on many global issues rather than overthrow the traditional system. As Stuart Harris argues in his latest book, 'China shows little sign of wanting to move away from the existing international system or to change substantially the global order' (2014, 183). In the development cooperation arena, for example, China insists that South–South cooperation complements rather than replaces North–South cooperation.

However, a closer look at some of China's diplomatic decisions in recent years seems to indicate otherwise. The most notable examples relate to China's growing disputes with neighbouring countries around the East China Sea and South China Sea. China's foreign policy is becoming more assertive, as seen in the establishment of Air Defense Identification Zones, the building of artificial islands in the South China Sea and Foreign Minister Wang Yi's outburst in Canada in June 2016 declaring questions about China's human rights record to be 'arrogant' and 'unacceptable'. Neorealist theories that focus on a nation's pursuit of power and security appear to be in a better position to explain this type of state behaviour.

In reviewing these seemingly opposing trends, is it inconsistent or contradictory that China seems to be supportive of cooperation on the one hand while favouring confrontation on the other? Does China still care about its global image in conducting foreign relations? Does my finding that China participates in trilateral aid cooperation partially to build its global image still stand? Will Chinese trilateral aid cooperation be sustainable amid these growing strategic tensions with other countries?

China has been selective on cooperation in its foreign policy. As China's national capacity has increased rapidly thanks to the nearly four decades of spectacular economic growth, China naturally seeks to expand its national interest. To some scholars such as Katherine Morton, China's ambition in the South China Sea is to achieve its self-proclaimed rightful status as a maritime nation rather than to achieve maritime hegemony (Morton 2016). The current tensions focus on issues of territorial disputes which are classified as China's 'core interests' (*hexin liyi*) (State Council 2011a). These disputes revolve around historical issues that have become more pronounced in recent years. In addition, growing nationalism in China and the other countries involved in the disputes intensifies the strain.

Therefore, it is likely that tension around issues of China's 'core interests' will continue and even escalate. It could have some negative impact on the prospect of Chinese trilateral aid cooperation with countries involved in the disputes. However, and on a more optimistic note, Chinese trilateral aid cooperation could also continue to grow because the tension between China and some other countries in sensitive areas requires more, rather than less, cooperation to enable the deepening of their broader bilateral relations. As Wang Jisi, Dean of the School of International Studies at Peking University, argued, 'China will have to invest tremendous resources to promote a more benign image on the world stage' (2011a). Foreign aid is a relatively less sensitive area of foreign relations and aid cooperation in areas such as agriculture, and health is even less problematic. Trilateral aid cooperation in this case has the potential to reduce the tension between China and partner countries such as the US in sensitive areas. To some extent, trilateral aid is playing the role to ease the anxiety of traditional donors over China's rise.

Unlike China's trilateral aid cooperation and its territorial disputes, based on my observations, Chinese initiatives including the BRICS New Development Bank, AIIB and the Belt & Road could have two interpretations. Some analysts may view these initiatives, especially those of BRICS New Development Bank and AIIB, as a direct challenge to the influence of existing providers of development finance, particularly the

World Bank and the Asian Development Bank. However, in addition to exporting China's oversupplied capacity in manufacturing, these initiatives could also be seen as part of China's efforts to demonstrate its growing global responsibility alongside its increasing economic power, which is linked to China's attempt to build a better global image.

A final point worth brief discussion is that, although foreign aid is an important component of China's foreign policy, economic activities and investment remain the central task in the minds of Chinese leaders. This explains why the Chinese government has invested far more resources in promoting projects such as the Belt & Road initiative than in its foreign aid budget. China's adoption of trilateral aid cooperation in some cases demonstrates its growing attention to global image and the stronger desire to use this modality for learning. However, this does not mean that China is willing to sacrifice its core economic interests. This is why bilateral aid still dominates China's aid delivery and this trend is likely to continue.

3. Scope for future research

Before concluding, it is important to admit that the analysis in this thesis has some limitations. While the thesis has process-traced and analysed China's aid evolution and its trilateral aid cooperation, a lot more research remains to be done. Although my conceptual framework has been focused on relations between identity, interest and idea changes, the origin of China's identity change has been touched on only briefly. This is a complicated issue, which deserves a separate thesis in itself. In addition, fieldwork for this research focused on the Asia–Pacific region. My interviews with Chinese stakeholders and archival research have also covered some examples of Chinese trilateral cooperation in Africa. However, more direct engagement with African stakeholders would enrich future research. Moreover, as mentioned earlier, most Chinese trilateral aid projects are either ongoing or were finished recently. As a result, this research does not include much longitudinal data, nor can it draw on project evaluations, although some tentative assessment was undertaken in Chapter Seven.

As Chinese trilateral aid cooperation is still new and in the pilot stage, more data needs to be collected in future as existing projects evolve and new projects are launched. More in-depth case studies need to be done to enrich our understanding of the motivations behind China's aid program. More assessment of the effectiveness of trilateral aid cooperation will be needed to justify its continued existence and further expansion. It is not unthinkable that China may one day abandon this aid modality.

Comparative studies between Chinese bilateral aid and trilateral aid, and between Chinese and non-Chinese trilateral cooperation also deserve more academic attention. Another outstanding question is, how China, traditional donors and recipient countries can play their respective roles well for the effectiveness of trilateral partnership. For instance, Vasiliki Papatheologou at Renmin University of China examined briefly the China–EU–Africa trilateral aid cooperation and argued that China and the EU need to address challenges in cooperation and Africa countries need to play a bigger role (Papatheologou 2014). However, the analysis is too thin, and more empirically based analysis is required. Research in the future to fill these gaps could facilitate a better understanding of China’s trilateral aid cooperation.

Due to the complexity of donors’ motivations, caution needs to be applied in generalising these research findings. As a Chinese aid official who has been deeply involved in trilateral aid cooperation reminded me:

The motivations behind each trilateral aid project might vary. The motivation behind one particular project might not be able to apply to the other. For instance, trilateral aid cooperation between multilateral development agencies and China’s Ministry of Science and Technology may have randomness. On some occasions, multilateral development agencies need to spend some money [before the end of the financial year] but do not know how to do that, so they approach China for cooperation [in order to spend the money] (Interview, Beijing, 20 August 2015).

Looking into the future, what will China’s foreign policy look like? Zheng Bijian, a long-time senior advisor to the Chinese leadership who coined the term ‘Chinese peaceful rise’, argued that China ‘must gradually broaden different types of ‘convergence of interests’ and build ‘communities of interests’ with neighbouring countries and surrounding regions, as well as with all relevant countries and regions’ (2013, 10). These ideas have been absorbed into China’s foreign policymaking practices. For instance, Chinese President Xi Jinping said at the 2014 Central Conference on Work Relating to Foreign Affairs, the highest-level arena to discuss China’s diplomacy, ‘China needs to do well in its diplomacy with neighbouring countries to build “communities of common interests”’ (Xinhua 2014a). Obviously, trilateral aid cooperation has become part of China’s diplomatic efforts to promote such ‘convergence of interests’ and ‘communities of interests’. However, can China really achieve this ambitious objective? Is trilateral aid cooperation between China and traditional donor states or international organisations really a promising new trend—a question mentioned in the title of this thesis? A Chinese agricultural aid official expressed his optimism as follows:

Developed countries have the enthusiasm to consolidate and extend their cooperation with China. China has the capacity to participate in trilateral aid cooperation. For recipient countries, they have the need to use foreign aid [whether in bilateral or trilateral form] to support national development. In this context, China's trilateral aid cooperation will have a bright future (Interview, Beijing, 21 August 2015).

In the end, what will China's trilateral aid cooperation be like? Let us wait and see!

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