

On 10 July 2014, China's Information Office of the State Council released its second [White Paper on Foreign Aid](#). China's first white paper, [released in April 2011](#), offers an overview of Chinese foreign aid from 1950 to 2009. The new white paper provides an update of Chinese aid for the period 2010–2012. In this *In Brief* I compare Chinese aid data across the two white papers.

It needs to be cautioned that, while the second white paper focuses on a three-year period, the first white paper covers a much longer time frame without disaggregating data into shorter periods, making exact comparison difficult. Even if the official figures on China's aid from 2010 to 2012 are low compared to some recent estimates on the amount of Chinese development assistance (Pryke and Howes 2014), they are high compared to Chinese aid from 1950 to 2009. It is certain that the growth in Chinese foreign aid has maintained its momentum in recent years.

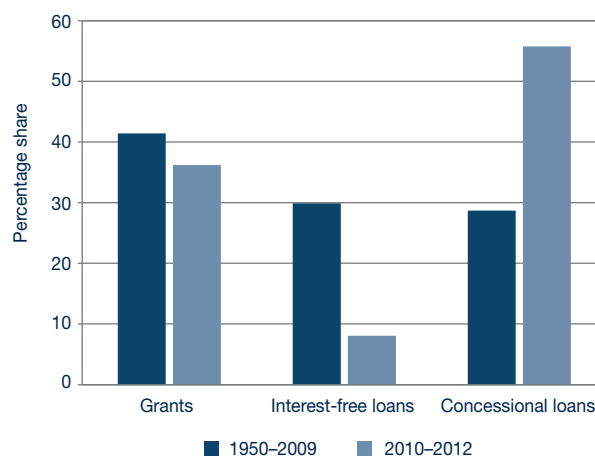
## Impressively Rapid Growth

Chinese cumulative foreign aid from 1950 to 2009 reached 256.29 billion yuan<sup>1</sup> (US\$41.7 billion), while Chinese aid from 2010 to 2012 was 89.34 billion yuan (US\$14.53 billion), more than one-third of its cumulative aid for the six decades prior to 2010. By the end of 2012, China had provided 345.63 billion yuan (US\$56.22 billion) in aid, of which the period 2010–2012 accounted for 25.8 per cent.

## Drastic Change in Aid Components

From 2010 to 2012, there was a big increase in concessional loans, which accounted for over half of Chinese aid, and a big fall in interest-free loans, which accounted for less than 10 per cent (Figure 1). Compared with grants or interest-free loans, the use of concessional loans expands the scope of Chinese foreign aid as it raises funds from the market. It reduces the financial burden on the Chinese government as it only covers the interest difference between concessional and commercial loan rates. The recipient country is required to pay back the debt. Although in practice some concessional loans are changed to grants and forgiven, they are to a lesser extent compared with the write-off of interest-free loans (Davies et al. 2008, p. 13). The focus of concessional loans on productive projects and infrastructure is meant to strengthen the revenue-generating capacity of the

Figure 1: Components of Chinese foreign aid, 1950–2012



Source: Collated by author based on China's two white papers on foreign aid.

recipient country and its ability to pay back the debt. These advantages explain why this form of aid has grown in importance since 1995, as China is facing greater demand for aid from the developing world.

## Africa and Asia as the Main Focus

From 2010 to 2012, China provided aid to 121 countries: 51 in Africa, 30 in Asia, 19 in Latin America and the Caribbean, 12 in Europe and 9 in Oceania. Africa and Asia continued to be the two largest recipients of Chinese foreign aid. Aid to Africa accounted for over half of Chinese aid in the period, while Asia accounted for nearly one-third of the total. The consistency of Africa and Asia as top priorities for Chinese foreign aid highlights the ongoing significance of the regions to China from both political and economic perspectives. The proportion of Chinese aid to other regions remains small. For instance, China's aid to Oceania accounted for 4.2 per cent of its aid over the period 2010–2012. Since the inaugural meeting of the China–Pacific Island Countries Economic Development & Cooperation Forum in 2006, China has trained over 2500 officials and technicians from Pacific island countries.

## Similar Forms of Aid, Big Increase in Numbers

Compared with Chinese aid over the period of the first white paper, from 2010 to 2012 China offered aid in similar forms including complete projects, goods and

materials, technical cooperation, human resources development cooperation, medical teams, volunteer programs, emergency humanitarian aid and debt relief. However, the numbers of aid projects in most of these categories experienced considerable increases (Table 1).

**Table 1: Categories of Chinese aid offered from 1950 to 2012**

Category	1950–2009	2010–2012
Complete projects	2,025	580
Human resources training	120,000	49,148
Medical teams	21,000	3,600
Youth volunteers	7,995	7,000
Chinese scholarships	70,627	76,845

Source: Collated by author based on China's two white papers on foreign aid.

## Growing Engagement in International Cooperation

China has actively supported multilateral development organizations. From 2010 to 2012, China donated about 1.76 billion yuan (US\$286.3 million) to international organisations such as the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization to promote poverty reduction, food security and trade in other developing countries. China has strengthened dialogues on aid policies and practices with traditional donors such as the United Kingdom, Australia and Switzerland. In addition, China has conducted a growing number of trilateral aid cooperation programs on a pilot basis. For instance, China and the UNDP successfully conducted a project on cassava cultivation in Cambodia and are currently working on the promotion of cassava export in Cambodia. In March 2012, China signed a Funds-in-Trust Agreement with UNESCO to support education infrastructure in Africa.

## The Message Between the Lines

There is improvement in this second white paper compared with the first version in 2011. More detail is provided on each category of aid, including agriculture, education and public health. The release of a second white paper in itself indicates more openness. Moreover, China has signalled willingness to conduct development cooperation through trilateral projects

(see *In Brief* 2014/23). China's increasing engagement in development cooperation is encouraging news at a time when the international aid regime is facing growing uncertainty with the rise of (re)emerging donors. Trilateral cooperation has the potential to bridge South–South and North–South cooperation, which serves the interests of traditional, (re)emerging donors and recipient countries.

What remains missing in the new white paper is information on Chinese aid to individual countries, disaggregated data in short periods and details of a forward-looking strategy, if such a strategy exists. More information in this regard will help better understand Chinese foreign aid and reduce suspicion of China's ambitions.

Based on trends that can be discerned from the white papers, we can expect that in the near future at least, Chinese foreign aid will continue to grow rapidly, in line with the growth of China's economy. China will continue to frame its aid as South–South development cooperation. Africa and Asia will continue to dominate the Chinese foreign aid landscape. And China will gradually demonstrate more enthusiasm for cooperation with traditional donors, as 'crossing the river by feeling the stones' is always a popular philosophy in China. What we need is more patience.

## Author Notes

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## Endnote

- 1 Yuan is the unit of Chinese currency. Around 6.147 yuan equalled one United States dollar on 11/7/2014.

## References

- Davies, M., H. Edinger, N. Tay and S. Naidu 2008. *How China Delivers Development Assistance to Africa*. Stellenbosch: Centre for Chinese Studies, University of Stellenbosch.
- Pryke, J. and S. Howes 2014. China's New Aid White Paper and Its Surprisingly Small Aid Program. *Devpolicyblog*, 11 July. <<http://devpolicy.org/in-brief/chinas-new-aid-white-paper-and-its-surprisingly-small-aid-program-20140711/>>, viewed 11/07/2014.

