

Comparing China's and Taiwan's Aid to the Pacific

Denghua Zhang

In Brief 2019/20

In September 2019, after 36 years, Solomon Islands severed its diplomatic relations with the Republic of China (hereafter Taiwan) and established formal relations with the People's Republic of China (hereafter China). A Solomon Islands parliamentary bipartisan task force¹ had reviewed relations with China and Taiwan and recommended the diplomatic switch, arguing that 'Solomon Islands should not bet on Taiwan's assistance' (Solomon Islands Government (SIG) 2019:33) and that 'Solomon Islands stands to benefit a lot if it switches and normalize diplomatic relations with PRC' (ibid.:68). Clearly foreign aid is a central theme in the diplomatic game. This paper provides a brief comparison of aid from China and Taiwan especially to the Pacific Island countries (PICs).

Background on Chinese and Taiwanese aid

Chinese aid started in 1950 when the country provided in-kind donations to North Korea and Vietnam. In April 2018, China established an independent aid agency — the China International Development Cooperation Agency (CIDCA). This vice-ministerial organisation coordinates aid management for more than 30 Chinese government agencies. The ministries of foreign affairs, commerce and finance are the three main players that offer advice to CIDCA, but the National Development and Reform Commission also influences Chinese aid because it coordinates the implementation of the Belt and Road Initiative (BRI) — a key focus of CIDCA. The China Export-Import Bank is also heavily involved as it controls Chinese concessional loans. In response to growing concerns about Chinese aid, China's State Council released two white papers on foreign aid in 2011 and 2014 that provide a brief history of Chinese aid and the volume of aid granted between 1950 and 2012. However, the breakdown of aid spending by year and recipient country, which is needed for analysts and the general public to understand Chinese aid, is missing. China does not have a comprehensive law covering its foreign aid. Instead, a handful of regulations pertains to Chinese aid delivery, especially the Measures for the Administration of Foreign Aid, adopted in 2018.

Taiwan started to provide foreign aid when it dispatched

its first agricultural technical mission to Vietnam in 1959. Taiwan's aid is mainly distributed through the Ministry of Foreign Affairs (MOFA) and the executive platform — the International Cooperation and Development Fund (ICDF) — created in 1996 as a specialised aid management agency. Although several ministries are involved in the implementation of Taiwan's aid, they must coordinate with MOFA and ICDF. In terms of transparency, MOFA has created a [database](#) of Taiwan's foreign aid since 2010 and releases information on its yearly aid spending, but the figure for each recipient country is unavailable. In 2009, Taiwan issued its first and only white paper on foreign aid, in an effort to increase aid transparency and accountability. In 2010, Taiwan passed the Act for the Establishment of the International Cooperation and Development Fund to guide aid delivery.

In terms of aid volume, Chinese aid to PICs [totalled](#) US\$1.05 billion between 2011 and 2016, which is nearly four times Taiwan's cumulative aid (US\$271 million). However, given the larger populations of the Pacific states that recognise China, the [per capita aid spending](#) of China in the Pacific is US\$108, which is less than half of Taiwan's per capita aid spending (US\$237) in the region.

Motives for providing aid

Competition for diplomatic recognition, rather than moral or humanitarian obligations, has driven China and Taiwan's aid programs in the Pacific. Aid has been used as a tool for both sides to garner support. China insists its aid to recipients should be understood in terms of South-South cooperation and is mutually beneficial. The Chinese government regards PICs as part of the greater periphery in its diplomacy and the southern extension of the BRI. The China–Oceania–South Pacific [blue economic passage](#) is seen as part of what is termed 'the 21st century maritime silk road' that will travel southward from the South China Sea into the Pacific.

Besides bolstering its diplomatic relations, Taiwan's white paper on foreign aid emphasises that providing foreign aid is a means for Taiwan, which was once a beneficiary of foreign aid from the United States and Japan among others, to give

back to the international community and also to share Taiwan's developmental experience with partner countries. Given four of Taiwan's remaining 15 diplomatic allies are from the Pacific, the importance of the region to Taiwan is self-evident. Taiwan has been seeking to strengthen relations with PICs through its [New Southbound Policy](#) introduced by President Tsai Ing-wen in 2016 and to highlight the shared cultural and linguistic links between the two sides.

While the lion's share of China's and Taiwan's aid goes to their diplomatic allies, both also provide a limited amount of aid to countries with no diplomatic ties. Since 2008 China has offered 10 (increased to 20 in 2017) scholarships to all 14 PICs through the Pacific Islands Forum (Zhang and Marinaccio 2019:1). Similarly, Taiwan funds the Taiwan/ROC-PIF Scholarship Scheme for all PICs. In 2018, Taiwan donated computers to Papua New Guinea's APEC Coordination Authority in preparation for the APEC Summit and announced the establishment of a US\$2 million special fund for medical assistance to all PICs. Taiwan has also provided technical support to Fiji in aquaculture production and vegetable marketing.

Types of aid

Bilateral aid dominates aid from China and Taiwan to the Pacific region. The majority of Chinese aid goes into large-scale infrastructure projects in the form of concessional loans such as the US\$46 million for constructing the Goroka University dormitory (phases 2–4) in Papua New Guinea. This has sparked [debate](#) about the indebtedness of PICs. In comparison, Taiwan's aid has focused on technical assistance in agriculture and health, government scholarships and small- to medium-sized infrastructure such as a solar power plant in Nauru. Taiwan also uses aid to promote people-to-people links. In August 2013, Taiwan's Institute of Diplomatic and International Affairs and the East-West Center in Hawai'i launched a five-year Pacific Islands Leadership Program with Taiwan which was extended for another five years. By 2018, a total of 144 Pacific youth leaders had participated in the program, including from all eight PICs that recognise China.

Until September 2019, Taiwan had delivered about [70 per cent](#) of its Solomon Islands aid budget through rural constituency development funds. The fact that Taiwan had paid scant attention to mega-infrastructure had apparently been resented; the parliamentary bipartisan task force complained that 'Taiwan will not do anything substantial in infrastructure development to support the economic growth of Solomon Islands' (SIG 2019:33). China has promised to provide aid to Solomon Islands in sectors such as infrastructure, constituency development funds, scholarships and the 2023 Pacific Games (ibid.:39).

Both China and Taiwan provide aid predominantly through government channels, albeit with some involvement of civil

society organisations in Taiwan. For China, the only civil society organisation involved is the government-backed China Red Cross, which provides donations to PICs at times of natural disasters. In Taiwan, the Taiwan Alliance in International Development (Taiwan AID), an umbrella organisation for nearly 30 Taiwanese NGOs working overseas, assists aid delivery. Another similarity in China's and Taiwan's aid is that they both circumvent sensitive areas such as democracy, human rights and governance in PICs. [Some aid experts](#) from Taiwan AID suggest Taiwan adopt a human rights-based approach and allow civil society organisations to play a greater role in aid delivery to differentiate Taiwan from China's tight control of such organisations overseas.

Conclusion

The diplomatic tug-of-war between China and Taiwan is expected to intensify in the Pacific in the foreseeable future. China seeks to have the upper hand and utilise its political and economic leverage, including through aid and the BRI, to win over Taiwan's diplomatic allies. For Taiwan, it is likely to use aid to prevent a domino effect after Solomon Islands and Kiribati switched to China. Having a smaller number of diplomatic allies means Taiwan now has more aid resources at its disposal in the Pacific.

Acknowledgements

The author thanks Dr Fabrizio Bozzato for his comments.

Author notes

Denghua Zhang is a research fellow at ANU's Department of Pacific Affairs.

Endnotes

1. The taskforce's report has been criticised by some analysts as being uneven. The Taiwanese government has also [denied](#) that the taskforce ever visited Taiwan for consultation.

References

- Solomon Islands Office of the Prime Minister and Cabinet 2019. *Report of the Bi-partisan Task-force: Review of Solomon Islands Relations with People's Republic of China and Republic of China*. Honiara: Solomon Islands Government. The report has been [posted online by a non-official source appearing to be the official report](#).
- Zhang, D and J. Marinaccio 2019. Chinese and Taiwanese Scholarships for Pacific Island Countries. *DPA In Brief 2019/10*. Canberra: ANU.

