Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance

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The world of development assistance is being shaken by the power shift occurring across the global economy. Emerging economies are quietly beginning to change the rules of the game. China, the United Arab Emirates, Saudi Arabia, Korea, Venezuela, India, Kuwait and Brazil, among others, have been increasing their aid to poorer countries. They are giving aid on terms of their choosing. None of these countries belong to the donors' club established within the OECD, called the OECD Development Assistance Committee (DAC). Conservative estimates suggest that the official development assistance provided by some of these countries will at least double to a little over $1 billion by 2010.[1] Others have estimated that non-DAC donors' disbursements were already around US$8.5 billion in 2006.[2] At the head of this group of emerging donors is China, combining loans, credits and debt write-offs with special trade arrangements and commercial investments. Common to most of these donors is a quest for energy security, enlarged trading opportunities and new economic partnerships, coupled with rapidly growing strength and size in the global economy. As these emerging powers build aid programmes and forge stronger relationships with poor countries, no existing development assistance programme will be immune from the effects. This article analyses the likely consequences for aid, multilateral institutions and conditionality.

The term 'emerging donors' is used as a shorthand to contrast these states with OECD DAC members, who are also referred to here as 'established donors'.[3] It is worth emphasizing that although they are often labelled 'new donors' most of the emerging donors are not in fact 'new' to development assistance. For example, it

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1 IMF/World Bank, 'Applying the debt sustainability framework for low-income countries post debt relief', *IMF Staff Report*, 6 Nov. 2006 (Washington DC: IMF, 2006); Helmut Reisen, *Is China actually helping improve debt sustainability in Africa?* (Paris: OECD Development Centre, July 2007).

2 Matthew Martin and Jonathan Stever, 'Key challenges facing global development cooperation', discussion paper prepared for launch of Development Cooperation Forum (London: Debt Relief International, 2007).

3 The OECD DAC's 23 existing members are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities. Against a background of enlarging OECD membership, negotiations are currently under way to bring into the DAC Chile, Israel, Estonia, Russia and Slovenia.

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has been estimated that in the period 1974–94 Arab countries' foreign aid constituted on average 13.5 per cent of all such aid.[4] The People's Republic of China began giving aid to other countries virtually from its birth in 1949, with an aid programme to Africa commencing in the 1950s. However, in recent years, in the face of increases in aid from these countries, western commentators have become more anxious and vociferous about the emerging donors and their impact on the pattern of aid provision.

The first section of this article examines these fears about the emerging donors. It assesses the claims that emerging donors are encouraging poor policies, lowering standards and increasing debt burdens in countries to which they are offering aid. To foreshadow the argument, the available evidence does not fully bear out these anxieties. China is at the forefront of the new anxiety; yet some evidence suggests that, as a result of intensified trade links with China, states in Africa have enjoyed higher growth rates, better terms of trade, increased export volumes and higher public revenues. There is no clear evidence that China is re-indebting the highly indebted poor countries (HIPC) en masse. In respect of standards (on, for example, the environment, resettlement, good governance and so forth) the article finds that there are indeed new challenges; but here it is clear that the established donor community is most successful in promulgating standards when it closely engages with other actors—including both governments and private sector actors from emerging donors.

The second section of the article analyses the background against which the emerging donors are increasing their aid—the 'established' development assistance regime—and what has happened to recent pledges by donors to increase aid, to reduce conditionalities, to enhance coordination and alignment, and to reform the aid architecture. To a large extent these promises have remained unfulfilled: a situation that to some extent explains the increasing attractiveness of emerging donor aid.

The conclusions point out that emerging donors are not overtly attempting either to overturn the rules of multilateral development assistance or to replace them. Rather, the revolution taking place is a silent one. By quietly offering alternatives to aid-receiving countries, emerging donors are introducing competitive pressures into the existing system. They are weakening the bargaining position of western donors in respect of aid-receiving countries, exposing standards and processes that are out of date and ineffectual. The result is a serious challenge to the existing multilateral development assistance regime.

The rise of emerging donors: a cause for alarm?

A great deal of adverse comment has been generated by the rise of emerging donors. 'What's wrong with the foreign aid programs of China, Venezuela, and Saudi Arabia? They are enormously generous. And they are toxic', opined Moises

[4] Espen Villanger, 'Arab foreign aid: disbursement patterns, aid policies and motives', *Forum for Development Studies* 34: 2, 2007, pp. 223–36.

Naim in *Foreign Policy* in 2007.[5] The emerging donors, we are told, will elbow aside established aid institutions that protect the environment, such as the World Bank, regional development banks and other donor agencies. Important standards and conditions for loans are being shredded. China, Venezuela, Saudi Arabia and others are supporting rogue states such as Sudan and Zimbabwe, making regional and global security and stability more precarious. Furthermore, they are introducing and pushing 'toxic ideas' that will harm both poor countries and established donors. In a more measured tone, in 2006 the then head of the OECD DAC reflected on the possible risk that loans from emerging donors to low-income countries may prejudice their debt situation (because the terms are inappropriate), may postpone necessary adjustment (because there is so little conditionality) and may waste resources on unproductive investments.[6] These concerns are all worth exploring.

Emerging donors and unconditional support of rogue states?

The most obvious critique of emerging donors focuses on their support for rogue states, or, as they would put it, their determination not to involve themselves in the politics of countries with which they deal. Zimbabwe is one such case. China has long delivered both aid and military equipment to Zimbabwe,[7] and after the Zimbabwe elections fiasco in July 2008 it joined Russia in vetoing a US-sponsored UN Security Council resolution to impose sanctions on Zimbabwe. However, the evidence does not fully bear out the 'blind support for rogue states' critique. China's relationship with Zimbabwe has not been immune to the views of other states. In particular, China has responded quietly to concerns voiced by other African states, taking a tougher line with President Mugabe, meeting with opposition politicians and, most recently, turning around a Chinese shipment of arms to Zimbabwe.

Sudan is another 'rogue' state to which China is regularly accused of giving blind support. In 2002 pressure was put on Swedish and Canadian oil companies to withdraw from the country and Chinese, Malaysian and Indian oil companies stepped in to take their place.[8] Sudan is now one of China's main oil suppliers: it shipped 4.7 million tonnes of crude oil to China in January–May 2007, a fivefold increase over the same period in 2006.[9] Western commentators vociferously complain that Chinese aid and trade have undermined pressure on the Sudanese government to end the crisis in Darfur, and that Chinese support has permitted this 'rogue' state to enjoy strong economic growth, reaching 11 per cent in 2007.[10] Further investment in Sudan was announced on 1 July 2007 by China's major

5 Moises Naim, 'Rogue aid', *Foreign Policy*, online, March–April 2007.

6 Richard Manning, 'Will "emerging donors" change the face of international cooperation?', *Development Policy Review* 24: 4, 2006, pp. 371–85.

7 See Chris Alden, *China in Africa* (London: Zed, 2007).

8 Human Rights Watch, *Sudan, oil and human rights* (New York, Sept. 2003), www.hrw.org/reports/2003/sudan1103/, accessed 26 Aug. 2008.

9 Associated Press, 'China's CNPC OKs deal on Sudan oil block', 1 July 2007, www.forbes.com/feeds/ap/2007/07/01/ap3875543.html, accessed 26 Aug. 2008.

10 A. S. H. Smyth, 'China masters the African game', *The First Post*, 6 Feb. 2007, www.thefirstpost.co.uk/index.php?menuID=1&subID=1117, accessed 26 Aug. 2008.

oil company (CNPC).[11] However, here too the argument that blind support is being given to a rogue state is exaggerated. In 2006 Chinese President Hu Jintao announced at a Chinese–African summit that he was urging the Sudanese president to work with the UN and other envoys to end the fighting, and in 2007 he appointed a special envoy on Darfur. Chinese officials emphasize that the Chinese approach focuses on negotiation and dialogue, a respect for sovereignty, and the use of tripartite mechanisms of the UN, the African Union and the Sudanese government.[12] China's efforts to end the conflict and to ensure the presence of a joint AU–UN peacekeeping force have been recognized by the United States as very constructive.[13]

The 'support for rogue states' argument quickly slides sideways into a broader critique about the economic model being exported by emerging donors. The fear is that a new Beijing or Chavez consensus will replace the long-hallowed Washington consensus on economic policy. For example, Naim (cited above) alleges that Venezuela's President Hugo Chávez is using his nation's oil-fuelled international reserves to recruit allies abroad, using large aid packages to 'infect' Latin America with his model. According to this argument, 'rogue aid' permits countries like Cuba (to which Venezuela has given about US$2 billion) to put off 'opening up' the economy, offering them instead an artificial lifeline that enables the recipients to put off reforms that would bring prosperity. Similar arguments are made in respect of China exporting its own model of economic policy which runs counter to the policies long pressed by western donors. But the critics do not have evidence that economic disaster has in fact followed acceptance of aid from emerging donors. Indeed, there is now some evidence that countries with intensified aid and trade links with China are enjoying higher growth rates, better terms of trade, increased export volumes and higher public revenues.[14] Clearly the general argument about China's impact on policy choices needs more careful analysis.

Free-riding on multilateral (and bilateral) debt relief?

Many western donors have voiced concerns about the potential for renewed indebtedness if emerging donors offer new loans to low-income countries that have just been granted debt relief by established donors. The debts of poor African countries have been alleviated principally as a result of the HIPC initiative and the multilateral debt relief initiative (MDRI) which dealt with their debts to multilateral institutions. The result was the relief of US$43 billion of official

[11] Associated Press, 'China's CNPC'.

[12] 'Interview with China's special envoy on China–Sudan oil cooperation', *People's Daily Online* (English edn), 17 March 2008, http://english.peopledaily.com.cn/90001/90780/91342/6375027.html, accessed 26 Aug. 2008

[13] See Edward Cody, 'China given credit for Darfur role: US official cites new willingness to wield influence in Sudan', *Washington Post Foreign Service*, 13 Jan. 2007, p. A13.

[14] Reisen, *Is China actually helping?*; A. N. Goldstein, H. Reisen and X. Chen, *The rise of China and India: what's in it for Africa?* (Paris: OECD Development Centre, 2006); OECD/African Development Bank, *African Economic Outlook 2007* (Paris: OECD Development Centre, 2007); Ali Zafar, 'The growing relationship between China and sub-Saharan Africa: macroeconomic, trade, investment, and aid links', *World Bank Research Observer* 22: 1, 2007, pp. 101–30.

debt.[15] The fear is that China is now offering new loans to these debt-relieved countries, free-riding on the established donors' debt relief programme and creating new problems for the future of the recipient countries.

In an attempt to prevent China from re-indebting poor countries, in April 2007 the G7 finance ministers announced that they would seek 'principles for responsible lending and seek to involve other interested parties'.[16] The US Secretary of the Treasury went a little further in his elaboration of how they hope to corral all donors (particularly China, though these words were unspoken) into the same framework: 'Responsible lending policies and practices are fundamental to our efforts to enhance support to low-income countries. The key to preserving debt sustainability is to build upon and support the work reflected in the IMF/World Bank Joint Debt Sustainability Framework, and for all creditors to incorporate the framework into their lending practices.'[17]

Missing from the discussion of China and the previously indebted countries is a sense of China's own involvement in debt relief. Principally this is because China does not report debt cancellation in aid figures (nor, indeed, does it report most of its aid). Chinese aid takes several forms, ranging from grant aid (principally through the Ministry of Commerce), aid in kind and zero-interest loans (some 90 per cent of which China claims to write off over time) to subsidized loans, as well as commercial loans and investments.

According to conservative estimates, China has written off total debts of some US$2.13 billion for 44 recipient countries, 31 of which are in Africa. A further debt cancellation of approximately US$1.28 billion is being negotiated at present.[18] Western reports suggest that China has been well in advance of the G8 in debt write-offs, cancelling some $10 billion of the debt it is owed by African states and, at the second Sino-African business conference in December 2003, offering further debt relief to 31 African countries, as well as opening up the prospect of zero-tariff trade.[19] China has also used debt relief to assist African nations, effectively turning loans into grants. In 2000 China wrote off $1.2 billion in African debt; in 2003 it forgave another $750 million. Ethiopian Prime Minister Meles Zenawi has proclaimed that 'China's exemplary endeavor to ease African countries' debt problem is indeed a true expression of solidarity and commitment'. Debt relief has been an excellent public relations tool for Beijing, because it not only garners popular support but also allows for two positive press events: the first to provide the loan, the second to relieve the debt.[20]

15 Reisen, *Is China actually helping?*.
16 Group of Seven, 'Communiqué of G7 finance ministers', Washington DC, 13 April 2007, at www.g7.utoronto.ca/finance/fm070413.htm, accessed 26 Aug. 2008.
17 Statement by Treasury Secretary Henry M. Paulson, Jr, following meeting of G7 finance ministers and central bank governors, Washington DC, 13 April 2007, www.g7.utoronto.ca/finance/fm070413-paulsen.htm, accessed 26 Aug. 2008.
18 Qi Guoqian, 'China's foreign aid: policies, structure, practice, and trend', paper prepared for Oxford and Cornell universities' conference on 'New directions in development assistance', Oxford, 11–12 June 2007.
19 Chris Melville and Olly Owen, 'China and Africa: a new era of south–south cooperation', *Open Democracy*, 8 July 2005, www.opendemocracy.net/globalization-G8/south_2658.jsp, accessed 26 Aug. 2008.
20 Joshua Eisenman and Joshua Kurlantzick, 'China's Africa strategy', American Foreign Policy Council, May 2006, www.afpc.org/china-africa.shtml, accessed 26 Aug. 2008.

Equally important to an evaluation of the claim that China is imperilling debt relief efforts is a breakdown of where its financing is going. It has been estimated from unpublished World Bank data that Chinese new financing commitments for infrastructure have gone to Angola (40 per cent), Nigeria (24 per cent), Ethiopia (15 per cent), and Sudan (12 per cent).[21] It is worth noting that neither Angola nor Sudan has benefited from debt relief. Nigeria has had its own special debt relief deal outside the HIPC initiative. Only Ethiopia has been dealt with under the HIPC provisions.

Fears that new loans from China will have negative effects on the capacity of low-income countries to support their debts are not unfounded. That said, there is no clear evidence that China is re-indebting—en masse—the HIPCs. A precise assessment of this risk would require more precise data about to whom China is extending which categories of aid, and with what likelihood of write-off. China does not publish this information and it is extremely difficult to assemble.

What is clear is that the main multilateral discussions under way on highly indebted countries are being held in the G7 and in the OECD DAC, which do not include China, other Asian donors, the United Arab Emirates, Saudi Arabia or other OPEC donors among their members. This poses a serious challenge for any policy aimed at forging shared principles and/or a multilateral approach to debt relief.

Bypassing good governance and environmental standards?

A further western concern about emerging donors is that their offers of ready money permit poor-country governments to turn down aid that comes with demands that they work to improve good governance, and incorporates adequate environmental and social protections within development projects. For example, China is said to have pushed aside the World Bank and its efforts to tackle corruption by stepping in with a no-strings-attached loan to fund railways in Nigeria. Similarly, in Indonesia, Beijing agreed to expand the country's electrical grid by building plants that use a highly polluting, coal-based Chinese technology when 'no international agency would have signed off on such an environmentally unfriendly deal'.[22] In the Philippines, the Asian Development Bank, having agreed to fund Manila's new aqueduct, found itself supplanted by China offering lower rates and asking fewer questions. In 2005 Angola broke off its negotiations with the IMF, which was trying at the time to put into place a staff-monitored programme to oversee Angola's economic policies, and subsequently cancelled them altogether, a decision facilitated by a $2 billion package of soft loans from China.[23]

In this way the emerging donors are said to be weakening hard-won progress made by the World Bank and other regional development banks, as well as among OECD country multinationals, towards introducing codes and standards to

[21] Reisen, *Is China actually helping?*
[22] Naim, 'Rogue aid'.
[23] Lara Pawson, 'Angola calls a halt to IMF talks', BBC News, 13 March 2007, http://news.bbc.co.uk/1/hi/business/6446025.stm, accessed 26 Aug. 2008.

safeguard the environment, indigenous peoples and natural habitats, and human rights.[24] Given an alternative source of aid, poor countries choose to work less with those who 'burden' aid or loans with such requirements, borrowing less from the World Bank and other multilateral institutions (more on this below), and so reducing the scope of these organizations to apply conditions directly. More subtly, the influence of the established donors is eroding as their staff seek to avoid projects which might bring adverse publicity on themselves, avoiding areas in which safeguards would apply and deliberately leaving these areas to donors less sensitive to such criticisms.

Overall, the argument that emerging donors are jeopardizing hard-fought-for gains in health, safety and environmental standards and the fight against corruption overestimates the extent to which these goals have been furthered by direct conditionalities imposed by OECD DAC donors. Raising standards is a much more subtle and long-term process which is furthered by engagement at the global level, as well as at the local and national levels, with a range of stakeholders including governments, companies, the media and civil society. Multilateral organizations such as the World Bank have provided an important forum within which governments can discuss and debate standards. The Bank has also provided a focal point for the activities of companies, the media and transnational activists. The World Bank's Inspection Panel has provided a tribunal to which affected groups within states have been able to bring complaints, and this has in some cases mobilized local capacity collectively to monitor standards and to act when they are not met, in some cases even in the face of serious risks of political backlash.[25] What does this imply about the impact of emerging donors on standards?

China and other emerging donors are themselves members (China with its own executive director) of the World Bank, the IMF and (in China's case) the Asian Development Bank. They have been parties to discussions over standards within each organization. China has used multilateral standards (such as the World Bank's resettlement policy) in formulating its own national policies. So why the seeming absence of conditionality in its own development assistance? Is this a particularly Chinese phenomenon, reflecting China's very vocal commitment to respecting the sovereignty of those to whom it gives aid? This is too trite an answer. All countries' bilateral aid programmes are subject to nationally determined standards which are often at odds with standards that those same countries promulgate in multilateral institutions. Many countries that push for stringent procurement rules and environmental standards within the World Bank do not apply these standards to their bilateral aid programmes. Furthermore, the standards applied (or not) in China's overseas projects are not necessarily out of line with the standards set within China.

National standards within China in some sectors are very low. Mining is one such sector. The Chinese-developed Chambishi mines in Zambia have been a

24 For example, the World Bank's safeguards are set out at http://go.worldbank.org/WTA1ODE7T0, accessed 26 Aug. 2008.

25 Margaret Keck, 'Planafloro in Rondonia: the limits of leverage', in J. Fox and D. Brown, eds, *The struggle for accountability* (Cambridge, MA: MIT Press, 2000), pp. 181–218.

recent lightning rod for criticism of its aid policies. Conditions in the mines are poor, the area remains undeveloped and 46 miners died in an explosion in 2005. Meanwhile China is benefiting greatly, importing 63 per cent of its base metals from Zambia alone.[26] China itself produced 35 per cent of the world's coal in 2003, but reported 80 per cent of all deaths in coal-mine accidents, according to statistics with the State Administration of Work Safety (SAWS). The death rate for every 100 tonnes of coal produced was 100 times that of the United States and 30 times that of South Africa. That said, improvements are occurring, albeit slowly, and the government has developed a national surveillance system and earmarked funds (in 2001 more than 4 billion yuan—over US$480 million) to help state-owned and small local coal mines prevent and monitor gas explosions.[27]

The role of standards in development assistance is an important one. It is an area in which multilateral, national and private sector actors from established donors have been actively engaged but from which emerging donors have often been absent—as, for example, in respect of negotiations taking place in the OECD and among transnational companies forging industry codes of conduct. In those organizations where emerging donors are represented (they would say under-represented), they have been quiet participants in discussions. We may well be witnessing a dilution in the capacity of established donors to apply direct conditionalities aimed at promulgating standards; but conditionality alone does not improve standards. A more important conclusion about the aid system is that more inclusive processes for setting standards need to be developed, so as to ensure that emerging donor governments, private sector companies, media and civil society groups are all engaged in generating standards that countries and communities are in a position to implement.[28]

The hysteria surrounding the emerging donors is overplayed. That said, China and other emerging donors do pose challenges for the existing development assistance regime, particularly for standard-setting by both private sector actors and multilateral institutions. These challenges are magnified when one contrasts the attractions of what emerging donors are offering against what the established donors are doing. Examined more closely, the rise of emerging donors highlights several important deficiencies in the existing system of development finance.

Why is aid from the emerging donors so attractive?

The rise of emerging donors is occurring against a background of disaffection among poor countries with the established development assistance regime. This disaffection has been recognized by OECD DAC donors, which have been grappling with a new agenda that is worth examining. Since around 2003 estab-

[26] Smyth, 'China masters the African game'.

[27] Zhao Xiaohui and Jiang Xueli, 'Coal mining: most deadly job in China', *China Daily*, 13 Nov. 2004, www.chinadaily.com.cn/english/doc/2004–11/13/content_391242.htm, accessed 26 Aug. 2008.

[28] For an analysis of the conditions under which corporate self-regulation is likely to be effective in developing countries, see Dana Brown and Ngaire Woods, eds, *Making self-regulation effective in developing countries* (Oxford: Oxford University Press, 2007).

lished donors have promised to double their aid to Africa, to deliver it in ways that ensure more space for recipient government ownership, and better to coordinate among themselves. How have these pledges played out?

Broken promises of more aid

In recent years wealthy countries have made dramatic pledges to increase aid, such as the commitment made to double aid for Africa by 2010 at the G8 meeting in Gleneagles in 2005.[29] However, although there has been some significant debt relief, new net aid flows from the G8 countries have not increased since this commitment was made. To quote the OECD DAC itself, 'aid to Sub-Saharan Africa has stalled'.[30] In the World Bank's assessment net official development assistance (ODA) disbursements overall declined by US$3 billion in 2006, following a record increase in 2005.[31]

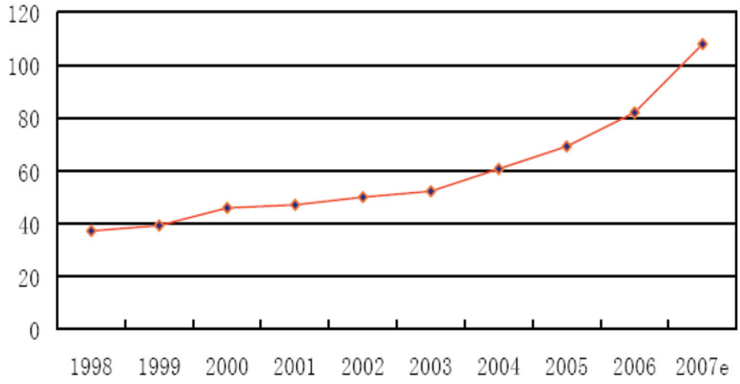
Aid flows have been greatly influenced by the wars in Iraq and Afghanistan, and by the post-9/11 security 'imperatives'. These have had a huge diversionary effect. In the early days of the so-called 'war on terror', aid flows were not diverted.[32] Instead, funding for military action was procured through supplementary appropriations. However, over time aid budgets have been reallocated to reflect the new priorities. This is most obvious in the case of the United States—the world's largest provider of global development aid, accounting in 2004/2005 for 25.4 per cent of official development aid.[33] By 2004 the top recipients of US aid had become Iraq, Afghanistan, Egypt, Sudan, Ethiopia, Jordan and Colombia.[34] Yet the wider US aid figures are more telling. For example, although the Near East (which includes Lebanon, Morocco and Middle East Regional) received some US$10 million of ODA from the United States, 600 times this amount was spent on other forms of aid—from the economic support fund and foreign military spending, which do not qualify as ODA under the OECD DAC definitions.[35]

A similar diversion of development assistance has occurred in the UK's aid budget—the fastest growing in the world, increasing from £5.9 billion in 2005 to £6.8 billion in 2006.[36] By 2005, 16.4 per cent of total net UK bilateral ODA was going to Iraq (as opposed to 0.39 per cent in 2002). Alongside this was an imputed UK share of multilateral assistance to Iraq equal to 13.6 per cent in 2004, dropping to 4.5 per cent in 2005.[37]

In sum, while G8 politicians have aspired to increase aid to the poorest countries, these promises have not translated into new net aid flows. The current financial crisis and economic downturn among OECD countries are likely to have further

[29] G8, 'Gleneagles G8 communiqué', 8 July 2005, www.g8.gov.uk, accessed 26 Aug. 2008.
[30] OECD DAC, *2006 Development Co-operation Report*, Summary, February 2007 (Paris: OECD, 2007).
[31] World Bank, *Global Development Finance 2007* (Washington DC: World Bank, 2007), p. 55.
[32] Ngaire Woods, 'The shifting politics of foreign aid', *International Affairs* 81: 2, March 2005, pp. 393–409.
[33] OECD DAC, *2006 Development Co-operation Report*, table 8.
[34] OECD DAC, *2006 Development Co-operation Report*.
[35] USAID, *Fiscal year 2008 budget request* (Washington DC: USAID, 2007), pp. 92–9, www.usaid.gov/policy/budget/cbj2008/, accessed 26 Aug. 2008.
[36] Department for International Development, *DFID Annual Report 2007* (London: DfID, 2007).
[37] Department for International Development, *DFID Annual Report 2007*, p. 263.

Figure 1: China's foreign aid expenditure increases, 1998–2008 (RMB100 million)



Source: Qi Guoqian, 'China's foreign aid: policies, structure, practice, and trends', paper prepared for Oxford and Cornell universities' conference on 'New directions in development assistance', Oxford, 11–12 June 2007. The figures cover aid in the form of grants, interest-free loans, preferential loans, cooperative and joint venture funds for aid projects, science and technology cooperation, and medical assistance, on a bilateral basis. Note that Chinese aid figures do not include debt relief, unlike DAC donors' reported ODA.

negative effects on promised increases in aid. At the same time, aid from other sources has been increasing. China plans to double aid to Africa by 2009 and there is some reason to believe it will.[38] Other emerging donors have been increasing aid, although it is very difficult to compile an accurate picture of this: although non-DAC aid is going up overall, almost no data are available about individual emerging donors.[39] Many of the new aid flows are not being officially reported: for example, India, China and Brazil do not report to the OECD DAC, whose data as a result suggest that non-DAC flows of aid are rising but still not significant.[40] A similar picture is given by the Net Aid Transfers Data Set compiled by the Center for Global Development.[41] That said, while newspaper reports speak of billions of dollars' worth of aid from China to Africa, many such reports confuse investment and other external flows, such as export credits, with 'aid' as defined by the OECD DAC.

While there are few officially reported data on Chinese aid, figure 1 was presented by a Chinese Ministry of Commerce (MOFCOM) official at a conference in

38 United Nations Integrated Regional Information Networks, 'China to double aid to Africa', published by Worldpress.org on 6 Nov. 2006, http://www.worldpress.org/Africa/2554.cfm, accessed 26 Aug. 2008.

39 An excellent breakdown of the increases in aid from non-DAC donors is provided by Peter Kragelund, 'The return of non-Dac donors to Africa: new prospects for African development', *Development Policy Review* 26: 5, 2008, pp. 555–84.

40 Of those emerging donors that do report to the OECD DAC, the largest are Saudi Arabia (US$2,095 million in 2006), Turkey (US$714 million in 2006), Chinese Taipei (US$513 million in 2006) and Korea (US$455 million in 2006): OECD DAC, *2007 Development Co-operation Report* (Paris: OECD, 2008), table 33.

41 David Roodman, *Net aid transfers data set 1960–2005* (Washington DC: Center for Global Development, 2005), www.cgdev.org/content/publications/detail/5492/, accessed 26 Aug. 2008.

Oxford in June 2007. What we do know about China's aid is that—unlike a lot of established donor aid to sub-Saharan Africa—it is strongly supported by investment and trade policies.[42] China's trade with Africa has grown dramatically to the point where China has become Africa's third most important trading partner (behind the United States and France). In the 1990s Sino-African trade grew by 700 per cent. From 2002 to 2003 trade between China and Africa doubled to $18.5 billion. In the first ten months of 2005 it jumped a further 39 per cent to US$32.17 billion. Most of the growth was caused by increased Chinese imports of oil from Sudan and other African nations. China's foreign direct investment in Africa represented $900 million of the continent's $15 billion total in 2004.[43] In 2006 trade between China and Africa reached $55.5 billion, up more than 40 per cent from 2005, according to data from China's Ministry of Commerce.[44]

Other emerging donors are also increasing aid and trade relations. India's trade with Africa has been increasing dramatically.[45] Aid from major Arab donors is difficult accurately to track; that said, the annual reports of Arab aid agencies suggest that new commitments by both bilateral and multilateral funds have increased since around 2003 and especially since 2005. This is true of both bilateral and multilateral funds. The Islamic Development Bank's new commitments for the period 2001–2006 are roughly double those for the period 1996–2001. Similarly, new commitments from the OPEC Fund for Development each year since 2001 have been on average one-third higher than the annual average in the preceding decade, and new commitments of the Arab Fund for Economic and Social Development in 2005 were almost 20 per cent higher than those in 2001. Data on bilateral relations are more difficult to find and to assess, but the Saudi Fund for Development provides an indicative illustration. In 2006, the figure of around US$800 million for new commitments was some 70 per cent higher than the average annual new commitments of around US$480 million for the years from 1995 to 2002, and almost double the 2005 figure. The largest recipients of Arab aid remain the 'frontier' states of Egypt, Syria and Jordan. However, in recent years increasing amounts of aid have been directed to South Asia, especially to Pakistan and Bangladesh, and to East Asia: for example, China has itself received approximately 15 per cent of new Saudi Fund commitments since 2003 (before which date it received none).[46]

42 A good overview is provided in Alden, *China in Africa*.

43 Esther Pan, *China, Africa, and oil* (New York: Council on Foreign Relations, 26 Jan. 2007), http://www.cfr.org/publication/9557/, accessed 26 Aug. 2008.

44 Reuters, 'China defends oil trade with Africa', *International Herald Tribune*, 12 March 2007, www.iht.com/articles/2007/03/12/business/oil.php, accessed 26 Aug. 2008.

45 See Rhys Jenkins and Chris Edwards, 'The Asian drivers and sub-Saharan Africa', *IDS Bulletin* 37: 1, Jan. 2006, pp. 23–32, esp. fig. 1, showing Africa's rising trade with China and India from 1990 to 2003, and fig. 2, describing the rising share of China and India in Africa's trade over the same period.

46 I am very grateful to Robert Wood for compiling these figures; see also Robert Wood, 'Riyal-politik or religious duty: what explains the behaviour of the Islamic Development Bank?', M.Phil. thesis, Oxford University, 2007.

Clinging to discredited conditionalities

Established donors have long entrenched 'conditionality'—meaning demands that receiving governments adopt specific economic policies and targets—in their aid programmes. The 'Washington consensus', which emerged as a response to the debt crisis of the early 1980s, brought established donors into a system in which one set of ideas about economic policy was cemented into the foundations of the aid regime. Although different countries would have their own aid programmes, they would all look to the IMF and World Bank to ensure recipient compliance with that core set of policies.[47]

Subsequently, most donors have accepted that the conditionality model requires radical reform. For one thing, donor conditionality has not been an effective way to induce change in aid-receiving countries. In a worldwide survey of 305 IMF programmes from 1979 to 1993, one scholar found implementation failure in 53 per cent of cases, where failure was defined as a country not implementing 20 per cent or more of the programme's conditions.[48] This result is reinforced further by an independent evaluation (commissioned by the board of the IMF) of the IMF's concessional lending facility for poor countries—the Enhanced Structural Adjustment Facility (ESAF). The evaluators report that three-quarters of ESAF programmes collapsed or were interrupted.[49]

Equally, doubts have arisen about whether there is a known recipe for success. Officials in low-income countries have long been sceptical of the claim that if they fully implemented the Washington consensus, economic growth would follow.[50] Yet for a long time their arguments fell on deaf ears. Only recently have established donors themselves begun to grapple with what it would mean to put aid-receiving governments 'in the driver's seat', or at least to streamline conditionality.[51] But they have found this difficult.[52] If anything, conditionality overall seems to have increased in some countries. Debt relief has brought new layers of conditions about poverty reduction and processes of national consultation. Budget support is supposed to leave more room for governments to set their own priorities and strengthen their own procedures; however, in many cases it has come

47 See Ngaire Woods, *The globalizers: the IMF, the World Bank and their borrowers* (Ithaka, NY: Cornell University Press, 2006), ch. 2.

48 Tony Killick, 'Principals, agents, and the failings of conditionality', *Journal of International Development* 9: 4, 1998, pp. 483–95.

49 IMF, 'External evaluation into ESAF: a report by a group of independent experts' (Washington DC: IMF, 1998), p. 32.

50 Their scepticism was not unfounded. Early evaluations undertaken by the IMF and World Bank explored whether conditional lending had effects on growth, and the results were at best ambiguous: see James Boughton, *The silent revolution* (Washington DC: IMF, 2001); IMF, 'External evaluation into ESAF'; and the World Bank's three published reports of 1989, *Adjustment lending: an evaluation of ten years of experience*; *Africa's adjustment and growth in the 1980s*; and *Sub-Saharan Africa: from crisis to sustainable growth* (Washington DC: World Bank, 1989). The IMF's external evaluators found that the Fund's focus on reducing budget deficits was producing some adverse long-term effects, very poor-quality privatization and overly contractionary approaches to foreign aid, while failing to have an impact on the main goal, namely to attract investment flows.

51 IMF, 'IMF invites comments on streamlining conditionality', public information notice (PIN) no. 01/86 (Washington DC: IMF, 4 Sept. 2001).

52 Tony Killick, 'The streamlining of IMF conditionality', report prepared for Department for International Development (London: DfID, 2002).

with a new set of procedures, for example in Mozambique, where alongside their general budget support donors have created a regular cycle of annual and mid-term reviews based on 24 sectoral and thematic working groups which meet regularly to accompany the formulation and implementation of government policies.[53] Similarly, in Tanzania the new modalities of aid-giving have been accompanied by new procedures.[54] The result is that where previously governments were tied down in projects and reporting requirements, in some cases they are now tied down in donor consultative and oversight groups.

Disillusionment surrounds the conditions western donors have attached to aid for the past quarter-century. The donor 'consensus' is seen by recipient countries as having long been misaligned with their priorities. Every decade has brought new donor priorities and conditionalities—and none of these have been aligned with their own calls for developing the productive 'supply side' of their economies. In the 1980s donors pushed for stabilization and adjustment, with contractionary effects. In the 1990s the attention of donors turned to institution-building and poverty reduction strategies, and yet again aid-receiving governments found their arguments for investment and growth falling on deaf ears. More recently, donors have focused on health and social spending, an emphasis magnified by new institutions such as the Gates Foundation and other public–private partnerships. Throughout this time western donors have treated criticisms of conditionality as the unwarranted complaints of patients unwilling to take medicine which is good for them. This attitude has magnified the resentment felt by aid recipients and made them all the more receptive to the different approach taken by emerging donors. In the recent words of the then President Festus Mogae of Botswana, 'I find that the Chinese treat us as equals. The West treats us as former subjects.'[55]

The disillusionment of developing countries forms a powerful and important backdrop to the rise of emerging donors. While established donors are still clinging to an economic policy conditionality about which their development partners are sceptical, the emerging donors are keen to lend and give aid without these kinds of specific economic conditions. They package their aid in a strong rhetoric of respect for the sovereignty of other governments. China, for example, since Premier Zhou Enlai's visit to Africa in 1964, has framed its aid around eight principles which emphasize sovereignty, equality and mutual respect. Likewise, India's aid programme, which began in the 1950s, has centred on respect for territorial integrity, mutual non-aggression, mutual non-interference in domestic affairs, equality and mutual benefit, and peaceful coexistence.[56] Furthermore, the emerging donors have their own economic success to tout, which some present as

[53] Paolo de Renzio and Joseph Hanlon, 'Contested sovereignty in Mozambique: the dilemmas of aid dependence', GEG Working Paper 2007/25 (Oxford: Global Economic Governance Programme, 2007), www.globaleconomicgovernance.org, accessed 26 Aug. 2008.

[54] Graham Harrison and Sarah Mulley, 'Tanzania: a genuine case of recipient leadership in the aid system?', GEG Working Paper 2007/29 (Oxford: Global Economic Governance Programme, 2007), www.globaleconomicgovernance.org, accessed 26 Aug. 2008.

[55] Smyth, 'China masters the African game'.

[56] G. Price, 'India's official humanitarian aid programme', Humanitarian Policy Group background paper (London: Overseas Development Institute, 2005).

an alternative to the sequence of policies established in the Washington consensus and its successors. China and India are promoting development assistance deeply entwined with trade and investment strategies. For some this smacks of a new mercantilism. However, for aid-receiving countries it responds to a long-expressed wish for support aimed positively at directly promoting growth.

The inability to deliver on better coordination and alignment

The multilateral aid system created by established donors looks increasingly dysfunctional. A proliferation of agencies—governmental and non-governmental—within and among established donors has led to a system that is fragmented and duplicative, and places too heavy a burden on aid-receiving countries. A relatively small number of donor countries manage to present themselves to poor countries in a dizzying array of separate multilateral organizations, special funds, new agencies and bilateral aid programmes. Each aid agency requires local officials to meet, to respond to their demands, to report to them (in formats only they use) and sometimes to alter course at the whim of the donor. The result is an overriding of local needs, priorities and institutions, and the imposition of heavy transaction costs which sometimes outweigh the value of the aid.

The problem has been widely recognized. A solution is being sought among established donors through a process of negotiation and consultation aimed at better coordination among donors and alignment with recipient government priorities. The OECD DAC is overseeing this process and has produced indicators and benchmarks that allow progress to be monitored at both international and country level. The most recent high-level meeting of countries taking part in this process took place in September 2008 in Accra.[57]

How much progress has been made? A 2004 survey identified serious shortcomings in donor efforts to implement pledges made in the 2003 Rome declaration on harmonization.[58] It found 'not enough evidence that harmonization initiatives have helped curb transactions costs. Indeed, over the short term at least, they may actually have increased these costs.'[59] The obstacles to greater harmonization are substantial.[60] These findings highlight the yawning gap between the talk about coordination and ownership on the one hand and, on the other, actual donor practices, which are neither coordinated nor linked to instruments or institutions within aid-receiving countries.

The paradox about coordination is that established donors have created so many institutions to enable better coordination among themselves, and yet have simultaneously sidelined them. The World Bank is at the centre of an international

[57] OECD DAC, report of the 'Third High Level Forum on Aid Effectiveness', Accra, Ghana, 2–4 Sept. 2008, www.oecd.org/document/31/0,3343,en_2649_33721_41165727_1_1_1_1,00.html, accessed 26 Aug. 2008.

[58] OECD, 'Survey on harmonisation and alignment: preliminary edition' (Paris: OECD, 2004). For the declaration, see www.aidharmonization.org/ah-overview/secondary-pages/why-RomeDeclaration, accessed 26 Aug. 2008.

[59] OECD, 'Survey on harmonisation and alignment', p. 9.

[60] Paolo de Renzio with David Booth, Andrew Rogerson and Zaza Curran, 'Incentives for harmonisation and alignment in aid agencies', ODI working paper 248 (London: Overseas Development Institute, 2005).

development assistance regime that is notoriously cluttered with a large number of supposedly multilateral donors tripping over each other's bilateral efforts. In theory, the World Bank, by pooling information and resources, should be able to reduce transaction costs vastly on both sides of the aid relationship.

Perversely, the major donors who created the World Bank do not rely upon it. Instead, they sustain and expand their own separate aid agencies and processes, creating a cacophony of donors making different demands on overstretched aid-needy governments. The governments of the United States, Britain and Canada speak daily to developing countries through dozens of megaphones, including their own national agencies and special initiatives alongside several multilateral agencies—the UNDP, World Bank, IMF, WHO, WTO and so forth. The result is that scarce personnel and other resources in poor countries are used up in maintaining and strengthening external relations with donors and undertaking externally demanded actions, many of which are contradictory.

More perversely still, even when donors do use the World Bank they encumber it with special demands, special funds and additional procedures. One example is the increasing use of 'trust funds' in the World Bank. These are funds given to the Bank for a particular use—often supplementary to the institution's core work. As described by a former UK government aid official, 'we construct an elaborate mechanism for setting priorities and discipline in the Bank, and then as donors we bypass this mechanism by setting up separate financial incentives to try to get the Bank to do what we want'.[61]

The fact remains that in recent years, in spite of calls for greater coordination, most established donors are failing to increase the percentage of aid they channel through international institutions. This is true even for the UK Department for International Development (DfID), which is committed to increasing the share of its aid channelled through multilateral institutions. In 2004 DfID reported that 45 per cent of its programme expenditures were being channelled through multilaterals.[62] By 2006 this proportion had in fact dropped to 38 per cent.[63]

Although some may see greater coordination as a way to handle the rise of emerging donors, this idea faces two major obstacles: the weakness of progress on coordination among established donors and the lack of an emerging donor voice in the institutions of coordination.

The minimal reform of the aid architecture

The current multilateral system is not configured to offer sufficient incentives for emerging donors to engage in it. As things stand, they do not have enough voice or influence to make it worth their while to attempt to improve the running of the multilateral system. They are not members of the OECD DAC or G7/G8, and

61 Masood Ahmed, 'Votes and voice: reforming governance at the World Bank', in Nancy Birdsall, ed., *Rescuing the World Bank* (Washington DC: Center for Global Development, 2006), p. 90.
62 Department for International Development, *DFID Annual Report 2004* (London: DfID, 2004).
63 Department for International Development, *DFID Annual Report 2007*, p. 140.

have only a limited voice in the IMF and World Bank. The gravity of this problem has been recognized, but little progress has been made towards resolving it.

In February 2005 the OECD DAC and UN Development Programme began to meet with non-DAC member donors.[64] A new Development Cooperation Forum has been launched by the UN Economic and Social Council with the aim of better engaging all donors. Its first meeting was held in New York in 2008.[65] In respect of the IMF, detailed negotiations are under way about changes in quota shares—alterations that are palpably inadequate to alter the incentives for China and others to engage in the institution.[66] The World Bank seems to have remained immune even to these small changes. Unaddressed is the more obvious issue of the headship of each institution, including which countries are genuinely engaged in appointing and holding to account the person who sets priorities, determines staffing and promotion structures, and chairs the board of each organization. The status quo in which the United States and powerful west European countries continue to appoint their own representatives further disenfranchises emerging donors who could become significant contributors of both resources and ideas.

In sum, the international development assistance regime in which established donors work is suffering multiple stresses. Security expenditures have diverted budgets away from much-publicized pledges. A declared determination to enhance 'ownership' and improve the effectiveness of aid is proving difficult to implement. Efforts to coordinate operations among donors are not being reflected in concrete shifts towards more multilateralism. And the existing multilateral system is poorly structured to respond to these challenges. In Africa and elsewhere, governments needing development assistance are sceptical of promises of more aid, wary of conditionalities associated with aid, and fatigued by the heavily bureaucratic and burdensome systems used for delivering aid. Small wonder that the emerging donors are being welcomed with open arms.

Conclusions

A silent revolution is taking place in the development assistance regime. This article has argued that the development assistance offered by established donors has become less generous and less attractive (on its own terms), while emerging donors' aid has become more generous and more attractive. Since the 1980s most established donor aid has failed to address developing countries' demand for aid and investment which expands the productive parts of poor countries' economies. Recent trends seem only to have increased donor deafness to this call. Furthermore, where changes in conditionality have been promised, donors seem to have been unable to confer promised degrees of 'ownership' on aid-receiving countries.

[64] A recent follow-up was the 'Special session with non-DAC providers of development assistance', 27 Nov. 2007 (Paris: OECD, 2007).
[65] www.un.org/ecosoc/newfunct/develop.shtml, accessed 26 Aug. 2008.
[66] Ngaire Woods, *Governing the global economy: strengthening multilateral institutions* (New York: International Peace Institute, 2008), http://www.ipacademy.org/asset/file/361/Woods_Economy.pdf, accessed 26 Aug. 2008.

By contrast, emerging donors robustly defend sovereignty and non-intrusion in the politics of recipients of their aid—although in several cases there is a geopolitical conditionality that accompanies their assistance, such as requiring support for an emerging donor's foreign policy. The emerging donors offer aid amid trade and investment and against a background of flourishing growth within their own economies. Alongside their aid they offer technology, advice and professional assistance that many aid-receiving countries find more useful and more appropriate to their needs than that offered by established donors. It is no surprise, then, that emerging donors are stepping into relations with the 'development partners' of established donors.

This is a *silent* revolution because emerging donors are not overtly attempting to overturn rules or replace them. Rather, by quietly offering alternatives to aid-receiving countries, they are introducing competitive pressures into the existing system. They are weakening the bargaining position of western donors in respect of aid-receiving countries—with a mixture of implications. On the one hand, the competition exposes standards that are either out of date or ineffectual. It also highlights the extent to which some donor 'standards' are more about aspirations than reality. While DAC donors have agreed to meet standards to facilitate coordination among themselves, they have said much more than they have done. On untying aid (from the requirement that it must be spent in the donor's own economy), as the head of the DAC notes, not all DAC donors have made requisite progress, while some non-DAC donors (such as Middle Eastern funds) already meet the benchmarks.[67] Better standards of donorship are important but still very much in their infancy.

The silent revolution is unlikely to be manageable from within the existing multilateral development assistance regime. While some hold up increased donor coordination as part of a solution, this seems unlikely. Established donors are finding coordination among themselves very challenging. Multilateralism in the international development assistance regime is weakening; and there are very few incentives in the existing governance structure of multilateralism to give emerging donors an incentive to engage.

[67] Manning, 'Will "emerging donors" change the face of international cooperation?', p. 378.

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REVIEW ARTICLE

WILL CHINA CHANGE INTERNATIONAL DEVELOPMENT AS WE KNOW IT?

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Abstract: China has lifted a record number of people out of poverty, has had sustained levels of economic growth—at environmental and social costs—started a global economic and political rise and is developing effective responses to the global financial crisis. It is making these transformations with institutions that continue to surprise international observers. An increasing number of studies have started to articulate the lessons from China's development. This paper reviews the different interpretations of these lessons, and the process of lesson learning, and the question what China's dramatic transformations over the last 30 years imply for development studies and practice. Copyright © 2010 John Wiley & Sons, Ltd.

Keywords: China; Washington consensus; Beijing consensus; south–south cooperation; reforms; soft power

1 INTRODUCTION: 30 YEARS OF REFORM, 60 YEARS OF REPUBLIC

This article is an exploration of the implications of China's emerging global role for the field of development studies.[1] The year 2008 was of course China's year of the Olympics, which dazzled the world. While China's leaders and indeed many citizens have been keen to deny a link between sports and politics, the fact of the Games being held successfully—

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following the Lhasa unrest and international demonstrations around the Olympic Torch relay—marked the acceptance of the global community of China's role, and hugely increased Chinese confidence, 'another milestone in China's rising international status and a historical event in the great renaissance of the Chinese nation'.[2] The first space walk conducted by Chinese astronauts reinforced the image that it had exited the status of a developing country. In the same year, China's 30 years of reform were widely discussed in academic circles, policy think tanks and the popular press, and accompanied by an increasing demand from the international development community to find out about the lessons from China's development path. And during the UN High-Level Meeting on MDGs in September 2008 Premier Wen Jiabao stressed the enormous progress in poverty reduction made by China over the previous 30 years, highlighting that 'China accounted for 67 percent of the achievements in global poverty reduction'.

2008 also was the year of serious crises which, as crises do, presented opportunities for leaders to assert authority. The major natural disaster was of course the Wenchuan earthquake in May, but the snow that disrupted large parts of the country earlier and the severe drought that affected the north later in the year were significant too. The international community witnessed a surprising international openness displayed by Chinese leaders in the earthquake response and a changed press reporting. The financial crisis had a huge and early impact on China and led to economic and social policy changes, combined with a reformulation and re-articulation of its position in the global financial architecture, with enormous success as indicated by the restoration of growth rates to above the magical target of 8 per cent. President Hu Jintao asserted China 'will not go back to the old road, nor sidetrack into changing its flag' (Wang *et al.*, 2009).

In the year of 30 years of economic reforms, also, more than 300 people signed Charter 08, calling for greater freedom of expression and elections. Internationally, since the year of the Olympics the West perceives hardening of—and more confident—attitudes, through the alleged infiltration of Western computer networks, the dispute around Google, the execution of a British citizen and China's response to the US' arm sales to Taiwan. At the climate change talks in Copenhagen, China's role was thought to be unhelpful and there is growing frustration that China uses its role as 'developing country' to gather support in the Global South. There are indications that China's leaders, as most countries' leaders do, use nationalism to divert attention away from internal tensions and accompanying China's rise in the global system (Hughes, 2006); for different parts of the population, China's global rise and national unity function like the 8 per cent economic growth target, which is thought critical to maintain internal stability.

Against these markers of 2008 and 2009, this paper reviews the implications of these radical changes over the last decades for international development debates. A reflection on this is motivated not only by the 'rise of China'—occurring in what Pei (2006) has labelled a 'trapped transition', well described in many places, academic and more popular—but also by the fact that the field of development studies has largely been isolated from the study of China, at least in comparison to, for example the study of India. The question about China and international development is particularly relevant, as China is now simultaneously a low income country and recipient of aid (and thus subject of

[2]Xinhua news agency (Gu, 2008); see the special section on the Olympics in *The China Quarterly* of March 2009, with Brady (2009) highlighting the public relations behind the event. A *Foreign Affairs* article argued 'it is clear that the games have come to highlight not only the awesome achievements of the country but also the grave shortcomings of the current regime ... Beijing's Olympic dream quickly turned into a public-relations nightmare' (Economy and Segal, 2008).

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'development studies'), a middle income country where the nature of development problems are rapidly changing (such as the move from wide-spread poverty to stability-threatening inequality), and has rapidly become to be seen as a provider of international development assistance which challenges the old aid paradigm and modes of operation in many places, introducing new or by 'old donors' neglected approaches, and fitting China's objective of expanding international influence.

The question whether China will change international development studies is difficult for various reasons. On review it appears not at all that easy to articulate what the lessons from China's development paths, successes and challenges are, and what the role—if any—of a 'Beijing Consensus' would be. This debate on China's lessons is situated within the spectre of changes in China's global role, in terms of trade and investment, 'China–Africa', and within international organisations, implying a notable change from the principles of peaceful co-existence expressed by Premier Zhou Enlai that still officially characterises China's foreign policy. This article first discusses China's economic and political rise, before turning to the subject of development studies and the way China's experience may influence this.

2 GLOBALISATION REVERSED? CHINA AND THE GLOBAL ECONOMY

China's recent development path is directly linked to the world economy's phase of what in the western perspective of Reich (2008: 7) is called 'supercapitalism', marked by the gradual loss of the institutions in the West (particularly the US) that 'had negotiated to spread the wealth and protect what citizens valued in common' during the period of 'democratic capitalism' of the decades since the Second World War. While Amsden (2007) highlights how the developing world had less space to define their own economic policies after the 1970s than in the earlier period, China did define its own route and started to change the rules of the game. In any case, the expansion of the global economy met China, with its ample and relative well-educated and healthy population, which was hungry for restoring its national economy after the economic and social disasters of the 1950s and 1960s (and earlier ruining encounters with global powers), and keen to re-take its 'rightful place' in the global economy.

The figures of China growing economic importance are well known. While still a lower middle-income country with a per capita income of around \$2000, it has experienced three decades of high, even though not uninterrupted growth. Recent years saw economic growth of over 10 per cent per year, and while the world economy contracted in 2009, China still maintained a growth rate of 8 per cent. This growth has taken place under the guidance of a one-party state, which understands a level of 8 per cent growth as critical to maintaining social stability, particularly because of the numbers of jobs that need to be created to make up for losses of restructuring of State Owned Enterprises, and as discussed later with a uniquely successful series of economic reforms. China has thus become one of the world's largest economies, and the fastest growing one. The challenges remain large, of course. Tens of millions of people still live in extreme poverty, inequalities have been rising very rapidly, as has the scale of recorded social unrest. China's telescoped demographic transition will soon start to impact economic and social policy models, and environmental challenges of air and water pollution and deforestation are enormous.[3]

[3]These challenges and policy responses have been widely documented: rising inequalities are described for example in Gustafsson *et al*. (2008), Wan (2008) and Fan *et al*. (2009); environmental problems and government responses are summarised in Economy (2006).

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Alongside capital formation, exports have been a main driver of recent economic growth, forming over a third of GDP (Siebert, 2007). Its world market share of trade was about 7 per cent in 2005. While exports have been mainly low technology, the share of high technology is growing and already substantial.[4] China has had surpluses in current, capital and financial accounts for many years, and accumulated huge international reserves (estimated at over $2 trillion)—which with the financial crisis have become a major concern and point of debate. Foreign investments in China have played an important role for its exports, and over time policy moved from joint ventures towards allowing wholly foreign owned companies. Capital flows and exchange rates continue to be controlled.

Increasingly, and fairly suddenly, China has also become an important investor abroad by both private and state companies, and supported by government policy. In recent years, FDI from China has grown to a stock of 100 billion, implying the creation of Chinese multinationals such as Haier and acquiring foreign enterprises or parts thereof such as Lenovo acquiring IBM's Think brand. Ministry of Commerce data suggest that the number of Chinese companies operating abroad increased from around 3400 in 2003 to over 6000 by 2006.[5] While rapidly growing, these outward flows are still a mere 1 per cent of total flows (and still only perhaps 2 per cent of China's total state investment)—but the trend is unmistakable, and is thus rapidly challenging the ways globalisation has been understood.

While Chinese investment in OECD countries occasionally raise public and political concerns, its investment in developing countries has rapidly become subject of debate, between those that see a new 'scramble for Africa' or emphasise the negative impact on a rule-based international system,[6] and those that emphasise the opportunity presented by China for Africa to integrate in a global economy.[7] China's investment in developing countries too is both private and state, and it is strongly shaped by China's long-term and strategic interests in raw materials, energy, and related to food security. Over the last few years, trade between China and Africa has been increasing rapidly, to over $100 billion in 2008, which now makes China Africa's third largest trading partner (or fourth including the EU). China's main imports from Africa are oil and gas; Chinese exports to Africa include machinery, vehicles, textiles and manufactured products. Foreign direct investment in Africa has grown rapidly, to $26 billion in 2007, even though it remains a small part of total FDI in Africa (3 per cent) and of China's total outflows (6 per cent). Largest recipients of FDI include South Africa, Nigeria, Algeria, Zambia and Niger.[8]

China's international economic interests—which directly follow from its domestic reform strategy, and are managed by a strong party state that carefully balances global and domestic interests—are arguably the main drivers of its global visibility. In the period of the 'end of history' China is complementing the hard economics and global politics with

[4]See for example the description of Microsoft in China, by Buderi and Huang (2006).

[5]Quoted in Cook and Lam (2009), which also emphasises that this process has included picking 'corporate champions' to become China's multinational firms.

[6]See for example the Freedom House (2009) analysis that stresses the impact of the new role of authoritarian regimes, including China, Iran and Russia.

[7]There is much emphasis on Africa, which has been reinforced by the widely publicised FOCAC (Forum on China–Africa Cooperation) efforts, but for China its neighbouring countries are at least as important as are the impacts on development including international efforts in for example Cambodia, as described in Kurlantzick (2007). China's role increased in the 1990s because of the growth of regional production chains, and China's ability to manage the 1997–1998 crisis. Fernández Jilberto and Hogenboom (2007) describe the impacts on and challenges for Latin America.

[8]Figures quoted in Cook and Lam (2009), who describe the possible effect of the crisis on the impact of China on Africa, expecting the relative importance of China will continue to increase.

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carefully designed and internally negotiated 'soft power', including through a resurgence of international aid, or cooperation as it is referred to.

3 CHINA'S NEW GLOBAL ROLE, THE FIVE PRINCIPLES OF PEACEFUL COEXISTENCE, AND HARMONIOUS WORLD

In China's official policy discourse, much emphasis is given to the continuity of China's foreign policy, and how foreign aid fits within this. The 'Five Principles of Peaceful Coexistence' of Premier Zhou Enlai—formulated with Burma, India and Indonesia in 1954—still are central: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit and peaceful coexistence. Continuity is maintained through China's regional interests, notably in the context of Taiwan and Japan. While under Jiang Zemin (President 1993–2003) foreign policy gradually moved towards 'developing China into a comprehensive power' (Zheng and Tok 2007), the critical change over the last decade has been the increased importance of economic interests—as exporter, as importer of natural resources and as global investor—in the way China perceives its international interests.

Since the early 1970s, after China returned to the United Nations in 1971, China has been actively increasing high-level participation in and leadership of international bodies, including in various UN agencies like WHO, signing international treaties,[9] promoting international conference such as on gender in Beijing in 1995, financially contributing to the World Bank (even though with a modest sum), and supplying its Chief Economist—a first from a 'developing country', and one moreover that had 'defected' from Taiwan but received his training from a premier Chinese and then US universities. China's role as a 'responsible actor' has been noted in international climate change negotiations, as well as in issues of regional stability (North Korea), and increasing support for international diplomacy with respect to Sudan for example. On the surface, this may appear to challenge the '24 character' emphasis of Deng Xiaoping's foreign policy approach to 'observe calmly, secure our position, cope with affairs calmly, hide our capacities and bide our time, be good at maintaining a low profile and never claim leadership'. However, the new and emerging global role is consistent with its domestic development reform path, as is perhaps most clearly illustrated by China's preparation for access to the WTO, and in the complementary policy slogans of 'harmonious society' and 'harmonious world'.

When Chairman Mao died, China was of course closed to the outside world, with as we discuss below important implications for its engagement in academic disciplines including the field of development studies. Besides the issues of language and the images of a wall-building nation, China was part of a post-colonial world that had ended up firmly in the communist camp, many parts of which remained isolated from the rest of world for much longer than China—though when transition happened elsewhere, e.g. in the Soviet union this was accompanied by simultaneous political transformation. China's closeness was accompanied by great internal turmoil: first of the economic disaster of the Great Leap Forward, and subsequently of the Cultural Revolution. This turmoil is very much alive in the memory of

[9]See the summary of China's participation in international fora, particularly the international legal system by Xue (2004), who also emphasises the impact on domestic reform. Potter (2007) uses a concept of 'selective adaptation' to analyse China's participation in international legal regimes. Keping (2005), one of China's pre-eminent political scientists, stresses the links between China's reforms in domestic governance and its entry into the global economy.

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post-1978 policy makers and intellectuals,[10] thus influencing the model of policy reforms towards the household responsibility system and (later) village elections for example.

Deng Xiaoping's motto 'it doesn't matter whether the cat is black or white, as long as it catches mice' may best sum up the preconditions under which international policy exchange has occurred. Since 1978, China has adopted a uniquely pragmatic reform approach, with frequent changes in policy approaches, and constant political contestation. This pragmatism also marked the new approach to international collaboration.[11] While contacts between the US and China had started to improve earlier, with Kissinger and Nixon's overture to China in 1971–1972, Deng Xiaoping's first visit to the US was an historical event, setting the scene for the subsequent economic strategy, marked by continued strong national (and Party) control, pro-actively incorporating international collaboration where thought desirable.

The spirit with which Deng approached the US was the same one with which the World Bank and China started too cooperate. Deng met the World Bank President Robert McNamara in 1978 (and China became a World Bank member in 1980). In a statement perhaps unimaginable in countries like India, he said: 'We are poor. We have lost touch with the world. But China is a big country. If we want to do something we can. But with the help of the World Bank, we can do it quicker and better'.[12] This public spirit of cooperation has continued to be central to international development cooperation in China. But it has become much more assertive, with increasing demands for and emphasis on a comprehensive approach to help China define the rules of foreign policy rather than simply following diktats crafted elsewhere. Even pro-Western thinkers like Zheng Bijian, a former deputy to President Hu Jintao at the Communist Party's Central School who coined the term 'China's peaceful rise', believe that China should be more assertive (Leonard, 2008), and during 2009 the international community has indeed witnessed signs it is doing just that.

Alongside its regional interests with respect to Japan and Taiwan (which has continued to dominate policies *vis-à-vis* developing countries, but with very few left that still recognise Taiwan), China's international approach to the rest of the global South also changed dramatically with the open door policy introduced two years after Chairman Mao's death, though its full impact became visible only in the 1990s. Africa was relatively neglected within China's foreign policy of the 1980s, which focused on relations with the West.[13] But this changed with China's rise.[14] Its emphasis on economic growth and

[10]For Wang (2006), representative of the New Left as discussed below, the last phases of the Cultural Revolution represented a process of de-politicisation in Chinese politics, and unification of politics and the state, which was consolidated in 1989.

[11]The official policy towards international collaboration are described in Guidelines of the 11th Five-Year Plan for National Economic and Social Development, to 'actively conduct international economic cooperation', promote cross-border flow and 'actively develop economic and technological cooperation with ... other countries and realise mutual benefit and win–win', consisting of implementation of the 'Go-Out' strategy (*zou chu qu,* launched in 2001 to strengthen trade relationships and encouraging domestic firms to invest abroad), and to push international economic cooperation.

[12]Thirty years later, this is mirrored in WB publication *China and the World Bank: A Partnership for Innovation* (2007).

[13]See Mitchell and McGiffert (2007) for a description of the history of China's engagement with the South since the 15th century, and Eisenman (2007) for China's 'post-cold war' strategy *vis-à-vis* Africa. A 'Five Points' agenda was formulated in 1996, and the 'China's Policy Paper On Africa' issued in 2006. The Sino-Africa Cooperation Forums in 2000 and 2006 are generally seen as important steps by China to enhance the relationship (www.fmprc.gov.cn/zflt/eng/gylt/ltjj/t157576.htm). Brautigam (2009) emphasizes the continuity in China's relationship with Africa.

[14]And as a result of the international criticism and isolated position China encountered after the Tiananmen crisis (Taylor 2006: 62–65).

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modernisation was accompanied by a shift away from promotion of international solidarity to serving its economic interests: export to the advanced economies, and imports particularly of raw materials and investing in its exploration mostly from the South.

The global economics and the 'soft power' China has employed alongside this is discussed in more detail below; the important point here is that what the world has witnessed is a carefully managed and politically controlled opening up alongside internal transformation, a transition that is now challenging balances of power, including in the international fora where 'development' is debated. In the process, China is inevitably changing its principles of international coexistence, and is becoming more assertive and will thus also make an increasingly large but yet unarticulated contribution to our understanding of development.

4 CHINA AS EMERGING DONOR: SOUTH–SOUTH COOPERATION, SOFT POWER, OWN INTERESTS

China's recent increased aid commitment has generated a great deal of attention not only in the context of debates on China's rise more broadly, but also increasingly fuelling the already-heated and overly-generalising debates on whether aid works or not.[15] A great deal is already known internationally about how Chinese aid works,[16] but it is important to highlight that the approach is rapidly evolving, and that capacity for implementation is lacking compared to the old donors but is rapidly being built up.

There are doubts about the size of China's aid programme. Numbers are unclear for a variety of reasons: China may not know the numbers because the programme is implemented by many different agencies; there is no clear borderline between aid and trade and investment; and/or China for international or domestic reasons does not want to publish these figures (the latter being denied by some Chinese scholars, highlighting official data put the annual aid figure at about \$1 billion). Various sources have put the figure somewhere between \$1 billion and \$ 2 billion, with aid to Africa at about half of that—which indicates how small it is compared to for example the UK aid budget of over \$8 billion. The most recent estimate by Deborah Brautigam put the figure of aid by DAC criteria at a still modest minimum of \$2.5 billion.[17] However, if we move away from a narrow OECD definition of aid, a rather different picture of China's role emerges: 'PRC foreign assistance and government-supported economic projects in Africa, Latin America, and Southeast Asia grew from less than \$1 billion in 2002 to \$27.5 billion in 2006 and \$25 billion in 2007'.[18]

Aid tends to be connected to commercial activities, for example infrastructure projects—and most international commentators agree that China's focus on infrastructure fills a gap left by the old donors. Aid is primarily bilateral, and a combination of grants, concessional loans, and debt relief, project investments, training and technical assistance.

[15]For example in the Munk Debate (1 June 2009, broadcasted by CBC) on aid Moyo presented China as an alternative to what she describes as 'dead aid', de Soto argues China developed without aid, while both Lewis and Collier emphasised China's role is a two-edged sword.
[16]Insightful insights of the Chinese aid system are Lancaster (2007), Brautigam (2008), Davies *et al.* (2008) and Chapponnière (2009); Brautigam's (2009) *The Dragon's Gift* is the best and most complete description of Chinese aid, situating its operation in a longer-term perspective.
[17]http://www.dfid.gov.uk/Where-we-work/Asia-East--Pacific/China/China-and-Africa/. At the end of 2008, China announced it would not cut aid following the economic crisis.
[18]According to a study by the Wagner School at New York University; quoted in a brief of the US Congressional Research Service (Lum *et al.* 2009).

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While primarily bilateral and stressing its distinctiveness, new forms of donor collaboration have developed, particularly with the World Bank (besides China's modest contribution to IDA) and through dialogue initiated by the DAC, EU and DFID.[19] China has provided increasing contribution to UN peacekeeping operations.

While recent debates often stress the distinctiveness of China's aid programme as it has developed over the last decade or so, many of its characteristics find clear similarities with that of the 'old' donors, the ones that are formally member of the OECD's Development Assistance Committee. China prefers not to refer to aid, but to the language of cooperation, which is not at all dissimilar to debates over the nature of and objectives of aid of the old donors. While China's emphasis on 'non-interference' is often held up as a distinctive trait, the old donors too have emphasised in normative fashion that it is up to the recipients to define the use and objectives of aid, in recent years articulated as emphasis on ownership as precondition for successful aid. It is often noted that China does not officially sign up to an OECD (Paris) consensus, for example with respect to budget support and conditionalities, but we need to keep in mind that very few of the old donors actually implement these. While China's aid programme is often held up as an example of close links with its foreign policy and economic objectives, all bilateral aid programmes need to be seen as elements of donors' broader international strategies. And China's aid programme is implemented by a large number of government agencies; this makes it very different from the UK but is very similar to that of the US.

Chinese views stress the continuity of its aid programme since the period under Chairman Mao. A study by Li Xiaoyun and Wang Guoliang for example stresses: 'China's foreign aid to Africa started in 1956. Despite its own difficulties in economic development, during the 50 years since, China has provided large amounts of unconditional aid to Africa. China's foreign aid to Africa has amounted to 44.4 billion RMB implementing about 900 projects on infrastructure construction and social services provisions ... In 1963, China started to send medical teams to Africa with the total number over the years being 15 000. Currently there are 35 medical teams working in 34 African countries'. And speaking about President Hu Jintao's visit to African countries early 2009, Foreign Minister Yang Jiechi said that 'China has long been committed to developing the all-round friendly relations with ... African countries and has rendered disinterested assistance to Africa. During President Hu's visits, China reached consensus ... on many issues including how to enhance bilateral trade and deepen pragmatic cooperation. This has fully demonstrated that China–Africa cooperation is all-round, multi-faceted and long-term oriented, is based on equality, mutual benefits, reciprocity and win–win results, and enjoys great potentials and broad prospects'.[20]

The aid programme as it (re-)developed during the 1990s is situated in the entirely different context that was described above, of China's rapidly growing economic interests in the continent, particularly in resource-rich economies. But China stresses that it has an interest in collaboration with the entire continent. For example, apparently responding to critiques, China ensures that visits by senior leaders to Africa include countries that do not

[19]Richard Manning, former DFID Director and DAC Chairman, was among the first to promote dialogue with China. In an article in *Development Policy Review* (Manning, 2006), he highlighted the risks of the aid programmes of new donors—around debt situation, low-conditionality aid that could delay necessary adjustments and unproductive investments—but that was no reason in his view not to engage in 'constructive dialogue'. See Wissenbach (2009) for a similar view from an EU perspective.

[20]www.fmprc.gov.cn/zflt/eng/zxxx/t540206.htm. See for example Anshan (2008) for a presentation on Chinese approaches and principles.

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have natural resources. The current international strategy is framed in a language of brotherhood and non-interference, particularly in Africa, forming an alternative to the post-colonial relations particularly of European countries. While the aid programme in the 1950s and 1960s was an essential component of the foreign policy ideology at the time, it now has become part of the 'soft power' that China employs (see Kurlantzick, 2007)—though with assertiveness *vis-à-vis* the international development community. The term has been used by top officials, for example in President Hu Jintao's address to the 2007 National Congress, where 'soft power' (*ruan shili*) was used to describe China's efforts to improve the appreciation of Chinese culture, for example through the opening up of Confucius institutes around the world.

Even if China's aid programme is not as exceptional as sometimes suggested, this is not to say it—in conjunction with its commercial efforts—is not having a big impact on development. Arguably the most important issue is China's emphasis on non-interference, and opposition to conditionalities around good governance and human rights.[21] In practice, and perhaps by design, China's support in particular countries (notable examples include Cambodia, Congo, Angola, or more generally countries labelled by the international community as 'fragile states') does provide an alternative to the support that comes with heavy conditions of the old donors.[22] This is likely to divide views and analysis for some time to come, with China increasingly critical of international organisations responses to China's engagement,[23] but analysis likely and hopefully will move to more grounded and empirical descriptions of context-specific impacts. Given China's increasing efforts to enhance its role in the international community, one may expect that a new consensus beyond the existing 'Paris Consensus' may emerge. In any case, China's impact in countries where the old donors have found it hard to operate (fragile states) and in sectors that the old donors have neglected (infrastructure) is already very large, and only time will tell what the impact of this new force in international development is or will be.

5 WHAT IS DEVELOPMENT STUDIES, AND HOW DOES IT MATTER FOR CHINA?

The field of development studies has grown enormously from its origins about half a century ago, and the second part of this paper explores the implications of China's rise for this field of studies. Development studies have evolved rapidly and inevitably become very diverse in focus, theoretical and methodological approaches and political orientation. Yet two inter-related elements bind it together: its problem-solving orientation (with much political contestation), and its inter-disciplinarity (with an equally heated methodological debate, notably on the perceived dominance of economics). In differing degrees, the field of development studies has been closely linked to the 'aid industry',[24] through the

[21]The 2000 FOCAC declaration noted that imposition of human rights conditionalities themselves constitute a violation of human rights (quoted in Taylor 2006: 68).

[22]Ian Taylor, who over the years has provided among the most insightful political analysis of China–Africa relations, highlights the dilemma that 'whilst China emphasises the notion of state sovereignty, this is most enthusiastically applied to countries where the empirical properties of the state are lacking' (Taylor, 2007: 22). Woods (2008) however emphasises that China has been responsive to international critique regarding its support to rogue states.

[23]For example, as described in *The Economist* of 18 April 2009, the Chinese Ambassador in Kinshasa accused the IMF of blackmail, because of its objection that the support package to be provided by China would again saddle Congo with unsustainable debt.

[24]De Haan (2009). The Chinese IPRCC is in similar fashion directly linked to China's emerging new aid programme.

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large research departments within particularly the World Bank, the direct funding of research as practiced in the UK and the focus on capacity building in institutions like ISS in the Netherlands, and across the global South through funding for research capacity like Canada's IDRC's and initiatives like AERC networking among African economists.

Two further distinctive features of the field of development studies are of importance for the discussion here. First, linked to its problem-solving orientation, the field is strongly politically and ideologically driven, and often segmented along those lines.[25] For quite some time, development studies main theories have been organised around the paradigms of modernisation and neo-liberal approaches, Marxist and political-economy theories that emphasise the exploitative nature of market relations (with the state versus market debate being amongst the most hotly contested topics), and dependency and world systems approaches that emphasise global inequalities and exploitation. As I will argue below, these dominant paradigms do not fit very well in explaining China's development path. There has been limited engagement by Chinese scholars with these international debates, hampered by both language and the isolationism under Mao, barriers that are now gradually being overcome. Moreover, the left–right opposition that emerged in China in the 1980 and 1990s does not appear to have found a mirror in the international debate, perhaps on ideological grounds because of China's international pariah status after 1989, and perhaps because the Cultural Revolution contributed to a distinct and unique preference against radicalism within China.

Second, and similarly related to the close link between study and practice, the field is marked by very rapid changes in attention, and by what Cornwall (2007) aptly called the dominance of buzzwords. Thus, it is possible for major themes like inequality, agriculture or infrastructure to be perceived to be absent from dominant discourses and subsequently return to the agenda, or for concepts like livelihoods to rapidly gain importance in one decade and almost entirely disappear the next. This seems to have been relevant for the way Chinese researchers and practitioners have engaged with the development discourse, as they have very pragmatically engaged with topics that have emerged over the last two decades.[26] Chinese approaches to aid seem to have shown much more continuity, stressing aid as a means to support country's self-reliance (Brautigam, 2009: 35).

Of course, China has been very well studied in academia, and with the opening up of the last 30 years Chinese scholars increasingly have taken their place in academic departments around the world. For example, the question over the likelihood of China's political system to survive has been the subject of many international publications and predictably fierce debate. Internal fiscal and public sector reforms have been well studied, and China's gradual approaches compared to the big-bang approaches in the former Soviet Union. China's migration policies have attracted widespread attention, both because of the exclusion of migrants from urban services, and because China's *hukou* system has avoided the urban poverty and slums of most developing countries. The critical point however for the argument here is that unlike in the case of many other large countries in the South, the focus on China has remained within the sphere of regional, cultural and of course language

[25]This remains largely hidden in development practice, which has a strong technocratic focus (De Haan and Everest-Phillips, 2010).

[26]One of the areas of interest that seems worthwhile exploring is how international approaches have been introduced in China, for example on participation, and how these have been converted into projects that have often been regarded as successful (see e.g. Lu Caizhen, undated).

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study[27]—it has not found its way into development studies the way the study of, say, Chile, South Africa, Bangladesh or India has.[28] The relative weakness in China of NGOs as they operate elsewhere and form an intermediary for development knowledge is a contributory factor to the lack of influence of China on the international development debate.

For many development studies institutes China has become subject of interest only since it has become a major player in Africa, or become relevant in the context of the G20 or global financial crisis, but it is common for major global publications or projects to by and large neglect Chinese experience. While quantifying this argument may be difficult,[29] examples may serve the argument. In the UNRISD research program on social policy, Chinese experience hardly influenced the program, despite great interest of its researchers in the Chinese revolutionary experience, and the emphasis on the developmental state.[30] While much attention is being paid to research on 'fragile states', very few of these programs incorporate research on China's role[31]—which is usually carried out in separate research projects, and often directly commissioned.

Development studies as a subject has not emerged in (mainland) China until recently, with currently on-going efforts to build development studies within agricultural universities (CAU), social studies (BNU), public policy and management (Tsinghua), demography (Renmin University), etc. This 'absence' is understandable, as development studies as a subject have been an integral part of aid relations particularly in Western Europe. Similar questions are emerging only now within China, as it is becoming a donor. Where Chinese academics have engaged with the development debate of the West, it has been with a strong focus on practical approaches, such as on participation or forest rehabilitation, focusing on adapting international experience to Chinese reality, with in my own experience little feedback to the international debate. This absence is not unremarkable, as China has had a very long history of engagement with foreign experience.[32] There has been much learning from and inter-change, of course, with other communist states—attention that of course came to an end, by and large, in 1989 with the fall of the Berlin Wall, leading to debates in China on how to avoid this fate.

[27]And even there, in countries like the UK and Netherlands the expertise on China, including language ability, is limited (see for example Frank Pieke's comment on http://www.esrc.ac.uk/ESRCInfoCentre/about/CI/CP/Social_Sciences/issue67/China.aspx). The issue of language continues to influence the collaboration deeply, for example highlighted by the fact—in my experience—that many of the Chinese staff of development organisations have an English language rather than development academic background.
[28]China was not central part of the World Bank (1993) study, funded by the Government of Japan, *The East Asian Miracle*, as its growth rates measured between 1960 and 1985 was a mere 1.5 per cent per year (one of the features that distinguishes China from the other East Asian miracle countries is China's rise in inequality). The UNDP follow up study *Beyond the East Asian Miracle* (1996) included but did not pay much attention to China either.
[29]However, on DFID's R4D website, entering China in the search function for research outputs gives a score of 289, while for India 29 800 [sic] entries are found. Searching 'China' in the *Journal of International Development* gives 112 results, and 'India' 292. Chinese researchers seldom appear in lists of most important development scholars, with Mao Zedong appearing in Simon's (2006) *Fifty Key Thinkers on Development*. Foreign Affairs top 100 global thinkers include the Governor of the People's Bank of China Zhou Xiaochuan, legal activist Xu Zhiyong, journalist Hu Shuli and scholar Minxin Pei (http://www.foreignpolicy.com/articles/2009/11/30/the_fp_top_100_global_thinkers?page=full).
[30]Mkandawire 2004. The East Asian experience was studied under the leadership of Kwon (2005), with one contribution by Nankai professor Guan (2005). With the current Director, Sarah Cook, a China specialist, this is likely to change. Wong (2008) provides a fascinating historical perspective on social policy changes in China.
[31]See for example http://www.crisisstates.com/ or http://www2.ids.ac.uk/gdr/cfs/, with the latter having initiated a China in Africa project.
[32]Spence (2002) describes how China has drawn on international technical advice from the early 16th century onwards, and highlights misplaced hopes of western advisers 'to change China'.

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The Chinese experience is starting to play a larger role in the western development discourse. Increasingly, development studies have realised the need for a focus on China. It is now commonly asserted that China has been responsible for the largest proportion of progress against MDG1, while global analyses of trends in poverty or inequality often need to 'exclude' China (alongside India) because of the huge impact it has on the overall picture. The World Bank, which has collaborated closely with China over the last 30 years, and for example produced poverty analysis collaborating with the Chinese National Bureau of Statistics, has now promoted work to articulate the lessons from China's development path, which we discuss further in the next section. IDS Sussex highlights China as a subject alongside for example gender, agriculture and climate change, emphasises 'China matters for development',[33] and for example invited the head of the DFID China office to talk about how donors engage with China as the bilateral aid programmes are ending. Harriss (2009) in the special issue of the *Journal of International Development* emphasises the shift in economic power from West to East, and the resulting increased importance of the Asian middle classes as drivers of development. China as 'shaper of development' was one of the themes of the DSA conference in 2008, the DSA set up a study group on China, and the ESRC is funding a network on 'China as the new "shaper" of global development'.[34]

On the European continent too attention to the rise of China has been growing. The German Development Institute has led a research project on 'Asian Drivers of Global Change' which focused on China and India's growing economic power.[35] *The European Journal of Development Research* dedicated a special issue (September 2009) to 'China in Africa', focusing mostly on economic relationships, with an article on Chinese migrants in Africa (Mohan and Tan-Mullins, 2009) and a reflection from the EU focusing on 'triangular cooperation' (Wissenbach, 2009). ISS is taking initiative to strengthen its focus on China (the title of *DevIssues* of May 2009), and for example invited in 2004 the then Ambassador to the Netherlands, Xue, to speak to ISS about China's open policy and international law, in which she discussed China's growing engagement in international fora.[36] Ho's inaugural address at the Centre for Development Studies at the University of Groningen focused on the rise of China and implications for development studies (Ho, 2005). In a recent Dutch Scientific Council for Government Policy publication, China's reform experience of gradualism is presented as an example for a key element of what the Council proposes as an alternative model for development policy for the 21st century (Kremer *et al*., 2009: 23).

The way China's international role has been described in recent years has been marked by great controversy, between, put simply, those who see China's rise as a threat, and those who stress the positive aspect of China's development and its increasing role in Africa and elsewhere.[37] The possible alternative presented by China for Africa now regularly emerges in discussions on aid. The mere fact of the controversy should not come as a surprise, as the

[33]http://www.ids.ac.uk/go/browse-by-subject/china.
[34]http://www.devstud.org.uk/studygroups/china_and_development-47.html; http:/risingpowers.open.ac.uk. A similar initiative involving 'thematic dialogues' is funded by the Dutch NWO and KNAW (www.nwo.nl/jstp).
[35]Kaplinsky and Messner, 2008; and see www.die-gdi.de for a description of the research programme.
[36]Significantly, she stressed that the impression that China's reform since 1978 had been only about economics was incorrect, but had been accompanied by significant institutional reform, in which China looks closely at and collaborates with other countries.
[37]To answer the question about risk or opportunity for the US, and illustrating a felt need to come to terms with the unknown, two major think tanks produced a 'balance sheet' on China as emerging power (Bergsten *et al*., 2006).

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rise of China is felt to be challenging international development perspectives, and the place of OECD countries in the world.[38] The financial crisis is suddenly driving home the importance of China in global finances, and indeed the instability of the global financial system. Alongside the newly adopted role of the G-20, many people believe that the real locus of power has shifted to the G-2, the US and China;[39] in any case in Beijing the G-2 is discussed with considerable assertiveness, in a similar way as the proposals for a new global currency have been put forward, and in the responses to Western statements on the financial crisis. Within Africa, it is only to be expected that different views emerge, between the new opportunities that are provided by China's global role, and questions about the place of Africa's needs within, and perspectives on China's global strategy.

Equally challenging questions regarding China's global role have arisen within China. As documented by Lynch (2009), while there has been a definite move since the 1990s in China' thinking towards more liberal and internationalist frameworks, straightforward Realism remains very much present, as are the inherent contradictions (such as related to the role of civil society). Jiang (2009) highlights the intense debate within China regarding its role in Africa, whether for example its stated policies of non-intervention can be maintained in cases of the crisis in the Darfur region, or the adaptation by Sinopec in its oil explorations in Gabon. It is critically important to see China's role as rapidly evolving, not to assume China is a unitary actor,[40] and to analyse the interaction between those new forms of international engagement and internal dynamics of governance and political economy.

It is evident that the polarisation in the debate on China's role, and the rapid changes within China, make encounters between Chinese scholarship and western development studies challenging, beyond the traditional barriers of language, distance created by Chinese isolationism and Cold War, and the relative neglect of study of China outside the specialist area and language studies. We will come back to the theoretical differences between strands of scholarship, after discussing a new field of encounters, that of 'lesson learning from China'.

6 LESSONS FROM CHINA: WHAT ARE THEY? WHO DECIDES?

China's rise has led to a growing interest in drawing out the lessons from China for other countries.[41] African leaders regularly express interests in understanding the reasons behind success, an interest no doubt strengthened during the Africa summits hosted by their Chinese counterparts. 'Clearly, we all have a lot to learn from China', according to Liberian

[38]For example, the economic rise of China alongside India and South Korea appears on the second page of a book on the crisis of trust in Dutch society (Knepper and Kortenray, 2008: 10).

[39]The term may have been used first by Zbiginew Brzezinski, or by Fred Bergsten in 2004, and used in discussion between Robert Zoellick and Chinese counterparts in 2005, followed by the creation of a strategic economic dialogue (Bergsten, 2008: 67). The visit by US Treasury Secretary Tim Geithner to Beijing during the summer of 2009 to reassure Chinese investors confirms the rapidly changing power balance. There are some concerns about the marginalisation of the EU in the new G-2 emphasis (www.telegraph.co.uk/news/worldnews/europe/6219907/US-China-relationship-marginalises-Europe.html).

[40]Which it may seem to those witnessing its emerging role in Africa; for example, at a discussion on Dutch economic diplomacy a representative of the business community argued Dutch diplomacy needed to become more supportive of Dutch business because the Chinese do this too.

[41]To some extent, as China's rise itself, this is a resurgence, as the different phases of development found reflection in different parts of the international scholarship, for example related to practices of economic planning, land reform, etc.

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Finance Minister Antoinette Sayeh, 'China has made great progress in the past few decades in combating poverty' (People's Daily Online, 16 May 2007).[42] 'Putin looks to China as a model, and for good reasons'.[43] And the financial crisis has added attraction to a China model: 'The influence of China's state-driven approach, as well as the huge state interventions undertaken by Western governments ... are likely to legitimise a greater role for the state in the economy in the minds of many developing country policymakers'.[44]

International agencies like World Bank, UN and DFID have started to promote the learning of these lessons,[45] and indeed China's government has made it their objective to share with the world the stories and reasons for its success, as manifested in the hosting of the Global Conference on Scaling up Poverty Reduction in Shanghai in 2004, the establishment of the International Poverty Reduction Center in China (IPRCC),[46] through the many training programs as part of its international development cooperation, and an emphasis on support to South–South Cooperation.[47] While in the 1990s there was considerable interest in the lessons from China for other transition countries (e.g. Lin *et al.*, 1996), an increasing number of studies are now starting to contemplate what lessons from China may be of relevance in a broader sense, notably for Africa. This section discusses some of the more prominent views in this debate.[48]

The significance of the question of lessons from China is highlighted by the attention from a number of senior World Bank staff (alongside its support for enhancing China's increasing role in South–South cooperation). According to Ravallion (2008), poverty specialist with a long-standing experience of analysing poverty and impact of development projects, two main lessons stand out from China's development experience, in particular for Africa, while acknowledging that Africa faces many constraints that China did not or to a lesser extent (such as political instability, inequality, demographic factors). The first factor is the role of agriculture, which is in line with much of his analysis of China and elsewhere which shows how much growth in agriculture has contributed to poverty reduction. China's success in poverty reduction, in his view, illustrates the importance of promoting agriculture in the early stages of (pro-poor) growth, and to support this through direct public policies as well as creating market incentives. His second main lesson from China is around effective state institutions, notably the 'importance of combining

[42]African countries are attracted to China's policies particularly because of its self-reliance and independence (Yao Guimei 2006; quoted in Li and Wang, 2009).
[43]Kagan (2008: 56); his 'Return of History' describes how emerging powers of China, Russia and India challenge the international systems in profound ways, with China and Russia showing disdain for the weaknesses of democratic systems.
[44]McCulloch and Sumner (2009: 103); it is noteworthy of course that the US and China are the two countries with the largest stimulus packages, but the longer-term impacts are likely to be very different. The first issue of the new *Journal of Globalization and Development* contains a symposium on the 'return of counter-cyclical policy', with China as one of the case studies, by Yu Yongding. His assessment of China's successful stimulus package is typically modest: 'As long as the government is willing, any country can spend its way out of the slowdown, as long as it is affordable for the country' (Yu, 2010: 5).
[45]http://info.worldbank.org/etools/ChinaAfricaKS/resources.htm; http://www.dfid.gov.uk/Where-we-work/Asia-East--Pacific/China/DFID-China-prog. UN Resident Coordinator in China, Khalid Malik, thought China could 'provide leadership and guidance for the international community in responding to the current crisis in Haiti' (http://www.bjreview.com.cn/quotes/txt/2010-02/21/content_247377_2.htm).
[46]http://www.iprcc.org/publish/page/en
[47]The recent emergence of South–South cooperation in international development cooperation is discussed in the volume edited by Chisholm and Steiner-Khamsi (2009); the article by Gillespie (2009) on China focuses on African students in China, the role of the exchange in China's changing foreign policy and students' experiences of discrimination. Melville and Owen (2005) conclude that South–South cooperation between China and Africa may be more efficient but not less self-interested.
[48]This draws on the concluding chapter of the book edited by Zhang, Fan and de Haan (2010).

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pragmatic, evidence-based, policy making with capable public institutions and a strong leadership that is committed to poverty reduction', the learning processes from local initiatives (much more difficult across African countries), and emphasis on 'searching for truth from facts' '...China did not make the mistake of believing that freer markets called for weakening those institutions'.

David Dollar—former World Bank's country director for China, previous director of research and poverty analyst (Dollar and Kraay 2002), and now US Treasury representative in Beijing—has also directly engaged in discussions about China's development experience and its relevance for other developing countries (Dollar, 2008). He mentions features of Chinese culture, a Confucian ethic and its emphasis on education and very high savings rates, but that these by themselves do not explain recent economic successes. Second, Dollar stresses the way China emphasised 'gai ge kai fang', 'change the system, open the door', or reform and opening, including the need to change the system and alter incentives and ownerships, through competition for investment between localities, preparing the right investment climate. He emphasises the need for opening up of the economy and the way China welcomed direct foreign investment. Third, Dollar highlights China's investment in infrastructure as a critical lesson for other developing countries. The quality and benefits of infrastructure are clearly visible for any visitor to China, but Dollar also highlights that the infrastructure was provided through a policy of full cost recovery. Fourth, while Ravallion highlights agricultural productivity, Dollar stresses the moves out of agriculture as a key lesson, and the role of migration from low-productivity rural employment to higher productivity urban employment.

Justin Lin Yifu, celebrated to be the first World Bank Chief Economist from a developing country, has also shared his views on the lessons from China. In the 'Cambridge Lectures' he highlighted that China—and Vietnam—achieved long periods of fast economic growth without implementing some of the conventional free-market policies, while many countries that liberalised much quicker have worse records of sustaining growth and reducing poverty. As many others, Lin stresses that the gradual approach under Deng Xiaoping was much more successful than the shock therapy ('big bang') promoted and implemented in large parts of the rest of the world since the 1980s. 'A gradual, piecemeal approach to reform and transition could enable the country to achieve stability and dynamic growth simultaneously and allow the country to complete its transition to a market economy'. Of course, China was always in a much stronger position to negotiate its own reform than smaller, indebted and aid-dependent countries.

In a World Bank paper with Wang, Lin further emphasises how China followed a strategy of comparative advantage, and continuous ('market-based') learning, which they argue contains lessons around attempts to set up export zones (Lin and Wang, 2008). They conclude that liberalisation itself is not sufficient to jump-start export, and that for China system reform and opening up were equally important aspects of its development path. As if mirroring the literature on 'good-enough governance' (Grindle, 2002), they conclude:

> the pace of reforms, adaptation, and innovation should be commensurate with a country's development stage and regulatory capacity. China certainly did not do everything right during the trials and experimentations of the past 30 years of reforms. It paid dearly in high "tuition." But, as a good student, China has been learning, selectively, from the experiences of other developed and developing countries – learning well and fast. Through learning-by-doing, China is catching up at a pace that is consistent with its institutional capacity and national objectives. It is

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noteworthy that the pace of reforms has seldom been allowed to go beyond institutional and regulatory capacity.[49]

These perspectives from a limited number of—but influential—international development scholars already suggest that the lessons that can be drawn from China are diverse and the answer to the question about what lessons from China are relevant, perhaps predictably, lie in the eye of the beholder. Once we move outside this small circle, the kinds of lessons we encounter, again predictably, become more diverse. For example, Ashwani Saith recently contributed to the debate on China by comparing its development path to that of India, highlighting the differences in rural development and the role of China's mass mobilisation, with the Communist revolution breaking the feudal mould thus creating the conditions for capitalist development (*vis-à-vis* the institutional rigidities in India).[50] And in the Symposium of the *Pacific Economic Review* (Vol. 13, No. 3) on lessons from Chinese economic history, Wong argues that 'the arc of economic change [post 1978] follows on from earlier practices, some of which pre-date nineteenth century Western impacts' (Wong, 2008a: 307), while Chow (2006) in the issue focuses on the 'economic fundamentals' that account for China's rapid growth, as they did for Japan, Taiwan, etc.

An increasing number of studies have compared China's development path to that of other developing countries. As part of the rising interest within China about Africa, and to promote mutual learning about poverty reduction, a study by Li Xiaoyun and Wang Guoliang comparing development and poverty reduction in China and Africa concludes that while there are doubts about the 'applicability' of China's development 'model', nevertheless a 'systematic understanding of China's transformation demands a paradigm shift in development thinking' (Li and Wang, 2009: 1). In the comparison with Africa, Li and Wang (2009: 113 ff) emphasise China's self-reliance and stability and national solidarity, alongside China's progress particularly in the agricultural sector where China's experience may be particularly useful for Africa.

'Beijing Consensus' has become one of the catch phrases that have come to encapsulate China's rise and how its development path is challenging established practices and ideologies. The term was coined by Joshua Cooper (2004), former Foreign Editor of Time magazine, highlighting East Asian economic models, with their 'ruthless willingness to innovate', alongside China's international politics focusing on the power balance within the region as well as fostering international relations more broadly. Of course, Ramos posits a Beijing Consensus as an explicit alternative development paradigm to the failure or collapse of the Washington Consensus with its emphasis on reducing state intervention, which is thought to have failed in Africa as well as during the 1997–1998 financial crisis (and subsequent to Ramos' writing, the 2008–2009 financial crisis). At the same time, China's development paths and reforms can equally well be seen to conform to a

[49]Lin and Wang, 2008: 30. The learning as part of reforms also comes out strongly in the contributions to the edited volume by Zhang *et al.* Of course, international learning has also been an important part of the strategy of the Communist Party to retain political control, notable after the 1989 internal crisis and collapse of communist states elsewhere (Shambaugh, 2008).

[50]Saith (2008). Within India, comparisons with China have been popular for much longer. See for a recent example *The Indian Journal of Labour Economics*, Special Issue on Labour Markets in China and India in the Era of Globalisation (July–September 2007); see Sundar and Venkata Raman (2007) for a comparison of reform strategies. Werlin (2009) briefly compares China and India as part of an analysis that suggest various forms of legal and institutional conditions can arise under autocracies, and that democracies are not necessarily better in creating the best conditions for economic growth, thus confirming analyses like Przeworski and Nelson in the 1990s that showed there is no link between forms of government and growth.

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Washington Consensus (see below), and on the basis of my own interaction with Chinese scholars and officials I concur with d'Hooghe of the Clingendael Institute, who observes that the Beijing Consensus 'has been more the subject of Western debates than of the Chinese discourse. The majority of both scholars and officials are reluctant to promote the Chinese experience as a model that should be followed by others. They assert that it is too early to conclude whether the model works well and stress that each country must find its own path'.[51]

The discussions on the Beijing Consensus illustrate the difficulty of anchoring research on China in the international development debate. First, the debate tends to overstate the difference between what China's path tells us and what may be termed a Washington Consensus. Debates on the 'post-Washington' consensus (Stern, 2002) has articulated the importance of the role of institutions. Similarly the debate on 'good governance', subsequently 'good-enough governance' (Grindle, 2002) and the increased attention in development *practice* to the role of politics and 'ownership' all indicate a gradual realisation that the simple prescriptions of a Washington Consensus particularly around privatisation and opening-up were at least inadequate. Failures in the former Soviet Union showed that 'big-bang' was not working, and the 1997–1998 crisis showed the risks of capital account liberalisation. Thus, even before the 2008 crisis, it had been clear that simple liberalisation paradigms were inadequate.

Second, the juxtaposition of the two paradigms is problematic also because China did adopt many of the policies of the Washington Consensus, albeit in its own way and after 30 years of inward-oriented development. It worked closely and learnt from the institutional bearers of the Washington consensus, but never was under serious pressure to adopt 'stabilisation' or 'structural adjustment' in their full forms as in Chile and heavily indebted African countries or through the shock therapy of the Soviet Union. It carried out massive privatisation over the last decades, but as discussed below this was also a means to rescue the legitimacy of the state. A narrative of a consensus at least at the surface appears at odds with the pragmatic approach to development that has marked China's reforms. Moreover, Yao Yang in *Foreign Affairs* of 2 February 2010 argues that China's development path can be equally well described as conforming to a Washington Consensus and market doctrine of neoclassical economics, with 'an emphasis on prudent fiscal policy, economic openness, privatisation, market liberalisation, and the protection of private property'.[52] At the same time institutional transformations could be implemented more quickly than in India, and more effectively than in so-called fragile states. Whatever it was that China did, it did it at its own pace and in its own manner, and by and large without a master plan.[53] But to argue that this constitutes a consensus—just like an argument that Deng Xiaoping's pragmatism constituted a master plan—begs more questions than it answers.

[51]d'Hooghe (2010). This is not to say that a 'Beijing Consensus' has not become part of discussions in China (for example Li and Wang, 2009), but I interpret this as an indication of increased assertiveness about China's development path rather than pertaining a clear theoretical or ideological content. Leonard (2008) observes that 'China's intellectuals now want China to think for itself and shape the world in its own image', overstating the extent to which China experienced '30 years of sucking up Western know-how and ideas'.

[52]Watkins (2010: 8), in a recent editorial of the *New Left Review*, accepts that the dominant paradigm of 'neo-liberalism' was 'unevenly applied' in Germany, Japan, Korea and China—without drawing the conclusion of what this uneven application in four of the world's largest economies means for the extent to which the paradigm remained dominant.

[53]See e.g. Luo (2009) with reference to dual pricing, and Ho (2009) with respect to rural reforms. Moreover, China also does not appear to have boasted about its own achievements in improving governance (Qiao Jianrong, DFID health adviser, personal communication).

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The different views on China's lessons summarised above suggest (and one could add others to these, such as the social conditions and relative equality in health, education and gender at the start of the reform period), is that what is drawn out as lessons from China seems to be directly related to authors' views and frameworks. One may also detect signs of convergence between possible lessons from China and some of the global development themes. For example, attention to governance and ownership in the 1990s based on lessons of reform efforts in Africa, and the resurgent interest in infrastructure and agriculture in the international development debates appear to chime well with some of the lessons that one may draw from China. But I suspect this is more coincidence than theoretical convergence, and in the case of infrastructure the result of China's (growing) political influence in the World Bank as described in the political history of the Bank by Mallaby (2005).

The emphasis on lessons from China indicate that the international development debate is catching up with the radical transformation in East Asia and China in particular, a transformation that is rapidly becoming of global significance in terms of economic development, and also of climate change and international politics. The lesson learning process tends to be very supply-driven, both through the way this has become an official objective of the Chinese government and the way it is promoted through international organisations. As Pei (2009) argues, the Asian models may not easily be exportable, but there is a sense of empowerment and pride in the industrial revolution taking place in the region. The debate on 'decoupling', which re-emerged after the crisis (Kose and Prasad, 2009), similarly highlights the rising awareness of the new dynamics of the emerging economies. In any case, the existing small but growing literature shows that there are many lessons that can be drawn from China's experience, and that the lessons that are pulled out seem to depend very much on each writer's perspective. This is not surprising, and highlights a new global force and sense of pride and confidence that increasingly structure the knowledge about international development. We now turn to conceptual issues that inform new debates on and within China.

7 ABOUT PARADOXES AND UNCONVENTIONAL POLICIES: SHIFTING PARADIGMS?

We have seen that as China's global economic and political impacts are growing, so is its influence on thinking about development, prompted by an increased urgency in the rest of the world to find out about China, and still-hesitant but increasingly-confident Chinese intellectuals (re-)engaging with international debates.[54] As these spheres of engagement are thickening, differences in conceptual frameworks are emerging: these promise to be fertile grounds for enhancing the understanding of development, and in this section we discuss a select number of these emerging theoretical debates.

In the first place, it is important to stress that the engagement has had little emphasis on theory.[55] Chinese academics like Zha Daojiong emphasise that successful collaboration

[54]China has always looked abroad for international models, such as the Soviet Union in the 1950s and East Asia in the 1980s. I am grateful for a referee for emphasising this. China's new global role over the last decade is reshaping the nature of this engagement, and as such is likely to have a different impact on development studies.

[55]The recent nature of China's intellectuals' exposure to Western theories, concepts and methodologies post-Mao is also relevant here. For example, the monthly journal *Dushu* focused in the mid 1980s on the introduction of western theories including modernisation theory and Braudel's; later on debates on China's development path became more central to the journal (Zhang, 2008).

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with China (in this case in overseas development cooperation) needs to start from specific issues and not from concepts,[56] while Zhang Xiulan—in a note on development studies in China—puts forward the notion of 'adaptive management of development' as a distinctive Chinese contribution to the international debate (Zhang *et al.*, 2009). China's internal pragmatic approach to development since 1978 has marked the way China has engaged with the international community. Its learning has been very strongly focused on solving technical problems, and the international community has encountered often surprisingly open attitudes, typically after political sensitivities were resolved, such as in cases of collaboration on HIV/AIDS and SARS, sensitive public policy issues that suddenly became subject of official collaboration.[57] In other areas of public policy, often very rapidly evolving depending on newly identified priorities—such as shifts in approaches to poverty, or the focus on balanced development following the rapid rise in inequalities—international lessons and collaboration have played a significant role. In the process, China has adopted many international practices, and indeed institutionalised the collaboration to promote this, as was for example emphasised in approaches to earthquake reconstruction. While consciously appearing to be a-political, in the process Chinese agencies transform these approaches perhaps beyond recognition.[58]

While development studies tends to be deeply politically and ideologically driven and divided, a central characteristic of China's reform path has been how it has aimed to depoliticise development, 'seeking truth from facts', combined with intellectual traditions that emphasise the specifics over the theoretical, and harmony over debate. The first is illustrated in Deng Xiaoping's motto of gradual and experimental reform, which is simultaneously a method of policy formulation and implementation, and a way to build political consensus (for example starting experiments in geographical areas where opposition is thought to be least likely).[59] The emphasis on harmony is illustrated in the new slogans promoted by the Hu-Wen administration since 2005, internally towards a 'harmonious society' (*hexie shehui)* responding to rising inequalities and social unrest often related to mal-administration, and internationally for a 'harmonious world' (*hexie shijie)* in response to concerns about the rise of China, including reviving the status of Confucianism (Zheng and Tok, 2007; Bell, 2008: 8–10).

Debates on China's development path show critical differences in conceptualisations of the respective roles of the state and market, and how these relate to objectives of equality and justice alongside that of economic growth.[60] The example of migration may illustrate how China's specific history and institutions lead to puzzles *vis-a-vis* the paradigms that mark the broad field of development studies as we know it. China's experience with migration is now among one of the newly-discovered 'lessons', but as Fang (2008) highlights, it is very difficult to draw lessons for other countries from China's experience in

[56]Comment at donor-organized debate on aid in Beijing, March 2008.
[57]See DFID (2008) on the form of international collaboration in China's health care reforms. The IDS Practice Paper by Bloom *et al.* (2009) provide perspectives on this collaboration. The special issues of *The Lancet* and *Health Economics* (June 2009) on China illustrate the realisation of importance of China for global health.
[58]For example, approaches to participation in an internationally funded rural development programme were articulated in very different ways in different provinces. Careful study would be needed to track the impact of the international exchange on new approaches to management and policy. I owe the point about the conscious strategy to appear a-political to Qiao Jianrong, who also emphasised the critical difference with other aid recipients in this respect.
[59]Ho (2009) characterises China's reform pragmatism as focusing on gradualism and credibility, as form of institutional innovation.
[60]Whyte (2009: 379) sees 'multiple paradoxes that involve the relationship between political institutions and economic development in China'.

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migration policies, except in the process of policy reform. While China is engaged in history's largest transformation from a rural to an urban-industrial society, influential theories like Lewis' and Harris-Todaro—and by extension modernisation theories in a Kuznets tradition—have limited analytical value for China. While on the one hand there is a clear dualism in China's labour market and the dual market models can help to analyse movements of wages and labour supply in two distinct sectors, and for example identify a 'Lewis turning point', in the Chinese case the dualism is institutionally created—with vested interest behind these and against reforms[61]—rather than being a traditional-modern opposition.[62]

A similar point is pertinent for debates on the developmental state. China has been regarded as an example of the East Asia's 'developmental state', because of—*inter alia*—strong nationalist motives behind or alongside the promotion of productive forces, under an autocratic regime, catching up as a late industrialiser—but others stress the differences as well, including China's transition from a socialist economy through large-scale privatisation, the relative autonomy given to sub-national governments necessary because of China's size, the different conditions faced by China as late industrialiser, and a strategy of using state power to promote market forces.[63] In my view, these issues go well beyond questions of what kind of institutions are required to promote economic growth, but challenge the state-market, and institutions-growth distinctions that underlie much of the western development debates, leading towards positing paradoxes in analysing China's development model, and about China's foreign engagement and investment.[64]

Chinese authors have questioned the validity of the concepts with which China's development has been conceptualised. In the words of Wang, one of the main intellectuals of the New Left (see below), 'using the dual market/state theories cannot explain the process of market expansion in China',[65] while he also criticises the centralising and depoliticising tendencies of the Chinese state.[66] Similar to Wang, Cui Zhiyuan notes that it is not helpful 'to see socialism and capitalism as opposed and separate. Both have travelled together in the 20th century. Not just European welfare states, even American capitalism has a socialist component, which was arrived at after compromise

[61]See Lam (2010) for an interesting brief comment on obstacles to reforms. While the resistance to reform of the *hukou* system previously may have been driven by desire to control population movement, the resistance now comes from local officials who feel they cannot afford to give migrants access to urban services (and from bribe-receiving officials).

[62]See the recent discussion on the relevance of the Lewis model by Gary Fields (2006) which refers to Taiwan but not the mainland. The proposed extension of the theory by Wang and Piesse (2009) does consider the role of state planning in determining employment in the urban sector and migration restrictions to reduce the chance of urban unemployment and unrest.

[63]Cook (2009), Whyte (2009). London argues that Chinese *social* policies (similar to Vietnam's) can be characterised under a concept of 'Market-Leninist' welfare regime, because of the subordination of market institutions to political control. Wang and Piesse (2009) argue that dominant theories of public choice, and also Amartya Sen's comparison of China and India, are not helpful to explain historical patterns of China's social spending.

[64]This quandary is mirrored in the discussion on Chinese investments in Africa, for example '[h]ow much of the behaviour of Chinese companies in Africa is symptomatic of contemporary global capital flows in general, and how much is down to norms and practices that are distinctively Chinese?' (Strauss and Saavedra, 2009: 555, in the introduction to a special issue of *The China Quarterly*).

[65]Hughes (2006:116–117) discusses Wang's concepts of globalisation and how these relate to economic development and nationalism. See also Anderson (2005: 18). During the 1990s, the emerging sociological literature on social stratification in urban China initially had a state vs. market dichotomy at its core, but then moved beyond this (Chen and Sun, 2006: 521).

[66]See his contribution to the *New Left Review* which discusses the depoliticisation of Chinese politics from the last phases of the Cultural Revolution onwards (Wang, 2006).

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with the trade unions' (*The New York Times*, 15 October 2006). While the 1990s international debate focused on the role of the state, with the neo-liberal focus on the need for (and left-wing critique of) withdrawal of the state, the Chinese state maintained and reinforced its power, thus posing the difficult question for the international debate of the compatibility of the one-party state with a strikingly successful economy in the information age and 'supercapitalism'. Where international observers tend to see the Chinese state as carrier of global capital, their counterparts in China tend to emphasis the *expansion* of the market.[67]

The difficulty of fitting China's economic development and reform paths within existing development studies paradigms is perhaps most clearly expressed by Wang (2005: 75), who stresses 'the state overcame its crisis of legitimacy through market expansion'.[68] China's emphasis on economic growth, and particularly the target of 8 per cent GDP growth, deemed critical to create sufficient jobs alongside shedding of jobs in reforming State Owned Enterprises, can be seen as an expression of this phenomenon. As described above, the focus of the Chinese state has been on creating preconditions for private entrepreneurs and local authorities to invest and innovate, rather than, for example, 'picking the winners' as in the East Asian developmental states. To understand this process it is critical to understand the enormous institutional changes and reforms that have taken place underneath the 'trapped transition' and the official commitment to continue China's political structure, which leads to a question—of which the answer is outside the scope of this paper—whether an increasingly accountable one-party state could become the equivalent of the separation of powers as in a Westminster model.[69]

The recent emphasis on reducing inequalities under the 'harmonious society' project also cuts across many of the international paradigms. Departure of discussions is the nominal social equity under the planned economy, rather than under the invisible hand of the market (Kelly, 2006: 10). It stresses the impartiality of the state, and could thus at the same time be an argument—in Western terms—for less, more and better state intervention. This also complicates the assessment of China's response to the 2008–2009 crisis (De Haan, 2010), internationally seen as symbolising a return of anti-cyclical policies, but some of the stimulus measures have also been seen to contribute to increased inequality. For example there have been widespread signs of a property speculation boom, and progressive observers see this as a state rather than market failure, because party functionaries derive benefits from rising property prices simultaneously damaging access by poorer inhabitants including migrants.

The relevance of the conceptualisation of state and market needs to be understood in the internal politics of China, in Wang's case in terms of his position as 'New Left', a term he himself rejects but can still be used to portray the complexity of positions in the Chinese case. The 'Old Left' in China has been associated with the interests of working class and peasants, and as such has been opposed to many of the economic reforms. The 'New Left', usually younger and overseas-educated intellectuals, is identified by concerns over new

[67]International literature like Arrighi's (2007, also Andreas, 2008) that sees China's rise with its state capitalism as a secular shift of the centre of global capitalism does not appear to have found grounding within China.

[68]The difficulty to understand developments in China post-1989 is not unique to the field of development studies. As emphasised for example in Fewsmith's (2008) study of 'China Since Tiananmen' there were widespread predictions that the political system would collapse.

[69]Less dramatically, one should also emphasise that China's institutional reforms are probably on par with that of other countries' experience at similar levels of per capita GDP, while the expectations for China appear to be that much higher.

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forms of inequality (such as related to migrants), moving away from classic class analysis. The 'Right' in China cuts across the theoretical divides of the North, as they do not reject socialist models. People like Keping are promoters of a new form of democratic socialism, while resisting[70] the import of western political models but still searching for progressive ways of enhancing the accountability of the state that is on a secular path of reducing its role in economic affairs, while establishing many of the pre-requisites of capitalism like private property rights and managing the pressure of globalisation for instance following accession to WTO in September 2001.[71]

I do not want to belabour the many paradoxes that emerge from those comparisons; the above merely serves to illustrate why encounters between narratives of China's development path since 1978 have not found an easy way into mainstream development debates. This is caused by a number of practical, theoretical and ideological factors, and we need to keep in mind that it is China's sudden jump into international spotlights that make these questions pertinent (of course, all countries' experiences are unique). Nevertheless, the points above show that analyses of China do not seem to fit easily in the major paradigms that lead and divide development studies. It appears difficult to 'fit' China post-1978 into the development debate, in a way that its record of development warrants. Introductory texts on international development continue to present theories that do not cover explanations of the rise of China, while debates on reforms and economic growth and how to achieve this usually are not informed by Chinese experience, or emphasise the paradoxes and 'unconventional' nature of China's development.[72] *Vice versa*, analysis of China do not appear to be grounded in mainstream theoretical frameworks, or perhaps its pattern of development can be seen to illustrate any of the main development theories, while many Chinese or China scholars are not particularly concerned with these paradigms.

8 CONCLUSION: WILL CHINA CHANGE INTERNATIONAL DEVELOPMENT, OR HAS IT ALREADY?

The real-politik of the Beijing Olympics, and the international discussions on climate change and financial crisis imply a recognition that China has become a global player, and of global self-interest overshadowing possible ideological difficulties around China's human rights record and its—in effect—support for repressive regimes. I strongly believe that a concern with aspects of China's role in international economics and politics leads to a necessity to engage with China, to understand its development and the way it looks at the world. Moreover, there are close linkages between China's internal development and the way its global role is developing, and an assumption that an understanding of the latter needs to be based on in-depth knowledge of China's institutional characteristics, including

[70]As do others. The categories of Left and Right are complex in China, including because how socio-economic ideology cuts across ideas on nationalism and globalisation (Hughes, 2006: 100ff). Moreover, it is unlikely that any of the political sides would share the international concerns about the rise of China, and the polarised debate on China as exists in the international development community alongside debates on globalisation does not find a mirror within China (Ho, 2005:6).

[71]For China, accession to WTO was also a means to promote internal reforms.

[72]Authors like Dani Rodrik (who has become one of the leading analysts in growth debates) have pointed at the unorthodox patterns of reforms in China and India, highlighting for example that drawing lessons from China's experience (for example for thinking about industrial policy) 'is not made easier by the highly unconventional manner in which China has achieved its global integration' (Rodrik, 2006: 3).

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its diversity underneath its political unity. My own experience is that this engagement in itself is transformative—if there is one thing that development debates in and on China potentially teaches development experts is that such engagement is of necessity a process of mutual learning.[73]

The newness of the different experiences that China presents should not be over-stated. Its development record is almost unparalleled, but the explanations may not be as unique as sometimes suggested: its land reform, strategies of industrialisation, export-promotion, newly emerging global financial and soft power, can all be described without having to refer to necessarily unique characteristics. And, as Chinese academics would be first to emphasise, the development model has created many of its own problems, notably domestic inequality, environmental degradation and global financial instability. What makes China fairly unique—but its explanations not exceptional—is the commitment and ability to address existing and emerging development problems.

There are lessons that can be drawn from China's development success, and I believe the international community is rightly playing a growing role in promoting such lessons, and can do much to ensure this becomes less supply-led than is currently the case. There are lessons from China's records in reducing poverty, providing food security, promoting alternative industrial models, how it has provided and funded infrastructure, etc. Notably—though much less easy to 'replicate'—there is great significance in understanding China's processes of policy reforms, the experimental and incremental nature of addressing development problems. China's experience needs to be better understood globally, and needs to be articulated in a way that makes it understandable to an international audience, while retaining the 'Chinese characteristics' of the narrative, and paying more attention than hitherto to the political dynamics underlying China's 'depoliticised development'.

In any case, China's growing economic and political role, increasing confidence, and intentions to take its deserved position in the international community, all are already changing international development as we know it. Its approach to aid will have a growing influence in Africa, whatever the views of the old donors. It is too early to assess what that impact will be, as Chinese approaches are evolving very rapidly, and it is not impossible that new different aid structures will emerge (though that is certainly not a current priority in China). As with all new forces, the impacts will be varied, and better mutual understanding, joint research and publications, moving beyond the paradoxes, arguably can help to make international development efforts more effective, while renewing development studies' debates on how to understand the processes that enhance well-being globally.

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[73]This is very well captured in the report of the UK's International Development Committee on China, which also posited that a UK disengagement from development issues in China would be a bigger loss to the UK than to China (House of Commons International Development Committee, 2009). It concluded that 'DFID's relationship with China provides a mutual learning experience. The Department can help transfer lessons from China's own development to other developing countries, particularly in global priority areas such as food security. It can also draw on its own innovative work in China to inform its programmes elsewhere'.

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Special Section Article

Bartering Globalization: China's Commodity-backed Finance in Africa and Latin America

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Abstract

In just over a decade, China has become a source of finance for emerging market and developing country governments. Recipient governments and the Chinese have been less than transparent with respect to the scale, terms and composition of this finance, engendering a great deal of speculation about its nature. This article provides preliminary estimates of Chinese finance to both Africa and Latin America since the turn of the century, with a specific focus on 'commodity-backed' or 'resource-secured' loans. We estimate that Chinese banks have provided approximately $132 billion in financing to African and Latin American governments and state-owned firms since 2003. Just over half of these, or $75 billion, are in the form of resource-secured finance. Contrary to many of the claims in the popular press, we found that Chinese finance is generally not out of line with interest rates found in global capital markets, does not bring windfall commodity profits to China, and does not mandate the use of Chinese workers.

Policy Implications

- Chinese banks have become major development financiers, but their lack of transparency has left many policymakers understandably uneasy about the size and nature of their loans.
- In engaging China on its overseas finance, OECD policy makers need to understand that they are not dealing with a fellow donor. The bulk of Chinese finance is not subsidized and should be seen as export credits rather than foreign assistance.
- Countries receiving these credits can be reassured that as far as we can see, there is no evidence that they lock in low commodity prices, or mandate the use of Chinese workers.
- China's package loans, while relatively rare, are attractive to recipients. Policy makers in competing countries might explore how they can use this model of project finance to reduce payment risks for their own loans.
- Policy makers that negotiate these loans have some leeway to demand employment, training, and local content conditions, and should make the most of these opportunities.

Chinese bank finance has become a very significant part of the international political economy of Latin America and Africa. Yet despite this new prominence, scholars, journalists and policy makers have largely been working in the dark as they try to analyze the implications of this finance. Separately, the two authors of this article have led teams that have developed databases of Chinese finance in their respective regions (Gallagher et al., 2012; Brautigam, 2009).

We have a particular interest in understanding 'commodity-backed' or 'resource-secured' financing given that it has been the subject of a great deal of speculative concern. There have been claims that Chinese finance is in the form of 'sweetheart deals' whereby China offers abnormally low interest rates to attract emerging market and developing country governments. Conversely, there have been claims that China's resource-secured loans have allowed China to gain windfall profits from the recent commodity price surge. Finally, there has also been great concern over the extent to which Chinese finance is tied to Chinese suppliers and mandates the use of Chinese workers.

We estimate that China has committed around $132 billion in financing to African and Latin American governments between 2003 and 2011. Just over half, or $75 billion, is in the form of resource-secured finance, involving the export of oil, cocoa, platinum and diamonds. Contrary to many of the claims in the popular press, Chinese finance is generally not out of line with interest rates found in global capital markets and does not bring windfall commodity profits to China. While it is tied to procurement of goods and construction services from Chinese firms, there are no specific requirements to employ Chinese workers, and flexibility exists to procure locally when this would benefit the project.

Chinese finance and natural resources in Latin America and the Caribbean and Africa

This section presents the primary actors in China's overseas finance, outlines the various models and compares the operations of these actors in Africa and Latin America (LAC).

Actors

1. China's Ministry of Commerce (Department of Foreign Aid) coordinates projects financed through zero-interest loans and grants. These funds are relatively modest. In 2011, the Chinese State Council published its first white paper on Chinese foreign aid, revealing that as of the end of 2009, i.e. over nearly five decades, the Chinese had committed 106.2 billion yuan (US$15.6 billion) in grants, and 76.54 billion yuan (US$11.2 billion) in interest-free loans (State Council, 2011).[1]

2. China Eximbank was established in 1994 to serve as China's export credit agency. The bank provides four broad kinds of finance: letters of guarantee, export seller's credits (for Chinese exporters and investors), export buyer's credits (for overseas governments and firms; these can be at fixed, preferential rates, or at Libor plus a margin, and require a sovereign guarantee or a commercial form of security such as an off-take arrangement) and concessional foreign aid loans (fixed, concessional rate).

3. China Development Bank (CDB) is also a major policy bank, that is run largely on commercial principles though some claim that the CDB has political motivations as well (Sanderson and Forsythe, 2013). Its overseas business has expanded in recent years, with project finance, export credits and loans to Chinese firms for their overseas investments. According to CDB, 'as of the end of 2012, the Bank had outstanding foreign currency loans of US$224.5 billion, and an offshore yuan-denominated loan balance of 72.6 billion'. (China Development Bank, 2013).

4. China's state-owned commercial banks are also increasingly active overseas. Bank of China first set up an office in Africa in 1997. China Construction Bank has operated in Africa since 2000, providing support to Chinese construction companies. Recently it has moved into project finance, and participates in consortium loans to African banks. China's largest commercial bank, Industrial and Commercial Bank of China (ICBC), began to finance projects in Africa after purchasing 20 per cent of South Africa's Standard Bank in 2008, a deal valued at over $5 billion.

Model and history

China's policy banks are central actors in the country's push to develop national champion firms, secure attractive investments for Chinese companies and promote the sales of Chinese goods and services abroad. Two aspects of the financing model are of particular interest: strategic partnerships with major Chinese companies and commodity-secured package finance:

1. *Strategic partnerships*: both China Eximbank and CDB have provided medium-term strategic financing support to national champion firms, usually as part of China's five-year plans. For example, Chinese telecoms firm ZTE Corporation has signed three successive strategic agreements, in 2005, 2009 and 2012, with the most recent involving a line of credit for $20 billion over five years (China Development Bank, 2012). These lines of credit allow the companies to offer their own supplier's credits.
2. *Resource-backed package finance*: resource-backed credits from Chinese banks come in two forms – individual project loans and a line of credit secured by resource exports.

The Chinese renminbi is not a convertible currency, and most countries where the Chinese provide loans do not have convertible currencies. In the early days of China's aid program, the Chinese allowed borrowing countries to repay their zero-interest loans 'in kind'. Beginning in 1995, China Eximbank expanded on this practice. In Sudan, for example, Chinese companies moved into joint venture oil exploration, exploitation and refining, receiving loans from China Eximbank, repaid with oil. Individual project loans can be secured with a guarantee of some kind: a mortgage on an asset, or a future-flow receivables model. Future flows can be an 'off-take' from the project (electricity sales from a hydro-power dam, for example) or an unrelated source of income. Ghana secured a Chinese loan for its Bui Dam hydropower project with the export of cocoa beans, while Ethiopia has had several rounds of credit packages for infrastructure secured with its exports, primarily sesame seeds. In countries without good credit ratings, a resource guarantee increases security and lowers risk, and allows projects to be financed at a reasonable interest rate.

These arrangements are often described as 'package deals'. At their most complex, the players involved would include the borrowing government's Ministry of Finance, a company exporting a commodity (the Ghana cocoa marketing board, for example) and one importing the commodity in China, and the ministry commissioning the project.

The Chinese bank would require a letter of application from the Minister of Finance of the borrowing country, an engineering, procurement and construction (EPC) contract with a well-regarded Chinese firm, a project feasibility study and an environmental impact assessment report. The Chinese importer would sign a purchase agreement with the company selling the commodity. The borrowing government would sign the loan agreement with the Chinese bank, and the proceeds from a specified amount of the export (usually in quantity, rather than value) will be deposited into an escrow account with the Chinese bank, and drawn down to repay the EPC contract loan. Thus it is not the export commodity itself that repays the loan, as in a true barter system, but the proceeds from the sale of the commodity.

Variations on this model use a joint venture company's profits to secure and repay the loan, rather than a specific export, or a mortgage on an asset to secure the loan. The complications and risks of the arrangements mean that this model is not used very frequently. We identified only a handful of project loans financed in this manner, outside of a commodity-backed line of credit.

This financing model is not uncommon with western bank consortia lending to risky countries such as Angola. However, whereas the western banks place no conditions on the use of their credits, the Chinese banks require that their credits be used to finance projects carried out by Chinese firms, or imports from China. In China, these credits have been called different names: 'hu hui dai kuan' (mutual benefit loan) and 'shiyou, xindai, gongcheng yi lanzi hezuo xiangmu' (cooperation package of oil, credit and construction projects). They are rarely concessional, but are usually offered at variations on Libor plus a margin.

Commodity-backed loans in Africa and Latin America

This section provides estimates of Chinese finance in Africa and Latin America, and compares commodity-backed finance in each region. We estimate that Chinese banks have made commitments of approximately US $132 billion in financing to African and Latin American governments. More than 80 per cent of this finance has gone to these regions since the 2008 global financial crisis. More than 50 per cent of Chinese finance in Africa and Latin America is in the form of commodity-backed loans. In the rest of this section we outline the methodology used to estimate these figures, and discuss the scale, composition, and terms related to commodity-backed finance that China has provided to Africa and Latin America.

Methodology

Chinese banks rarely publish information regarding specific financing agreements and recipients are unlikely to fully disclose the details of the finance they receive. We thus build on previous work by Bräutigam (1998; 2009) and examine government, bank and press reports in both China and borrowing countries to compile a list of loans and their characteristics. Such a method is highly imperfect, but we have gone to great lengths to ensure reliability by confirming reports with actors in China, Africa, and LAC. Still, our estimates should not be taken as precise figures. On the one hand, we may have underestimated Chinese finance in these two regions if a loan has not been in the public eye. On the other hand, we may have overestimated the total if any of the most recent loans get partially or entirely cancelled, or if a line of credit does not get fully committed.

To compile these data we began with a systematic review of online media (Lexis/Nexis and Factiva) and then refined these reports through consulting a wide variety of publicly accessible sources in English, Chinese, Spanish, French, Arabic and Portuguese. For example, we found loan agreements published by the Venezuelan and Bolivian governments and summaries of loan details published by the Ghana government. Other governments listed details of loans on the websites of their central banks. We learned about the interest rates for Brazil's state-owned oil company, Petrobras, in Petrobras's filings with the US Securities and Exchange Commission (SEC). We also discovered four Chinese loans to the Jamaican government in its 2011 Annual Report to the SEC. We found details on Brazilian and Ecuadorian loans-for-oil in local newspaper interviews with the countries' finance

Table 1. Chinese Finance in Africa and Latin America: 2003-2011

	Africa	Latin America	Total/Average
Total Financing ($USb)	52,818	79,799	132,617
%GDP	2.8%	1.6%	2.2%
Commodity-backed ($USb)	29,555	47,000	76,555
%total	56%	54%	55%
ave size	906	5,222	3,064

Table 2. Commodity-Backed Finance in Africa and LAC

Year	Country	Lender	USD (m)	Resource-Secured	Sector
Africa					
2004	Angola	Eximbank	2000	Oil	
2007	Angola	Eximbank	2000	Oil	
2007	Angola	Eximbank	500	Oil	
2009	Angola	Eximbank	6000	Oil	
2009	Angola	ICBC	2500	Oil	
2007	Congo-Brazzaville	Eximbank	1500	Oil	
2008	DRC	Eximbank	3000	copper	
2005	Equa. Guinea	Eximbank	2000	Oil	
2011	Ghana	CDB	1500	Oil	
2011	Ghana	CDB	1500	Oil	
2009	Sudan	Eximbank	1500	Oil	
2008	Ethiopia	Eximbank	500	export-backed	
2011	Ethiopia	Eximbank	300	export-backed	
Latin America and the Caribbean					
2009	Brazil	CDB	10,000	Oil	
2009	Ecuador	PetroChina	1,000	Oil	
2010	Ecuador	CDB	1,000	Oil	
2011	Ecuador	PetroChina	1,000	Oil	
2011	Ecuador	CDB	2,000	Oil	
2007	Venezuela	CDB	4,000	Oil	
2008	Venezuela	CDB	4,000	Oil	
2010	Venezuela	CDB	20,000	Oil	
2011	Venezuela	CDB	4,000	Oil	
Total Africa			24,800		
Total LAC			47,000		
Total			71,800		

ministers (see Gallagher et al., 2012 for a more in-depth discussion on LAC finance). Details on many loans, including those in Ethiopia, Zimbabwe and Nigeria, were discovered during field interviews. We also found extensive information on the Chinese language website of the Ministry of Commerce, on Chinese companies' websites, and on the websites of African central banks and ministries of finance. We supplemented and double-checked all these sources with newspaper articles or governments from both the borrowing countries and from China. We omit loans that appear in media reports but that have not been confirmed by reliable sources on both sides of financing.

Scale, composition and terms of Chinese finance

We estimate that China has committed approximately US $132 billion to the two regions since the turn of the century. Table 1 summarizes Chinese finance to Africa and LAC on an annual basis from 2000 to 2011. As noted, over 80 per cent of this finance has been promised since the global financial crisis. In aggregate, Latin America receives more finance at US$79.7 billion compared to $52.8 billion for Africa.[2] With respect to GDP, however, Africa receives significantly more Chinese finance than LAC. Africa and Latin America receive finance on the order of 2.8 per cent of GDP and 1.6 per cent of GDP respectively from China.

Africa's estimated US$53.4 billion in Chinese finance is disbursed to 43 countries in over 317 loans and lines of credit. The average size loan is $906 million in Africa. LAC's finance is more concentrated, with 14 countries receiving US$1.7 billion in finance from China on average. Fifty-four per cent, or $75.09 billion of Chinese finance in Africa and LAC is in the form of commodity-backed finance. In Africa, there have been at least 13 large, commodity-backed lines of credit in seven nations since 2000, with several other countries using this system to secure a single project loan. Table 2 provides a list of the composition and characteristics of commodity-backed loans for Africa and LAC.

In Africa, the nations with commodity-backed finance from China include Angola, Congo-Brazzaville, Democratic Republic of the Congo, Equatorial Guinea, Ethiopia, Gabon, Ghana, Nigeria, Sudan and Zimbabwe. Angola and Ghana appear to have received the highest amount of commodity-secured finance commitments. Angola used US$4.5 billion in oil-backed credits for infrastructure

Table 3. Comparing Terms of Commodity-Backed Finance in Africa and LAC

Year	Country	Lender	USD (m)	Resource-Secured	Interest Rate	Term
Africa						
2007	Angola	Eximbank	2000	Oil	LIBOR+1.25	15
2007	Angola	Eximbank	500	Oil	LIBOR+1.5	17
2009	Angola	Eximbank	6000	Oil	LIBOR+2.2	28.5
2008	DRC	Shareholders	1070	copper profits	0	
2008	DRC	Eximbank	3000	copper profits	LIBOR+1	
2009	DRC	Eximbank	2130	copper profits	6.1	
2005	Equa. Guinea	Eximbank	2000	Oil	LIBOR+2	5
2008	Ethiopia	Eximbank	500	export-backed	LIBOR+2-3	13
2007	Ghana	Eximbank	270	cocoa; offtake	2	20
2011	Ghana	CDB	1500	Oil	LIBOR+2.85%	10
2011	Ghana	CDB	1500	Oil	LIBOR+2.95%	15
2002	Nigeria	Eximbank	115	Oil	6	12
2002	Nigeria	Eximbank	115	Oil	6	12
2011	Zimbabwe	Eximbank	98	diamond profits	2	20
Latin America and the Caribbean						
2009	Brazil	CDB	10,000	Oil	LIBOR+280bp	10
2009	Ecuador	PetroChina	1,000	Oil	7.25	2
2010	Ecuador	CDB	1,000	Oil	6	4
2011	Ecuador	PetroChina	1,000	Oil	7.08	2
2011	Ecuador	CDB	2,000	Oil	6.9	8
2007	Venezuela	CDB	4,000	Oil		3
2008	Venezuela	CDB	4,000	Oil		6
2010	Venezuela	CDB	20,000	Oil	LIBOR+50-285bp	10
2011	Venezuela	CDB	4,000	Oil		3

between 2004 and 2009, and has since received new commitments of $US 6 billion from China Eximbank (later apparently scaled down, by the Angolans, to US$3 billion) and US$2.5 billion from ICBC. Most of this financing has come through China Eximbank, though ICBC has emerged as a new player. Ghana has received US$3.56 billion in three separate commitments. In Africa, commodity-backed loans generally finance infrastructure projects and are secured not only by oil but a variety of methods and commodities. For example, Ghana's loan for the Bui Dam was secured and repaid by the sale of 38,000 tons of cocoa to China each year for the 17 year life of the line of credit (Habia, 2009). Ethiopia secured its credit line with its entire annual exports to China (mainly sesame seeds). One of Zimbabwe's loans was secured with profits from a joint venture diamond mine, while another was secured with a platinum concession.

The recipients of Latin America's commodity-backed loans from China are Brazil, Ecuador and Venezuela. Venezuela received more than half of these loans. Most loans to LAC are provided by the CDB to state-owned enterprises in LAC, rather than finance directly to governments as is the case of the China Eximbank in Africa. Two Chinese loans to LAC are supplier's credits from PetroChina to PetroEcuador. PetroChina is part of the large Chinese state-owned oil company Chinese National Petroleum Corporation. With the exception of a few lines of credit to Venezuela that are co-financed with Venezuela that go to infrastructure projects, the bulk of Chinese finance to LAC is for oil exploration and extraction.

Table 3 compares what we could learn about the terms of various commodity-backed loans and lines of credit. In Africa, this finance has been secured by a variety of commodities and methods, including exports to China of oil, cocoa, platinum and tobacco, and profits from copper and diamond mining. Thus far, all of the commodity-backed loans to LAC are secured with oil. African financing tends to have lower nominal interest rates and longer payment periods, with LAC financing having higher rates and shorter terms of pay back. In other work we have shown that such interest rates do not appear to be out of line with mainstream capital markets or even the international development banks. In Africa, oil-secured loans from western bank consortia have sometimes been offered at rates lower than those from China's policy banks: Libor plus 1 per cent, for example (Global Witness, 2009). In Latin America, China's policy banks offer comparable terms to the World Bank and Inter-American Development Bank. They also are analogous to the terms demanded in sovereign bond markets during the period (Brautigam, 2009; Gallagher et al., 2012).

Tied finance

Loan agreements that we have seen support the conclusion that the finance is to be used preferentially to procure goods and services from China. Yet it does not appear to be the case that the finance cannot be used for local supplies. In Zimbabwe, for example, the concessional loan that financed the construction of the National Defense College specified that 'The goods, technologies and services purchased by using the proceeds of Facility [sic] shall be purchased from China preferentially and also from Zimbabwe where this will benefit the Project and End User' (Government of the Republic of Zimbabwe, 2011). Angola's lines of credit specified that 70 per cent of the projects should be carried out by Chinese companies and 30 per cent by local firms (Corkin, 2013). The China Eximbank's website states that for export buyer's credits (the main form of finance on offer):

> The Chinese content of export products should be no less than 50 per cent of the total contract value. For the overseas contracting projects, no less than 15 per cent of the project shall come from the export of Chinese equipment, construction mechanics, materials, engineering work, technical and managerial expertise, and labor services (China Eximbank, 2013).

We have seen no examples of agreements that specified the use of Chinese workers.

Conclusions

While much ink has been spilled over the issue of Chinese bank finance in Africa and Latin America, the lack of available data has limited sound analysis. Though official data would be preferable, our data represents a unique resource. We have carefully checked each report of a line of credit, and all loans of $25 million and above, using multiple sources, including official Chinese, Latin American and African government sources, interviews and secondary research. The data does not sort neatly into 'commitments' and 'disbursements'. We tried to guard against double counting. When we were able to confirm an agreement for a line of credit, we used this rather than the projects it later funded.

We estimate that Chinese policy banks have provided just under $132 billion in financing to African and Latin American governments since 2000. Just over half of these, or $75 billion, have some form of commodity-secured finance. Contrary to many of the claims in the popular press, Chinese finance is by and large not out of line with interest rates found in global capital markets, does not bring windfall commodity profits to China and is generally not tied to bringing Chinese employees to Africa and Latin America. Much Chinese finance is 'tied' to Chinese suppliers; however, controversy linking Chinese finance with Chinese suppliers is often a result of the misconception that Chinese finance to these regions is 'aid' and should be untied. Yet the goal of all export-import banks is specifically to provide credits for buyers of a nation's goods.

Our estimates are far from the last word on this matter, given general lack of transparency on the part of host governments and China with respect to publishing data on lending and borrowing. The figures we provide here could be under-estimates given the lack of transparency, or over-estimates given that sometimes financing never materializes or full lines of credit are not drawn from. It is our hope that this analysis can help scholars and policy makers gain a more evidence-based understanding of the operations of Chinese policy banks across the globe.

Based on our analysis, we draw five policy lessons from our work. First, Chinese banks have become major development financiers, but their lack of transparency has left many policy makers understandably uneasy about the size and nature of their loans. Second, in engaging China on its overseas finance, OECD policy makers need to understand that they are not dealing with a fellow donor. The bulk of Chinese finance is not subsidized and should be seen as export credits rather than foreign assistance. Third, countries receiving these credits can be reassured that as far as we can see, there is no evidence that they lock in low commodity prices, or mandate the use of Chinese workers. Fourth, China's package loans, while relatively rare, are attractive to recipients. Policy makers in competing countries might explore how they can use this model of project finance to reduce payment risks for their own loans. Finally, policy makers that negotiate these loans have some leeway to demand employment, training and local content conditions, and should make the most of these opportunities.

Notes

1 Conversion to US$ by authors, using the exchange rate for 2009. These sums are not discounted.

2 Our figures for African loans differ from those reported by another group of reseachers (AidData), who drew on media reports to estimate that China had provided finance (including grants) of US$73 billion over the same period (Strange, Parks, Tierney et al., 2013). For critiques of the AidData methodology, see the social media commentary and other media stories collected at http://storify.com/witschinaafrica/the-aiddata-database-debate-heats-up.html [Accessed 10 February 2014].

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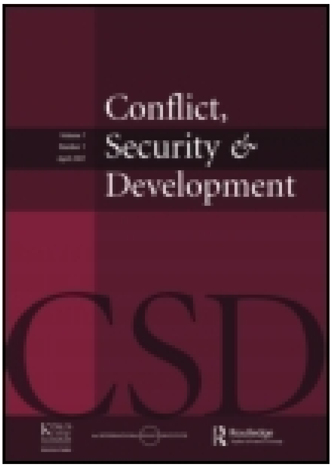

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Regulating intervention: Brazil and the responsibility to protect

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