

Chapter 2

China's Foreign Aid and Multilateral Development Organizations

Hou Xiong

Chinese multilateral foreign assistance (hereinafter called “multilateral foreign aid”) is an integral part of China’s foreign aid, and its importance grows with each passing day. With the development of China’s multilateral diplomacy, Chinese multilateral foreign aid will continue to expand. In recent years, its scale has gradually expanded and the forms of this aid are becoming increasingly diversified. Up to this day, the provision of funds or services to a vast majority of multilateral development organizations by China is not merely the increased awareness of China’s global responsibility and the fulfillment of China’s international obligations. These contributions are becoming some of China’s fundamental tools in promoting the common development of the world and realizing common prosperity.

Currently, few Chinese scholars are involved in the research on China’s multilateral foreign aid. Shi (1989) and Zhang (2006: 143–145) offered an overview of the historical development of China’s multilateral foreign aid when discussing China’s foreign aid. Chin and Frolic (2007) analyzed the management and decision-making mechanism of China’s multilateral foreign aid by combining some case studies. Browne (1990) made a rough estimate of the scale of China’s multilateral foreign aid in the 1980s. Overall, the study of China’s multilateral foreign aid is practically nonexistent—a far cry from the situation in the Western countries. The various walks of life in China do not even have a unified definition of Chinese multilateral foreign aid. Governments, the media and the academia hold different definitions and views, since they regard it from different angles.

The Organization for Economic Co-operation and Development (OECD) defines official multilateral development aid as follows: the official development assistance provided by member governments to multilateral development organizations; and two basic conditions are cited: First, the multilateral organizations as receivers of

aid are set up for aiding development, in whole or in part; its members are the international offices, agencies and organizations of the various governments, or the funds independently managed by the said organizations; second, the aid becomes a part of the financial assets of the said organization through financing with multi-lateral participation. Donor countries cannot control the specific use of the funds donated. If the donor can determine the recipient country or designate the special purpose of the funds (such as determining the objective of the aid, its clauses, its total amount, and the re-use of the funds that have been paid off) to effectively control the use of the funds provided by themselves, then this contribution is defined as bilateral assistance (OECD 2007). Moreover, the Organization for Economic Co-operation and Development does not consider the apportioned funds paid by its member states to some specialized agencies of the United Nations (such as the FAO, the World Health Organization and other agencies) as full official assistance for development. Rather, it is counted as official assistance for development by a certain percentage.

There is no unified understanding of China's multilateral foreign aid. The Ministry of Commerce not only places the contributions made by China to multilateral development organizations and the technical assistance organized by China into the category of multilateral foreign aid, but it also lists the expenditures for technical training, etc. provided by China to many developing countries as multilateral foreign aid (Zou 1995). Zhang (2006: 17) considers that multilateral aid is the assistance activity of the supply and distribution of grant-type resources coordinated by international organizations. That is to say, the governments of donor countries provide financial or material assistance to international organizations which then provide assistance to developing countries. Therefore, the aid provided by one country to many recipient countries or regions such as the China-Africa Cooperation Fund set up by China should not be deemed multilateral foreign aid. When making reports about China's multilateral foreign aid, most of the domestic media units focus mainly on the Chinese donations to multilateral development organizations, and rarely mention China's multilateral foreign aid for technology or China's equity financing regarding international financial institutions. As shown above, there is a lack in China of a clear and universally recognized definition of the detailed contents and forms of China's multilateral foreign aid, and the Chinese authorities do not make a clear definition of this either.

In view of the characteristics of foreign aid as gifts for the promotion of development, China's multilateral foreign aid (unless expressly stated) dealt with in this chapter mainly refers to contributions and equity financing provided by the Chinese authorities to multilateral organizations, especially the multilateral development organizations, and the technical cooperation in which China participates, including humanitarian aid. The concept of China's multilateral foreign aid referred to in this chapter is different from that in Western countries, especially the OECD's concept. China's foreign aid establishes its own system, and has never been incorporated into the framework of the OECD aid. Therefore, China has its own independent understanding and knowledge regarding multilateral foreign aid.

This chapter conducts some exploratory research into China's multilateral foreign aid and chiefly focuses on the following issues: How does China's multilateral foreign aid vary according to the policy changes? What are the characteristics of the change in the scale of the funds of China's multilateral foreign aid? What are the means of implementation of China's multilateral foreign aid? How is China's multilateral foreign aid managed? What are the achievements accomplished and the challenges faced by China's multilateral foreign aid? Namely, what is the role of multilateral foreign aid in China's overall foreign strategy?

2.1 The History of China's Multilateral Foreign Aid Characterized by the Promotion of Joint Development

China's multilateral foreign aid started in the 1950s. Under the guidance of promoting universal development and common prosperity in the world, China, after nearly 60 years of providing foreign aid, has furnished funding and services to a vast majority of multilateral development organizations, and has formed a relatively close partnership with the global or regional multilateral development organizations such as the United Nations Development Programme, the World Bank, and the Asian Development Bank. According to the direction of policies, the development of China's multilateral foreign aid can be divided into five stages.

1. China's multilateral foreign aid in its infancy (from the 1950s to 1971)

After the founding of New China, Mao Zedong, according to the international environment at the time, put forward the diplomatic policies of "starting from scratch" (a complete break with the humiliating diplomacy for old China), "cleaning house before inviting guests" (eliminating the privilege, power and influence of imperialism in China) and the "one-sidedness" (inclining towards socialism). After the 1960s, Chinese foreign policy was adjusted to "beating with two fists" (both anti-American and anti-Soviet) according to major changes in the international situation. China considered that multilateral organizations such as the United Nations were controlled by hegemonic countries such as the United States; the entry of China into these organizations was not conducive to the Chinese diplomatic strategy of "opposing hegemony". Under the guidance of diplomatic policies, China refused to participate in or was rejected by Western-dominated international organizations, international treaties and agreements in the multilateral field (Lu 2007: 94). China was only involved in some multilateral organizations. In the socialist camp, China participated in the Warsaw Treaty Organization as an observer. In 1954, China attended the Geneva Conference on the issue of North Korea and Indochina. In 1955, China took part in the Bandung Conference. During this period, China did not join the main multilateral development institutions such as UNDP, the World Bank and other institutions. China merely provided some humanitarian aid via multilateral organizations. In July 1952, the Chinese

government and the International Red Cross delegation attended the 18th International Conference on the Red Cross and Red Crescent. The General Assembly recognized the Chinese Red Cross as the unique legitimate representative of China, making it the first group to have its legitimate seat restored in an international organization after the founding of New China. On the request of the International Committee of the Red Cross, the Chinese Red Cross donated 10,000 Swiss francs to the International Committee of the Red Cross in 1956, and donated 10,000 Swiss francs each year in several subsequent years.¹ During this period, China's multilateral foreign aid was in its infancy and it was thus not systematic or continuous.

2. The initial stage of China's multilateral foreign aid (from 1972 to 1977)

China's lawful seat in the United Nations was restored in 1971, which officially makes China's multilateral foreign aid a part of the overall foreign aid. This marks the dividing line for the first stage and the second stage. China considers the United Nations as a channel for promoting economic and technological cooperation among countries, and facilitating the "North-South Dialogue" and "South-South Cooperation". Moreover, China deems the United Nations a key platform for building new international economic relations. This idea is shown in the speech delivered by the Chinese representative at the United Nations General Assembly held in 1972—"We, the developing countries in Asia, Africa, and Latin America, have had much the same experiences and similar situations. The joint requirements of a common struggle against imperialism and colonialism, and the building of our respective countries closely unite us. Indeed, we are currently still poor. Nevertheless, it is easier for us to understand each other's needs just because we are poor friends. Our cooperation is a kind of cooperation for mutual benefits on an equal footing, and it has bright prospects. China is willing to join hands with other developing countries in developing a new type of international economic relationship. At the same time, we are willing to carry out economic and trade exchanges with the countries the world over under the principles of equality and mutual benefit".²

The realization of the above concept requires a certain mediator, while the provision of assistance is an important form of realizing this idea. When mentioning the foreign aid at the UN General Assembly Second Committee in 1972, the Chinese representative Zhang Xianwu expressly pointed out that "economic and technical assistance in any form, whether it be bilateral assistance or multilateral assistance under the United Nations, shall be strictly based on the respect for sovereignty and equality of the recipient countries, without any conditions attached

¹The "Chinese Red Cross donated 10,000 Swiss francs to the International Committee of the Red Cross," *People's Daily*, p. 4, June 24, 1958.

²"Representatives of some countries deliver speeches at the UN General Assembly Second Committee where, in the fight against hegemony in the global economic field, our representative said that China was willing to work with other developing countries in jointly building a new international economic relationship", *People's Daily*, p. 6, October 9, 1972.

Table 2.1 Timetable of China's joining the main development agencies of the United Nations in the 1970s

Data	Name of Institution	Data	Name of Institution
March 1972	The United Nations Environment Programme	1972	The United Nations Industrial Development Organization
May 1972	The World Health Organization	October 1972	The United Nations Development Programme
October 1972	UNESCO	September 1973	The United Nations Food and Agriculture Organization

Source *World Knowledge Yearbook 2007*, World Knowledge Press, 2008

or demand for any privileges; the donor countries shall not take recipient countries as the object of control and plunder under the guise of 'aid', or grossly interfere in the internal affairs of the recipient countries, or even take the opportunity to carry out subversive activities",³ Due to ideological conflict and a lack of understanding of the United Nations development agencies, China took a cautious attitude towards joining these multilateral institutions and providing multilateral assistance. In this context, China has selectively joined some multilateral institutions, honored its promise with its true actions and provided assistance according to its own philosophy. China first opted to join the United Nations development system, and in 1972 had successively joined the United Nations Environment Programme, the United Nations Development Programme, the World Health Organization, UNESCO, the United Nations Industrial Development Organization, etc.; in 1973, China joined the United Nations Food and Agriculture Organization and had successively made donations after having joined these institutions (see Table 2.1).

China did not join other pivotal multilateral development institutions such as the World Bank, the United Nations Population Fund, UNICEF and the like. China considers that the market economy of Western countries is out of tune with the planned economy in China, and these institutions have different forms of operations. For example, the United States holds a large share in the World Bank and the International Monetary Fund (IMF), has veto power, and possesses a dominant position. Thus China refused to join these organizations, much less would it provide assistance.

During this period, one feature of China's multilateral foreign aid was merely the provision of multilateral aid, without the acceptance of multilateral assistance; another feature was the relatively great influence of political and diplomatic considerations on the multilateral foreign aid. Take the United Nations dues paid by China, for example. The dues paid by China were relatively high to begin with. Throughout the 1970s, the fees were kept at between 4 and 5.5%, which was far

³"Representatives of some countries deliver speeches at the UN General Assembly Second Committee where, in the fight against hegemony in the global economic field, our representative said that China was willing to work with other developing countries in jointly building a new international economic relationship", *People's Daily*, p. 6, October 9, 1972.

higher than the share to be borne according to the United Nations regulations. In 1976, China ranked 6th among the member states in terms of the United Nations dues; the dues payable totaled upwards of 17 million USD, while China's national income per capita ranked 101st in the world.⁴ Due to the influence of its overall external strategy, China did not take full consideration of the constraints of its domestic economic conditions on its international obligations, and provided highly generous multilateral assistance beyond its national power. At this stage, China gradually became a member of some important multilateral aid agencies, and the assistance provided also showed continuity and year-on-year increases. The multilateral foreign aid had reached the early stages of development and China had accumulated a certain amount of developmental experience.

3. The stage of adjustment of China's multilateral foreign aid (from 1978 to 1982)

The Chinese economic reform, which was initiated in 1978, brought significant changes to the cause of China's multilateral foreign aid. China began to formulate policies centered around economic construction, and to introduce state-of-the-art technology and capital for the development of its domestic economy. Meeting the economic delegation of the Government of the Democratic Republic of Madagascar on June 2, 1978, Comrade Deng Xiaoping mentioned that "we shall use the world's advanced technology and advanced achievements fully as the starting point of our development".⁵ The 3rd Plenary Session of the 11th CPC Central Committee, which convened in 1978, formally proposed that "China shall, on the basis of self-reliance, actively develop economic cooperation characterized by equality and mutual benefit with the countries the world over, and strive to adopt the world's advanced technology and equipment". The Session also announced that China's process of socialist modernization would make use of two resources—domestic resources and international resources; open two markets—the domestic market and the global market; learn two sets of skills—the skill of organizing its domestic construction and the skill of developing foreign economic relations (CCCPC Party Literature Research Office 1982: 5).

Then, a real problem facing China was this: How could China obtain advanced technology and capital? During that period, the Comrade from the Chinese delegation to the New York-based United Nations attending the meeting of the Economic and Social Council reported that the United Nations' spending for assistance reached upwards of 25 billion USD per year, including roughly 5 billion USD of free aid. The aid projects covered all aspects of human economy and society. If used properly, the aid would be conducive to promoting China's development. As an important developing member of the United Nations, China had the right to take advantage of the resources of the United Nations. This view attracted the attention of high-level Chinese leaders (Wang 2001a: 172).

⁴<http://www.people.com.cn/digest/200010/12/gj101204.html>.

⁵Deng Xiaoping: "Realizing four modernizations, and never seeking hegemony," *Selected Works of Deng Xiaoping* (Volume II), People's Publishing House, 1993, p. 111.

To effectively utilize the assistance of the United Nations development agencies, China had to take an active part in the activities of these institutions. China started the official contacts with the United Nations Population Fund in May 1978 and began official contacts with UNICEF and the World Food Programme in 1979 (see Table 2.2). So far, China had become a member of the chief institutions of the various United Nations' systems for development.

With new ideas and knowledge, China further recognized that the World Bank—as the world's leading development aid agency—was a favorable channel for China to follow in order to obtain advanced technology and funds. China began to prepare to establish contact with the World Bank Group and the IMF, and achieved the formal restoration of its seat in the World Bank and the IMF in 1980, thus becoming a member of the World Bank Group—the world's largest development aid agency. By 1985, China had been practically involved in all of the major areas of multilateral diplomacy, and had taken part in 383 international organizations, and successively ratified 132 conventions (Ling 2008: 178). Since 1979, China has made extensive use of multilateral assistance to obtain high and new technology and a lot of money through multilateral channels which was difficult to obtain through bilateral channels.

The basic purpose of China's participation in these main international development assistance agencies was to obtain funds and advanced technology necessary for the build-up of its domestic economy. However, since China is both a recipient country and a donor country, it is required to provide aid to these multilateral organizations while receiving multilateral assistance. As for some agencies, such as UNICEF and UNFPA, China began to make contributions after having established contacts with them. Meanwhile, China continued to make donations to the agencies which it had already joined, such as the United Nations Development Programme.

In view of the actual considerations, China, as a large developing country, needed the leverage, the capital, the technology, the knowledge and the experience of developed Western countries in order to build itself as soon as possible; meanwhile, China, as a developing country, was willing to continue to provide assistance, within its capacity, to its friends and partner developing countries (Zhou 2008). This was determined by the characteristics of China's foreign aid work for promoting joint development. During this stage, China provided donations to multilateral development organizations based on the term “within its

Table 2.2 Timetable of China's participation in multilateral development organizations at the beginning of the Chinese economic reform

Date	Name of Institution	Date	Name of Institution
May 1978	The United Nations Population Fund	1980	The World Bank Group and IMF
1979	The United Nations Children's Fund	1980	The International Fund for Agricultural Development
1979	The World Food Programme		

Source *World Knowledge Yearbook 2007*, World Affairs Press, 2008

capability”, and was thus more pragmatic. China’s share in the current budget of the United Nations decreased according to its national power, thus reversing its overburdened responsibility.

In short, this stage marks the period of adjustment of China’s multilateral foreign aid work, when a new concept of pragmatism was adopted. Under the new “take and give” guiding ideas for foreign aid, China provided assistance to multilateral development organizations within its capacity, although the kind of “giving” was promoted by the type of “taking”. Once China had joined more multilateral development organizations, the multilateral assistance provided by China would also be applied to multilateral development organizations of different types.

4. The stage of development of China’s multilateral foreign aid (from 1983 to 2004)

At the beginning of 1983, the Chinese government put forward the four principles of “equality and mutual benefit, practical results, diverse forms, and common development” (Chen 1982). This signaled the fact that China’s multilateral foreign aid had begun to enter the stage of comprehensive development. The principles of “equality and mutual benefit” and “common development” in the new principles represent the continuation of the main ideas of the “Eight Principles”, while the principle of “practical results” reflects the idea of pragmatism in the new era, while the principle of “diverse forms” is the implementation of the principles of efficiency proposed by Deng Xiaoping. On September 27, 1983, the principal leaders of the State Council—when meeting all of the representatives of the 6th National Conference on Foreign Aid—stressed that “China is a socialist country. Although being very poor, it is a big country, and we have the responsibility and obligation to provide aid for the third world within our capacity. This is determined by the nature of our country. The whole Party shall unify its understanding. Regarding foreign aid, we shall both work according to our own abilities and we must also do our utmost. “Doing according to our own abilities” refers to money, while “do our utmost” refers to spirit. Despite the limited funds, we shall not diminish our enthusiasm or weaken our spirit when we offer help to third-world countries. We must strive to do good with what we have. The various departments and local governments must actively undertake the foreign aid tasks assigned by the central government, since this is a political task (Shi 1989: 70)”.

During the previous stage of adjustment, the pragmatic concept was incorporated into China’s multilateral foreign aid, and it was stressed that there is both “give and take” and assistance should be provided on the basis of “within its capacity” and “doing its utmost”. Moreover, the act of “giving” was exhibited by the act of “taking”. The new four principles made an organic combination of economy and politics, and a balance between “give” and “take” was gradually achieved, thus enabling China’s multilateral foreign aid to enter the phase of comprehensive development. In 1983, the conference on technological cooperation for developing countries in the Asia-Pacific region was held in Beijing. The Chinese government attached great importance to this conference, as evidenced by the fact that the

Premier of the State Council met the attendees. By upholding a pragmatic spirit, the conference conducted full consultations and exchanged their experiences in order to explore new ways to achieve technical cooperation and to expand the forms of multilateral foreign aid. Three years later, the scale of the meeting had expanded and the United Nations' first intergovernmental consultation conference for technological cooperation by transcontinental developing countries was held in Beijing. There were 206 project agreements that were concluded at the meeting (Ye 2006: 195).

China's multilateral foreign aid also developed in the direction of the regional level. China joined the African Development Bank Group and the Asian Development Bank in 1985 and 1986, respectively. The Chinese chose to join the two organizations because of the fact that there were other political and economic considerations, as well as wanting to make its due contribution to the causes of the alleviation of poverty and development in Africa and the Asia-Pacific region.

China's joining the African Development Bank Group, and financing and making donations to the said Group are geared towards achieving an influence that was relatively political, uniting the numerous African countries, and reflecting China's position as an advocate that consistently supports the advancement of a majority of developing countries, especially African countries. Moreover, China strived to open up a new channel for conducting economic cooperation between China and the African countries. After having joined the African Development Bank Group, China secured many tenders for loan projects from that Group, thereby considerably advancing the economic cooperation between China and the African countries and increasing its labor exports to the African region. As well as attending the board meetings of the African Development Bank Group as a non-voting member, the Chinese representative at the African Development Bank Group undertakes the task of promptly providing the bidding to the relevant Chinese foreign engineering companies (Che and Guo 1988: 64–65). Likewise, China's joining the Asian Development Bank reflects its major political and economic considerations. The accession of China to the Asian Development Bank Group directly expelled Taiwan from the Group, and has cemented political and economic cooperation with the countries in the region. Moreover, China has also secured the funds and the intellectual resources from the Asian Development Bank Group, thus playing an active role in promoting the growth of China's economy. Of course, China offers financing and donations to the Asian Development Bank and the African Development Bank Group within its capacity, without exceeding the tolerable range.

The economic objective of China's furnishing finances and donations to the Asian Development Bank and the African Development Bank Group can be regarded as the continuation of incorporating the pragmatic ideas into its multilateral foreign aid work, while its political objective is seen as the adherence to its concept of foreign aid in the 1970s. Following the proposition of the four principles, mature guiding ideas were produced for China's multilateral foreign aid, and the Chinese government has begun to provide multilateral assistance by comprehensively considering such factors as the economy, politics, and diplomacy. Moreover,

the multilateral assistance provided has multiple forms, including the various contributions, support for the projects and equity financing.

In 1986, the government's work report of the Fourth Session of the Sixth National People's Congress first proposed the multilateral diplomatic policies. Thereafter, China participated extensively in various international organizations, actively carried out multilateral diplomatic activities and strived to deepen cooperation among the countries in various fields. This marked the entry of China's multilateral diplomacy into a new stage of comprehensive development and maturity, which has contributed to the development of this stage of China's multilateral foreign aid, and has especially reflected a spirit of pragmatism.

With the advancement of the Chinese economic reform and the changes in the global situation, the domestic and overseas environment faced by China's foreign aid has undergone profound changes. China is currently building a socialist market economic system, enterprises have become the main entities of economic activities, and the financial institutions play an increasingly important role in the affairs of the market economy. Meanwhile, the political and economic situation in the developing countries has also witnessed major changes, and these countries are in urgent need of attracting more foreign enterprises to participate in their economic development, in order to lessen the debt burden on their governments, generate income and create employment. In order to adapt to the changing domestic and overseas situations, in 1995 the Ministry of Foreign Economics and Trade held a conference for the further reform of foreign aid work. The reform of China's foreign aid mainly applies two new approaches: First, the internationally accepted preferential loans with a governmental subsidy. The Chinese government provides preferential loans of the nature of aid, namely using part of the banking funds and reducing the loan interest rate for the recipient countries through a governmental subsidy. The conditions are more preferential, and this has the nature of assistance. Second, actively promoting the joint venture mode for the foreign aid projects. This is a new form of foreign aid; its characteristics are that within the scope of the principle agreements concluded between the Chinese government and the government of the recipient country, the two governments offer policy and funding support to the Chinese enterprises and the enterprises of the recipient countries. China's foreign aid projects are carried out mainly in the forms of a joint venture, cooperative operations, or wholly-owned operations by Chinese enterprises (Zou 1995).

Judging from its effect, it seems that the reform of foreign aid in 1995 had little impact on multilateral foreign aid, due to the fact that this foreign aid reform was focused on bilateral aid rather than on multilateral aid, and the new approaches to foreign aid did not dovetail with the approaches to multilateral foreign aid. Maybe the reason why this reform was not directed at multilateral foreign aid is due to the system of management of multilateral foreign aid. The rights of authority for the management of multilateral foreign aid are held separately by the various ministries and commissions—the Ministry of Foreign Affairs is responsible for the United Nations development system; the aid relating to the World Bank Group and the Asian Development Bank falls within the scope of the Ministry of Finance, while the Ministry of Foreign Economics and Trade is only responsible for the

organization of multilateral technological foreign aid, and does not have the dominant role in multilateral foreign aid, which differs from bilateral foreign aid.

During this period, China's multilateral foreign aid had mature and clear guiding principles for its comprehensive development, and it has been strengthened stage by stage. China's foreign aid covers an extensive range and multiple organizations, and its form is not limited to donations or equity. Rather, it also includes multilateral technical cooperation. The multilateral aid provided by China is visible not only at the relevant United Nations agencies, the World Bank and other international organizations, but also at regional agencies such as the African Development Bank Group and the Asian Development Bank Group.

5. The phase of the expansion of China's multilateral foreign aid (2005—present)

In September 2005, Hu Jintao attended the High-Level Meeting on Financing for Development during the UN Summit Meeting, delivered an important speech entitled "Promoting Universal Development and Achieving Common Prosperity", and announced the "Five Initiatives" of China's foreign aid. This is the event that marked the entry of China's multilateral foreign aid work into the stage of expansion. In the speech delivered at the United Nations, Hu Jintao noted that "international cooperation for development shall be enhanced to narrow the North-South gap in order to ensure the achievement of the Millennium Development Goals". Regarding the realization of the Millennium Development Goals, international development cooperation shall be strengthened to promote universal development and achieve common prosperity. Moreover, Hu Jintao put forward a four-point proposal: First, to further expand the reform so that the international economic system and rules become more reasonable and fair, especially fully reflecting the concerns of the numerous developing countries, and promoting the development of a balanced, universal and win-win economic globalization. Second, to respect the diversity of developmental modes, and promote the exchange of experiences of development. Independent selection of developmental paths and modes which are in line with national conditions is pivotal to the realization of development on the part of the various countries. Third, to set up a fair, rational and effective framework for assessing the progress of the Millennium Development Goals, promptly assess the progress made by the countries, and supervise and promote international cooperation and the realization of commitments for development assistance. Fourth, to strengthen the role of the United Nations in promoting international cooperation for development. The United Nations should consider development as one of its fundamental tasks, improve its mechanisms and functions, and give play to its advantage in guiding the countries to reach a consensus, formulating rules and promoting participation.⁶

Hu Jintao's speech had a deep significance for the development of China's multilateral foreign aid since it was the continuation of tradition and the proposition

⁶"Speech delivered by Hu Jintao at the High-Level Meeting on Financing for Development during the UN Summit Meeting." http://news.xinhuanet.com/world/2005-09/16/content_3496858.htm.

of new requirements. China has adhered to the idea of promoting common development. Economic globalization should progress in the direction of balance, universal benefit and a win-win situation, and it should include various types of development. Meanwhile, an effective mechanism for coordination and cooperation should be set up and resources should be integrated, thus achieving a concerted effort. This was proposed by Deng Xiaoping with regards to “taking a long view of our own strategic interests, and at the same time respecting each other’s interests. We shall not bother with the differences in social systems and ideology, and the countries, regardless of their size and power, shall uphold mutual respect, and treat each other as equals”.⁷ Concepts should become more concrete under the new situation and conditions. Compared to the past, Hu Jintao placed more emphasis on respect for diverse developmental modes, and the promotion of the exchange of experiences of development. This exhibits the Chinese people’s confidence in their own model of development.

In 2008, Premier Wen Jiabao repeated and clearly expressed this concept in his speech delivered at the UN High-level Meeting on Millennium Development Goals. Wen Jiabao proposed the relevant initiative: “We adhere to encouraging and supporting each country in adopting the developmental path suited to its national conditions and explore the developmental model conducive to the development of the nation and to the elimination of poverty. Respect for the rights of the people of all countries to independently choose their developmental paths and models acts as the basis and precondition for democratic politics. International assistance must be promoted, and the developed countries in particular must assume the responsibility to assist the underdeveloped countries. Assistance should be selfless and no conditions are to be attached. In particular, assistance to the least developed regions must be increased, and focus must be placed on the settlement of such problems as hunger, health care and schooling for children. We suggest that the donor countries should double their contributions to the World Food Programme (WFP) over the next five years. The international community should offer further debt relief to the least developed countries (LDCs), and provide zero-tariff treatment for the products exported by the LDCs”.

China sets great store on strengthening international aid, and reflects its position as advocate of this by means of some practical action. Wen Jiabao announced that China would contribute 30 million USD to the FAO for the establishment of a trust fund which would be used for the projects and activities which would help the developing countries enhance their agricultural productivity.⁸ At this meeting, Wen Jiabao sent a clear new signal that China would provide more multilateral aid. This shows that the momentum of the relatively large increase in China’s multilateral aid since 2004 had been confirmed and the aid would continue. In 2004, the Chinese government continued, based on a donation of 50 million USD to the African

⁷*Selected Works of Deng Xiaoping* (Volume III), People’s Publishing House, 1993, p. 330.

⁸“Speech delivered by Wen Jiabao at the UN High-level Meeting on the Millennium Development Goals”. http://www.gov.cn/ldhd/2008-09/26/content_1106073.htm.

Development Fund, to contribute 30 million USD to the Asian Development Fund under the Asian Development Bank, and later decided to donate an additional 20 million USD to the Asian Development Bank. Moreover, it set up the special fund for poverty reduction and regional cooperation at the Asian Development Bank for the purpose of supporting the cause of poverty alleviation and regional cooperation in the Asian-Pacific Region. By the end of 2007, China had donated 30 million USD to the International Development Association of the World Bank Group—making it China's first donation to the World Bank Group. In 2008, the Chinese government advocated the establishment of a multilateral aid funding mechanism for the avian influenza, and contributed 10 million USD to that mechanism. In response to the WTO's initiative, the Chinese government made its first contribution to the WTO on February 25, 2008. China provided a donation of 200,000 USD for the WTO Aid for Trade which was used to help the developing countries, especially the LDCs to improve their ability to participate in international trade.

China's multilateral foreign aid in the new period shows the following distinctive features: First, the "give and take" practice is gradually being replaced by "giving more and asking for less", and the knowledge and management experience necessary for development is obtained from multilateral development institutions, rather than from a special emphasis on the acquisition of development funds. While some multilateral development organizations have canceled or successively decreased the multilateral aid to China, China has obviously increased its multilateral foreign aid. Moreover, China has begun to make contributions to the agencies to which it has never donated, such as the International Development Association. Since July 1999, the International Development Association has ceased providing soft loans to China. By the end of 2005, the World Food Programme (WFP) had announced, in Beijing, the cessation of food aid to China, marking the end of a quarter-of-a-century of food aid by this organization to China. Second, based on the principles of respect for sovereignty and independence, China passes on its experience of development, creates opportunities, improves people's livelihood, and promotes balanced development. In 2006, the Chinese government and such international organizations as the United Nations Development Programme, the World Bank Group, and the Asian Development Bank jointly sponsored, funded and established the International Poverty Reduction Center in China. By upholding the objectives of innovation of the poverty alleviation theory, promotion of policy conversion, enhancement of international interaction and promotion of 'South-South Cooperation', the said center offers intellectual support for the development of a vast majority of developing countries. Third, the entities of multilateral foreign aid are more diversified. Some private and non-governmental organizations have begun to join the ranks of those providing multilateral foreign aid. For example, the contributions made by Holiland Group to the United Nations Environment Programme totaled 2 million RMB in 2007, including 1 million RMB for the environmental treatment of Lake Nakuru in Kenya.

The reasons for the acceleration and the intensification of the development of China's multilateral foreign aid are multifaceted. They are mainly attributable to the

changes in the domestic and international situations. With the spread of economic globalization, the interests of various countries are intertwined, and they depend on one another for their destiny. The promotion of universal development and realization of common prosperity are in the interest of all countries; an objective problem exists, however, that the North-South gap continues to widen. The most urgent tasks facing countries all over the world are: strengthening international cooperation for development, narrowing the North-South gap, and ensuring the achievement of the Millennium Development Goals. Judging from China's domestic situation, China's comprehensive national strength has been increased markedly after roughly 30 years of great development during the period of the Chinese economic reform. From 1978 to 2007, China's GDP jumped from 364.5 billion RMB to 24.95 trillion RMB, at an average annual real growth rate of 9.8%. This is more than three times the average annual growth rate of the global economy in the same period. China ranked fourth in the world in terms of the economic aggregate.⁹

The changes in the domestic and international situation have a positive significance in two aspects: First, China's overall increasing national strength offers more support for China's multilateral foreign aid. Compared with the past, China has witnessed an obvious improvement in its economic strength and it has the ability to contribute more to the growth of developing countries. Moreover, the international community also hopes that China will make more contributions to global development. At the beginning of the Chinese economic reform, Deng Xiaoping, in mentioning the role of China as a donor country in one of his talks, said that "We are still very poor and make very few contributions in terms of proletarian internationalism. When we have realized the Four Modernizations and economic development, we will be in a position to make a greater contribution to humanity, especially to the Third World".¹⁰ Now, the fact that China has honored its previous commitments is reflected in its being a consistent advocate of its foreign aid policies; and this refutes the ridiculous view that China has benefited tremendously from multilateral development agencies and has been reluctant to make contributions. It should be noted that this courage comes not only from its economic strength, but also from the glorious development model created by China over the past 30 years or more. China will share its experiences of development with the peoples of countries around the world, and will promote common development. Second, from the point of view of realistic demands, the expansive development of the international community has a profound significance for the development of China. Over the past 30 years, China has benefited from extensive international cooperation. In 2007, China's total export-import volume reached 2.1737 trillion USD, jumping to the 3rd position in the world. China ranked first globally in terms

⁹"Speech delivered by Hu Jintao at the general assembly for commemorating the 30th anniversary of the convention of the 3rd Plenary Session of the 11th Central Committee of the Chinese Communist Party." <http://30.people.com.cn/GB/8545199.html>.

¹⁰Deng Xiaoping: "Realizing four modernizations, and never seeking hegemony", *Selected Works of Deng Xiaoping (Volume II)*, People's Publishing House, 1993, p. 112.

of foreign exchange reserves. Foreign investments in China have increased greatly, and the amount of foreign investments that were actually used totaled roughly 1 trillion USD.¹¹ Extensive, in-depth international cooperation has accelerated the development of the Chinese economy, and a world of “universal development and common prosperity” brings nothing but advantages to China. Whether it be the foreign aid capacity, or the realistic demands, it is necessary for China to improve its multilateral foreign aid work.

In the 21st century, China has gained a new understanding of multilateral diplomacy. The Sixteenth National Congress of the Communist Party of China that convened in 2002 took multilateral diplomacy as an important component of its diplomatic strategies. Thereafter, the term “active participation” has gradually been replaced by “active advocate” or “active developer” when multilateral diplomacy is mentioned. At the Tenth National People's Congress that convened in 2005, Premier Wen Jiabao expressly proposed that China “should actively advocate multilateralism” (Lu 2007: 94). Multilateral foreign aid is a pivotal tool for China in formulating the reasonable international economic system and rules and in realizing its objectives of multilateral diplomacy. China has a better understanding of multilateral diplomacy, and this naturally facilitates the development of multilateral foreign aid. Under the combined influence of multiple factors, China's multilateral foreign aid is entering a new stage of development.

2.2 Changes in the Scale of China's Multilateral Foreign Aid

China's multilateral foreign aid has developed gradually since the 1950s; China offers assistance to an increasing number of multilateral organizations, including the major ones, globally. At the same time, the multilateral assistance provided by China has also increased in number. In particular, in the 21st century, the number of contributions has shown an obvious momentum of growth.

1. Multilateral development organizations covered by China's multilateral foreign aid

According to the coverage of multilateral organizations receiving aid from China, China makes donations to different international aid agencies gradually and in different stages. Up to now, China's multilateral aid has covered the main multilateral aid organizations in the world. As shown in Table 2.3, the targets receiving the multilateral assistance from China are not limited to the United Nations development system and the World Bank Group. They also encompass

¹¹“Speech delivered by Hu Jintao at the general assembly for commemorating the 30th anniversary of the convention of the 3rd Plenary Session of the 11th Central Committee of the Chinese Communist Party.” <http://30.people.com.cn/GB/8545199.html>.

Table 2.3 List of the major multilateral organizations to which China provides multilateral assistance

Membership	Type	Name	Date of participation	Date of first donation
Organizations in which China has participated	United Nations systems	WHO	May 1972	1972 (Payment of dues)
		UNCDF	–	1973
		UNDP	Oct. 1972	1973
		UNIDO	1972	1973
		UNESCO	Oct. 1972	1973 (Payment of dues)
		FAO	Sep. 1973	1974 (Payment of dues)
		UNEP	Mar. 1972	1976
		UNFPA	May 1978	1979
		UNHCR	Unknown	1979
		UNICEF	1979	1979
		IFAD	1980	1980
		INSTRAW	1980	1981
		United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)	1972	1981
		WFP	1979	1981
		IAEA	1984	1984
		ITC	1978	1984
		UN Habitat	1988	1988
		WTO	2001	2008
		ILO	Jun. 1983	Unknown
	World Bank Group	IBRD	1980	Admitted in 1980
		MIGA	1988	Admitted in 1988
		IDA	1980	2007
	Regional development Banks	Afr. DB	1985	1985
		AsDB	1986	1986
		CDB	1997	1997
		IDB	2008	2008

(continued)

Table 2.3 (continued)

Membership	Type	Name	Date of participation	Date of first donation
	Other multilateral organizations and funds	ICRC	–	1956
		IFRCRCS	1952	–
		GEF	1994	1994
Organizations in which China does not participate but to which China provides multilateral assistance		SPC	–	1998
		OEA	Observer in Mar. 2004	2004

Source *World Knowledge Yearbook 2007*, World Affairs Press, 2008. The list of the above institutions may be incomplete due to the limited materials

such regional multilateral agencies as the Asian Development Bank and the African Development Bank Group, as well as the multilateral aid organizations of other types such as the International Committee of the Red Cross. China’s multilateral assistance is not limited by membership qualifications; China also provides assistance to some multilateral organizations of which China has not become a member, such as the Organization of American States. The beginning and the end of China’s assistance to these multilateral organizations vary (see Fig. 2.1). In the embryonic stage of China’s multilateral foreign aid, China only made donations to a few multilateral aid agencies. After having its seat in the United Nations restored in the 1970s, China began to provide assistance to some aid agencies under the United

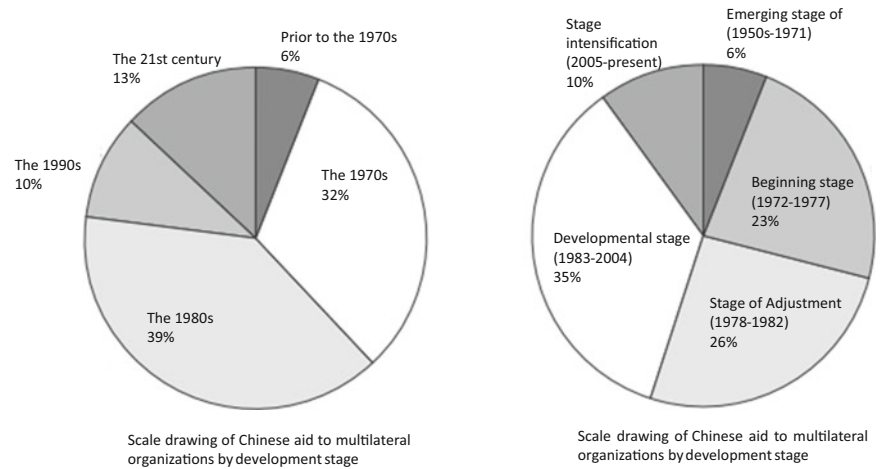


Fig. 2.1 Date of initial cooperation between China and multilateral organizations. Source Calculated according to Table 2.1

Nations system. However, compared to the number of multilateral organizations to which China currently provides assistance, the proportion of those under the United Nations system was low, merely about 25%. Following the stages of adjustment and development, the number of multilateral organizations to which China provides assistance has shot up and this assistance covers practically all the major multilateral aid agencies. During these two stages, it accounted for nearly 60% of the total number. Specific to the years, China began to make donations to a variety of multilateral organizations mainly in the 1970s and the 1980s, accounting for 70% of the total subscriptions made to multilateral organizations. In the 21st century, since China has participated in practically all of the major multilateral development organizations, it provides assistance to some newly-established development assistance agencies as per the situation in the world.

2. Changes in the scale of China's multilateral foreign aid funds

So far, China has not yet published the detailed statistics for its multilateral foreign aid. This makes it exceedingly difficult to analyze the amount of that aid. In spite of enormous difficulties, the trend of the changes in the amount of China's multilateral foreign aid can be seen from the sporadic official statistics published by the authorities, the financial statements of some international aid agencies and the estimated data provided by the researchers. Of course, inaccuracies in this analysis and judgment are inevitable. Regarding the analysis of China's multilateral foreign aid, the shares held by China in such multilateral banks as the World Bank Group and the Asian Development Bank will be excluded, since the shares of multilateral banks are not adjusted annually. The capital injection by China into multilateral development banks would result in an irregular rise in the amount of multilateral foreign aid in the current year. Unless especially pointed out, the amount of China's multilateral foreign aid under analysis in this section refers to the Chinese contributions to the United Nations development system. The changes in the amount of China's multilateral foreign aid show the following characteristics.

First, the amount of China's multilateral foreign aid grew relatively rapidly in the 1970s. In 1973, for the first time, China provided donations of 0.4 million USD and 3.8 million RMB to the United Nations Development Programme and UNIDO and UNCDF, respectively. By 1978, the contributions to the United Nations Development System totaled 0.4 million USD and 16.2 million RMB.

Second, the amount of China's multilateral foreign aid showed a tendency to gradually decrease during the period of adjustment (1978–1982). Chinese contributions to the United Nations system fell from 3.55 million USD in 1980 to 2.9 million USD in 1982 (see Table 2.4). China joined such multilateral development banks as the World Bank and the Asian Development Bank successively in the 1980s. Some international organizations and foreign scholars considered the Chinese shares in these banks as aid, resulting in great fluctuations in the amount of China's multilateral foreign aid. For example, the accession of China to the World Bank Group in 1980 resulted in the amount of China's multilateral foreign aid in 1980 reaching upwards of 140 million USD, which was far more than the figure in ordinary years.

Table 2.4 Estimated amount of China's multilateral foreign aid from 1980 to 1985

Year	1980	1981	1982	1983	1984	1985
United Nations system	3.55	3.93	2.9	3.27	3.87	4.2
United Nations development programme	1.42	1.4	1.5	1.65	1.75	1.88
UNCDF	0.14	0.13	0.12	0.11	0.15	–
United Nations population fund	0.27	0.28	0.2	0.33	0.4	0.45
UNHCR	1	1.3	0.2	0.2	0.5	0.25
UNIDO	0.72	0.36	0.34	0.33	0.37	0.72
United Nations Children's Fund	–	0.21	0.27	0.3	0.35	0.4
United Nations relief and works agency for palestine refugees in the near east	–	0.05	0.07	0.05	0.05	–
World food programme	–	0.2	0.2	0.3	0.3	0.5
IFAD	0.99	–	0.07	0.6	–	–
World Bank system	135.72	–	101.62	–	–	–
IBRD	135.72	–	101.62	–	–	–
Regional development banks	–	–	–	–	–	26.3
AFDB	–	–	–	–	–	2.7
African Development Foundation (ADF)	–	–	–	–	–	23.6
Total	140.26	3.93	104.59	3.87	3.87	30.5

Unit Million USD

Source OECD, The Aid Programme of China, Paris, 1987, p. 14

Third, the amount of China's multilateral foreign aid stabilized in the 1980s and the 1990s, albeit exhibiting a trend of a gradual decrease. From 1983 to 1986, China's donations to the United Nations development system witnessed an upward trend, but they have shown a decreasing trend since 1987 (see Table 2.5). In the 1990s, the amount of China's multilateral foreign aid, generally speaking, had a downward trend, despite the temporary increases in 1992 and 1995. This downward trend has been reversed in the 21st century. After 2000, the amount of China's multilateral foreign aid began to increase gradually (see Fig. 2.2).

Fourth, the amount of China's multilateral foreign aid began to increase after 2000, and witnessed a quantum leap in 2004 and 2005 (see Fig. 2.2). The amount of China's multilateral foreign aid increased gradually from more than 7 million USD in 2000 to 12 million USD in 2003. Later, the figure jumped from 12 million USD in 2003 to nearly 40 million USD in 2005. The amount of China's multilateral

Table 2.5 Estimated amount of China's multilateral foreign aid from 1986 to 1988

Year	1986	1987	1988
Bilateral aid	144	160	160
Multilateral aid	222	50	25

Unit Million USD

Source Browne (1990)

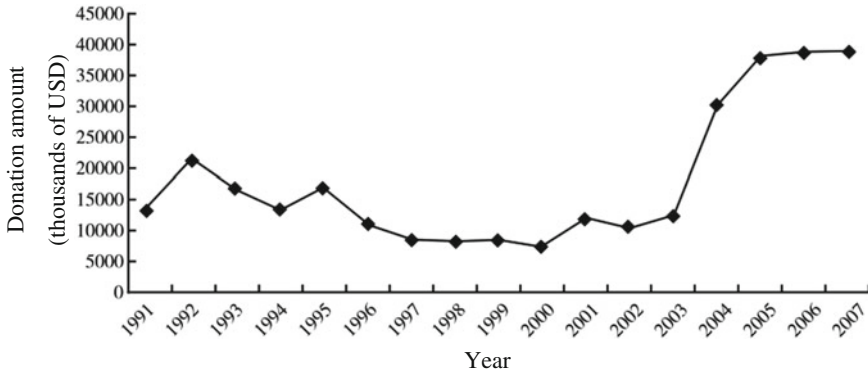


Fig. 2.2 Statistics graph of China's contributions to the United Nations development system since 1991. *Source* Financial reports of the extra-budgetary fund of the United Nations system since 1991. The sources of data may be incomplete and this graph is only used for analysis of the changes in the trend

foreign aid has patently increased, and at one time it showed a trend of accelerated growth—a 4-fold increase in a short period of several years. If China's 30 million USD of contributions to the World Bank and the capital injection at the end of 2007 as well as its donations to such development banks as the Inter-American Development Bank in 2008 are added in, the increase in the amount of China's multilateral foreign aid would be even more staggering. Given that China is still a developing country and does not rank among the top 100 globally in terms of per capita GDP, China's contribution to global development becomes more prominent.

The trend of changes in the amount of China's multilateral foreign aid corresponds to a certain degree with the trend of changes in the United Nations dues paid by China, although the change in amounts of multilateral foreign aid is somewhat slower. It goes to show that China's multilateral foreign aid policy is part of China's multilateral foreign policy and it changes at a certain time interval with China's multilateral foreign policy. Initially, China's dues to the UN were consistently high, accounting for from 4 to 5.5% of the total UN dues throughout the 1970s. This far exceeds the share designated by the United Nations. Take the year 1976 for example. In that year, China's dues to the UN ranked 6th among the member states, and its aggregate amount totaled 17 million USD. Since the 1980s, the proportion of China's contributions in the aggregate amount of United Nations dues has dropped, going from 0.67% in 1980 to 0.74% in 1997. In 1999, the UN dues paid by China were more than 10 million USD¹²—an amount equivalent to the dues paid by China to the United Nations in the 1970s. Thereafter, the proportion of China's dues and amount has been increasing at a fast clip. In 2009, China's proportion of dues was 2.667% and the net amount paid was 64.97 million USD.¹³

¹²<http://www.people.com.cn/GB/channel2/19/20001012/268224.html>.

¹³<http://news.qq.com/a/20061225/001947.htm>.

Overall, the amount of China's multilateral foreign aid also witnessed a relatively fast growth in the 1970s. From the end of the 1970s to the beginning of the 1980s, it decreased gradually. The amount was relatively stable in the 1980s and the 1990s. At one time, this showed first an increasing and then a decreasing momentum. This trend towards a decline continued until the late 1990s. In the 21st century, the amount of China's multilateral foreign aid has witnessed a relatively rapid growth.

Judging from the assistance provided by China to all major multilateral aid organizations, the situations vary according to each case (see Fig. 2.3). The Chinese contributions received by the United Nations Development Programme are far more than those received by other multilateral organizations. In 2007, China's contributions to the United Nations Development Programme reached 21.32 million USD, while its donations to the UN Refugee Agency were merely 250,000 USD. The main reason behind this difference lies in the different financing requirements of multilateral development institutions. Such organizations as the United Nations Development Programme and the World Food Programme are the principal multilateral development agencies, which provide an enormous amount of multilateral assistance each year. Therefore, a relatively large amount of funds is required from the donor countries. Moreover, the trend of changes in the amount of Chinese aid in the different multilateral organizations is not the same, and the amount of aid in

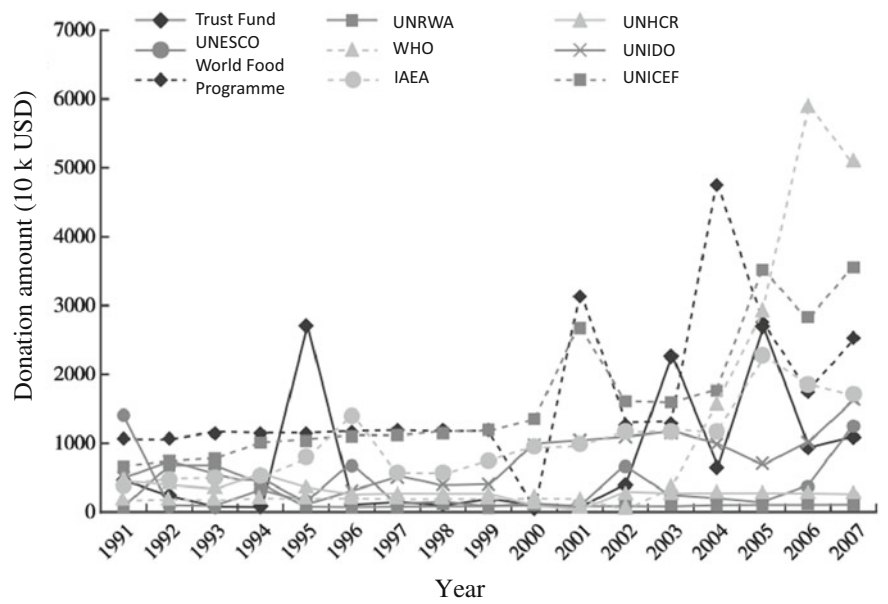


Fig. 2.3 Changes in Chinese contributions to the various agencies of the United Nations development system since the 1990s. *Source* Financial report of the extra-budgetary fund of the United Nations system since 1991. The sources of data may be incomplete, and this figure is only used for analysis of the trend

some multilateral organizations showed a steady upward increase, such as the United Nations Children's Fund; the aid amount for such organizations as UNESCO witnessed a trend of first an increase and then a decrease, followed by another increase. The contributions to such institutions as the United Nations Trust Fund showed irregular fluctuations. Overall, the amount of foreign aid provided by China shows an upward trend, and is consistent with the direction of China's foreign aid policy. However, the multilateral aid for some concrete organizations is not fixed; the contributions to some institutions remain unchanged for many years. Since the Chinese government has not published the fiscal budget and decision-making basis for multilateral foreign aid, it is difficult to know the exact reason for this difference. The basic judgment is that the Chinese donations to the development-oriented multilateral aid agencies generally show an upward trend, while the donations to some politically-sensitive multilateral institutions are provided cautiously, such as the UN Refugee Agency and the United Nations Relief and Works Agency for Palestine Refugees in the Near East. It goes to show that China's multilateral foreign aid is mainly oriented towards development, and is thus consistent with the development of China's foreign aid policy.

3. Comparison of the scales of China's multilateral foreign aid fund and bilateral foreign aid fund

The amount of multilateral foreign aid is lower than the bilateral foreign aid amount, regardless of the periods in history. After 2000, however, multilateral foreign aid has gradually gained importance (see Table 2.4).¹⁴ In the 1970s, bilateral foreign aid occupied a dominant position, while multilateral foreign aid accounted for merely 0.08% of the total foreign aid amounts. By the 1980s, the

Table 2.6 Comparison of the amount China's multilateral foreign aid and that of bilateral foreign aid during the different periods (estimated)

Year	1973	1987	1997	2007
Bilateral foreign aid amount	2787.7	375	420	1103
Multilateral foreign aid amount	2.3	25	8	39
Total	2790	400	428	1142
Proportion of multilateral foreign aid	0.08	6.25	1.87	3.42

Unit Million USD, %

Source Data regarding bilateral foreign aid in 1973 and 1987 come from Zhang (2006); data regarding bilateral foreign aid in 1997 and 2007 come from the *China Statistical Yearbook*; the source of the data regarding multilateral foreign aid in 1973 is the estimate made according to data from the *World Knowledge Yearbook*; the sources of the data regarding multilateral foreign aid in 1987, 1997 and 2007 are Table 2.3 and Fig. 2.2. Since the data are obtained from different sources, the accuracy of the analysis will certainly be compromised, but the data are still of use in judging the trend

¹⁴Excluding the individual years when China has injected capital into the multilateral banks such as the World Bank and the Asian Development Bank.

decrease rate in the amount of multilateral foreign aid was far lower than the rate of decline in the amount of bilateral foreign aid in the same period. Although the proportion of multilateral foreign aid increased within the overall foreign aid, it still did not occupy a key position (see Table 2.6). In the 21st century, the proportion of multilateral aid has shot up, and this figure jumped to 3.41% in 2007.

2.3 The Main Forms of China's Multilateral Foreign Aid

At the beginning of China's multilateral foreign aid, donations and membership dues were its main channel. With the development of multilateral foreign aid, the ways and means of the multilateral foreign aid provided by China gradually became more diversified.

1. Donations and membership dues

Donations and membership dues are the principal ways for China to provide assistance to multilateral development organizations. The donations made by China are chiefly divided into the following categories.

The first category concerns voluntary donations made to multilateral development organizations by China as a member State. Such donations are of a non-compulsory nature, and are made by China and other participating countries according to their national conditions. The donations are centrally managed by the management organ of the multilateral organizations and are used for assisting the developing countries in terms of economic construction, system building, social development, etc. China's donations to such agencies as UNDP, the World Food Programme, The United Nations Children's Fund, the United Nations Population Fund and the World Bank Group, the Asian Development Bank, and the African Development Bank Group belong to this category.

This category of donations is also made up of two sub-categories: first, regular donations; the donations provided by China to the United Nations multilateral development organizations, such as the United Nations Development Programme, the World Food Programme and UNICEF belong to this sub-category. Except for special circumstances, China provides donations to these organizations annually. Second, non-regular donations; China makes donations according to the fund requirements of these organizations and China's national conditions. For example, China makes voluntary extra-budgetary donations to the FAO and to UNESCO according to the situation, as well as paying its membership dues to these organizations annually. China's donation of 30 million USD to the International Development Association of the World Bank Group at the end of 2007 belongs to the non-regular donation category. Moreover, China has also made many donations to the African Development Fund and the Asian Development Fund. China donated 20 million USD to the African Development Fund in 2002 and donated 35 million USD to the Asian Development Fund in 2008.

Although China, compared to such developed countries as the United States and Japan, makes relatively small donations to these organizations, China's donations are relatively large among those made by the developing countries. According to the data published in *China's Diplomatic Yearbook* in 2007, China, in the aggregate, donated 74.07 million USD and 44.8 million RMB to the United Nations Development Programme, 25.05 million USD to the World Food Programme (WFP), and 15 million USD to UNICEF. The donations made by China have increased rapidly, e.g. China made a lump sum donation of 30 million USD to the International Development Association of the World Bank Group at the end of 2007.

The second category regards the membership dues paid by China to the United Nations development organizations. Such contributions are mandatory. As long as China chooses to join these organizations, it is obliged to pay membership dues as a Member State. The proportion of membership dues is determined by the governing bodies of these organizations and the Member States through joint discussions. Generally, the total membership dues and the shares for each Member State are adjusted to a certain interval, such as every one or two years. China pays membership dues to the FAO, UNESCO, the World Health Organization, etc. annually. Take the dues paid to UNESCO for example. The proportion of dues paid by China was immensely high in the 1970s, and the amount was quite staggering, amounting to as much as 31.65 million USD. By the 1980s and the 1990s, the proportion and amount of dues paid had a continuous downward trend; it began to rise after 2000. At present, although the proportion of dues is not higher than that of the 1970s, the amount of dues has already exceeded the amount paid in the 1970s (see Table 2.7).

The third category concerns the humanitarian donations made by China to various multilateral organizations. If some countries and regions in the world are hit by natural disasters or suffer major wars, China provides humanitarian assistance to those countries and regions via multilateral organizations; the assistance is used for refugee resettlement, reconstruction, etc. When the Indian Ocean tsunami occurred in 2005, China provided the affected countries with a humanitarian donation of 20 million USD through the United Nations; in 2006, China donated 3 million USD to the "United Nations Peace Building Fund".¹⁵ In 2008, the Chinese

Table 2.7 China's dues to UNESCO

	1973	1979	1983	1988	2003	2008
Proportion of dues	3.73	5.45	1.6	0.78	2.014	3.667
Amount of dues	816.4224	3165.36	1274.624	307.436	2189.6116	3365.754

Unit %, ten thousand USD

Source <http://www.unesco.org/new/en>

¹⁵China donated 3 million USD to the United Nations peace building fund, Sina Website; <http://news.sina.com.cn/c/2006-09-24/070710094048s.shtml>.

government donated 500,000 USD to the Darfur Community Peace and Stability Fund, making it the first developing country to make donations to this Fund.¹⁶

The fourth category regards the donations made by China—as a non-member State—to some regional organizations. In order to cement economic and trade ties and political contacts with some regions, China also makes donations to some regional organizations. Since the late 1990s, China has made donations to the Organization of African Unity and the African Union many times. In 2006, China donated 300,000 USD to support the African Union's own development. In 2004, China made a capital contribution of 1 million USD to the American States for the establishment of a five-year China—OAS Cooperation Fund. In 2005, China's Vice President Zeng Qinghong, on behalf of the Chinese government, donated 1 million RMB to the Andean Community. China's donations to these regional organizations are mainly concentrated in Africa and South America. China wishes to cement economic ties with these regions through these donations, and hopes to consolidate and develop diplomatic relations between China and the countries in these regions.

2. Equity financing and loans

Another major form of China's multilateral foreign aid is equity financing. In participating in such multilateral banks as the World Bank, the Asian Development Bank, the Inter-American Development Bank and the African Development Bank, China injects capital into these banks in the form of holding the shares of these banks. China's shareholding ratio determines its right to vote in these institutions. If the shareholding ratio increases, China's voting power increases accordingly. At present, China is a member of the World Bank, the Asian Development Bank, the African Development Bank, the Inter-American Development Bank, the West African Development Bank, the CMA Trade and Development Bank, and the Caribbean Development Bank by holding shares in these banks.

The shares held by China in these multilateral banks increase alongside the increase in the total shares of the organizations and the adjustment of the shareholding ratio. The total amount of Chinese shares in the World Bank has increased from 4.2 billion USD in the early 1990s to the current 5.4 billion USD (see Table 2.8). China's shareholding ratios in the various multilateral banks differ, with the largest shares in the Asian Development Bank—accounting for 6.429%. China is second only to Japan in terms of the shareholding ratio among the Member States (see Table 2.9). In 2004, China subscribed 160 shares of the WADB when joining the WADB, and became the largest shareholder among the non-local members in the WADB.¹⁷ In 2008, China held 2.85% of the shares of the IBRD under the World Bank Group; China has the largest amount of shares among the developing countries, although the figure is far lower than that of developed countries. There is

¹⁶<http://news.163.com/08/0329/04/48663180000120GU.html>.

¹⁷China Exim Bank and the WADB carry out credit cooperation, and support for Africa's development has increased, website of China Exim Bank. http://www.eximbank.gov.cn/xwzxarticle/xwzx/yaowen/200612/8711_1.html, December 1, 2006.

Table 2.8 China's shares, shareholding ratio and voting rights in the IBRD since 1990

Year	Shares	Amount	Paid-up amount	Shareholding ratio	Voting rights	Weight of voting rights
1990	34,971	4218.73	299.48	3.37	35,221	3.27
1991	34,971	4218.73	299.48	3.03	35,221	2.95
1992	34,971	4218.73	299.48	3.03	35,221	2.95
1993	44,799	5404	355.00	3.26	45,049	3.18
1994	44,799	5404	355.00	3.18	45,049	3.1
1995	44,799	5404.30	355.00	3.06	45,049	2.99
1996	44,799	5404.30	335.00	2.99	45,049	2.92
1997	44,799	5404.30	335.00	2.96	45,049	2.89
1998	44,799	5404.30	335.00	2.9	45,049	2.83
1999	44,799	5404.30	335.00	2.87	45,049	2.81
2000	44,799	5404.30	335.00	2.87	45,049	2.8
2001	44,799	5404.30	335.00	2.85	45,049	2.79
2002	44,799	5404.30	335.00	2.85	45,049	2.79
2003	44,799	5404.30	335.00	2.85	45,049	2.79
2004	44,799	5404.30	335.00	2.85	45,049	2.78
2005	44,799	5404.30	335.00	2.85	45,049	2.78
2006	44,799	5404.30	335.00	2.85	45,049	2.78
2007	44,799	5404.30	335.00	2.85	45,049	2.78
2008	44,799	5404.30	335.00	2.85	45,049	2.78

Unit Share, million USD, %

Source The financial statements of the World Bank Group over the years

Table 2.9 Status of the Chinese shares in the Asian Development Bank and the African Development Bank

	Year	Shares	Amount	Paid-up amount	Shareholding ratio	Voting rights	Weight of voting rights
African Development Bank	2007	24,300	263,792	29,410	1.121	24,925	1.126
Asian Development Bank	2007	228,000	329,069	–	6.429	241,232	5.442

Unit Share, thousand USD, %

Source African Development Bank website, <http://www.afdb.org/en/documents/financial-information/financial-statements-and-data>; Asian Development Bank website, <http://www.adb.org/About/membership.asp>

hope that this situation will change, because the international community requires giving more shares to China, so that China can have a greater say and can make a greater contribution. China has a low ratio of shares in such organizations as the African Development Bank and Inter-American Development Bank. Although, in announcing its decision to join the Inter-American Development Bank at the end of

2008, China injected 350 million USD into it, the proportion of Chinese stakes in the ordinary shares of this Bank is merely 0.004%.¹⁸

Apart from equity financing in multilateral development banks, China has recently adopted a new form of donation, namely the Chinese policy bank issues long-term loans to some multilateral development banks. During the "China Economy Day" seminar held by the People's Bank of China and the WADB in November 2006, the China Exim Bank and the WADB signed a credit cooperation agreement worth 70 million Euros in Lome, the capital of Togo. This was aimed at providing financial support for promoting economic and trade cooperation among China and the Member States of the West African Economic and Monetary Union which have diplomatic relations with China, for the development of investment business and for cooperation among enterprises.¹⁹ In August 2008, the China Development Bank and the CMA Trade and Development Bank signed a credit extension agreement in Nairobi, capital of Kenya, whereby China provided the CMA Trade and Development Bank with a ten-year loan totaling 50 million USD. The loan provided by the China Development Bank is one of the largest loans obtained by the CMA Trade and Development Bank from a single financial institution. The fund is being used to support economic development in Eastern and Southern Africa, especially in the areas requiring a large amount of funds, such as mining, telecommunications and the construction of infrastructures. The loan provided by the China Development Bank was aimed at strengthening cooperation with the CMA Trade and Development Bank and helping economic growth in Eastern and Southern Africa. This is also one of the concrete measures for implementing the outcomes of the Beijing Summit of FOCAC held at the end of 2006.²⁰

3. Project cooperation between China and multilateral development organizations

With the development of multilateral foreign aid, China has gradually explored new ways of carrying out multilateral foreign aid, and project cooperation has become the converging area for cooperation between China and some multilateral organizations. The Chinese Ministry of Commerce is generally responsible for project cooperation between China and multilateral organizations. In 1978, China cooperated with the United Nations Development Programme; some projects were arranged in China by means of the Chinese donations and other funds. The largest project was the project of the Beijing international economic cooperation,

¹⁸China to join the Inter-American Development Bank, The Inter American Development Bank website, <http://www.iadb.org/NEWS/detail.cfm?id=4828>, October 23, 2008.

¹⁹China Exim Bank and the WADB carry out credit cooperation, and support for Africa's development has increased, website of China Exim Bank. http://www.eximbank.gov.cn/xwzxarticle/xwzx/yaowen/200612/8711_1.html, 2006-12-01.

²⁰<http://www.caijing.com.cn/2008-08-15/110005608.html>.

information processing and training center—the first of its kind for international cooperation in this field.²¹

(1) Project cooperation between China and UN agencies

China has cooperated a lot with the United Nations agencies—the typical cooperation being Technical Cooperation among Developing Countries (TCDC) under the “South-South Cooperation” framework starting in the 1980s. The TCDC training class is a form of China’s foreign aid and technical cooperation held by the Ministry of Commerce (formerly MOFTEC) and is one of the links for multilateral cooperation among China and other developing countries. It has a history of nearly 20 years since its beginning in the 1980s. In the 1980s and the 1990s, foreign aid was mainly characterized by technology training courses, such as freshwater fish cultivation, solar energy utilization, biogas technology, small hydropower stations, bamboo cultivation and use, and acupuncture techniques.

With the successful implementation of the TCDC technical training courses, China gradually attempted to shift from TCDC to ECDC. ECDC stands for Economic and Technical Cooperation among the Developing Countries. The United Nations’ model base for the south-south cooperation network was set up in China in May 1999; it is a platform for conversion from TCDC to ECDC which was experimented by China.

Based on the edible fungus training center in the Asia-Pacific region, the United Nations’ model base for the south-south cooperation network was jointly set up by the China International Center for Economic and Technical Exchanges in charge of the “South-South Cooperation” affair, and such multilateral organizations as the NUDP and the UNIDO as well as the People’s Government of Fujian Province.

The background for the establishment of the United Nations’ model base for the south-south cooperation network is that in the late 1980s, the profitable industry in Fujian Province—the cultivation of edible fungus—entered the “South-South Cooperation” field and China promoted the “Spark Plan”. In 1995, the edible fungus training center in the Asia-Pacific region, dedicated to the “South-South Cooperation” training task, was set up under the support of the leaders of Fujian Province at various levels and the Science and Technology Department of Fujian Province. In 1999, in order to carry out “South-South Cooperation” better, such multilateral organizations as the NUDP and the UNIDO decided to set up a comprehensive demonstration base—the United Nations’ model base for the south-south cooperation network—, so that China could use its successful experience for emulation in other developing countries. With the consent of the China International Center for Economic and Technical Exchanges, Fujian Province assumed and organized the implementation of the construction of a demonstration base headquartered in Fuzhou.²²

²¹“Basic Materials of Beijing Computing Center”. <http://www.gkong.com/comm/userdetail.asp?id=120111>.

²²<http://fj78.com/?action-viewnews-itemid-1>.

The concrete functions of the United Nations' model base for south-south cooperation are to: abide by the objectives of the United Nations "South-South Cooperation" peace and development; make full use of the technical assistance provided by the United Nations and other international organizations, and the technological achievements of China's participation in the "South-South Cooperation"; develop and acquire the technical advantages of the membership units of the South-South Cooperation Network in China; set up and implement the demonstration mode of "South-South Cooperation"; investigate and implement the developmental mechanism from technical cooperation to economic cooperation in the area of "South-South Cooperation"; carry out the introduction of technology, technology and product output, and economic and trade exchanges and cooperation through the establishment of a multi-layer, multi-industry cooperation network, providing opportunities for promoting cooperation between China and other developing countries; meanwhile, China should explore the feasibility of the "South-South Cooperation" and showcase the latest achievements of China's participation in this type of cooperation, thereby providing a demonstration model for other developing countries.²³

Apart from holding TCDC technical training courses in China, China also sent out, within the FAO "South-South Cooperation" framework, more than 700 agricultural experts and technicians in various fields to more than 20 countries or regions in Asia, Africa, the South Pacific and the Caribbean, covering such areas as farming, animal husbandry, aquatic products, farming machinery, and horticulture. This made an active contribution to boosting the comprehensive capacity for grain production in these countries, and has won high plaudits from the world.

In the 21st century, China has tried new mechanisms of multilateral foreign aid by cooperating with the NUDP. One of these is the China Africa Business Council (CABC) which combines the public and private sectors. The CABC, jointly set up by the Chinese government, the NUDP and the China Society for Promotion of the Guangcai Program, is aimed at promoting Sino-African investment and trade within the "South-South Cooperation" framework. The project is geared towards forming a parallel mechanism; on the one hand, it participates in the FOCAC with the governmental sectors; on the other hand, it is used as a practical business tool to help Chinese companies and African companies realize their business objectives and score greater successes in investment and trade. The starting capital of the CABC was 1 million USD, and it was funded by the United Nations Development Programme. During the initial stage, the participating countries included China and the five African countries of Cameroon, Ghana, Mozambique, Nigeria, and Tanzania. Regarding the Chinese party, the main member of the project is the China Society for the Promotion of the Guangcai Program—a non-governmental organization with 14,000 members from private enterprises. The commencement of the CABC is of milestone significance and is a new creative attempt at promoting effective cooperation between China and Africa. It is also an endeavor to develop

²³<http://zhidao.baidu.com/question/88836998.html>.

“South-South Cooperation” from a political element to a substantive economic field.²⁴

Another project is the International Poverty Reduction Centre (IPRC), established in 2006. The IPRC is an international organization which was sponsored, funded and established by the Chinese government and such international organizations as the United Nations Development Programme, the World Bank and the Asian Development Bank; it is aimed at innovating the theory of poverty reduction, promoting policy conversion, enhancing international interaction and facilitating “South-South Cooperation”. Britain’s Department for International Development (DFID) and the German economic and technical cooperation company (GTZ) also provided funding to the organization. The IPRC was proposed in the *Memorandum of Understanding on Establishing the International Poverty Reduction Centre* signed by the State Council Office of Poverty Alleviation and Development, the Ministry of Commerce and the NUDP in May 2004, and it is one of the important outcomes of the Global Poverty Reduction Conference held in Shanghai. The IPRC is dedicated to cooperation in applied policy research and human resources in the field of global poverty alleviation. Its basic functions are: Rooted in China and facing the world, especially the extensive developing countries, IPRC shall organize the policy research and summary of the experience in the field of poverty reduction, undertake international training and capacity-building projects commissioned by the international organizations and the Chinese government, carry out the organization, demonstration, and management of foreign investment projects for the alleviation of poverty, and implement international cooperation and exchanges in the field of poverty alleviation. The establishment of the IPRC is the concrete embodiment of the Chinese government’s active participation in the cause of international poverty reduction and its efforts to promote “South-South Cooperation”. This is a sign that the exchanges and cooperation on poverty reduction between China and the international community have entered a new historical stage.

(2) Cooperation between China and the Asian Development Bank

China has also cooperated a great deal with the Asian Development Bank. The two specific projects of cooperation between China and the Asian Development Bank concern the Great Mekong Sub-region Programme (GMS) and the Central Asian Regional Economic Cooperation (CAREC).

The GMS project, initiated in 1992 by the Asian Development Bank, involves China, Myanmar, Laos, Thailand, Cambodia and Vietnam within the region through which the Mekong River passes. It is aimed at strengthening economic ties among the member countries and enhancing the sub-region economic and social development. Yunnan Province and the Guangxi Zhuang Autonomous Region are the main province and region for China’s participation in the specific cooperation projects. China has always set great store on participating in the Great Mekong

²⁴<http://www.cppcc.gov.cn/rmzxb/myzkz/200504010049.htm>.

sub-regional projects, and has continuously promoted friendly and good-neighborly relations with countries in the sub-region. Since the Second Leaders' Meeting for economic cooperation in the Great Mekong Sub-region in 2005, the Chinese government has once again vigorously promoted sub-regional economic cooperation and played an active role in the various types of coordination mechanisms. China has aided in the construction of the section of the North-South Economic Corridor in Laos, built the 220 and the 110 kV power transmission channel project by the Southern China Power Grid, built the information highway project in Cambodia, Laos, and Myanmar and completed the exploration of the Pan-Asian railway section inside Cambodia and Myanmar. China took the lead in proposing and vigorously promoting the corridor project for the conservation of biodiversity and the pilot project for AIDS prevention and control; and China has also actively implemented a strategy for the development of tourism as part of Great Mekong Sub-region economic cooperation. China and the countries in the sub-region have continuously expanded and intensified their cooperation.²⁵

CAREC is a regional economic cooperation mechanism advocated by the Asian Development Bank for establishment in 2002. Its aims include promoting the causes of poverty reduction and development in Central Asia, and facilitating common prosperity. The official member States of CAREC include China, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Azerbaijan, Afghanistan and Mongolia. Russia participates in relevant cooperation as an observer. Currently, the participating countries are cooperating in terms of the four major fields, which are transportation, energy, trade facilitation and trade policy. Internationally speaking, CAREC has also attracted widespread attention. The Asian Development Bank, the World Bank, the IMF, the UNDP, the European Bank for Reconstruction and Development, and the Islamic Development Bank, as well as such developed countries as the United States, Japan, and the EU cooperate as development partners. Up to now, the international organizations, including the Asian Development Bank, have provided CAREC with preferential loans of nearly 440 million USD for projects and donations of roughly 83 million USD for technical assistance. The Chinese government has always attached great importance to and actively participated in CAREC, and has designated Xinjiang Uygur Autonomous Region as the major Chinese region for carrying out the project while, at the same time, the Region participates in CAREC in the name of a country. In specific cooperation projects, China, apart from performing the regular obligations of the participating country, provides support in various forms for the partners within its capability, thus playing a constructive role in intensifying cooperation. For example, China provides Central Asian countries with technical assistance in such areas as agriculture, the environment and capacity building through China's poverty reduction and regional cooperation fund, which was set up in the Asian Development Bank; in the China - Kyrgyzstan - Uzbekistan road project, China also aided in the construction of the section inside Kyrgyzstan, as well as by completing the road construction on

²⁵<http://baike.baidu.com/view/168856.htm>.

schedule in the territory of China. In addition, the Chinese government has proposed new initiatives of cooperation at appropriate times so as to promote the gradual intensification of this type of cooperation. In 2006, China donated 500,000 USD to strengthen the institutional capacity building of the participating countries.²⁶

(3) Project cooperation among China and other international organizations

A project that is representative of the cooperation among China and other international organizations is the cooperation project among the Chinese Ministry of Science and Technology, the Chinese Academy of Sciences and the Third World Academy of Sciences. The Third World Academy of Sciences (TWAS), founded on November 10, 1983, and is headquartered in Trieste, Italy; it is a non-governmental, non-political and non-profit international scientific organization. Since its inception, TWAS has been committed to supporting and promoting research activities in the developing countries, providing necessary conditions for the promotion of the research work of outstanding scientific and technical personnel from developing countries, encouraging the research and investigation of common problems existing in Third World countries, and facilitating the exchanges and cooperation among the scientific and technological personnel and research institutions in the developing countries. This is aimed at improving the level of scientific research of scientists in Third World countries, training the future generations of promising scientists, and promoting the vigorous development of basic and applied science in Third World countries.

TWAS is mainly funded by donations made by the Italian government, IAEA, UNESCO and other governmental and nongovernmental organizations. From 1983 to the present day, TWAS has received more than 10 million USD all together. The Ministry of Science and Technology donated 100,000 USD, 500,000 USD, and 500,000 USD to TWAS on behalf of the Chinese government in 1994, 1996 and 2002, respectively.

Over the past 20 years, China and TWAS have maintained a close relationship, and have cooperated extensively. Currently, 15 Chinese research units have been selected by TWAS as centers of excellence. Meanwhile, China has received more than 600 scientists from Third World countries for conducting collaborative research in China by taking advantage of the “South-South Cooperation” fund, and has funded more than 5000 scientists from the Third World countries to participate in various international academic conferences, training courses, etc. in China. China and TWAS jointly hold the CAS-TWAS-WMO Symposium on Climate Forum annually, and organize different types of seminars and training courses. In 2004, the Chinese Academy of Sciences and the Third World Academy of Sciences signed an agreement regarding a project of jointly forming doctoral students. Under the said agreement, the Chinese Academy of Sciences would offer 50 scholarships each year for scholars from Third World countries over the following five years. This project

²⁶http://www.gov.cn/gzdt/2006-10/19/content_418110.htm.

was officially launched at the beginning of 2005, and 116 people from over 39 countries and regions have received the CAS-TWAS scholarships. This project, its Chinese name being “CAS-TWAS Fellowship” and its English name “CAS-TWAS Fellowship Program”, is aimed at supporting the technological development in Third World countries, promoting cooperation and exchanges among scientific staff and research institutions in the developing countries, helping Third World countries cultivate scientific talents, and enhancing the capability for scientific and technological innovation of Third World countries.²⁷

In summary, China has increasingly diverse forms of multilateral foreign aid, and it is continuously exploring effective, new forms of multilateral foreign aid. The diversity of forms of China's multilateral foreign aid reflects the realistic need for changes in the actual work. For example, a report made by the Chinese Embassy in Benin wrote that, “China will learn from the proven effective methods for carrying out medical aid from relevant international organizations and other countries, and, through the model of multilateral cooperation, it will use the foreign aid funds of the United Nations agencies or developed countries to expand the fields of medical cooperation, coordinate the aid projects, and improve the living and working conditions of China's foreign aid medical teams. We consider that the establishment of a new medical cooperation platform is a new form of cooperation on international human resources under the new situation, thereby promoting China's medical and health cooperation and improving the health conditions in Africa as well as achieving a win-win reform of health care”.²⁸

2.4 The Management and Decision-Making of China's Multilateral Foreign Aid

Currently, the Chinese foreign aid management system is relatively complex and disorganized, and the management of multilateral foreign aid is more spread out than the bilateral foreign aid. The Department of Foreign Assistance of the Ministry of Commerce plays a relatively leading role in the management of bilateral foreign aid. Regarding the management of multilateral foreign aid, no agency plays a dominant role. According to the current multilateral foreign aid management system, the different ministries and commissions are responsible for different international organizations. These ministries and commissions understand the situation of multilateral organizations under their respective management, and dominate the multilateral assistance for these organizations. China's multilateral foreign aid management system can be roughly divided into the following two categories.

²⁷<http://www.twas.org.cn/twasen/cooperate.asp>.

²⁸<http://bj.mofcom.gov.cn/aarticle/zxhz/200606/20060602501345.html>.

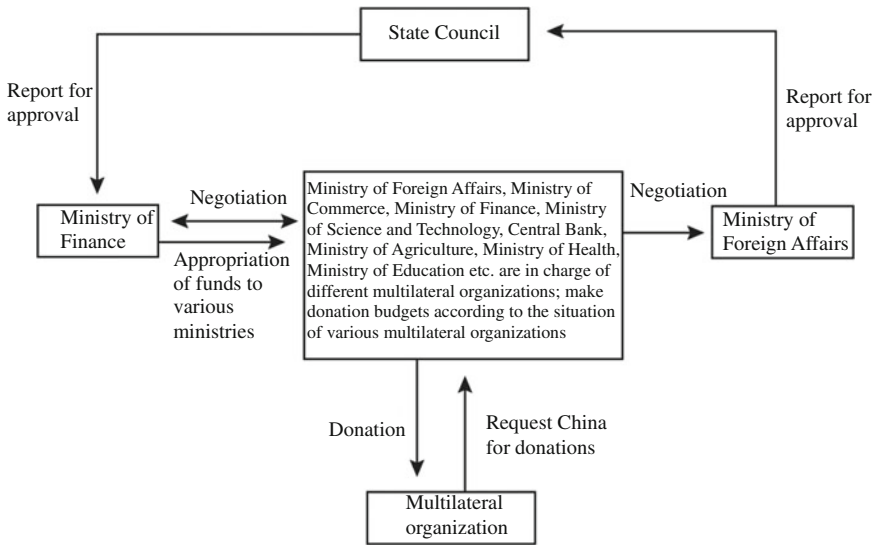


Fig. 2.4 Diagram of China’s multilateral foreign aid management of decision-making

1. The management of Chinese donations to multilateral organizations

Different Chinese ministries and commissions are responsible for different matters relating to multilateral development organizations. The Ministry of Foreign Affairs is responsible for the affairs of most of the United Nations multilateral development organizations; the Ministry of Finance is responsible for such regional financial developmental institutions as the World Bank Group and the Asian Development Bank; the Ministry of Commerce is in charge of such multilateral development organizations as the WTO and the United Nations Conference on Trade and Development. Other ministries and commissions, such as the Ministry of Science and Technology and the Ministry of Health, are also responsible for the affairs of corresponding multilateral organizations. As shown in Fig. 2.4, the various departments determine the donations to multilateral organizations through consultation with such ministries as the Ministry of Foreign Affairs and the Ministry of Finance according to the situation of the corresponding multilateral organizations. Then, the Ministry of Foreign Affairs reports the donations to the State Council for approval, and the donations are appropriated by the Ministry of Finance. According to this management system, the various ministries are at the center of the decision-making process. As long as the donation conforms to the Chinese foreign policy and economic capacity, the proposal by the various ministries and commissions is generally passed.

The humanitarian donations to multilateral organizations are quite special, and are mainly managed by the Ministry of Foreign Affairs. The Ministry of Foreign Affairs proposes the quantity of humanitarian donations, and the relevant leading ministries or commissions carry out the proposal, and then the Department of

Foreign Assistance under the Ministry of Commerce is generally responsible for the implementation of the humanitarian goods project.

2. The project management of China's multilateral foreign aid

The project management of China's multilateral foreign aid is not as clear as the management of foreign donations. Generally speaking, the multilateral aid projects involving engineering construction are undertaken by the Ministry of Commerce, while the projects of capacity building in terms of technical training, joint research, etc. are led by the relevant ministries and commissions.

The Ministry of Commerce assumes the management affairs of economic and technical cooperation with such international organizations as the UN, and solicits the views of the Ministry of Foreign Affairs to some extent regarding the forms and ways of aid with relevant multilateral organizations, and invites relevant ministries to participate according to the circumstances. This mechanism is rather similar to the mechanism for bilateral assistance. For example, it requests the China Exim Bank and the China Development Bank to offer preferential loans. Regarding the Great Mekong basin development and the regional cooperation in Central Asia, the Ministry of Commerce has played a leading role in the foreign aid projects. The Ministry of Commerce is also responsible for some capacity-building training programs, and has carried out the TCDC projects in cooperation with the United Nations multilateral development agencies.

As far as the capacity-building projects are concerned, the various ministries have a certain amount of autonomy in managing them. The international economic cooperation of the National Development and Reform Commission and some multilateral organizations have jointly conducted multilateral technical training, and carried out the same research. The Chinese Academy of Sciences and the Third World Academy of Sciences have set up a joint scholarship program to support technological development in Third World countries, promote cooperation and exchanges between scientific staff and research institutions in the developing countries, assist the Third World countries in cultivating talents, and boost the scientific and technological innovation capability of Third World countries. Under the guidance of the Office for Poverty Alleviation, the International Poverty Reduction Centre conducts technical training and common research in partnership with such multilateral organizations as the United Nations Development Programme, the World Bank Group, and the Asian Development Bank. Of course, in carrying out capacity-building projects, these ministries must consult with the Ministry of Foreign Affairs, so as to act in conformity with Chinese foreign policy.

Moreover, China's system of sending staff to multilateral organizations is also a key part of China's foreign aid management system. The Chinese staff sent out to multilateral organizations plays an important role in China's multilateral foreign aid management system. The role of these staff members is reflected in two aspects: on the one hand, observing and analyzing the latest developments and policies of multilateral organizations, and promptly reporting these to the relevant Chinese authorities; on the other hand, passing on China's claims and demands to

multilateral organizations promptly and in an accurate and effective fashion. The sending of Chinese staff to multilateral development organizations is one of the main channels through which China can exert its influence. At present, China is using the rotation system for sending its staff, and the dispatched staff are generally replaced at an interval of 3 years. Granted, this system of rotation is reasonable, but its disadvantages are also evident. Some staff who have been sent out are replaced when they have just become familiar with the organization, and the new personnel sent out have to start all over again. Generally, multilateral organizations are common in terms of bureaucratic organization, and a network of relations is important for carrying out the work; there is the concept of seniority. Due to these barriers in multilateral organizations, the new staff variably finds it hard to adapt to the work. It takes time to understand the rules regarding how the organization they are sent to operates, and the new staff find it more difficult than their predecessors to publicize and persuade others to accept China's advocates. Therefore, in order to carry out the multilateral foreign aid better, China needs to give serious consideration to the reform and optimization of the system of sending staff to multilateral organizations, so that the predecessors and new staff are able to work simultaneously.

2.5 China's Multilateral Foreign Aid and Its Overall Strategy for External Contacts

Of the modern multiple diplomatic tools, foreign aid has the most diverse forms. It comes in the form of a political landscape, or through the multiple forms of economic production, fiscal budgets, architecture engineering, social services, medical health, education, culture, etc. Moreover, the missions of foreign aid are immensely rich—its goal is not merely limited to the completion of buildings, provision of services, and appropriation of funds; it also reflects the higher-level national interests and international development and even the aspirations of humanity through the completion of these tasks (Zhou 2010). Therefore, the impact of China's multilateral foreign aid on China's overall foreign relations is multifaceted. This plays a promotional role to a certain degree in China's foreign economic exchanges, multilateral diplomatic exchanges, and the publicity of the road towards development.

1. China's multilateral foreign aid has promoted the common development of China and other extensive developing countries

The main purpose of China's providing assistance through multilateral approaches is to promote the common development of the numerous developing countries. When China got its membership in the United Nations restored, China expressly proposed the purpose of multilateral assistance. "Whether it is bilateral or multilateral aid, its purpose is to help the recipient countries develop their national

economy independently and achieve self-reliance, get rid of foreign control, consolidate their national independence, and eliminate the poverty and backwardness caused by long-term colonial rule”.²⁹ In a sense, China considers what it has provided as cooperation on development together with developing countries rather than as assistance. Over the past 30 years, China's development has largely benefited from the development of the outside world. During the period 1978-2007, China's GDP increased from 364.5 billion RMB to 24.95 trillion RMB, at an average annual real growth rate of 9.8%—more than three times the global average annual growth rate in the same period. China ranked 4th globally in terms of economic aggregate. China's development is inseparable from the common development of the world, and a better growth of other developing countries is conducive to the further sustainable development of China.

Under the guidance of this concept, China, as a developing country, still adheres to providing assistance to multilateral organizations within its capability while accepting multilateral assistance. However, as far as the promotion of common development is concerned, this is insufficient to explain why China provides assistance through multilateral channels, since bilateral aid plays the same role. Compared to bilateral foreign aid, multilateral foreign aid, if used properly, plays the role of a great leveraging effect. Funds of multilateral organizations come not only from China, but also from the developed countries and regions, including the United States, Japan and Europe. Through the proper use of multilateral aid, China's developmental philosophy and methods will be recognized on a more extensive platform and scope, thereby leveraging more resources for configuration in a Chinese fashion. In recent years, China has actively channeled the aid funds of multilateral development organizations to the projects conducive to regional development by means of multilateral foreign aid, thus having the effect of surpassing the assistance amount per se. For example, China has participated in GMS and CAREC advocated by the Asian Development Bank. These two projects have attracted a slew of funds from the Asian Development Bank, and have promoted the economic integration of China's border areas with neighboring countries, achieving sound results. By joining the African Development Bank Group, China has promoted the growth of developing countries in Africa through its financing and donations, and has also opened up a new channel for conducting economic cooperation between China and African countries (Che and Guo 1988: 64–65).

2. China's multilateral foreign aid has effectively supported the planning and carrying out of multilateral diplomacy

As part of China's overall external strategy, China's multilateral foreign aid naturally needs to be matched with strategic tools for foreign relations. Most importantly, it needs to coordinate with the management of multilateral diplomacy.

²⁹The Economic and Social Council discussed the reports and activities of the United Nations Development Programme and our representative advocates helping the recipient countries to develop their economies, *People's Daily*, p. 5, July 22, 1972.

Multilateral diplomacy is an integral part of China's overall diplomacy, and bears the role which is irreplaceable by bilateral diplomacy. Since China needs to develop multilateral diplomacy, it needs to make contacts with multilateral aid systems established by multilateral organizations. Moreover, China has consistently adhered to the concept of joint development, and will naturally make contributions within its capability. The provision of multilateral assistance is also conducive to expanding China's role and influence in multilateral diplomacy.

China's multilateral foreign aid has facilitated the development of multilateral diplomacy mainly through the following two aspects: First, multilateral foreign aid is often adjusted according to the changes in multilateral diplomacy, thereby serving multilateral diplomacy. This feature runs throughout the process of the development of China's multilateral diplomacy and multilateral foreign aid policy. In the early 1950s, the Red Cross Society of China was recognized by the International Red Cross. A few years later, China began to make donations to the international Red Cross. After China's legitimate seat in the United Nations was restored in the 1970s, China considered the United Nations as the main battlefield for opposition to hegemony and support for the developing countries. China began to selectively participate in United Nations activities. China conscientiously made donations after having participated in the activities of some organizations. After the Chinese economic reform, China's foreign policy was shifted to domestic economic growth, and pragmatic diplomacy began. Thus, the amount of China's multilateral foreign aid gradually declined after a short period of slight growth. In 2002, China proposed "participating in and conducting multilateral diplomacy and playing a constructive role in international and regional affairs". Thereafter, China began to try to establish and dominate the multilateral aid mechanism, and, in January 2006, advocated the establishment of the framework for the multilateral aid fund for the prevention and control of avian influenza within the framework of the World Health Organization, and donated 10 million USD to that fund (Luo 2006). Second, China's multilateral foreign aid has created sound conditions for conducting multilateral diplomacy. For example, the Taiwan issue concerns the focal point of China's interests. By joining multilateral development organizations and providing assistance to these organizations, China has effectively curbed the activities of Taiwan's forces advocating independence in international organizations. In recent years, with the expansion of China's financial and intellectual contribution to the World Bank Group, China has had an increasingly important role in the World Bank Group, and China's experience of development has gradually been recognized and promoted by the World Bank Group, thus enhancing the recognition of China's development by the international community. Moreover, multilateral foreign aid has increasingly become a key means of shaping the image of China as a responsible country. Overall, multilateral foreign aid has created a favorable environment in which China can carry out its multilateral diplomacy.

That China's multilateral foreign aid serves multilateral diplomacy was especially manifest in the 1970s. At that time, China had yet to form a clear understanding of multilateral diplomacy. Judging from concrete practice, China's multilateral diplomatic activities were centered on the United Nations system.

Therefore, China's policy toward the United Nations stood for the main contents of multilateral diplomacy in that period. When China's legitimate seat in the United Nations was restored in 1971, the two principles established were: "policies for fighting against the aggression and war of imperialist countries, supporting the struggle of Third World countries for the realization and maintenance of national independence and the development of a national economy; participation in various agencies and institutions of the United Nations will be carried out steadily, rather than rushing headlong into mass action. This will not be expanded hastily, until we have gained a better understanding of the situation (Ling 2008: 143)". The multilateral assistance provided by China through the United Nations system is fundamentally based on the above two principles. After having joined the United Nations in 1973, China made donations to the United Nations Development Programme, and the policy for that organization prior to 1978 had always been the provision of donations. The donation was made because the United Nations Development Programme is dedicated to assisting the developing countries. Although China is a developing country, it is willing to help its poor friends within its capability (Ling 2008: 192). Due to a lack of understanding of the United Nations agencies and the restrictions of ideology, China only made contributions to some institutions of its choice. China began to make donations to the United Nations Development Programme and UNIDO in 1973, and began to make donations to the United Nations Environment Programme in 1976. For some key United Nations agencies providing multilateral assistance, such as UNFPA, UNICEF and the World Food Programme, China did not make contributions since it was not a Member State. During this period, China only made unilateral contributions to multilateral organizations, and did not accept assistance from multilateral organizations due to the influence of the national policy for independence and the overall policy of refusing foreign aid.

After the Chinese economic reform, the focus of the work by the Party and the government was gradually shifted to economic growth. The previous situation of the economy serving diplomacy has gradually changed, and foreign relations have become more pragmatic. China's multilateral foreign policy has shifted from its opposition to hegemony to the promotion of common development. China's multilateral foreign aid now reflects the pragmatic features of multilateral diplomacy. China's multilateral aid has adhered to economic principles. On the one hand, in the provision of multilateral assistance, China adheres to the principle "do what you can, do your best, and make contributions to multilateral organizations according to your own capacity". On the other hand, China's multilateral aid has a close connection to common development, and it puts more emphasis on obtaining funds, assistance and technology from such multilateral organizations as the United Nations Development Programme, the World Bank Group and the Asian Development Bank; meanwhile, it upholds the principled positions of helping developing countries, and provides those countries with aid while receiving assistance, thereby achieving equality and mutual benefit as well as striving for common development. Compared with the 1970s, multilateral foreign aid serving multilateral foreign policy during this period has weakened, but without breaking this

framework. This is particularly obvious in terms of donations to certain multilateral organizations. China has successively donated 1 million USD and 1 million RMB to the Organization of American States and the Andean Community. The aim of making donations is to develop economic and trade cooperation with the organization, for example in the area of energy, and also to curb the activities of Taiwan's pro-independence forces.

In the 21st century, with the growth of China's national strength and the changes in the international situation, multilateral diplomacy assumes a more important status, and China is promoting "actively developing multilateral diplomacy" and "playing a constructive role in multilateral organizations". In 2005, China first proposed the idea of building a harmonious world, and made an organic combination of a new security concept, a new developmental concept and a new civilization concept which have been advocated in the international arena by China in recent years. China stresses peace among all countries, rapprochement among people, and harmony between man and nature, which clarifies China's vision and ideas for the future development of the world, and injects more Chinese elements into the development of an international order (Yang 2008). With the further development of multilateral diplomacy, China's multilateral foreign aid has developed rapidly, and its donations are focused on the multilateral organizations which promote the economic development of developing countries. Making donations has become a pivotal tool for China's participation in global governance. In 2004, the Chinese government, on the basis of continuing to donate 50 million USD to the African Development Fund, also donated 30 million USD to the Asian Development Bank's Asian Development Fund, and later donated an additional 20 million USD to the Asian Development Bank. The PRC Regional Cooperation and Poverty Reduction Fund of the Asian Development Bank was set up in support of the alleviation of poverty and regional cooperation in the Asia-Pacific region. At the end of 2007, China donated 30 million USD to the World Bank Group's international development association; this was China's first donation to the World Bank Group. In 2008, Premier Wen Jiabao, when attending the UN High-Level Meeting on the Millennium Development Goals, announced the decision to donate 30 million USD to the Food and Agriculture Organization of the United Nations for the establishment of a trust fund, with a view to helping developing countries improve their agricultural productivity projects and activities.

A notable feature of the relationship between China's multilateral diplomacy and multilateral foreign aid is a fixed time interval. Usually, the adjustment of multilateral foreign policy has priority over the adjustment of the multilateral foreign aid policy. This feature has been applicable throughout the process of the development of China's multilateral diplomacy and multilateral foreign aid policy. In the early 1950s, the Red Cross Society of China was recognized by the International Committee of the Red Cross, and it was in 1956 that China made donations to the International Committee of the Red Cross. When China's lawful seat was restored in the United Nations in the 1970s, China considered the United Nations as the major battlefield for opposition to hegemony and support for the developing countries, and began to selectively participate in United Nations activities. China

took part in some of the organization's activities, but without making contributions at the same time. Rather, there was a certain time interval between China's participation in activities and its making donations. After the Chinese economic reform, China's foreign policy was shifted to serving the growth of the domestic economy, initiating pragmatic diplomacy. In the same period, the amount of China's multilateral foreign aid still witnessed a slightly greater momentum of growth and began to gradually decline after the 1980s. In the 1990s, China's multilateral foreign policy gradually gained in importance, though the effect of improvement was not immediately linked to the area of multilateral foreign aid. In the 1990s, the amount of multilateral foreign aid showed an overall downward trend. In 2002, China proposed "participating in and conducting multilateral diplomacy and playing a constructive role in international and regional affairs". Thereafter, China began to try to establish and dominate the multilateral aid mechanism, and, in January 2006, advocated the establishment of a multilateral aid fund for the prevention and control of the bird flu within the framework of the World Health Organization, and donated 10 million USD to that fund. At the UN Conference on Millennium Development Goals held in 2005, the Chinese government clearly stated China's multilateral foreign aid policy, thus greatly boosting the importance of multilateral foreign aid (Luo 2006).

There are mainly two reasons for the time intervals between the development of China's multilateral diplomacy and that of multilateral foreign aid: First, there is a time interval due to the influence of the adjustment of the multilateral foreign policy on the adjustment of the multilateral foreign aid policies. Time for negotiation is required for the change in policy and the matching up and coordination with other policies. Second, China's foreign aid policy is unique in itself, and the adjustment takes some time.

3. The uniqueness of China's multilateral foreign aid

Since the funds of foreign aid come from the government's fiscal spending in donor countries, and are carried out through the governmental organs of donor countries or the various international aid agencies which reflect the national relations of donor countries, there is no denying the fact that foreign aid is essentially a form of State intervention and is an act of State. Moreover, it is a transnational act of State, and is the cross-border extension of national interests, national form and the behavioral pattern of donor countries (Zhou et al. 2007: 8). This reason also applies to China's multilateral foreign aid, since China's multilateral foreign aid is tightly bound to China's national interests. While the aid policy and the foreign policy are tightly linked, and diplomacy and aid are the tools for serving national interests, they do have certain differences, rather than overlaps. The development of China's multilateral foreign aid policy has its own uniqueness, and is also influenced by other factors such as economic development. It is not included in the overall strategy for purely and completely serving China's foreign relations.

The uniqueness of the development of China's multilateral foreign aid is chiefly reflected in its support for the growth of developing countries with no political conditions attached. If a multilateral foreign aid policy serves only multilateral diplomacy, then it is inevitable to attach all types of political conditions. Provision of aid without political conditions attached is a key feature of the development of China's own multilateral foreign aid. Foreign aid without political strings attached applies throughout the whole course of the development of China's multilateral foreign aid. In the 1970s, China proposed that "any country providing assistance to other countries sincerely, including the multilateral assistance of the United Nations, should help the recipient countries, rather than exploit them. The loans should be interest-free, or at least low-interest, a moratorium for repayment of loans should be allowed, and pressing for repayment should never be considered. The provision of loans must be respected, and no conditions or privileges should be required. The foreign assistance should be aimed at assisting the recipient countries in gaining self-reliance and developing their own independent national economy".³⁰ This principle has been consistently applied since it was first proposed. Therefore, China has always insisted on helping the growth of developing countries through multilateral foreign aid without attaching political conditions. This is also an important inherent feature of China's multilateral foreign aid.

China's multilateral foreign aid is also affected by China's capacity for paying and utilizing funds. In the 1970s, China only provided assistance through its multilateral foreign aid policy without receiving assistance, and this fully reflects the concept of "economy serving diplomacy". Since the Chinese economic reform, China's foreign aid policy has changed accordingly and has become more pragmatic—there is both acceptance and provision of assistance. This is mainly because building up the domestic economy in China necessitated an urgent need of external financial and technical assistance. In providing multilateral foreign aid, China also took into consideration its own capacity and the principles of "doing according to one's abilities and making one's best efforts" are reflected in this aid, without providing assistance beyond its capacity. In the 21st century, China's economic strength has increased, and China has become more active in providing multilateral aid; moreover, China has been providing a great amount of assistance in a greater number of fields. At present, China has become one of the largest providers of multilateral humanitarian assistance. These changes show that China's multilateral foreign aid policy is not only affected by multilateral foreign policy, but also by such factors as the development of the domestic economy. The ability and efficiency of using the aid fund also restricts the development of multilateral foreign aid. With the nature of a gift to a certain degree, China offers hard cash when China itself is a developing country and there is not an abundant amount of funds. China pays particular attention to the role played by the aid and is immensely cautious about providing it. China needs to take some time to consider how to make good

³⁰"Speech delivered by the head of the Chinese delegation, Qiao Guanhua, at the UN's 27th plenary meeting", *People's Daily*, p. 1, October 5, 1972.

use of limited aid funds under the new circumstances and reflect the principle of effectiveness in the actual work.

Moreover, the administration system of China's multilateral foreign aid also exerts an impact on its development. China adopts a decentralized system of management of its multilateral foreign aid—the Ministry of Foreign Affairs is responsible for the political guidance of multilateral foreign aid and the various ministries and commissions are responsible for the business work of the multilateral organizations as well as the sending of staff to these multilateral organizations. The Ministry of Commerce is in charge of the work relating to such organizations as the WTO; the Ministry of Finance is responsible for the work relating to the World Bank Group and the Asian Development Bank. The Ministry of Environmental Protection is responsible for the work relating to the United Nations Environment Programme (UNEP). Moreover, the relevant ministries and commissions are also responsible for the work relating to some multilateral organizations. The aid budgets provided by the various ministries and commissions to multilateral organizations must be determined through consultation with the Ministry of Finance. Judging from the above-mentioned decentralized management system, the Ministry of Foreign Affairs is not the sole provider of China's multilateral foreign aid. The Ministry of Commerce, the Ministry of Finance and the Ministry of Environmental Protection as well as ministries which hold the functions of business management have considerable say in the decision-making regarding multilateral foreign aid. These competent authorities are responsible for adjusting and implementing the multilateral foreign aid policy. The competent ministries and commissions inevitably make plans according to their actual situation, resulting in a difficulty in coordinating the interests of the multiple departments in the area of multilateral foreign aid. This not only causes such problems as inefficiency, but it also is at odds with the strategies of China's foreign relations.

4. Summary

The aid provided by China to multilateral organizations promotes the common growth of developing countries, including China, and it also reflects China's international responsibility. Moreover, it disseminates China's experience in development globally and enhances China's international influence.

The main purpose of China's providing assistance through multilateral channels is to facilitate the common growth of the numerous developing countries. "Whether it is bilateral or multilateral assistance, its purpose is to help the recipient countries gain self-reliance and independently develop their national economy, shrug off foreign control, consolidate their national independence and change their status of poverty and backwardness caused by long-term colonial rule".³¹ Under the guidance of this concept, China, as a developing country, insists on providing assistance to multilateral organizations within its capacity, while receiving multilateral aid as well.

³¹"ECOSOC discusses the reports and activities of UNDP and the Chinese representative advocates helping the recipient countries develop their economies", *People's Daily*, p. 5, July 22, 1972.

China's multilateral foreign aid has had a leveraging effect. Through multilateral foreign aid, China actively guides the flow of the amount of aid of multilateral development organizations to the projects which are conducive to regional development, thereby achieving the effect of exceeding the value of the assistance itself. For example, China has participated in the Great Mekong Sub-region project advocated by the Asian Development Bank and the Central Asia Regional Economic Cooperation project. These two projects have attracted a slew of funds from the Asian Development Bank, and have promoted the economic integration of China's border areas and neighboring countries, thus achieving good results.

Another chief aim of the multilateral foreign aid provided by China is to promote and facilitate the development of multilateral diplomacy. Multilateral diplomacy, as an indispensable part of China's overall diplomacy, plays a role which cannot be replaced by bilateral diplomacy. Provision of multilateral assistance is greatly needed for developing multilateral diplomacy. In the practices of modern global multilateral diplomacy, special importance is attached to the role of multilateral mechanisms. Facts have proven that there is no mature multilateralism without a mature multilateral mechanism. Depending on the exchanges among the heads of state or the personal exchanges of diplomats is insufficient and invariably unstable; only through certain rules and role mechanisms can the overall influence of the multilateral cooperation and participating countries be expanded lastingly and effectively (Wang 2001b: 7). Since China intends to develop multilateral diplomacy, it needs to establish a system of multilateral aid with multilateral organizations. Besides, considering that China has always insisted on the concept of common development, it stands to reason that China should make its due contribution within its capacity. There are, of course, advantages and disadvantages to joining the multilateral mechanism, such as the fact that existing multilateral aid mechanisms are dominated by Western countries such as the United States, the amount of assistance provided by China is relatively small and China only plays a very limited role in the existing mechanisms. However, China will not be put off easily by running a slight risk and therefore abandon the role of the positive factors.

The promotion of China's multilateral diplomacy through China's multilateral foreign aid is mainly reflected in two aspects: First, multilateral foreign aid often varies according to the changes in its multilateral diplomacy. This feature has been adopted throughout the process of the development of China's multilateral diplomacy and multilateral foreign aid policy. In the early 1950s, the Red Cross Society of China was recognized by the International Committee of the Red Cross. Several years later, China began to make donations to the International Committee of the Red Cross. When China's lawful seat was restored in the United Nations in the 1970s, China considered the United Nations as the major battlefield for opposition to hegemony and support for the developing countries, and began to selectively participate in United Nations activities. After having taken part in some of the organization's activities, China consciously began to make donations. After the Chinese economic reform, China's foreign policy was shifted to serving the growth of the domestic economy, initiating pragmatic diplomacy. Thus, the amount of China's multilateral foreign aid gradually began to decline after witnessing a slight

growth in its momentum for a brief period. In 2002, China proposed “participating in and conducting multilateral diplomacy and playing a constructive role in international and regional affairs”. Thereafter, China began to try to establish and dominate the multilateral aid mechanism, and, in January 2006, advocated the establishment of a multilateral aid fund for the prevention and control of the bird flu within the framework of the World Health Organization, and donated 10 million USD to that fund (Luo 2006). Second, China's multilateral foreign aid has created good conditions for planning and carrying out multilateral diplomacy. For example, when China made more contributions to the World Bank Group financially and intellectually, its position in the World Bank Group was also increasingly boosted, and China's experience in development was gradually recognized and promoted by the World Bank Group, thus enabling the international community to better recognize Chinese development. Furthermore, multilateral foreign aid has also increasingly become a key means for shaping the image of China as a responsible big country. Overall, China's multilateral foreign aid has created a favorable environment for conducting multilateral diplomacy.

In retrospect, China's multilateral foreign aid has undergone numerous “changes” and “changelessnesses” during its development. What remains unchanged are the concepts of assistance, of promoting universal development and common prosperity without attaching any political conditions and seeking truth from facts. What has changed is the strategy of assistance that keeps abreast of the times—from the “sole provision of assistance” to “both acceptance and provision” to “more provision and less acceptance”. Different emphasis is placed on different multilateral organizations during different stages.

Overall, China's multilateral foreign aid has increasingly become more mature with the development of multilateral diplomacy, and has made great strides forward. This in turn promotes the further development of multilateral diplomacy. In the 21st century, China's multilateral foreign aid has also faced a slew of new challenges.

With the rapid improvement of the Chinese economy, the various countries in the world have raised their expectations regarding Chinese multilateral assistance, requiring China to make more contributions and to make them faster. Provision of multilateral assistance is urgent to some extent as far as the development of multilateral diplomacy is concerned. It is mainly reflected in two ways; First, the provision of multilateral assistance is conducive to showcasing China's unique experience of development to the world, reforming the United Nations system and changing the Bretton Woods system established by such advanced countries as the United States after the war. Second, it is conducive to enhancing the international status of China. China is now a member state of some important international organizations and agreements (such as the UN Security Council, APEC, and the Treaty on the Non-Proliferation of Nuclear Weapons). Some of China's actions in these international organizations (such as using the right of veto in the Security Council for the sake of its own interest, low-level participation in peacekeeping operations, refusing the considerable increase in China's membership dues in the United Nations contribution, and upholding the “common but differentiated”

responsibilities for the reduction of greenhouse gas emissions) have led some countries to believe that China is unable to properly handle the relationship between rights and obligations. Thus, they hold the misunderstanding that China “only accepts assistance without providing assistance”. The provision of multilateral assistance is the most direct, effective means of eliminating this misunderstanding, and expanding China’s influence, thereby maintaining China’s own interests.

Since China’s economic development has benefited from multilateral aid in the past, China will, of course, return that assistance. However, the present-day system of multilateral aid is still controlled by Western countries. The problem that must be addressed is how to ensure that the increasing assistance provided by China is used for the right purpose.

China’s multilateral foreign aid should be used to safeguard the interests of the numerous developing countries, to help those countries in their development, and to change the rules which are not conducive to the growth of developing countries. In order to achieve these aims, China needs to have a bigger say and play a bigger role in the multilateral aid system.

Considering that the multilateral aid system dominated by Western countries cannot be changed in a short period of time, China will not emphasize its contribution to the international community merely by increasing its funds for multilateral foreign aid. Rather, China will give importance to providing multilateral foreign aid by building up skills through technical training and joint research. By means of this form of multilateral foreign aid, China can disseminate its philosophy of development via multilateral channels, so as to make a contribution to the diversified model for human development and enable different models of development to learn from each other, and to promote common development in competition. Specific to the technical training in such fields as medical care, agriculture and infrastructure, multilateral foreign aid provides the space between China and other countries, thus integrating more aid funds, and expanding the effect of the use of China’s multilateral foreign aid funds.

China is also faced with the challenge of how to manage its own decentralized multilateral foreign aid system better. In order to improve the efficiency of existing multilateral foreign aid funds, and concentrate its power on accomplishing major undertakings, the transparency and scientific decision-making for multilateral foreign aid must be enhanced, and a reasonable monitoring and evaluation mechanism must be established. In the future, China’s multilateral foreign aid will usher in better and faster development when these problems have been addressed.

References

- Browne S (1990) Foreign aid in practice. Printer Reference, London, p 233
 CCCPC Party Literature Research Office (1982) Compilation of important documents since the third plenary session. People’s Publishing House
 Che P, Guo Y (1988) Overview of the African development bank group. China Finance (2)

- Chen M (1982) Open a new situation of foreign economy and trade. *People's Daily*, 20 Sept 1982
- Chin GT, Frolic BM (2007) Emerging donors in international development assistance: the China case. In: Chapter 4 of the Emerging donors study. International Development Research Centre (IDRC). http://www.idrc.ca/uploads/user-S/12441473751Case_of_China.pdf, 03 March 2009
- Deng X (1993) Selected works of Deng Xiaoping (Volume I, II, and III). People's Publishing House
- Ling Q (2008) From Yan'an to the United Nations. Fujian People's Publishing House
- Lu C (2007) Processes and characteristics of China's participation in multilateral diplomacy. *Exp Horiz* (6)
- Luo C (2006) Global response to avian influenza. *People's Daily*, p 7, 19 Jan 2006
- OECD (2007) Dac statistical reporting directives, p 6
- Shi L (1989) Foreign economic cooperation of modern China. China Social Sciences Press
- Wang C (2001a) China's top decision-making—diplomacy, Shaanxi Normal University Press
- Wang Y (2001b) China and multilateral diplomacy. *World Econ Politics* (10)
- Yang J (2008) Chinese diplomacy and theory innovation during the 30 years after the reform and opening-up. *Int Stud* (6)
- Ye C (2006) Experience of the UN high-level authority. World Knowledge Publishing House
- Zhang Y (2006) Research of China's foreign aid. Doctoral thesis. The Institute for International Strategic Studies of the Central Party School
- Zhou H (2008) China's foreign aid and 30-year reform and opening-up. *World Econ Politics* (12)
- Zhou H (2010) Retrospect and prospect of China's 60-year foreign aid. *Foreign Aff Rev* (5)
- Zhou H, Zhang J, Zhang M (2007) Foreign aid in China. Social Sciences Academic Press
- Zou C (1995) China will further reform foreign aid work, and mainly implement the government subsidized preferential loans and joint venture for foreign aid projects. *People's Daily*, p 4, 18 Oct 1995

China's Foreign Aid

60 Years in Retrospect

Zhou, H.; Xiong, H. (Eds.)

2017, XVII, 331 p. 4 illus., Hardcover

ISBN: 978-981-10-2127-5