

# Beijing's Foreign Aid Policy in the 1990s: Continuity and Change

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*The growing centrality of economic concerns in Beijing's relations with developing countries in the 1990s reflects a change in Beijing's Third World policy in general and foreign aid policy in particular. Beijing's foreign policy will continue to be guided by the principles of peaceful co-existence throughout the 1990s, but Beijing's selection of its aid recipients has always been influenced by changes in its individual foreign policy goals.*

*Past experience and increasing domestic competition for financial resources make it very unlikely that foreign aid will play the major role in Beijing's policy toward the developing countries that it did in the past, though Beijing is trying to reach every possible aid recipient in order to extend its foreign relations. In the 1990s, Beijing is endeavoring to use its limited foreign aid funds to achieve the maximum economic benefit and to diversify recipients by undertaking projects involving multilateral cooperation, contracting for projects through bilateral cooperation, providing commercial credit to be paid through product compensation, and establishing joint ventures.*

**Keywords:** foreign aid, foreign economic assistance, PRC's foreign policy, PRC's foreign aid policy

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The People's Republic of China (PRC) is the only bilateral aid donor in the world whose foreign aid often goes to countries with a higher per capita gross national product (GNP) than its own. It is thus worth asking why such a poor country has put so much effort into bilateral foreign aid since 1953. One study of the subject identifies two features of the PRC's foreign aid policy from 1953 to 1989.<sup>1</sup>

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<sup>1</sup>Teh-chang Lin, "The Foreign Aid Policy of the People's Republic of China: A Theoretical Analysis" (Ph.D. diss., Department of Political Science, Northern Illinois University, DeKalb, Illinois, 1993).

First, the content of Beijing's foreign aid program, which has been generous and acceptable to all recipient countries, is a very important question for both Beijing and its aid recipients. If Beijing's foreign aid program is much more generous than other aid donors, or its project aid or technical assistance is unique and unavailable from other aid sources, Beijing may have a great influence on its aid recipient, in terms of their mutual relations. Additionally, the features of Beijing's foreign aid program are mainly formulated by its own experience of development, such as the concept of self-reliance and independent national economy, which are welcomed by most of the Third World countries. Second, Beijing has utilized foreign aid as an instrument of foreign policy. This may explain the geographical distribution of Beijing's foreign aid program and the reasons for its selection of the recipient countries.

This paper will analyze the PRC's foreign aid policy in the early 1990s, especially in the first four years from 1990 to 1993. It attempts to discuss the features of Beijing's foreign aid program and to analyze the utilization of aid as an instrument to accomplish the PRC's foreign policy goals. From a comparative point of view, this paper also aims to identify any signs of change or continuity in the pattern of Beijing's foreign aid policy in the 1990s.

### **The Features of Beijing's Foreign Aid Program**

There is little doubt that the donor countries have to consider their economic and political situation in developing their foreign aid programs. Thus, each donor country has a distinctive foreign aid program. The declared purpose of Beijing's foreign aid is to help the recipient countries become economically self-reliant.<sup>2</sup> Self-reliance stresses the importance of the people and natural resources of a particular country in the growth process. And it warns of the imperialistic dangers to which a country subjects itself by overdependence on foreign aid.

Under the guideline of self-reliance, Beijing claims that it is necessary to arrange aid projects in order of importance and urgency according to the recipient countries' needs. Beijing first helps the aid

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<sup>2</sup>Tseng Yun, "How China Carries Out the Policy of Self-reliance," in *The Foreign Relations of the People's Republic of China*, ed. Winberg Chai (New York: G.P. Putnam's Sons, 1971), 226-31.

recipients to develop agriculture and light industry in order to solve the problems of food, clothing, and other daily necessities. On this basis, some heavy industrial projects are then built up step by step. In helping developing countries to develop their agriculture or light industry, Beijing also aims to help them make full use of their own resources and gradually free themselves from having to export cheap raw materials and import expensive finished products. Countries lacking the raw materials necessary for a certain branch of industry are assisted by the PRC. For instance, Beijing helps some countries plant sugarcane before helping them to construct sugar refineries.

From Beijing's point of view, foreign aid should serve to develop the recipient's national economy without outside interference and in accordance with the will of the people. To achieve this goal, exploitation of the backward countries of the East by the colonial powers of the West must be eliminated. In order to gain political independence, developing countries first have to achieve economic independence. To this end, Beijing wants to change the world economic order and help Third World countries free themselves from control by imperialists.

The financial terms of the PRC's aid are very generous. In principle, all aid is provided in the form of interest-free loans or grants. Most of Beijing's credits are extended without interest and are repayable in goods over 10-30 years after grace periods of 5-10 years.<sup>3</sup> When Beijing extended aid to noncommunist countries in 1956, it still emphasized grants. Beijing wanted to use aid for propaganda purposes and thus sought to emphasize differences between its aid and that provided by the West. During the period 1956-60, Beijing began to make loans, but most of them were either interest-free or at very low interest, usually from less than 1 percent to 2.5 percent.<sup>4</sup> In the 1960s, low-interest loans had been gradually replaced by interest-free loans. In the beginning of the 1970s, Beijing declared that all loans are provided with no interest.<sup>5</sup> This was still the major trend in Beijing's foreign aid program in the early 1990s.

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<sup>3</sup> Generally, foreign capital flow is based on a variety of terms ranging from very hard to very soft. The longer the maturity and grace period and the lower the interest rate, the softer is the loan. See Charles R. Frank, Jr., *Debt and Terms of Aid* (Washington, D.C.: Overseas Development Council, 1970), 5.

<sup>4</sup> John Franklin Copper, *China's Foreign Aid: An Instrument of Peking's Foreign Policy* (Lexington, Mass.: D.C. Heath, 1976), 137.

<sup>5</sup> *Zhongguo duiwai jingji jishu yuanzhu* (China's foreign economic and technical aid) (Beijing: Ministry of Foreign Trade and Economic Cooperation, 1985), 20.

In 1990, the PRC extended nonrepayable aid to twenty-seven countries: Kenya, Fiji, Kiribati, Vanuatu, Cameroon, Jamaica, Equatorial Guinea, Western Samoa, Papua New Guinea, the Central African Republic, Gambia, Chad, Uganda, Somalia, Nepal, Benin, Ethiopia, Peru, Bolivia, Colombia, Pakistan, Nicaragua, Micronesia, Togo, the Philippines, Mauritius, and Surinam. In 1991, Beijing promised grants to twenty-one recipient countries: Jordan, Tunisia, Benin, the Marshall Islands, Fiji, Papua New Guinea, Peru, Mali, Iran, Turkey, Bangladesh, Namibia, Rwanda, Mauritius, Zambia, Mongolia, Myanmar (Burma), Ethiopia, Laos, Pakistan, and Cambodia (Kampuchea).

In 1992, the PRC again extended grants to fourteen countries: Burundi, Sierra Leone, Syria, Kenya, Kiribati, Bolivia, Estonia, Albania, Afghanistan, Angola, Tanzania, Guinea, Egypt, and Ecuador. In 1993, Beijing extended grants to the following recipient countries: Tuvalu, Senegal, Ecuador, Mongolia, Gabon, Burundi, and Nepal. In general, the components of Beijing's grants include cash grants, food, vehicles, agricultural equipment, medicine and medical equipment, and commodities.

The financial terms of the PRC's foreign aid remained soft in 1990, since all loans were extended interest-free.<sup>6</sup> In an economic and technical cooperation agreement signed with Pakistan on October 27, 1990, the PRC promised Pakistan an interest-free loan with a grace period of ten years.<sup>7</sup> On May 9, 1991, Beijing also signed a loan agreement with Gambia offering an interest-free loan with a ten-year grace period. On December 6, 1991, the PRC agreed to offer an interest-free loan of Rmb 30 million to Tanzania. On January 11, 1992, Beijing promised to provide an interest-free loan to Guinea. On April 2, another interest-free loan agreement was signed between the PRC and Burundi. On May 1 and May 27, 1992, Beijing promised interest-free loans to Kiribati and Benin respectively. On November 6, 1992, an interest-free loan agreement was signed between the PRC and Zaire. On December 23, another interest-free loan was extended to Mali. Then on December 30, Beijing provided an interest-free loan to Ecuador.

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<sup>6</sup>Organization for Economic Cooperation and Development (OECD), *Development Cooperation: 1991 Report* (Paris: OECD, 1991), 161.

<sup>7</sup>*Zhongguo duiwai jingji maoyi nianjian 1992* (Almanac of China's foreign economic relations and trade) (Beijing), 792.

On January 17, 1993, the PRC promised an interest-free loan of Rmb 60 million to Rwanda. On June 14 and 20, Beijing also promised interest-free loans of Rmb 20 million and 30 million respectively to Mauritius and Sao Tome and Principe. Then on September 16, 1993, Beijing promised Benin an interest-free loan of Rmb 40 million.<sup>8</sup> These terms contrast with Soviet credits which were usually for 12 years at 2.5 percent interest and Western official credits which average 30 years at 3 percent interest.<sup>9</sup>

In fact, Beijing's loan terms are even easier than would appear from the figures stipulated in the aid agreements, since the grace period can be extended upon the recipient country's request.<sup>10</sup> Moreover, Beijing is willing to reschedule its loans or convert them into grants if repayment places too heavy a burden on the recipient. This was common in the years before 1989, and still occurred in the early 1990s. Regarding the postponement of loan repayments, several recipient countries have rescheduled their repayment dates with the PRC. On March 8, 1990, for instance, Beijing rescheduled Cameroon's debt, equivalent to US\$75 million, over two and a half years at no interest.<sup>11</sup> On August 22, 1990, there was an exchange of notes on Mozambique's postponement of its debt repayments to Beijing under the economic and technical cooperation agreement of July 2, 1975.

On August 10, 1991, the PRC agreed to allow Sao Tome and Principe to delay its debt repayment. On August 27, 1991, another five years' delay of debt repayment was agreed between Beijing and Mongolia. On April 21, 1992, Beijing agreed to extend repayment of a 1987 loan to Uganda, while on May 20, a delay in Ghana's debt repayment was confirmed. On July 8, Uruguay had its loan extended, and on November 19, Beijing agreed to a delay in Pakistan's repayment of a 1981 loan of US\$17.1 million. On December 9, four different debts were rescheduled between the PRC and Tanzania and Zambia. On January 8, 1993, Beijing confirmed that the repayment of a US\$5 million loan to Vanuatu had been postponed for another year.

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<sup>8</sup>*Intertrade* (Beijing), 1993, various issues.

<sup>9</sup>Leo Tansky, "Chinese Foreign Aid," in *The People's Republic of China: An Economic Assessment*, ed. Joint Economic Committee, Congress of the United States (Washington, D.C.: U.S. Government Printing Office, 1972), 376.

<sup>10</sup>Shei Hon, "China's Foreign Aid Reform," *Intertrade*, no. 141 (September 1993): 52.

<sup>11</sup>See note 6 above.

However, past experience and increasing domestic competition for financial resources make it very unlikely that foreign aid will play the major role in Beijing's policy toward the developing countries that it did in the past. There are two new features of Beijing's foreign aid program in the 1990s. First, the annual aid commitment is lower than it was in the early 1970s,<sup>12</sup> an average annual amount of US\$797 million. In 1989, the PRC's aid commitment was US\$223.5 million. In 1990, the new aid commitment was increased to US\$374.6 million. It dropped to US\$302.9 million in 1991, and although it increased to US\$345 million in 1992, it was still far below the level of the early 1970s (see table 1).<sup>13</sup>

Second, the number of aid recipients increased in the early 1990s as shown in table 1. This indicates that, though its annual aid budget is limited, Beijing is trying to reach every possible aid recipient in order to extend its foreign relations.<sup>14</sup> The number of aid recipient countries has increased remarkably since 1990.

Project aid is the major form of foreign economic assistance provided by Beijing. In general, Beijing designs the project and provides all or part of the equipment and construction materials. Sometimes, Beijing also provides labor or technical support for project construction.<sup>15</sup> Most of Beijing's aid projects are described as "complete set projects" (*zhengtao xiangmu*), that is, self-sustaining projects. Most of Beijing's aid agreements contain an article in which the PRC agrees to provide a whole plant or a complete set of equipment and technical assistance. In the construction of sports stadiums, for example, an indoor gymnasium, training halls, and dormitories are always included. In the construction of power stations, power transmission is included. In building experimental farms, an irrigation system, power stations, food processing mills, or farm tool repair shops are included, too.

Profiting from its own postwar experience, Beijing has emphasized low-cost, easily operated projects. These are designed to yield

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<sup>12</sup>Beijing's aid commitment was US\$1,111 million in 1970, US\$590 million in 1971, and US\$690.9 million in 1972. See Lin, "The Foreign Aid Policy of the People's Republic of China," 319-42.

<sup>13</sup>See the 1991, 1992, and 1993 editions of *Zhongguo duiwai jingji maoyi nianjian*. Amount estimated by the author.

<sup>14</sup>Lin, "The Foreign Aid Policy of the People's Republic of China," 257.

<sup>15</sup>*Darzdai Zhongguo de duiwai jingji hezuo* (Contemporary China's foreign economic cooperation) (Beijing: Zhongguo shehui kexue chubanshe, 1989), 102.

**Table 1**  
**Beijing's Foreign Aid Commitment and the Number of the Recipient Countries, 1953-93 (US\$ million)**

Year	Aid amount	No. of the recipients	Year	Aid amount	No. of the recipients
1953	120.0	1	1974	336.0	15
1954	17.5	1	1975	501.3	15
1955	340.0	1	1976	150.1	10
1956	102.8	6	1977	149.9	10
1957	40.7	2	1978	157.3	9
1958	118.9	7	1979	275.9	4
1959	185.4	3	1980	198.3	7
1960	287.7	5	1981	41.8	7
1961	435.7	6	1982	80.1	10
1962	22.3	4	1983	114.4	28
1963	127.3	4	1984	467.3	32
1964	235.5	8	1985	248.6	35
1965	367.6	9	1986	303.6	26
1966	251.6	7	1987	272.0	25
1967	474.0	9	1988	60.4	13
1968	349.8	5	1989	223.5	24
1969	10.3	5	1990	374.6	43
1970	1,111.3	11	1991	302.9	36
1971	590.0	13	1992	345.0	44
1972	690.9	23	1993	*	40
1973	495.0	13			

\*Data unavailable.

**Sources:** Teh-chang Lin, "The Foreign Aid Policy of the People's Republic of China: A Theoretical Analysis" (Ph.D. diss., Department of Political Science, Northern Illinois University, DeKalb, Illinois, 1993); *Zhongguo duiwai jingji maoyi nianjian* (Almanac of China's foreign economic relations and trade) (Beijing), various years.

fairly quick results so that capital can be accumulated and the recipient country's import bill reduced. Projects often provide simple processing facilities for local raw materials, such as textile factories, sugar refineries, tobacco mills, match factories, paper mills, and fertilizer factories. Other items include power stations, hospitals, sports stadiums, and conference halls. Most light industry projects can be completed in only two or three years. They require a large amount of local manpower and material resources and usually only minimal skills are required for their operation and maintenance. These

**Table 2**  
**Number of Projects Completed by Beijing, 1979-93**

Year	No. of projects completed	Year	No. of projects completed
1979-	36*	1988	25
1983	—	1989	32
1984	29	1990	33
1985	36	1991	27
1986	28	1992	43
1987	36	1993	16

\*Annual average from 1979 to 1983.

Sources: *Zhongguo duiwai jingji maoyi nianjian*, various years.

projects often involve the production of goods that the recipients have previously had to import in large quantities.<sup>16</sup>

In 1990, thirty-three projects were completed in fourteen recipient countries and another forty-four projects were under way in a total of thirty-three countries. In 1991, twenty-seven projects were completed in eighteen countries and forty-one projects were under way in thirty-three countries. In 1992, forty-three projects were finished in thirty-three countries and another forty-five projects in thirty-one countries were under way.<sup>17</sup> Sixteen projects were completed in 1993 (see table 2).

In general, the sectoral distribution of the PRC's aid among project items has not varied much over time. Project aid normally goes to economic sectors in which Beijing performs well; these are also areas of development that are basic to most developing countries. Beijing continues to allocate the largest share of its aid resources to the development of infrastructure, primary industries, and agriculture.

In the construction of agricultural projects, Beijing has followed the principles of adopting measures suited to local conditions and of developing a diversified economy in assisting African countries to establish farms and agricultural technical stations, to reclaim wasteland, and to construct irrigation systems. At the same time, Beijing

<sup>16</sup>Carol H. Fogarty, "China's Economic Relations with the Third World," in *China: A Reassessment of the Economy*, ed. Joint Economic Committee, Congress of the United States (Washington, D.C.: U.S. Government Printing Office, 1975), 734.

<sup>17</sup>*Zhongguo duiwai jingji maoyi nianjian*, various years.

has provided the recipient countries with agricultural machinery and pesticides and has also helped them to build plants for manufacturing farm and agricultural machinery workshops. All this is conducive to raising agricultural production as well as the technical proficiency of the recipient countries.

Project assistance for water conservancy is also one of the features of Beijing's project aid items. The major purpose for the construction of a water conservancy is to supply agricultural production as well as to partially supply water for inhabitants. This project assistance mainly goes to Vietnam, Sri Lanka, Nepal, Afghanistan, Tunis, Mauritania, Mali, Guinea, Ghana, Togo, and Niger. Well drilling and water supply are also features of Beijing's project assistance. They are served mainly to West Asian and African countries because of their arid climates.<sup>18</sup>

Beijing has also assisted recipient countries in constructing a number of light industrial projects and projects for processing agricultural produce by utilizing local resources. These include textile mills, garment and knitwear factories, tanneries and leather shoe factories, sugar mills, grain and oil processing factories, cigarette factories, match factories, ceramics factories, and brick works.

The main purpose of Beijing's assistance in the construction of textile factories is to utilize the recipient country's own resources, to export production and, finally, to increase the recipient government's revenue. The recipient countries include Myanmar, Afghanistan, Nepal, Sri Lanka, Laos, Pakistan, Bangladesh, North Yemen, South Yemen, Syria, Iraq, Mali, Tanzania, Congo, Sudan, Burundi, Zambia, Albania, Malta, Cuba, and Guyana.

Another feature of Beijing's project item is basic industry, which includes machinery, petrochemicals, electronics, building materials, and telecommunications. From Beijing's point of view, the construction of basic industry in the recipient countries could promote the development of their national economy. It is interesting to note that countries who received this kind of project aid emphasized their military capacity. These recipients included North Korea, Pakistan, Syria, Romania, Vietnam, and Albania.

Another field where the PRC has developed special expertise is transportation, including the construction of highways, bridges,

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<sup>18</sup>*Dangdai Zhongguo de duiwai jingji hezuo*, 152.

railways, and harbors. Some road construction projects had strategic importance for Beijing. The most important road constructions were finished in neighboring countries, such as Vietnam, Laos, Pakistan, and Nepal. As for railway construction, the Tan-Zam Railway deserves special mention as the biggest project item in Beijing's foreign aid history.

Beijing's aid in the construction of the recipient country's public and civil works is another kind of project item. It includes sports stadiums, conference halls, residential housing, hospitals, schools, theaters, broadcast stations, and friendship palaces. Although Beijing's aid officials admit that this type of assistance is of limited economic use, they felt obliged to accept the recipient countries' requests for this kind of prestige project.<sup>19</sup> However, this type of project aid also provides a good way for Beijing to win the recipient country's appreciation and friendship. Since the end of the 1980s, especially from 1990, this type of project aid has been emphasized by Beijing. For instance, through 1993, the PRC had newly extended thirty-six projects to twenty-seven countries. Among these new project items, housing construction is the most important one and thirteen countries received this assistance.<sup>20</sup>

However, there was a major change in the nature of Beijing's project aid at the beginning of the 1990s, as the PRC began to employ its limited foreign aid funds to achieve the maximum economic benefit and to diversify recipients. The main innovation at this time was participation in "contracted projects" carried out through bilateral cooperation. Using a combination of loans provided by the PRC and the recipient country's own funds (including financial aid from third countries), Chinese companies organize the construction of contracted projects in accordance with accepted international rules for project contracting.

Although contracted projects may not be categorized as part of Beijing's official foreign aid program, their importance still needs to be underlined. In the early 1990s, Beijing extended a considerable amount of effort on promoting the export of labor services by actively participating in international bidding for construction projects, offering a variety of services, including consulting and sharing expertise. In

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<sup>19</sup>OECD, *The Aid Programme of China* (Paris: OECD, 1987), 12.

<sup>20</sup>*Zhongguo duiwai jingji maoyi nianjian* (1994), 810.

**Table 3**  
**Total Amount of Contract Signed for Beijing's Foreign Contracted Projects and Labor Service Cooperation, 1976-93 (US\$10,000)**

	Contracted Projects	Labor Service Cooperation
1993	518,870	161,112
1992	525,051	133,457
1991	252,409	108,499
1990	212,535	47,815
1989	178,105	43,136
1988	181,253	35,915
1987	149,258	24,067
1986	118,870	17,018
1985	111,574	14,901
1984	153,813	19,936
1983	79,862	12,524
1982	34,586	16,087
1976-81	*7,533	*4,833

\*Average annual amount.

Sources: *Zhongguo duiwai jingji maoyi nianjian*, various years.

this connection, aid workers who in the past gained valuable experience in road and building construction are now used in contract work. As a result, foreign contracted projects and labor service cooperation are becoming more and more important in Beijing's relations with certain developing countries.

From 1990 to 1992, the PRC had projects of this kind in over 157 countries, and a total of 23,018 project contracts and labor services agreements had been signed. Cumulatively, these contracts were worth US\$12.798 billion, and the personnel dispatched numbered over 278,000 (see table 3).<sup>21</sup> In the future, although Beijing's foreign aid program will not be totally supplanted by contracted projects, it is expected that they will continue to be emphasized by the PRC.

### Geographical Aid Distribution

Basically, every foreign policy has various goals and determinants. To describe a foreign policy goal or determinant is not a

<sup>21</sup>Ibid.

difficult task, but to prove, evaluate, and explain the foreign policy behavior and the achievement of policy goal is difficult. Although it is unable to solve all the problems of traditional study of foreign policy, a foreign aid framework could be a useful analytical tool in improving our understanding of a country's foreign policy behavior. One of the advantages of a foreign aid framework is that foreign aid data is concrete. Foreign aid can be identified as an output of a foreign policy and the performance of foreign policy goals. The quantification of foreign aid data, thus, becomes a significant indicator of a donor's foreign policy goals and international behavior. Based on foreign aid data, an observer can analyze a decisionmaker's foreign policy behavior and improve his interpretation of decisionmaker's perception of a real political world. In so doing, the gap of perception between an observer and a decisionmaker may be reduced to some extent.

Even recognizing the fact that the pursuit of foreign policy goals may be the main motivation for a donor country's aid program, there is still the question of why almost every donor has its own preferences regarding certain recipient countries. Hollis Chenery claims that a judgment of the desirability and effectiveness of American aid can only be made on the basis of a clear statement of U.S. objectives in a particular country.<sup>22</sup> A study of the bilateral foreign aid behavior of OECD (Organization for Economic Cooperation and Development) and OPEC (Organization of Petroleum Exporting Countries) members from 1979 to 1988 concludes that each donor country has its own preferences regarding recipient countries.<sup>23</sup> This concentration on particular countries not only highlights the donor's strategic or political interests, but also indicates a historical relationship between the donor and the recipients. This, in turn, explains the donor countries' political motivation in the selection of their aid partners.

In sum, a donor's selection of aid recipients is influenced by its pursuit of foreign policy goals within a certain period of time. Different foreign policy goals result in the donor selecting different aid recipients. The selection of these aid recipients thus becomes a useful

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<sup>22</sup>Hollis B. Chenery, "Objectives and Criteria for Foreign Assistance," in *Why Foreign Aid? Two Messages by President Kennedy and Essays*, ed. Robert A. Goldwin (Chicago: Rand McNally, 1963), 45.

<sup>23</sup>Teh-chang Lin, "A Study of Foreign Aid Motivation," *Wenti yu yanjiu* (Issues and Studies) (Taipei) 32, no. 12 (December 1993): 63-76.

**Table 4**  
**The Number of Beijing's Aid Recipients by Region, 1990-93**

	Africa	Asia	L. America	M. East	Europe
1990	24	13	11	4	0
1991	20	9	3	3	0
1992	17	13	4	2	3
1993	17	12	8	2	1

Sources: *Zhongguo duiwai jingji maoyi nianjian*, various years.

indicator of the donor country's foreign policy. Thus, Lloyd Black claims that the basic, long-range goal of foreign aid is political.<sup>24</sup>

The PRC's independent foreign policy, launched in the 1980s, has continued into the present decade,<sup>25</sup> and Beijing's foreign policy is still guided by the "five principles of peaceful coexistence."<sup>26</sup> It seems that the main purpose of the PRC's insistence on peaceful coexistence is to develop friendly relations with foreign countries, without any ideological consideration. Moreover, when Beijing was boycotted by the West after the Tiananmen massacre of June 1989, it naturally sought friends in the Third World in order to break out of its international isolation. This may explain why Beijing is still very active in giving aid to the Third World countries in the early 1990s (see table 4). Although the main task of Beijing's foreign policy in the 1990s is to enhance a more peaceful and cooperative international environment for its domestic economic development, and to facilitate closer relationships with the Third World countries, to isolate Taiwan internationally and to thwart Taiwanese independence are also currently emphasized by Beijing. The PRC made a statement in September 1994, indicating that Beijing will use all economic and

<sup>24</sup>Lloyd D. Black, *The Strategy of Foreign Aid* (Princeton, N.J.: D. Van Nostrand, 1968), 18.

<sup>25</sup>In 1982, Beijing adopted a new independent foreign policy line during the Chinese Communist Party's Twelfth National Congress. It then moved to a more independent posture with regard to the United States, becoming closer to the Third World and less hostile to Moscow. See Robert G. Sutter, "Strategic and Economic Imperative and China's Third World Policy," in *China and the Third World: Champion or Challenger?* ed. Lillian Craig Harris and Robert L. Worden (Dover, Mass.: Auburn House, 1986), 14-33.

<sup>26</sup>These five principles are (1) mutual respect for sovereignty and territorial integrity, (2) mutual nonaggression, (3) noninterference in each other's internal affairs, (4) equality and mutual benefit, and (5) peaceful coexistence. See *People's Daily*, January 19, 1990, 7.

diplomatic resources to reward countries that are willing to isolate Taiwan and to punish "hostile foreign forces" that encourage Taiwanese independence. With regard to Beijing's stand toward Taipei, there is no doubt that this foreign policy goal in the 1990s will have some impact on Beijing's foreign aid policymaking. The PRC claimed, for instance, that it will focus mainland China's limited resources and foreign aid on those "dangerous areas," which include countries that may develop intimate ties with Taiwan, or whose economic relations with Taiwan might change into political ones.<sup>27</sup> This statement clearly reflects the political and diplomatic implications of Beijing's foreign aid policy.

Diplomatically, Taiwan has been isolated since 1971, when it lost its seat in the United Nations. For many years, Beijing has sought to isolate the Republic of China (ROC) from the world community, threatening to sever or downgrade relations with any country that tries to establish or to strengthen relations with the ROC. As a result, Taiwan has formal diplomatic relations only with twenty-eight countries at the end of 1993.<sup>28</sup> To counter such strategies, as well as to keep abreast of new developments in the world, the ROC government has adopted a policy of pragmatic diplomacy, employing its economic strength to deepen its interaction with friendly countries and enlarge its web of connections. One method it has used to pursue this policy is foreign economic assistance. Thus, by comparing Beijing and Taipei's foreign policy, their aid competition to the Third World countries could be expected.

### *Asia*

One of the features of Beijing's foreign policy in the early 1990s is the attempt to enhance relations with neighboring countries. Several Asian countries have received aid from Beijing. In 1990, seven Asian countries—Sri Lanka, the Maldives, Laos, North Korea, Nepal, Pakistan, and the Philippines—were offered economic assistance by Beijing. The resumption of aid to Laos on February 26, 1990, when the PRC signed an aid agreement and provided a grant of Rmb 2 million, is particularly notable.<sup>29</sup> In 1991, six Asian countries continued

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<sup>27</sup>*Souzh China Morning Post* (Hong Kong), September 8, 1994, 1.

<sup>28</sup>*The Republic of China Yearbook: 1994* (Taipei: Government Information Office, 1994), 172.

<sup>29</sup>Beijing's aid to Laos had been terminated since March 7, 1979. See *Dangdai Zhongguo de duiwai jingji hezuo*, 661.

to receive aid from the PRC. These countries were Bangladesh, Myanmar, Mongolia, Pakistan, Laos, and Cambodia. The following year, new aid commitments were made to eight Asian countries—Sri Lanka, the Maldives, Nepal, Laos, Mongolia, Bangladesh, Vietnam, and Afghanistan. It is worth noting that Beijing seems to favor bordering countries, including North Korea, Vietnam, Mongolia, Myanmar, Nepal, Pakistan, and Laos, when it selects aid recipients. This may illustrate the PRC's concerns of its historical relations with some Asian countries, as well as its national defense and border security. From Beijing's point of view, a peaceful and cooperative international environment is crucial to the PRC's domestic economic development.

Oceania is a new focus of Beijing's foreign aid policy in the 1990s, as few South Pacific countries—an average of only one per year—received economic assistance from Beijing in the 1980s. However, in 1990 alone, six South Pacific countries received aid commitments from Beijing. In February that year, Fiji, Kiribati, and Vanuatu signed economic and technical cooperation agreements with the PRC. In addition, these countries were provided with grants of Rmb 4 million, 1.5 million, and 2 million, respectively. Another aid agreement was signed between Fiji and the PRC on April 19, 1990. In the same month, Beijing signed an aid agreement with Western Samoa and provided a grant of Rmb 1.5 million. On May 1, 1990, Papua New Guinea signed an economic and technical cooperation agreement with the PRC and was given a grant of Rmb 4 million. On November 5, 1990, the PRC made its first aid commitment to Micronesia. An economic and technical cooperation agreement was signed and Beijing offered a grant of Rmb 2 million.

On March 16, 1991, Beijing extended aid for the first time to the Republic of the Marshall Islands. Fiji was offered medical equipment by Beijing on March 19. On April 12, 1991, Papua New Guinea signed another economic and technical cooperation agreement with the PRC. On May 1, 1992, the PRC promised an interest-free loan to Kiribati. Another aid agreement was also signed between Western Samoa and the PRC on October 2, 1992.

From 1988 to 1993, the ROC's foreign aid to the Asia-Pacific region was concentrated on countries which have formal diplomatic or substantive relations with Taiwan. Those with formal diplomatic relations with Taipei, such as Tonga, Tuvalu, Nauru, the Solomon Islands, and Vanuatu, all located in the South Pacific, have received loans, technical training programs, humanitarian aid, and technical

assistance teams from Taipei. Countries that maintain substantive relations, rather than diplomatic ties, with the ROC, are also targets for Taipei's foreign aid program. These include all the Southeast Asian countries, with the exception of Brunei, Laos, and Cambodia. These countries have been given top priority for foreign aid because of their geographical closeness and recent economic vitality. As a result, in recent years Taiwan's substantive relations with these countries have been improved. Although the South Pacific nations of Papua New Guinea and Fiji do not have diplomatic relations with the ROC, they have received aid from and maintain substantive relations with Taiwan.

It is difficult for the ROC to develop substantive relations with the countries of South Asia, because of their geographical proximity to mainland China which tends to make them subject to pressure from Beijing. None of the seven countries in this regions—India, Sri Lanka, Bangladesh, Myanmar, Bhutan, Nepal, and the Maldives—have received any loans or technical assistance from Taiwan. This indicates that Taiwan has no political motive to grant aid to these countries. Another four countries in the South Pacific—Kiribati, Western Samoa, the Marshall Islands, and Micronesia—have no diplomatic relations with the ROC. Moreover, they are all recipients of Beijing's foreign aid and thus receive nothing from Taipei.

### *Africa*

Since Beijing's official foreign aid policy began in 1953, Africa has been an important region in which the PRC has sought to expand its sphere of influence. From 1953 to 1989, forty-seven African countries had received aid commitments from Beijing.<sup>30</sup> From 1990 to 1992, an average of twenty-one African countries received new aid commitments each year. These were Equatorial Guinea, Djibouti, Gambia, Gabon, the Seychelles, Rwanda, Mauritius, Kenya, the Central African Republic, Mauritania, Somalia, Mozambique, Sudan, Benin, Congo, Togo, Uganda, Guinea, Burundi, Madagascar, Côte d'Ivoire (Ivory Coast), Ghana, Sierra Leone, Angola, Cameroon, Cape Verde, Comoros, Namibia, Botswana, Ethiopia, Tanzania, Tunisia, Mali, and Zambia. With the exception of Namibia, all these countries had existing aid relations with the PRC in the previous years.

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<sup>30</sup>Liri, "The Foreign Aid Policy of the People's Republic of China," 319-42.

In Africa, Taiwan's foreign aid program is still concentrated in the eight countries which have formal diplomatic relations with the ROC. These are South Africa, Malawi, Swaziland, Liberia, Lesotho, Guinea-Bissau, the Central African Republic, and Niger. Of the six African countries which maintain substantive relations with Taiwan, Libya, Nigeria, Madagascar, and Angola have sent personnel to attend the technical training programs in Taiwan. The intention of the Taipei government is to cement foreign relations with these countries. The African countries which have neither diplomatic nor substantive relations with the ROC were all recipients of Beijing's aid from 1988 to 1993, and this is why Taiwan has found it difficult to win them over.

### *Latin America*

The Latin American recipients of the PRC aid in 1990-92 were Cuba, Jamaica, Barbados, Ecuador, Antigua and Barbuda, Brazil, Peru, Bolivia, Guyana, Colombia, Nicaragua, Surinam, and Uruguay; all of them had aid relations with Beijing before 1989.

Beijing's foreign aid activity in this region declined steeply at the end of the 1980s, with only three countries receiving aid commitments in 1988 and one in 1989. However, Beijing's aid to Latin America set a new record in 1990, when eleven countries were promised economic assistance, probably reflecting Beijing's eagerness to expand its foreign relations in the region in the wake of Tiananmen.

Latin America is diplomatically the most important area of the world for the ROC. Sixteen Latin American countries have formal diplomatic relations with Taiwan and ten others maintain substantive relations. As a result, Taiwan's foreign aid is highly concentrated in those countries that have official ties with Taiwan. Of these, only Nicaragua has ever received aid from Beijing. However, Nicaragua resumed formal diplomatic relations with the ROC in November 1990. In these sixteen countries, Honduras, Costa Rica, Panama, the Bahamas, and the Dominican Republic have received loans from Taipei. It is also interesting to note, however, that Taiwan only sends technical assistance teams, which mainly engage in teaching agricultural or fishing skills, to the sixteen countries which recognize Taiwan. This clearly demonstrates that Taiwan's foreign aid to Latin America is politically motivated.

Ten countries in Latin America which maintain substantive relations with the ROC have all sent personnel to attend technical training programs in Taiwan and most of them have received humanitarian

aid from Taiwan. The seven Latin American countries which have no relations with Taiwan are all recipients of Beijing's foreign aid. Taiwan has little interest in giving aid to them, since there is little chance for them to upgrade their relations with Taiwan. The case of Guyana, for instance, exemplifies the political motivation of Taiwan's foreign aid. In recent years, Guyana has expressed a hope that it might get aid from Taiwan, but its hope will be in vain as long as it refuses to recognize the ROC.

### *Middle East*

From 1990 to 1992, only seven Middle Eastern countries received economic assistance from Beijing, including Jordan, Syria, Turkey, Egypt, and Iran. Jordan signed an economic and technical cooperation agreement with the PRC on August 10, 1990 and Syria signed one on March 17, 1992. And on April 26, 1990, Beijing also provided commodities to the value of Rmb 5 million to the Palestinians. Another grant of Rmb 2 million for maintaining a textile factory was given to Oman at the end of 1990. In April 1991, Beijing provided humanitarian aid to Iraqi refugees in Turkey and Iran. More humanitarian aid was offered to Egypt on October 28, 1992.

In the Middle East, Taiwan's foreign aid has been concentrated in countries which have substantive relations with the ROC, that is, Saudi Arabia, Jordan, Bahrain, Oman, Turkey, and Israel. With the exception of Iran, all the countries without substantive relations with Taiwan have been recipient of Beijing's aid, and they are thus less likely to receive aid from Taiwan. Iran does receive aid from Taiwan and is discussing the establishment of representative offices in Tehran and Taipei.

### *Europe*

The PRC used to have close aid relations with the communist countries of Eastern Europe from the 1950s through the 1970s. Albania, Hungary, and Romania were the main recipients in that period. However, this is no longer the case in the 1990s, due to the change in Beijing's foreign policy and the collapse of the communist regimes in Central and Eastern Europe. In the early 1990s, Beijing's new foreign aid activity in this area is guided by its intention to establish good relations with the newly independent states of the former Soviet Union. As a result, the PRC signed loan agreements with Estonia and Ukraine on May 12 and October 31, 1992, respectively.

In Europe, including the former Soviet Union, Taiwan's foreign aid is mainly provided to those countries having substantive relations with Taipei. Russia, Latvia, Hungary, Czechoslovakia and Poland all received aid from the ROC between 1988 and 1993. Of these, Russia and Latvia have received most attention from Taiwan. Russia has received US\$30 million in humanitarian aid from Taiwan. Latvia was also promised a US\$6 million of loan for an air traffic control system. A US\$20 million relending loan was extended to Poland in September 1994 for the purchase of materials and mechanical equipment.<sup>31</sup> All of these developments, regardless of ideological differences, have given Taiwan an official presence in these countries, accompanied by limited diplomatic privileges and immunities.<sup>32</sup>

Ukraine and Belarus have no relations with Taiwan yet, but they received more aid than any other countries in this region. Recently, Taiwan is discussing the possibility of establishing substantive relations with these two countries. Although Taiwan gave Belarus US\$1 million in humanitarian aid, a loan of US\$8 million was suspended. This was because Belarus, responding to pressure from the PRC, refused to improve its relations with Taiwan. With regard to other developing countries in Europe, they have little chance of getting aid from Taiwan.

### Foreign Aid and Foreign Policy

It is a fact that Beijing uses foreign aid as a means to induce the establishment of diplomatic relations with its aid recipients. In the period 1953-63, twenty countries received aid from Beijing and all of them either established or already had diplomatic relations with the PRC. Moreover, it is interesting to note that countries without diplomatic relations with the PRC were all excluded from Beijing's foreign aid in this period. From 1964 to 1971, fourteen countries received aid promises from Beijing and also established diplomatic relations with the PRC. From 1972 to 1978, twenty-seven countries received aid commitments and subsequently established diplomatic relations with Beijing. In the 1980s, fourteen countries established

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<sup>31</sup>*Haiwai jingji hezuo fazhan jijin jianxun* (The International Economic Cooperation Development Fund Newsletter) (Taipei), no. 7 (July 1994): 13.

<sup>32</sup>Lee Wei-chin, "ROC's Foreign Aid Policy," in *Quiet Revolutions on Taiwan, Republic of China*, ed. Jason C. Hu (Taipei: Kwang Hwa Publishing Company, 1994), 337.

diplomatic relations with Beijing and twelve of them received aid commitments from Beijing.<sup>33</sup>

There are two assumptions in this section concerning Beijing's utilization of foreign aid as a means to achieve foreign policy goals during the years 1990-92: (1) there was a great possibility that developing countries which established diplomatic relations with Beijing in this period would receive aid commitments from Beijing; and (2) Beijing tended to terminate aid to those developing countries who established or resumed diplomatic relations with Taipei.

Micronesia established diplomatic relations with Beijing on September 11, 1989. On November 5, 1990, it received an aid commitment from Beijing. The two sides signed an economic and technical cooperation agreement and Beijing offered a grant of Rmb 2 million. Namibia established relations with the PRC on March 22, 1990, signed an economic and technical cooperation agreement on July 18, 1990, and received an offer of Rmb 1 million-worth of commodities. Another aid agreement was also signed between these two countries on September 8, 1992. The Republic of the Marshall Islands established diplomatic relations with the PRC on November 16, 1990 and then signed an economic and technical cooperation agreement with Beijing on March 16, 1991.<sup>34</sup> These cases indicate a correlation between the provision of aid and the establishment of diplomatic relations.

From 1989 to 1992, Taipei established or resumed diplomatic relations with the following ten countries: the Bahamas, Grenada, Liberia, Belize, Lesotho, Guinea-Bissau, Nauru, Nicaragua, the Central African Republic, and Niger. Of these, only Nauru and the Bahamas had received aid from Beijing in the years before 1989. However, after these countries broke off diplomatic relations with the PRC, Beijing also terminated foreign economic assistance to them (see table 5).

The ROC's bid to reenter the United Nations in 1993 was another useful indicator in examining the relationship between Beijing's foreign aid and foreign policy. The question of China's representation in the United Nations that arose in the 1960s and early 1970s had already illustrated this relationship.

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<sup>33</sup>Ibid.

<sup>34</sup>*People's Republic of China Year Book 1991/1992*, vol. 11 (Beijing: PRC Year Book, 1991), 282.

**Table 5**  
**Beijing's Aid Commitments and Diplomatic Relations**

Country	Last time received aid from Beijing	Date of termination of diplomatic ties
Grenada	July 16, 1987	July 20, 1989
Liberia	April 18, 1985	October 2, 1989
Belize	April 9, 1987	October 13, 1989
Lesotho	August 8, 1988	April 5, 1990
Guinea-Bissau	November 16, 1987	May 26, 1990
Nicaragua	October 5, 1990	November 6, 1990
C. Africa	April 17, 1990	July 8, 1991
Niger	December 20, 1988	June 19, 1992

**Sources:** Lin, "The Foreign Aid Policy of the People's Republic of China"; *Zhonghua minguo xingzheng gaikuang* (Review of government administration, Republic of China) (Taipei: Executive Yuan, 1993), 247.

The Soviet Union began a campaign for Beijing to enter the UN in 1950. The question was first raised in the Security Council and then in the General Assembly. We find that almost all of Beijing's aid recipients voted for Beijing in those various resolutions. From 1965 to 1967, only Laos failed to vote for Beijing. And from 1968 to 1970, Laos was joined by the Central African Republic. In 1971, Beijing gave aid to thirty-four countries, thirty-one of which voted for the Albanian resolution to admit the PRC to the UN, with Cambodia and the Central African Republic voting against and Indonesia abstaining. However, there are reasons for the behavior of these three countries. In the case of Cambodia, Beijing was not aiding the Lon Nol (Khmer Republic) government which controlled the UN seat at the time.<sup>35</sup> The Central African Republic received aid commitments worth US\$4.1 million in 1965, but terminated diplomatic relations with the PRC in 1966 and did not resume ties until 1976. Finally, Indonesia received aid commitments in 1956, 1961, and 1965, but it also terminated diplomatic relations with Beijing in 1967.<sup>36</sup> It is clear that nearly all the countries which voted for Beijing on the resolution which expelled the Republic of China received aid from Beijing.

<sup>35</sup>Teh-chang Lin, "Foreign Aid: A Theoretical Framework for Analyzing Communist China's Foreign Policy," *Issues & Studies* 27, no. 5 (May 1991): 87.

<sup>36</sup>Lin, "The Foreign Aid Policy of the People's Republic of China," 198-99.

This may explain why Beijing stepped up its aid activities in the years 1969-73.

Indeed, Beijing's foreign aid giving really had an influence on some recipient countries' voting behavior. These aid recipients either voted against the ROC or abstained in UN debates on the China question. Here, it is assumed that Beijing utilized aid as a means to induce recipient countries to change their voting behavior in favor of the PRC. From 1961 to 1971, eleven countries—the Central African Republic, Chile, Congo, Indonesia, Laos, Mauritania, Pakistan, Peru, Sierra Leone, Somalia, and Tanzania—had changed their voting behavior on this question. This may indicate that Beijing utilized foreign aid as a means to influence recipient countries' voting behavior.<sup>37</sup>

In 1993, the ROC attempted to reenter the United Nations. Seven Central American countries put forward a proposal in the UN supporting the ROC's membership. These seven countries were El Salvador, Guatemala, Nicaragua, Costa Rica, Honduras, Panama, and Belize. El Salvador, Honduras, Costa Rica, and Panama have never had aid relations with the PRC, and indeed, they all have formal diplomatic relations with the ROC. Guatemala, Nicaragua, and Belize have received aid from Beijing, though in the case of Guatemala and Belize, they only received one small aid commitment from Beijing, in 1976 and 1987 respectively. Belize established diplomatic relations with the ROC in October 1989 and Nicaragua broke off diplomatic relations with the PRC in November 1990. As for Guatemala, it still recognizes Taipei. These facts may explain why these seven Central American countries put forward this proposal.

In September 1993, the UN General Committee rejected a proposal to discuss the establishment of an ad hoc committee to examine the ROC's reentry into the United Nations. During the Committee's discussions, three countries expressed agreement with this proposal and eleven countries were against. The three countries that supported the ROC's case were Nicaragua, Guatemala, and Grenada, all of which recognize Taipei. The eleven countries which voiced opposition were the PRC, Pakistan, Tanzania, Sri Lanka, Iran, Egypt, Bangladesh, Benin, Russia, India, and Slovakia. With the exception of Russia, India, and Slovakia, which have never received aid from Beijing, all of these were receiving aid from Beijing in the early 1990s

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<sup>37</sup>*Ibid.*, 199-202.

**Table 6**  
**Beijing's Aid Recipients and Date of Aid Commitment**

Country	Date of Beijing's aid commitment
Pakistan	September 23, 1990; October 27, 1991; November 19, 1992; December 28, 1993
Tanzania	December 6, 1991; August 26, 1992; December 9, 1992
Sri Lanka	December 19, 1990; March 15, 1992
Iran	April 24, 1991
Egypt	October 28, 1992
Bangladesh	August 29, 1992
Benin	August 6, 1990; March 14, 1991; March 27, 1992; September 16, 1993

Sources: *Zhongguo duiwai jingji maoyi nianjian*, various years.

(see table 6). This indicates a strong correlation between Beijing's aid commitments and the recipient countries' stance toward Beijing in the UN. Obviously, the Committee voted to reject the Central American proposal that Taipei's entry be put on the agenda of the General Assembly.

Furthermore, during discussions in the General Assembly from September 27 to October 13, 1993, twenty-four countries spoke out directly or indirectly in support of the ROC's effort to reenter the United Nations. These twenty-four countries were Guinea-Bissau, St. Vincent and the Grenadines, Grenada, Malawi, El Salvador, Nicaragua, Swaziland, St. Christopher and Nevis, Panama, Guatemala, Singapore, Costa Rica, the Central African Republic, the Dominican Republic, Haiti, St. Lucia, Dominica, the Solomon Islands, Chile, Côte d'Ivoire, Niger, Paraguay, Uruguay, and the Bahamas. Of these twenty-four countries, only three—Nicaragua (October 5, 1990), the Central African Republic (April 17, 1990), and Uruguay (October 27, 1990)—received aid commitments from Beijing in the early 1990s. However, it is worth noting that Nicaragua and the Central African Republic had terminated diplomatic relations with the PRC on November 6, 1990 and July 8, 1991, respectively.

It may be concluded that foreign economic assistance is indeed an instrument of Beijing's foreign policy. In other words, the PRC utilizes foreign aid to achieve its foreign policy goals. This is clear from the discussions in the UN General Committee, in which Beijing's aid recipients opposed Taipei's reentry. Beijing rarely offers aid to

countries that recognize Taipei, since Beijing already perceives these countries to be antagonistic.

### **Conclusion**

In the 1990s, with Beijing's emphasis on international stability, a new Third World policy has put overwhelming weight on the economic dimension. The growing centrality of economic concerns in Beijing's relations with developing countries reflects a change in the nature and characteristics of Beijing's Third World policy in general and foreign aid policy in particular.

Beijing's economic aid used to be one of the most important instruments Beijing had to support its Third World strategies. However, in the 1990s, Beijing's leaders decided that they could no longer afford such aid programs and began to scale them down. Given the lessons learned from the past and the increasing domestic competition for financial resources, it is very unlikely that foreign aid will play a major role in Beijing's policy toward the developing countries. For instance, in the beginning of the 1990s, the annual aid commitment cannot go back to the earlier 1970s' level, although the number of aid recipients has been increased. It indicates that, with limited annual aid commitments, Beijing is trying to reach every possible aid recipient in order to extend its foreign relations. Basically, Beijing's scaled-down aid efforts focus on high-profile projects, as mentioned in previous section, that are furnished cheaply and quickly and give Beijing ample opportunities for favorable publicity.

Another indication of the shift of focus from political to economic relationships is Beijing's new willingness and enthusiasm for adopting more flexible forms of foreign economic cooperation. Changes in the nature of Beijing's project aid in the 1990s can be conceptualized with four operating principles designed to use limited foreign aid funds for maximum economic benefits and to diversify recipients.

First, undertaking projects with multilateral cooperation. Beijing has undertaken the construction of projects in the recipient countries mainly by using the funds donated by UN organizations and funds or materials contributed by Beijing.

Second, contracting for projects through bilateral cooperation. By using loans provided by the PRC and the other party's self-raised funds (including financial aid from third countries), the relevant Chinese companies organized the construction of contracted projects in accordance with the rules for international project contracting.

Third, providing commercial credit to be paid through product compensation. Relevant Chinese companies provide spare parts or raw materials for production by way of commercial credit or deferred payment which the recipient side pays back with products.

Fourth, joint ventures. After the project is completed, Beijing provides part of the fund for joint operation at the request of the aid recipient so as to overcome problems such as shortage of funds, backwardness in technology, and lack of managerial experience.

Why does not Beijing end its foreign aid giving and use the needed capital for domestic development in the 1990s? The answer is political. Beijing's leaders want to avoid the impression that they are taking an unjustly large portion of the aid and capital available from international institutions and Western countries and appear to hurt developing countries. Beijing wants to give the impression that it is still cooperating with developing countries in an effort to win leadership of the Third World.<sup>38</sup> As a socialist country, Beijing has always regarded foreign aid as its international duty. According to Chen Yongcai, deputy director of the Department of Foreign Aid, Ministry of Foreign Economic Relations and Trade: "We will never forget our old friends while making new ones, and never forget our poor friends while making rich ones. It is the consistent policy of the Chinese government that China will keep on giving international aid within its capability so long as its national economy permits."<sup>39</sup>

Consequently, the geographical pattern of Beijing's foreign aid distribution in the 1990s is found to be directed by its foreign policy goals. The principles of peaceful coexistence will still be the main guidance for Beijing's foreign policy throughout the 1990s. As a result, the PRC's aid distribution will remain focused on the developing countries of the Third World. However, Beijing's selection of its aid recipients has always been influenced by changes in its individual foreign policy goals. This is likely to continue throughout the 1990s on account of diplomatic competition between Taipei and Beijing.

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<sup>38</sup> John F. Copper, "China's Foreign Aid: An Analysis and Update," in *Economic Openness in Modernizing China*, vol. 2 of *China's Economy Looks Toward the Year 2000*, ed. Joint Economic Committee, Congress of the United States (Washington, D.C.: U.S. Government Printing Office, 1986), 516.

<sup>39</sup> Chen Yongcai, "New Development of China's Foreign Aid," in *Zhongguo duiwai jingji maoyi nianjian 1986*, 487.