

Can't buy me love? China's aid and the question of influence: part 1

by Cameron Hill

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China Aid Juncao and Upland Rice Technology Project based in Goroka, PNG

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The primary impetus for much of the contemporary focus on the relationship between Australia's aid and its wider geopolitical goals has been the perceived increase in the use of various forms of development finance by China as a key part of Beijing's own influence efforts, particularly those directed toward Australia's Pacific Island Country neighbours. Indeed, [in a justification](#) of the Australian government's own approach, Foreign Minister Penny Wong has explicitly cited the example of China's statecraft, including in relation to aid:

China understands national interest as being advanced by favourable outcomes, by reducing the possibility of unfavourable outcomes — and by reducing the space for disagreement or dissent.

This understanding is coordinated through its persistent statecraft. A great power like China uses every tool at its disposal to maximise its own resilience and influence — its domestic industry policy; its massive international investment in infrastructure, diplomacy, and military capability; access to its markets.

This statecraft illustrates the challenge for middle powers, like us and our partners in Southeast Asia and the Pacific. Yet we need not waste energy with shock or outrage at China seeking to maximise its advantage. Instead, we channel our energy in pressing for our own advantage.

According to [AidData, the most comprehensive global aid database](#), over the last decade Beijing has emerged as the world's single largest source of development finance, with over 21,000 individual projects in 165 low- and middle-income countries valued at an estimated US\$1.34 trillion. Since 2013, this finance has mainly come in the form of concessional loans and export credits for infrastructure projects.

For many experts and commentators, [these investments represent](#) a key

component of China's integrated statecraft, "backed by a comprehensive, well resourced, and disciplined operational strategy" focused on building Beijing's "influence and leverage" in the global South. Others **have highlighted** the infrastructure and other aid investments associated with programs like the Belt and Road Initiative (BRI) as a key element of China's "developmentalist" foreign policy which aims to "present the country as a leader of economic development on the global stage". Critics of the US and its Western allies **have welcomed** China's disruption of so-called "neo-liberal" development models, arguing that Beijing's aid provides the global South with more choice and more leverage.

According to other assessments, analyses that ascribe uniform motivations, whether malign or benign, to China's aid have tended to overstate the degree of coordination in Beijing's version of economic statecraft. This is due the variety of bureaucratic agencies, state-owned companies and banks, and semi-commercial entities involved in the delivery of China's foreign aid. These actors **have sometimes pursued agendas** independent of, and sometimes contrary to, Beijing's priorities and preferences. Empirical studies **have highlighted** domestic imperatives such as preserving internal political stability and absorbing excess economic capacity, rather than geopolitical goals, as the primary drivers of the allocation of China's foreign aid. The **core challenge** remains ascribing intentions to a country "whose government agencies and firms often lack transparency and whose development strategy prescribes the co-presence of a complex set of state and non-state actors abroad".

To the extent that China's development finance can be said to reflect a deliberate and coherent strategy aimed at advancing its "influence" in the global South, the results appear to have been mixed. A **2022 assessment** published by the influential US think tank the RAND Corporation concludes that notwithstanding Beijing's substantial investment in infrastructure and technology projects in the global South, "the short-term appeal of China's approach to developing countries does not necessarily generate longer-term positive [public] perceptions of China ...". Instead, "many governments have begun to reassess the terms of their arrangements with China and, in some cases, to express new ill-will toward China". A 2023 **multi-region study** of sentiment toward the BRI among 148 countries found that although average sentiment was positive, attitudes towards the BRI had deteriorated between 2017 and 2021/22. Among 27 surveyed countries in Central, South and Southeast Asia, public sentiment towards the BRI improved in only three: Brunei, Mongolia, and Cambodia.

Exploring these kinds of results through several case studies in a working paper,

Audrye Wong has argued that the influence effects of China’s “[subversive carrots](#)” — forms of economic inducement designed to avoid political processes and expectations about appropriate political behaviour in recipient states — is mediated by domestic political institutions in these states. Comparing recipient elites’ responses to China’s economic statecraft in a low public accountability state (Cambodia), a higher public accountability state (the Philippines) and a “transition state” (pre-coup Myanmar), she argues that how responsive these elites are to their citizenry and how constrained they are by domestic institutions ultimately determines the effectiveness of Beijing’s external economic inducements in terms of their influence on behaviour.

Where public accountability is higher, this impedes the utility of such methods as it is harder for leaders to avoid domestic scrutiny and/or public backlash over the terms of inducements. Audrye Wong concludes that, “despite the apparent ease and rapidity at which China has attempted to buy over political leaders with large-scale investment and infrastructure projects ... its strategy of subversive carrots is not as uniformly successful as commonly assumed ... [and] the level of public accountability in target countries can facilitate or constrain the effectiveness of subversive carrots”. Similarly, Courtney Fung et al. draw from [another set of country case studies](#) to argue that “variations across domestic institutions can help explain differences in receptivity or resistance toward Chinese influence”.

Such findings pose something of a paradox for Western aid donors. This is because they suggest a trade-off between aid goals like democracy promotion and improved governance — whether pursued as objectives in their own right, or as part of broader efforts to constrain China’s influence — and their own influence goals, which are also likely to be constrained by more accountable institutions in recipient countries.

The second part of this blog will examine how these dynamics have played out in different parts of the world, including the Pacific, and the use of debt by China as an instrument of economic statecraft.

This is the first part of a two-part blog on China’s aid.

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Disclosures:

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