

DOES CHINESE FOREIGN AID SPREAD ILLIBERALISM?¹

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The Chinese Aid Regime and Its Effects on Liberalism

One of the most significant changes in rapidly developing countries over the last twenty years has been the end of Western hegemony in the provision of foreign aid. While several non-traditional donors have risen to the fore, none rivals the scale and breadth of Chinese aid. Between 2000 and 2014, Beijing committed \$350 billion in official finance to 140 countries and territories around the world.² Beyond the sheer size of its economic assistance, the norms and principles guiding China's aid regime³ represent a direct challenge to Western aid. The most fundamental difference is that Beijing categorically rejects what it sees as the "politicization of aid," that is the linking of economic assistance to political conditionalities, such as good governance, respecting civil liberties, and anti-corruption safeguards—the approach favored by many OECD-DAC donors, including the United States. At the 2018 Forum on China-Africa Cooperation (FOCAC), Xi Jinping formalized China's alternative aid regime by declaring a "five-no" aid doctrine: 1.) no interference in African countries' pursuit of development paths that fit their national conditions; 2.) no interference in African countries' internal affairs; 3.) no imposition of our will on African countries; 4.) no attachment of political strings to assistance to Africa; and 5.) no seeking of selfish political gains in investment and financing cooperation with Africa.⁴

China's alternative aid regime has been embraced by African heads of states. For example, in the face of growing pressure from OECD-DAC donors for his government's

¹ This builds on work with Rob Blair and Rob Marty. See Blair, Robert, Robert Marty, and Philip Roessler. 2019. "Foreign Aid and Soft Power: Great Power Competition in Africa in the Early 21st Century." AidData Working Paper #86. Williamsburg, VA: AidData. Available at <https://www.aiddata.org/publications/foreign-aid-and-soft-power-great-power-competition-in-africa-in-the-early-21st-century>

² AidData, "China's Global Development Footprint." Available at <https://www.aiddata.org/china-official-finance>

³ We define aid regimes as the written and unwritten norms and practices that shape the types of projects donors fund, the conditions (or lack thereof) attached to the money donors provide, and the way donor-funded projects are implemented on the ground.

⁴ See "Full Text of Chinese President Xi Jinping's Speech at Opening Ceremony of 2018 FOCAC Beijing Summit," available at http://www.xinhuanet.com/english/2018-09/03/c_137441987.htm.

increasing illiberal practices, Tanzanian President John Magufuli stated that “the thing that makes you happy about [Chinese] aid is that it is not tied to any conditions. When they decide to give you, they just give you.”⁵ Uganda’s President, Yoweri Museveni, echoed this sentiment.⁶

By some accounts, China’s economic statecraft in Africa is also bearing fruit for the country’s popular image abroad. China has been praised for the speed and relative low cost of its aid projects, and for its focus on large-scale, highly-visible infrastructure initiatives, especially in transportation and electricity—sectors that other donors often neglect. Moreover, opinion polls suggest that African citizens generally approve of Beijing’s economic assistance (Lekorwe et al. 2016). Round 6 of the Afrobarometer survey, fielded in 2014 and 2015, found that 63% of Africans across 36 countries believe that China has a “very” or “somewhat” positive influence on their country (Lekorwe et al. 2016). China has edged out the U.S. as the country or multinational organization that Africans believe has the most influence on their country,⁷ and support for the Chinese model of economic development lags just behind that of the US.⁸

China’s alternative aid regime and growing influence have raised concerns that Beijing is reshaping the “world consistent with their authoritarian model”—as baldly stated in the 2018 National Defense Strategy of the United States.⁹ This raises several important empirical questions: Is Chinese economic diplomacy winning over the “hearts and minds” of Africans—and, even more, subverting support for democracy and free markets in favor of China’s authoritarian developmental model? This presupposes that Western aid has been effective at transmitting the spread of liberal political values. Is this the case?

While a large literature exists on the effects of aid on democracy in recipient countries, studies have typically focused on assessing whether aid promotes democratization cross-

⁵ See “John Magufuli: Tanzania prefers 'condition-free' Chinese aid,” BBC.com, November 27, 2018. Available at <https://www.bbc.com/news/world-europe-46364342>

⁶ “The Chinese, when they come to work with us here, they don’t tell us what to do; they don’t give us conditions such as ‘if you don’t do this, we shall not do that’. They just do what they can and will not manipulate you.” “Museveni lauds China’s non-interference policy,” *Daily Monitor*, September 26, 2019. Available at <https://www.monitor.co.ug/News/National/Museveni-lauds-China-s-non-interference-policy/688334-5288788-u7cnstz/index.html>

⁷ Across the 36 countries, 25.6% of Afrobarometer respondents say China has most influence compared to 23.4% who list the US.

⁸ 31% of Afrobarometer respondents selected the U.S. as the best model for the future development of their country, compared to 24.3% who listed China.

⁹ “Summary of the 2018 National Defense Strategy of the United States of America: Sharpening the American Military’s Competitive Edge,” January 19, 2018. Available at <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>

nationally (Bermeo 2016; Brautigam 1992; Carnegie and Marinov 2017; Djankov, Montalvo and Reynal-Querol 2008; Finkel, P´erez-Lin´an and Seligson 2007; Goldsmith 2001; Knack 2004; Yuichi Kono and Montinola 2009), than exploring whether aid inculcates liberal democratic values sub-nationally as well, through its effects on recipient populations. Our research addresses this latter question. Before detailing our empirical strategy, we theorize aid as a type of soft power.

Aid and Soft Power

How does aid work to improve a donor’s public image and foreign influence? Aid can serve as a source of either soft power or hard power (or both); the line between them is often blurred, especially in the realm of economic influence and inducement (Heng 2010), and the distinction between hard and soft power is best conceptualized as a continuum (Watanabe and McConnell 2008). Hard power entails the use of coercion and material inducements to compel states and their citizens to adopt policy positions they may not otherwise accept. Foreign aid can serve as such an instrument. As Bueno de Mesquita and Smith (2016, 254) pithily note, “giving and getting is a strategic process in which donors purchase policy support from recipients.”

One prominent example is the use of aid to influence the way member states vote in the UN (Dreher, Nunnenkamp and Thiele 2008; Kuziemko and Werker 2006; Rai 1980; Wang 1999). While generally undertheorized at the micro-level, we expect that aid may have similar transactional effects on individuals. Foreign nationals may become more supportive of donors because of the material assistance they receive. If recipients perceive aid as effective, they may increase their support for the donor and the donor’s foreign policy goals in the hope of receiving more aid or preventing the loss of existing aid-funded projects. If aid is cut, the donor’s influence may sag accordingly.

In contrast to these coercive or transactional sources of influence, soft power generates foreign support and alignment through “attraction” and getting others to “want what [the donor country] wants” (Nye 2004). Aid can elicit attraction by creating the impression that donor countries and their citizens are virtuous, generous, and compassionate. Foreign donors strive to brand their aid in this way. For example, USAID describes its aid as “from the American people” in order to evoke the generosity and goodwill of American citizens. If foreign nationals internalize this perception, they may develop greater affinity for donors, their citizens, and their foreign policies. Aid may also increase donor countries’ “appeal” through the transmission of political values, which Nye (2004) cites as one of the core bases of soft power. Beneficiaries who admire the principles and beliefs that guide a donor country’s foreign policy may be more likely to align with that donor than with its rivals.

While there are many ways that global powers disseminate their political principles and ideals, aid is arguably one of the most important. For many foreign nationals, aid-funded projects are one of the most salient expressions of the donor country’s foreign policy and political value set (Lancaster 2000). As Carothers (2011, 341) notes, aid projects that implicitly or explicitly advance political values, such as democracy assistance, do not just affect the institutions and organizations to which they are directed; they also affect individuals “through the transmission of ideas that will change people’s behavior.” We expect this process of ideological alignment—in which foreign nationals come to adopt the political values of a particular donor—to represent a more enduring source of soft power as recipient populations develop an intrinsic desire for what the donor wants.

Empirical Strategy and Findings

To test the effect of aid on soft power and the transmission of political values, we combine data from the Afrobarometer survey with information on the locations of US- and Chinese-funded aid projects gleaned from Development Gateway and AidData (Dreher et al. 2016; Strange et al. 2017). Round 6 of the Afrobarometer survey includes a host of questions about Africans’ perceptions of the extent and nature of Chinese and American influence in their countries, both in absolute terms and relative to one another. Rounds 2 through 6 also include a range of questions gauging support for liberal democratic values. To correct for possible selection effects arising from the non-random distribution of Chinese and US aid, we use a spatial difference-in-differences approach that compares the attitudes of citizens living near completed projects to the attitudes of those living near planned (future or pledged) projects, following Briggs (2019), Isaksson and Kotsadam (2018a), and Kotsadam et al. (2018). Our identifying assumption is that planned and completed projects are subject to similar selection processes, such that citizens who live near planned projects are valid counterfactuals for those living near completed ones.

This more rigorous analysis suggests that rather than boosting Beijing’s foreign influence, Chinese aid may be causing a backlash among local beneficiaries. The main results are reported in Figure 1. It applies the spatial difference-in-difference approach to 38 countries in Africa. We find that Chinese projects tend to be sited in locations where perceptions of China are relatively favorable, and perceptions of the U.S. are relatively unfavorable. But then after project completion perceptions of China are significantly reduced. This is most stark in model 2 on the effects of Chinese planned and completed

projects on an index of Chinese positive influence.¹⁰ Even more—and in line with Chinese and American aid having offsetting effects—not only do completed Chinese projects appear to diminish support for China and its model of development, they seem to increase support for the American alternative. In other words, to the extent that Chinese projects affect Africans’ perceptions of donors, the benefits seem not to accrue to China, and may in fact accrue to the U.S. instead.

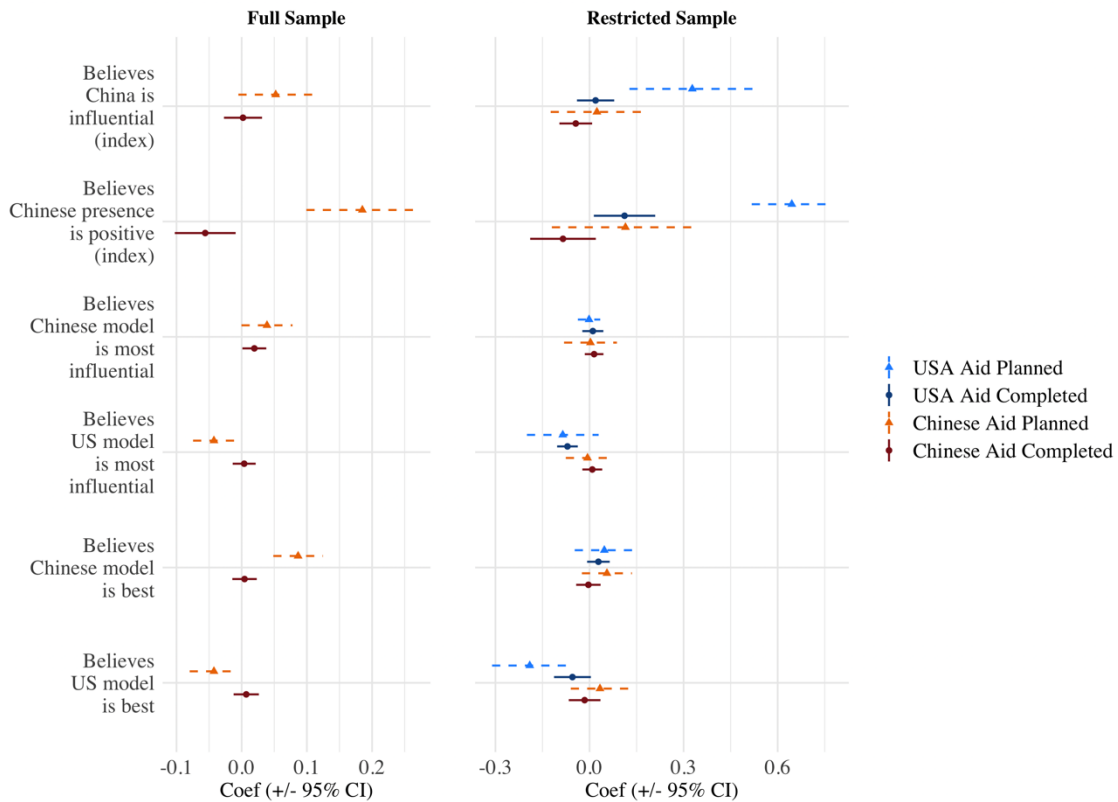


Figure 1. Notes: Coefficients and 95% confidence intervals from OLS regression using data from round 6 of the Afrobarometer survey. The left panel displays results for the 38 countries for which Afrobarometer data is available. The right panel displays results for the six countries for which Afrobarometer and Development Gateway data are available. Standard errors are clustered by community.

Does aid increase affinity for the values that donors espouse? Figure 2 tests the effects of Chinese- and US-funded projects on an index of liberal democratic values that are more

¹⁰ This index comprises responses to three Afrobarometer questions from round 6, the first asking respondents to evaluate China’s “economic and political influence” in their country (coded as a 1 for respondents who rated China’s influence as “very positive” or “somewhat positive”), the second asking respondents whether they believe China’s “economic development assistance” meets their country’s needs (coded as a 1 for respondents who described China as a doing a “very good job” or “somewhat good job”), and the third asking which country respondents believe represents the “best model for the future development” of their own (coded as a 1 for respondents who selected China)

typically associated with the US and other liberal democracies than with China and other authoritarian regimes. Our additive index captures respondents' dichotomized answers to questions about the desirability of competition between multiple political parties, a free and open civil society, democracy in general, and "regular, open, and honest" elections. We interpret more positive values on this index as indicative of greater alignment with political principles more strongly associated with the US; more negative values indicate greater alignment with political principles more strongly associated with China.

Questions about liberal democratic values are available beginning in round 2 of the Afrobarometer survey, allowing us to avoid the ambiguity involved in using round 6 data. The right panel of Figure 2 reports the effects of Chinese and US projects on our liberal democratic values index and its component parts, focusing on the six African countries for which AidData, Development Gateway, and Afrobarometer data are all available. The left panel of Figure 2 reports the effects of Chinese projects alone, expanding to the 38 African countries for which AidData and Afrobarometer data are available, but Development Gateway data is not. Since these analyses use multiple rounds of Afrobarometer data, we also include round fixed effects to eliminate confounding due to shared temporal shocks.

Given the positive correlation between planned Chinese projects and perceptions of China in Figure 1, it is perhaps unsurprising that we find a negative correlation between planned Chinese projects and liberal democratic values in both the left and right panels of Figure 2 (top row). From the right panel, planned US projects are negatively correlated with liberal democratic values as well, though this correlation is not statistically significant at conventional levels (top row). However, the latter correlation becomes null or positive after project completion, resulting in a net statistically significant positive effect of US aid on liberal democratic values. This result is driven in particular by a belief in the desirability of having a choice between multiple political parties (third row), a belief in the desirability of elections (bottom row), and a belief in the desirability of democracy more generally (fifth row).

Our results for Chinese aid are somewhat more mixed. From the right panel of Figure 2, among the six African countries for which Development Gateway data is available, Chinese aid has a net negative effect on the belief that elections are good (bottom row), but the difference between the coefficients on planned and completed projects is only marginally statistically significant. Chinese aid has a net negative effect on the belief that citizens should be able to join any civil society organization they choose (fourth row), but a net positive effect on the belief that democracy is the best system (fifth row), though in both cases the difference between the coefficients on planned and completed projects is not quite statistically significant at conventional levels. These

countervailing effects on the component parts of our index of liberal democratic values result in a net null effect on the index as a whole (top row).

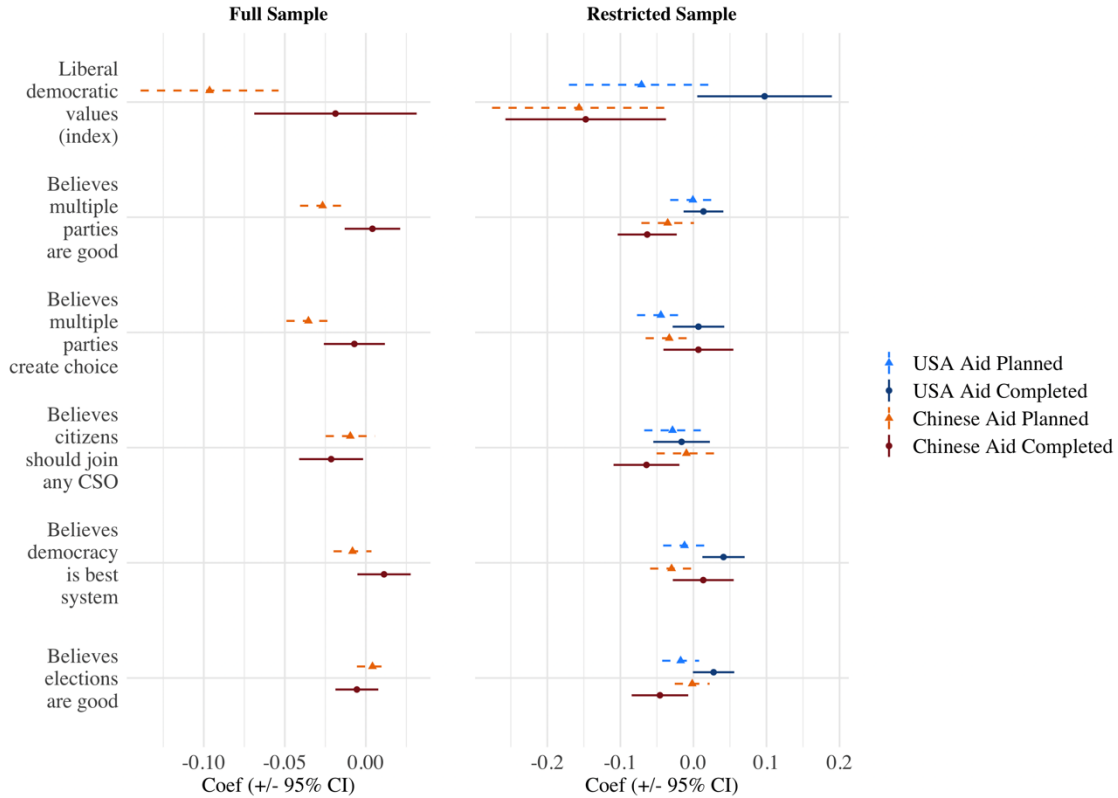


Figure 2. Effects of Chinese and US aid on liberal democratic values Notes: Coefficients and 95% confidence intervals from OLS regression using data from rounds 2-5 of the Afrobarometer survey. The left panel displays results for the 38 countries for which Afrobarometer data is available. The right panel displays results for the six countries for which Afrobarometer and Development Gateway data are available. Standard errors are clustered by community.

However, when we expand our sample to encompass the 38 African countries for which AidData data is available but Development Gateway data is not, we find that if anything, Chinese aid appears to increase support for liberal democratic values. From the left panel of Figure 2, while planned Chinese projects are negatively correlated with liberal democratic values in the expanded sample, this relationship reverts to a null after project completion, resulting in a net statistically significant positive effect (top row). This result is driven in particular by a belief in the value of having multiple political parties (second and third rows), and to a lesser extent by the more general belief that democracy is the best system (fifth row). This is consistent with our finding in Figure 1

that Chinese aid increases affinity for the US, and suggests that Chinese aid either increases or has no effect on affinity for the values that the US espouses as well.

Discussion and conclusion

Contrary to the concerns raised by critics of Chinese aid to Africa, including some prominent members of the US government and foreign policy establishment, overall we find little to no support for the proposition that Chinese aid is enhancing Chinese soft power on the continent, undermining American soft power, increasing ideological alignment with China, or decreasing ideological alignment with the US. If anything, the opposite appears to be true. While Chinese projects tend to be sited in areas where perceptions of China are relatively positive, these correlations reverse or revert to nulls after project completion. Net of potential selection effects, completed Chinese projects appear to diminish affinity for China and boost affinity for the US and other Western powers. Completed US projects similarly appear to boost affinity for the US and Western powers more generally.

Nor do we find evidence that Chinese aid is undermining support for democracy or building tolerance for restrictions on civil society. After correcting for potential selection effects, US aid appears to have a positive effect on liberal democratic values, while Chinese aid has either no effect or a positive effect as well. Nor are the positive effects of US aid on liberal democratic values specific to situations in which the US competes with a geopolitical rival. The effects of US aid are similarly positive conditional on the presence of aid from the UK, a geopolitical ally.

Taken together, our results suggest that aid can serve as an effective instrument of soft power, but that its effectiveness varies across donors and aid regimes. Most relevant to this conference is why does US but not Chinese aid seem to generate support and ideological alignment among citizens of recipient countries?

Our theoretical framework suggests that the adverse effects of Chinese aid may be a result of particular characteristics of the Chinese aid regime. A lack of conditionalities and a willingness to engage with undemocratic governments may explain why Chinese aid does not appear to induce ideological alignment with the Chinese government. As part of the “five-no” doctrine formalized by Xi Jinping at the 2018 FOCAC, China staunchly rejects the push for democratization, liberalization, and good governance that characterizes much OECD-DAC aid to the continent. Ironically, this insistence on non-conditionality may be playing into the hands of China’s OECD-DAC rivals. Whereas the US, UK, and other donors are explicit in their attempts to export liberal democracy, China has not offered an equally explicit alternative other than non-interference, which

may not be enough to sway citizens. More direct messaging may be necessary to induce ideological alignment. But this is precisely the sort of messaging that the five-no doctrine is designed to curtail.