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PAFTA or the alternative of closer economic cooperation. Their major interests differ widely from those of Europeans. The Pacific basin region has a huge potential for trade growth and development which should be cultivated through co-ordinated efforts. Countries belonging to this region have already given recognition to the two common aims of promoting freer trade growth among the Pacific advanced countries and neighbouring less developed countries. Regional solidarity by measures for supporting the dollar, so that American economic potential can exercise a more positive role, is urgently required. Solidarity in the political and military objectives of these countries could also be developed further.

The establishment of a Pacific Free Trade Area is, however, still only an idea that needs implementation. Therefore the suggestion of bilateral government-to-government consultations and

negotiations within the framework of an Organisation for Pacific Trade Aid and Development (OPTAD)<sup>5</sup> would appear sound. The OPTAD could be developed along similar lines to OECD, that is, not as a regulatory agency but as a place where government-to-government consultations could take place. Although this is already a function of OECD, Japan, Australia, New Zealand, the United States and Canada thus could obtain considerable advantages in having a smaller scale regional organisation to deal with problems of a more regional nature.<sup>6</sup> It is also desirable to establish a Pacific Policy Committee to study and promote practical means of achieving these objectives.<sup>7</sup>

<sup>5</sup> Kiyoshi Kojima, *Japan and A Pacific Free Trade Area*, Macmillan, London, 1971, p. 169.

<sup>6</sup> J. G. Crawford and G. H. Board, "Japan's Trade Policy and Trade in Temperate Zone Agricultural Products", a paper presented to the Fourth Pacific Trade and Development Conference, Ottawa, Oct. 7 to 10, 1971, p. 55.

<sup>7</sup> Communiqué of the Fourth Pacific Trade and Development Conference, Ottawa, Oct. 10, 1971.

## Focal Points of Chinese Economic Aid

by Volker Bethke, Hamburg \*

**Reviewing the evolution of Chinese economic aid, it can be found that the People's Republic, though labouring under relatively adverse conditions, has proved its mettle in this field by actively supporting less developed countries (LDCs) over many years.**

Even though there is a deplorable lack of sufficient statistical returns about the overall extent of Chinese aid, we can find certain points of reference that permit us to draw conclusions about the volume of Chinese economic assistance. Quantification of credits promised to countries outside the Eastern Bloc does not present insurmountable obstacles. Reviewing figures and data from different sources over longer periods, we find that, though promised credits were unevenly distributed over individual years, comparable estimates can be worked out. These data refer exclusively to economic aid, but exclude military aid, though a precise separation of the two is not always possible.

Chinese economic aid went through its initial phase from 1956 to 1960, and during this period, annual averages of promised credits remained below \$ 40 mn. In 1961-65, the corresponding amount rose to about \$ 130 mn, and in 1966-70 to either \$ 150 or up to 190 mn, depending on which kind of source is used by the researcher<sup>1</sup>. However,

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<sup>1</sup> cf. W. Bartke, *Die Wirtschaftshilfe der Volksrepublik China (Economic Aid by the Chinese People's Republic)*, in: *Mitteilungen des Institutes für Asienkunde*, Hamburg, No. 44, 1972, p. 11; UNCTAD, *Financial Resources for Development*, Report by UNCTAD secretariat, FD 118, supplement 2, Santiago, 1972, p. 17; *L'aide socialiste au Tiers-Monde (Socialist Aid to the Third World)*, in: *Industrie et Travaux d'Outre-Mer*, Paris, February, 1971, pp. 106 et seq.

there is general agreement that the total for 1970 alone grew to over \$ 700 mn of promised credits, both the US administration and the United Nations estimating that Chinese economic aid commitments, in 1970, surpassed that of the Soviet Union. This comparison, nevertheless, makes it possible only to draw limited conclusions regarding the overall volume and the efficiency of Chinese economic assistance. China's aid is fundamentally different from that offered by other countries for two reasons: credits are granted under easier conditions, and costs caused by carrying out projects financed by China are much lower, especially staffing costs.

### Projects Supported by Chinese Aid

However, Chinese economic aid is characterised not only by favourable conditions but also by the focal points where support is given to development projects. The most spectacular of these projects is the construction of a railway line, about 1,160 miles long, leading from the Tanzanian port of Dar-es-Salaam to the Zambian railhead of Kapiri Mooshi. It was this public works undertaking

**Table 1**  
**Projects of Chinese Economic Aid**  
(As in June 1971)

| Type of Project                                 | completed  | under construction | planned   |
|---|------------|--------------------|-----------|
| Buildings                                       | 31         | 1                  | 7         |
| Craft workshops                                 | 6          |                    |           |
| Industrial projects                             | 62         | 8                  | 20        |
| Power stations, urban and rural electrification | 7          | 4                  | 2         |
| Agriculture                                     | 18         | 13                 | 10        |
| Medical aid, public health, Hospitals           | 11         |                    |           |
|   | 6          |                    |           |
| Transport                                       | 24         | 11                 | 4         |
| Miscellaneous                                   | 10         |                    | 4         |
| <b>Total</b>                                    | <b>175</b> | <b>37</b>          | <b>49</b> |

Source: W. Bartke, *loc. cit.*, p. 229.

which placed the Chinese People's Republic under the spotlight of world attention as an important donor nation. On the other hand, results achieved by economic aid which preceded the signing of the construction agreement for the TanZam railway in 1970 by more than ten years remained largely unnoticed.

Even though the railway project in Tanzania and Zambia claimed more than 50 p.c. of all Chinese credits promised during 1970, 175 other projects had been completed with Chinese assistance up to 1971. These small and medium-scale projects which, in general, were drawn up in conformity

with the development levels already reached by recipient countries and were integrated in existing national development plans, have been widely spread over the fields of light industries, farming, local crafts, energy generation, transport and medical aid.

### Regional Distribution

During the fifties and sixties, the Soviet Union and the USA were engaged in political confrontation throughout the world. This had the effect that, inspite of active striving for neutrality, the LDCs often became involved in the struggle. But whilst this process of polarisation was in train, China was also able to increase its development activities. The Chinese found sufficient changes to chip in with their economic aid, though points of departure for their assistance were very differently situated in different regions.

In many cases, especially in Asia, they were compelled simply to react to aid programmes already initiated by the USA or the Soviet Union, whereas in other areas, especially in Africa, there was still a wide field open for their development activities, without their having to risk immediate confrontation with either one of them. In the first half of the sixties, demarcation lines between opposite spheres of influence were strong in the Middle East, and this meant that there remained hardly a gap for China to slip through. And in Latin America, with the exception of Cuba, the hegemony of Western industrialised countries, especially that of the USA, remained so overwhelming up to quite recently that there was hardly a chance for cooperation left to the Chinese.

### Asia — Focus of Chinese Aid?

Of a total over \$ 2 bn of credits promised to 26 countries, the lion's share of 44 p.c. was claimed by seven Asian countries. Today, however, only two of them — Pakistan and Ceylon — receive official Chinese assistance. Over two thirds of originally promised credits were for Pakistan and Indonesia. But these two states must be considered to have been special cases of Chinese aid, though for different reasons.

Pakistan began to draw Chinese support in 1964. Long before 1971, the country received special treatment because of the impending war between India and Pakistan. Developments expected before China's own door, when India made its cooperation with the Soviet Union progressively closer, caused China to plunge for an exceptionally strong engagement in Pakistan which, expressed in financial terms, had added up by 1971 to a total of \$ 352 mn in promised credits.

**Table 2**  
**Credits Promised by the Chinese**  
**People's Republic by Countries**  
**and by Credit Conditions, 1956-71**

(in \$ mn as of June 1971)

| Regions                             | up to 2.5 p.c.<br>interest | interest-<br>free | grants-in-<br>aid | Total | of which:<br>not drawn upon<br>by June 1971 |
|-------------------------------------|----------------------------|-------------------|-------------------|-------|---|
| <b>Asia</b>                         | 70                         | 707               | 117               | 894   | 389   |
| Pakistan                            |                            | 352               |                   | 352   | 100   |
| Indonesia                           | 55                         | 200               |                   | 255   | 229   |
| Birma                               | 4                          | 84                | 4                 | 92    | 20  |
| Ceylon                              | 11                         | 45                | 26                | 82    | 40  |
| Nepal                               |                            | 20                | 44                | 64    |   |
| Cambodia                            |                            |                   | 39                | 39    |   |
| Laos                                |                            | 6                 | 4                 | 10    |   |
| <b>Africa</b>                       |                            | 806               | 31                | 837   | 456   |
| Tanzania                            |                            | 320               | 7                 | 328   | 200   |
| Zambia                              |                            | 159               |                   | 159   | 120   |
| Guinea                              |                            | 70                |                   | 70    |   |
| Algeria                             |                            | 53                | 7                 | 60    | 20  |
| Somalia                             |                            | 40                | 3                 | 43    | 15  |
| Ghana                               |                            | 42                |                   | 42    | 33  |
| Sudan                               |                            | 35                |                   | 35    | 30  |
| Mali                                |                            | 23                | 8                 | 31    |   |
| Congo (Brazz.)                      |                            | 26                |                   | 26    | 5   |
| Kenya                               |                            | 15                | 3                 | 18    | 14  |
| Uganda                              |                            | 12                | 3                 | 15    | 15  |
| Mauritania                          |                            | 7                 |                   | 7     |   |
| Central Africa                      |                            | 4                 |                   | 4     | 4   |
| <b>Middle East</b>                  |                            | 288               | 14                | 302   | 172   |
| UAR                                 |                            | 80                | 14                | 94    | 70  |
| South Yemen                         |                            | 53                |                   | 53    | 30  |
| Yemen                               |                            | 49                |                   | 49    | 10  |
| Iraq                                |                            | 42                |                   | 42    | 42  |
| Syria                               |                            | 36                |                   | 36    | 20  |
| Afghanistan                         |                            | 28                |                   | 28    |   |
| <b>Total</b>                        | 70                         | 1,781             | 162               | 2,033 | 1,017                                       |
| <i>in p.c. of<br/>total credits</i> | 4                          | 88                | 8                 | 100   | 50  |

Source: compiled from figures given by W. Bartke, loc. cit., p. 11.

Promises that were made to Indonesia originated all in the period before 1966, when the former Indonesian president, Dr Soekarno, pursued his brand of national independence policy, with full Chinese approval. In 1965 alone, immediately before Soekarno's fall, \$ 200 mn were granted, but this total was never fully drawn upon. Assistance for Indonesia, therefore, has become a purely hypothetical figure today.

Aid for the remaining Asian nations, which, except for Ceylon and Cambodia, are situated contiguous to China's own frontiers, has remained within the framework of credit promises which were made to other countries, too. It would therefore not be justified to say that China — apart from Pakistan's case — tries to build up specially strong influences in the Asian region through its economic aid today. The governments of the two countries which are now also engaged in the Indochina war — Cambodia and Laos — received their last promises of

credits in 1960 and 1962, respectively. Active support to these countries is nowadays channelled no longer through their military governments but through their liberation movements.

Whilst Chinese credit promises to Asian countries were restricted to a moderate number of states and — except for Pakistan and Ceylon — to the initial phase of Chinese economic aid, African countries did not begin to draw Chinese aid before 1960/61, and this reached a larger volume only in the middle sixties. In the summer of 1971, total credits promised by China to African countries amounted to \$ 837 mn, or 41 p.c. of all Chinese credit promises to non-socialist countries. Of 13 African recipients, eight have been receiving Chinese development aid promises only in 1964 and later.

#### Exemplary Economic Aid In Africa

Far out in front are Tanzania and Zambia, but neglecting the railway credits promised in 1970 for the first construction stage of that project, we find that also Tanzania and Zambia, measured by their shares in the remaining credit volume, have no special rank among the other African countries. Disregarding the Central African Republic and Mauritania, the scale of credit promises ranges from individual amounts of \$ 15 to 70 mn. After the Central African Republic had been promised a credit of \$ 3 mn in 1965, it broke off relations with China, so that economic aid could not be extended further. Mauritania, up to now, received only \$ 7 mn, but it will move up to the average level shortly because China is planning its second giant project of development aid on the coast of West Africa. There, credits on favourable conditions and the help of Chinese technicians will lead to the construction of an ocean port for ships of more than 50 000 Gross Register Tons — larger than the ports of Abidjan and Dakar, and therefore the largest port facility on the whole West African coast.

Large projects like these either already in hand or planned, and the continuous character of Chinese aid, make it clear that Africa is now, and will be in future, the main recipient of Chinese economic assistance. Whilst official aid for Asian countries, except for Pakistan and Ceylon, has dried up, of the 13 African states originally chosen for Chinese aid, 10 are still receiving active assistance. Relations with both Ghana and the Central African Republic were broken off in 1966, shortly after the start of Chinese aid. Relations with Kenya were put in cold storage already in 1965. In 1971, initial contacts with Kenya were resumed by the Chinese Red Cross making a donation on the occasion of a disastrous drought.

To sum up, it may be stated that Chinese economic support for African states is directed far less against attempts of the Soviet Union and the USA to maintain and expand their influence than in other parts of the world. The reason seems to be partly that both these countries have not drawn the borders of their spheres of influence as clearly and rigidly here as they did, for example, in Asia or the Middle East. In these regions, the Chinese People's Republic is compelled to react with its development policy to the super-powers' prevailing interests, whilst on the continent of Africa, there is much wider scope for the Chinese to act independently with their development policies. That means that the directions in which this policy may strike out are not primarily predetermined by earlier steps taken by others, but by the recipient countries' own interests. China is likely to make use of these special African conditions also in the future, by gaining, through a model development policy, more good will and confidence in the countries of the Third World.

#### **Cool Relations with the Middle East**

In contrast with the foregoing, the points of departure for Chinese economic aid in the Middle East are mainly the deeds and policies of the two super-powers, especially the Soviet Union. This has meant, specifically, that the relations with countries like the Yemen and the United Arab Republic, which had been friendly from an early date, had to suffer from a subsequent cooling-off from about 1966, when Moscow increased its influence in this region. In spite of having accepted Chinese promises of credits to the equivalent of altogether \$ 96 mn, the UAR has not used to this day \$ 70 mn, because it fears Soviet susceptibilities. Nor did the Yemen — in a similar way as the UAR — receive any new promises of credits since 1964, but in this case, available credit lines have been used to the extent of about \$ 50 mn, leaving an unexhausted balance of \$ 10 mn only.

Only in the Yemenite People's Republic, China was able to maintain its dominating position. Of all Arab states, it received the second-highest promises of credits after the UAR. China established diplomatic relations with the Iraq already in 1968, but Chinese aid was promised to Baghdad only in 1971. The gradual growth of closer relations with several Arab countries reveals a trend operative with their governments to loosen, cautiously, their one-sided fixation upon Moscow without running the risk of losing Moscow's continued support, by improving their relations with China.

Also Afghanistan is compelled to maintain the uneasy balance between its traditional partners,

Soviet Union and the Chinese People's Republic, in order to prevent the Soviets from withdrawing their aid completely. Even though China had granted Afghanistan a \$ 28 mn credit (which has been completely used up since) already in 1965, Soviet influence is comparatively strong there. All this goes to show that only a limited growth of Chinese economic aid to any Middle Eastern country may be expected in future.

#### **First Contacts with Chile's Government**

Nowhere in Latin America has China acted as a source of development aid, so far, but it is highly likely that improved contacts with Latin American Republics will soon result in agreements about Chinese help. Very recently, Chinese/Chilean ties have become so much firmer that a number of agreements between the countries have already been made.

Chinese support aims at strengthening Chile — and possibly other Latin American countries — in its position vis-à-vis the United States. The Chinese People's Republic has promised the Chilean government in December 1971 to buy important quantities of its foremost export commodity: copper. This is intended to make China, after the USA and the UK, Chile's third-most important customer. It can only be a question of time before an agreement about Chinese economic aid for Chile will be signed.

Chinese advances into the American sub-continent, which have very recently begun, reveal clearly that the political self-denying ordinance practised by China in Africa is not identical with undifferentiated randomness in selecting China's partners. Here again, and in Latin America more so than elsewhere, China will have to practise severe reticence in trying of influence policies of national and socialist forces that are active in these countries, for it is just those Latin American Republics where China could make a start in cultivating improved mutual relations that have ample experience in fighting US interest, and that imbues them with a large measure of self-confidence.

If development cooperation all over the world, which is still in its very first stages, is to be crowned with eventual success, the Chinese People's Republic will have to act according to its own maxim, that was founded on its own experiences: "In order to achieve their complete liberation, oppressed peoples have to rely, in the first instance, on their own struggle, and only in the second instance, on international help." (Mao Tse-tung).