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**How China's Belt and Road Initiative changed the allocation of
EU development assistance**

Dahrendorf Essay by

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Introduction

For decades, Western donors have held a de facto oligopoly on foreign aid. Collectively, the EU has long been the single largest provider of development finance to the developing world and has played a central role in shaping the international development agenda (OECD, 2023). In 2013, newly elected Chinese President Xi Jinping unveiled the “One Belt, One Road” initiative, later renamed the Belt and Road Initiative (BRI). This ambitious program marked a new era for development finance. By providing alternative sources of development funding, the BRI has challenged traditional Western dominance in international development. Simultaneously, the world has entered a new phase of geopolitical competition. Unlike the United States, the EU does not directly engage in military competition with China, yet political and ideological disagreements have only grown wider over the last decade. The years of partnership and cooperation between the EU and China are increasingly replaced by competition and rivalry. It is now widely acknowledged within the EU and its member states that China represents not only an economic competitor but also a “systemic rival” (European Commission & High Representative of the Union for Foreign Affairs and Security Policy, 2019). This essay aims to empirically evaluate how the Chinese Belt and Road Initiative impacted the allocation of EU development assistance in the context of intensifying geopolitical rivalry. Development assistance can serve as a policy tool for the EU to exert influence abroad, and I expect that the EU allocates more development aid to countries that have previously received high amounts of aid from China and that this effect is particularly strong for countries that align their foreign policy with China. My findings support the interpretation that the EU is using development assistance to geopolitically compete with China but contrary to expectations, the effect decreases the more the recipient is aligned with China in the UNGA.

The dual nature of foreign aid

Foreign aid and development assistance are often used interchangeably; however, Official Development Assistance (ODA) is a specific category of aid that has been developed and formalized by the OECD’s Development Assistance Committee (DAC). In 1969, the DAC officially defined ODA as: “Flows to developing countries and multilateral institutions provided by official agencies, with the primary aim of promoting economic development and welfare, and offered on concessional terms” (OECD, 2024). Political scientists quickly became interested in understanding the motivations behind providing Official Development Assistance (ODA). While some argue that aid is genuinely intended to support development and address the needs of recipient countries, others hypothesize that, since aid is provided by official

agencies, it often serves as a tool to advance the donor's national interests abroad (Kim & Oh, 2012). The empirical literature highlights that development aid is allocated both based on recipient need and by donor interests. For instance, Lumsdaine & Risse-Kappen (1993) find that Scandinavian governments prioritize humanitarian concerns, driven by public support for alleviating suffering beyond their own borders. Similarly, Alesina & Dollar (2000) observe that the presence of humanitarian catastrophes and low GDP per capita in recipient countries consistently correlates with higher aid inflows.

At the same time, De Mesquita & Smith (2007: 253) point out that “while some aid might be distributed to alleviate poverty and suffering, the poorest states do not receive the most aid”. Multiple studies show that aid is frequently used to shape the policies of recipient countries in ways that align with their own policy preferences. Bearce & Tirone (2010) find that U.S. aid was strategically deployed to contain Soviet influence, while Dunning (2004) reveals that countries geographically bordering Communist states were significantly more likely to receive aid. During the early Cold War, the United States was the primary provider of development assistance, with large parts of Europe being key recipients of U.S. aid under the Marshall Plan. As the Cold War progressed, aid was not only a means to counter Communist influence but also to “buy votes” in the UN Security Council and General Assembly (Dreher et al., 2008). The European Economic Community (EEC), the predecessor to the European Union (EU), joined the Development Assistance Committee (DAC) in 1961, just one year after its founding. As the economic capacity of Western European countries grew throughout the post-war period, they began expanding their own aid budgets. By the 1970s, EU member states collectively surpassed the United States as the largest provider of aid to the developing world, both in absolute and relative terms.

The end of the Cold War brought about a reevaluation of foreign aid priorities (Bermeo, 2017). While aid continued to serve as a tool for influencing recipient countries' votes in the UN and other international forums, its geopolitical focus shifted. Following 9/11 and the subsequent War on Terror, aid priorities - particularly for the United States - changed dramatically. A significant share of U.S. development assistance was redirected toward counterterrorism efforts and the rebuilding of fragile states, particularly in the Middle East (Fleck & Kilby, 2010; Lancaster, 2008). For many European donors, foreign aid priorities also evolved. Securing natural resources and expanding export markets became key objectives to strengthen economic influence abroad (Couharde et al., 2020; Lundsgaarde et al., 2010). Additionally, following the Arab Spring and the subsequent refugee crisis, European aid increasingly served as a migration management tool to stabilize regions of origin and reduce

migratory pressures on Europe amidst persistently high levels of migration (Bermeo, 2017; Bermeo & Leblang, 2015).

Development assistance in the context of a deteriorating EU-China relationship

For the first five decades of its existence, the People's Republic of China was one of the world's largest aid recipients. However, this began to shift in the early 2000s as China's rapid economic growth and accumulation of U.S. dollar reserves enabled it to finance a large-scale overseas lending program. This transformation culminated in 2013 with the launch of the Belt and Road Initiative (BRI) by President Xi Jinping—a global infrastructure development strategy designed to enhance trade, connectivity, and economic integration by building critical physical infrastructure such as railways, roads, ports, and energy facilities across key international trade routes. To date, over 150 countries have signed agreements under the BRI and between 2014 and 2021, official financial flows from China to the developing world totaled approximately \$680 billion (Custer et al., 2023). While Chinese international lending activities had already taken off years before the BRI, they reached unprecedented levels after its launch, with a clear emphasis on large-scale physical infrastructure projects. Within just a few years, China transitioned from being a major aid recipient to becoming the largest single bilateral creditor in the world (Dreher et al., 2022).

However, China's overseas lending has faced widespread skepticism, with critics labeling it as “rogue aid” (Naim, 2007). These concerns escalated after high-profile cases, such as China taking control of a strategic port in Djibouti when the country struggled to repay its debt. This fueled allegations of “debt-trap diplomacy,” a narrative suggesting that China deliberately lends to vulnerable nations to seize strategic assets upon default. Subsequent academic research, however, has largely debunked these claims (Dreher & Fuchs, 2015). China's lending practices does indeed differ significantly from those of Western OECD donors - particularly in its reliance on debt and Other Official Flows (OOF), its focus on large-scale infrastructure projects, and its relative lack of transparency (Dreher et al., 2022; Dreher & Fuchs, 2015; Malik et al., 2021). However, China's underlying motivations are not entirely unique. Just like Western donors, China's aid serves dual purposes: addressing recipient needs while advancing its own commercial and political interests (Dreher et al., 2018; Regilme & Hodzi, 2021). For instance, China has strategically used foreign aid to consolidate diplomatic ties, such as isolating Taiwan, and to influence voting behavior in international forums like the UNGA (Fuchs & Rudyak, 2019). Furthermore, China actively leverages its development assistance to reshape global norms, including efforts to influence the international human rights regime in its favor (Jang &

Yoo, 2024). While Western European nations have largely viewed China's Belt and Road Initiative (BRI) with skepticism and caution, Central and Eastern European countries initially showed greater enthusiasm. Many joined the BRI and participated in newly established platforms like the 16+1 framework, aimed at fostering cooperation between China and the region.

After an initial period of limited engagement, concerns about China's intentions began to rise (Foretia et al., 2024). Starting in 2016, the EU's rhetoric toward China became increasingly critical, marking a significant shift in their bilateral relationship. This change was formalized in the 2019 EU-China Strategic Outlook, which framed China as a partner for cooperation and negotiation, an economic competitor, and a systemic rival. This triple framing was later reaffirmed in the EEAS Strategic Compass (2022) and echoed in many EU member states' national strategies. EU-China relations began to deteriorate as their interests and values increasingly diverged. Several critical issues have driven these tensions: China's domestic repression and human rights violations, particularly in Xinjiang and Hong Kong, have drawn EU condemnation and sanctions, while Beijing has sought to legitimize its human rights regime abroad and in international fora. Additionally, China's use of economic coercion against Lithuania and Sweden has exacerbated tensions, alongside growing geopolitical disputes over Taiwan and the South China Sea. More recently, China's support for Russia in the context of the war in Ukraine, including bolstering Russia's economy and military through the supply of dual-use goods, has led to an increasing number of voices within the EU calling China a threat to European security (Heide & Koch, 2024). As a result, EU member states have placed growing emphasis on competition and systemic rivalry, with an increasingly dominant narrative portraying China as a geopolitical rival (The Federal Government, 2023). In the context of this deteriorating relationship, China's expanding global influence has raised alarm within the EU. A telling example occurred in early 2023 during a discussion between Namibian President Hage Geingob and German politician Norbert Lammert. When Lammert voiced concern over China's growing presence in Namibia, Geingob responded sharply: "Every time a Westerner comes, it's all about the Chinese."

In response to China's Belt and Road Initiative (BRI), the European Union launched its own infrastructure strategy, the EU Global Gateway. Proposed by the European Commission in 2021, the initiative aims to serve as a "true" alternative to Chinese infrastructure financing. At its launch, Commission President Ursula von der Leyen emphasized the Global Gateway's distinct approach, stating that it is intended to be "a different option from those that too often come with a lot of small print, which includes big consequences" (Von der Leyen, 2021).

China's growing global footprint that grew through the BRI is undoubtedly more on the minds of EU policymakers. I thus empirically examine whether the BRI has influenced the EU's aid allocation strategies, transforming development assistance into a more strategic tool for geopolitical competition with China - similar to how the US used foreign aid to contain soviet influence during the Cold War. The main hypotheses I plan to test are the following:

H1: Recipients are more likely to receive aid from the EU if they have previously received aid from China.

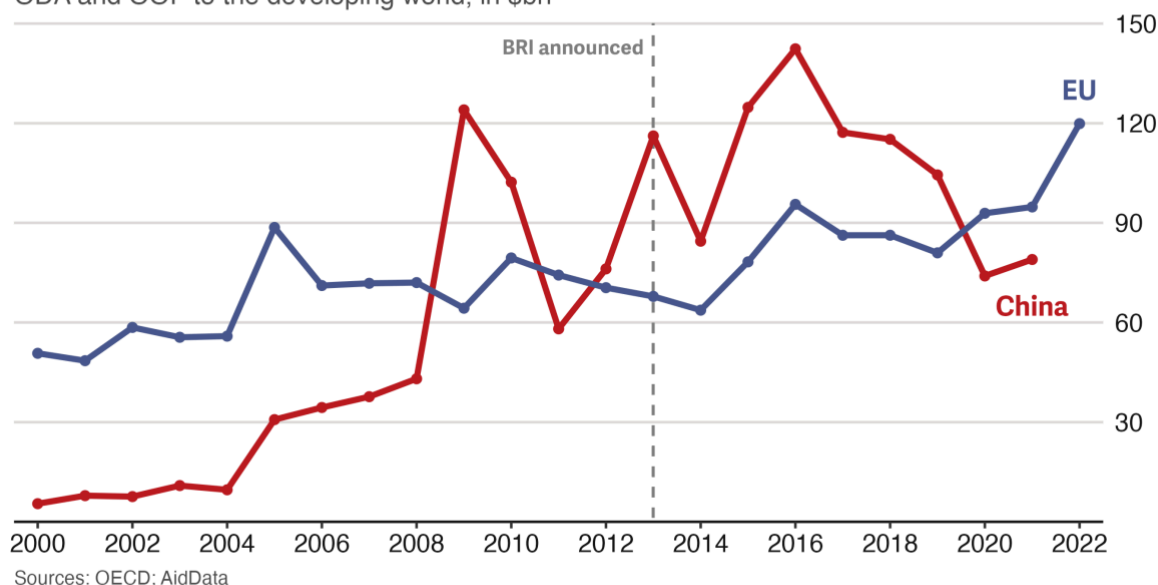
H2: The influence of prior Chinese aid on EU aid allocation is higher for recipients that are highly aligned with China at the UN.

Descriptives

Figure 1 provides some descriptive statistics on the total sum of official financial flows, which includes both ODA and OOF, to all recipients that are categorized by the OECD as developing countries from 2000 to 2022. It shows that following the creation of the BRI in 2013, the EU has steadily increased its development finance flows. From 2014 to 2022, the EU has more than doubled its gross development finance disbursements to developing countries. In fact, 2020 has been the first year in which the EU has surpassed China as the largest development financier to the developing countries since 2012. While Figure 1 shows that the EU has greatly increased its provision of development assistance following the introduction of the BRI, it does not control for potential confounders. To attribute the increase of EU development assistance to the BRI, a closer quantitative examination is necessary.

Fig 1: EU and Chinese development finance flows

ODA and OOF to the developing world, in \$bn



Quantitative Methods

To test whether the EU allocates more aid to recipients that have received previous aid from China (H1), I use an multivariate OLS model with the total amount of aid committed by the EU (Both member states and EU institutions) to a recipient in a year as the dependent variable. Aid commitments rather than disbursements are used because the donor has full control over its own commitments while disbursements often depend on factors outside the donor's control. Data is retrieved from the OECD as it is the most reliable for foreign aid data for EU donors. The independent variable is the amount of Chinese aid provide to a recipient in the year prior. For this, I use the newest version of the Global Chinese Development Finance Dataset by Aiddata. I control for potential confounders and include control variable that capture recipients' level of democracy, corruption, natural resource endowments, and population size. The data for control variables are drawn from the Varieties of Democracy Database and the World Bank's World Development Indicators. Due to the time-series cross-sectional nature of my dataset, I include donor-and year-fixed effects. Donor-year fixed effects control for all time-varying characteristics of the donor countries in a given year, for instance changes in donor countries' economic conditions that might affect how much aid they provide. If donor countries are affected by a global financial crisis, they might reduce their aid across the board for all recipients. To test H2, I add an interaction term between the amount of prior Chinese aid and the alignment of recipients with China in the United Nations General Assembly (UNGA). The data is obtained from the updated dataset curated by Voeten et al. (2009) which includes a voting similarity index that takes the value of 1 when a recipient votes the same way as China on all UNGA resolutions in a year and is 0 when a recipient votes the opposite way as China on all UNGA resolutions.

Results

Table 1 below depicts the results of the regressions for the periods before the inception of the BRI (2006 – 2012) and the period after (2014-2022). Model 1 shows that in the pre-BRI era, previous Chinese aid was not a statistically significant factor for the EU when allocating development assistance. Recipients who vote in line with China at the UNGA, however, received significantly less aid from the EU. *Ceteris paribus*, when the voting similarity index of recipients with China increases by 1 (out of 100), funding from the EU drops on average by 0.55 mio USD. Post-BRI, however, a (log) one million USD increase in the amount of Chinese financing a recipient receives a year prior, is associated with a 1.3 mio. USD drop in EU aid. The result is statistically significant at conventional levels. Voting in with China in the UN post-

BRI is not a statistically significant predictor anymore. Model 3 adds an interaction effect between a recipients voting alignment with China in the UNGA and its previous amount of Chinese aid received for the post-BRI period. It indicates that the effect of previous Chinese aid on EU aid is dependent upon the voting alignment of the recipient in the UNGA. The negative and statistically significant interaction term of indicates that the positive relationship between prior Chinese aid and EU aid diminishes as the recipient country becomes more aligned with China in its UNGA voting. In other words, the EU increases its aid in response to Chinese aid, but this response is weaker for countries that are highly aligned with China at the UNGA.

Table 1: Chinese Official Finance and EU Aid Commitments (2006-2022)

	DV: EU Aid Commitments		
	Pre-BRI (1)	Post-BRI (2)	Interaction Post-BRI (3)
Chinese Aid (log amount, t-1)	-0.108 (0.427)	-1.320*** (0.337)	7.924* (3.285)
UNGA voting	-0.547*** (0.147)	0.091 (0.131)	0.613** (0.226)
Liberal Democracy	0.135 (0.070)	0.050 (0.064)	0.044 (0.064)
GDP per capita (log)	0.692 (1.327)	0.664 (1.228)	0.506 (1.229)
Population (log)	8.291*** (0.770)	10.206*** (0.698)	10.060*** (0.700)
Natural Resources	0.059 (0.097)	-0.357** (0.110)	-0.373*** (0.110)
Corruption	-1.271 (2.511)	5.489* (2.159)	5.907** (2.163)
Chinese Aid x UNGA voting			-0.115** (0.041)
Constant	38.701* (18.032)	-18.293 (15.043)	-60.309** (21.133)
Observations	5,248	6,456	6,456
R ²	0.131	0.225	0.226
Adjusted R ²	0.125	0.221	0.222

Note:

*p<0.05; **p<0.01; ***p<0.001
Fixed effects for donor and year are included but not shown.

To check the robustness of the results, I run the same model but use the number of Chinese aid projects to a recipient in a given year, instead of the volume of Chinese aid, as an alternative measure for the independent variable. Results in Table 2 for the pre-BRI phase are similar to that of table 1. The EU allocates more aid to recipients that are aligned with China while the number of previous Chinese aid projects has no statistically significant impact. The results for the post-BRI period, however, differ. Model 3 that includes the interaction indicates that when measured as the number of aid projects, prior Chinese aid has no clear direct relationship with the amount of EU aid given to recipient countries. Similarly, UNGA alignment with China does not appear to influence EU aid in a statistically meaningful way. This suggests that the observed effect is not driven by the number of Chinese aid projects but rather by the intensity or scale of Chinese aid flows - which are more visible to EU policymakers.

Table 2: Chinese Official Finance and EU Aid Commitments (2006-2022)

	DV: EU Aid Commitments		
	Pre-BRI (1)	Post-BRI (2)	Interaction Post-BRI (3)
Chinese Aid (number of projects, t-1)	−0.007 (0.187)	−0.527*** (0.090)	0.334 (1.125)
UNGA voting	−0.521*** (0.144)	0.097 (0.121)	0.201 (0.182)
Liberal Democracy	0.115 (0.067)	0.096 (0.063)	0.093 (0.063)
GDP per capita (log)	1.077 (1.285)	−0.398 (1.187)	−0.417 (1.187)
Population (log)	8.148*** (0.715)	9.802*** (0.656)	9.773*** (0.658)
Natural Resources	0.006 (0.093)	−0.384*** (0.106)	−0.393*** (0.106)
Corruption	−0.430 (2.387)	5.010* (2.069)	4.984* (2.070)
Chinese Aid x UNGA voting			−0.011 (0.014)
Constant	40.604* (17.566)	−28.355* (14.133)	−36.735* (17.861)
Observations	5,651	6,807	6,807
R ²	0.131	0.229	0.229
Adjusted R ²	0.126	0.225	0.225

Note:

*p<0.05; **p<0.01; ***p<0.001

Fixed effects for donor and year are included but not shown.

These findings overall support H1, all else equal, recipients are more likely to receive aid from the EU if they have previously received aid from China. However, I find no support for H2. The influence of prior Chinese aid on EU aid allocation is not higher for recipients that are highly aligned with China at the UN. Instead, the effect is opposite to expectation, previous Chinese aid is correlated with an increase in EU aid for recipients that are not aligned with China at the UNGA.

Discussion and Conclusion

This paper examines the impact of China's Belt and Road Initiative (BRI) on the EU's development assistance allocation. I find that recipients receiving high levels of prior Chinese aid are more likely to receive increased development assistance from the EU. This suggests that the EU strategically allocates aid in response to China's growing presence in recipient countries. However, contrary to expectations, the EU appears to prioritize competing for influence in countries where China's political alignment is weaker, rather than in countries already firmly aligned with Beijing. Furthermore, the EU seems to be more responsive to large, visible Chinese investments, which are likely perceived as more significant geopolitical challenges. MY findings contribute to the broader literature on foreign aid as a tool of geopolitics. Similar to how the United States used development assistance during the Cold War to contain Soviet influence, the EU now appears to employ aid to counter China's growing footprint in the developing world.

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