Using aid for autocracy promotion? A quantitative analysis of China’s foreign aid effect on regime types.

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Abstract
After the breakdown of protest at Tiananmen in 1989, China discovered development aid as a tool to overcome international isolation. Due to China’s economic growth and its inclusion into international markets through the WTO entry in 2001, aid amounts soared and China has since then become a significant donor, with estimations regarding it as the sixth biggest donor country in the world. In contrast to development aid of the OECD donor nations, China sets no conditions for the granting of development assistance, with the exception of the diplomatic recognition of Taiwan as a part of China (‘One-China Policy’). As a promoter of the international norm of non-intervention, authorities in Beijing do not demand structural reform of governance in the recipient’s country for the supply of aid. The question of this paper is, whether China is a ‘Rogue Donor’, undermining democracy and promoting democracy. Does China – by providing alternative funding for developing countries – remove the incentive of democratization accompanying traditional aid by OECD donors? And is Chinese aid – as unconditional non-tax revenue, similar to the existence of natural resources in a country – endowing ruling governments with a means to maintain their power and impair fair party competition? To answer this question, I measure the effect of Chinese aid on development country’s democracies by relying on statistical panel data analysis. Including theories of international relations, the paper adds to the understanding of autocratic cooperation and authoritarian norm promotion and by relying on democratization theories, to the understanding of regime type transformations. The empirical analysis reveals that China does not affect regime types of the recipient countries.
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Introduction

In 2009, *Foreign Policy* published Moises Naím’s article “Rogue Aid”. In his widely cited paper, he claims that Chinese foreign aid is “nondemocratic in origin”, stifling progress and hurting average citizens (Naim 2009). In the essay at hand, handed in as a master thesis within the Master of Political Science at Georg-August-University of Göttingen, I address the impact of Chinese aid on the recipient countries’ regime types, shedding light on Naím’s assertion by testing if Chinese aid causes countries to become less democratic and more autocratic.

After the breakdown of protests at Tiananmen in 1989, China discovered foreign aid as a tool to overcome international isolation. Due to China’s economic growth and its inclusion into international markets through the WTO entry in 2001, aid amounts soared and China has since then become a significant donor, with estimations regarding it as the sixth largest donor country worldwide in 2014 (Kitano/Harada 2014, p.11). In December 2015, a 60 billion dollar aid packet to Africa was concluded at the “Forum on China-Africa Cooperation“ (FOCAC) in Johannesburg (MERICS China Update 44/2015).

Disregarding the diplomatic recognition of Taiwan as part of China (‘One-China Policy’), Chinese aid is - in contrast to foreign aid of traditional donors organized in the OECD - not tied to conditions of good governance. Advocating the international norm of non-intervention, authorities in Beijing do not demand structural reforms from the recipient countries for the provision of aid.

In the paper at hand I analyze the impact of unconditional Chinese aid on the governments of the recipient countries. Is foreign assistance from Beijing ‘Rogue Aid’, deteriorating democracies and strengthening autocracies, as indicated by Moses Naím and others? As unconditional revenue for the ruling elites in developing countries and an alternative funding source to democracy-claiming Western aid, Chinese aid comprises characteristics that may prove Naím right. To test the
hypothesis, I rely on the newly established AidData data-source on Chinese aid that overcomes the lack of reliable numbers on Chinese aid by using a media-based collection approach to gather cross-national project level data from 2000 onwards. Using a panel data model, I test if the amount of financial aid from Beijing causes a gradual change of the recipient countries’ regime types from democratic to autocratic rule.

Since the beginning of the twenty-first century the ‘Third Wave of Democracy’ (Huntington 1991) slowed down, leading to a ‘democratic rollback’ and an ‘authoritarian comeback’ (Diamond 2008). The empirical analysis of this paper is conducted within the framework of an International Relations approach towards authoritarian cooperation, analyzing the role of Chinese aid as a foreign policy instrument of autocratic norm promotion and asking, if Chinese foreign aid adds to the reestablishment of autocratic rule. Promoting autocratic rule with the instrument of foreign aid can be conducted through higher amounts of financial assistance to autocratic rulers. Thus, the allocation of aid with reference to regime types is considered in the first part of the paper. Yet, the focus of the analysis lies at the effect that Chinese aid yields on recipient countries regime types after its distribution. To put the effect of Chinese aid on regime types into context, the theoretical part of the paper introduces relevant literature on regime type transition, mainly modernization theory and deliberations on the effect of oil rents on regime type.

Looking at the allocation of Chinese aid, the data reveals that China does spend more foreign assistance to countries with democratic regime types. Yet, in relation to the United States, the share of Chinese aid to autocratic regimes is higher. The results of the regression analysis show that Chinese foreign aid amounts do not influence regime type transitions. The paper at hand gives empirical evidence that Chinese aid cannot be considered a foreign policy instrument to promote autocracy.

The structure is set out as follows. First, I introduce the relevant literature, the research gap and socio-cultural relevance in chapter two. Chapter three deals with the definition of basic concepts used in the essay. The distinctive feature of Chinese aid compared to Western foreign aid is presented in chapter four. Chapter five is dedicated to theoretical explanations, presenting the theoretical framing of autocracy
promotion in the first part, before continuing with theories on the reasons that regime types transition. The empirical analysis, including methodology, data, and discussion of results, follows in chapter six. A conclusion is presented in chapter seven.

**Literature review**

Sarah Bermeo studies the effect of authoritarian aid in a cross-national quantitative comparison of OECD and Non-OECD donor’s aid. She compares aid from the Gulf States to that of Western countries organized in the ‘Development Assistance Committee’ (DAC) of the OECD. Bermeo finds that aid from democracies has a positive effect on democratic transition, while the effect of autocratic aid on democratization is negative and positive for authoritarian transition (Bermeo 2011, 2).

Various authors studied the effect of Chinese aid on regime type transitions, obtaining different results.

Similarly to Bermeo (2011), Kersting and Kilby (2013) compare the effects of aid from democratic and autocratic donors. Due to missing data for Chinese aid, they include a dummy variable with the value 1 if a country was eligible for Chinese aid. This is the case, when a) the recipient country has diplomatic ties with China because it does not recognize Taiwan as independent and b) according to early Aiddata’s information, if China conducted aid projects in the country. Thus, they ignore the effect of the amount of Chinese aid (Kersting/Kilby 2013, 15). Their findings are consistent with Bermeo’s, claiming that democratic and conditional aid has a positive effect on democratization, while foreign aid from autocratic donors is associated with a decrease of the recipient country’s democracy level. The authors’ analysis furthermore shows that aid from China, when including Chinese aid recipients through a dummy variable, ignoring the volume of aid provided, has a negative effect on democratization (Ibid., 17). Using the same methodology, Diedrich and Wright confirm these findings in their paper ‘Foreign Aid and Democratic Development in Africa’, stating that it “provides some support for Naím’s (2007) claim that China is a rogue donor” (Dietrich/Wright 2012, 15).
Ian Taylor and Denis Tull observe a trend towards authoritarianism for recipients of Chinese aid, relying on case study evidence (Taylor et al. 2004; Tull 2006). Tull claims that Chinese aid undermines the efforts for political liberalization by the OECD, presenting an alternative to traditional donors’ aid, which is attached to conditions of good governance. Besides, Chinese aid entails the same characteristics as oil exports, benefiting only the ruling governments and state elites of the recipient countries. Because China gives aid to combatted regions as well, it also contributes to conflicts (Tull 2006, 474-476). Taylor pulls in the same direction, claiming that China does not promote peace, prosperity and democracy on the African continent because it supports undemocratic regimes. According to the author, Beijing legitimizes human rights abuses and undemocratic practices by promoting the concept of state sovereignty (Taylor 2004, 99).

Mthembu-Salter shows in his paper that the Democratic Republic of Congo’s president Kabila could fund his successful re-election campaign in 2011 only because he received foreign aid from China. The Chinese support helped him to complete construction projects, which proved the success of his promised national reconstruction campaign (Mthembu-Salter 2012, 20-21).

In sum, there are various scholars who assert a direct linkage between Chinese aid and recipient countries’ governments moving towards autocratic rule. Though, there are also authors contradicting them, assessing the role of Chinese engagement on recipients’ governments as rather modest.

Julia Bader analyzes the effect of Chinese bilateral engagement on the survival of autocratic leaders and comes to the conclusion that “China impacts autocratic survival much more weakly than critics of Beijing claim” (Bader 2014, 1). Her cross-national analysis shows that arms sales, economic cooperation and high-level state visits do

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1 Speaking about traditional or western aid, I refer to foreign aid granted by the countries organized in the OECD, including Australia, Greece, Austria, Belgium, Ireland, Canada, Italy, Japan, Spain, Denmark, Korea. Sweden, European Union, Luxembourg, Switzerland, Finland, The Netherlands, United Kingdom, France, New Zealand, United States, Germany, Norway (OECD).
not significantly improve the persistence of autocratic rulers. Only the existence of export dependence on China does influence the incumbency of dictators in the countries trading with the Middle Kingdom, according to Bader (Ibid., 8).

Researching the promotion of authoritarianism abroad, Rachel Vanderhill states that in contrast to Russia, Venezuela and Iran, “there are no signs that China is actively seeking to influence regime type” (Vanderhill 2013, 6) Yet, she argues that Chinese engagement may be enabling authoritarianism without promoting it (Ibid., 6).

By relying on cross-national data, this paper adds new insight to the academic debate, testing the effect of Chinese aid on a quantitative statistical basis.

**Socio-economic relevance**

When Deng Xiaoping initiated the reform era in 1978, opening up the country to economic reform and foreign investment, Chinese foreign policy was influenced by his slogan “bide your time and hide your capabilities” (Glaser/Medeiros 2007, 305). The aspiration of a “low-profile” foreign policy that concentrates on domestic affairs and the backing of economic growth continued to the legacies of Jiang Zemin and Hu Jintao. The inauguration of Xi Jinping in 2012, following China’s rather successful maneuver through the financial crisis marked an end to this policy approach. Beijing started a much more offensive way of conducting external affairs, viewing itself as having risen to great power status (Layne 2012, 3). This new “assertiveness” is unfolded in soaring military spending, engagement in international organizations and UN peacekeeping, in maritime expansion in the East and South East Asian Sea and increasing spending of foreign aid (Medeiros 2009, 187). As a global powerhouse, China seeks to extend its political influence. It will use foreign policy for the diffusion of its norms and to reform the global order in its interest (Strüver 2014, 118, 122). This study analyzes Chinese aid as a foreign policy instrument, asking if Chinese authorities use foreign aid to spread the norm of authoritarian governance. The study thus adds to the understanding of Chinese actorness in international affairs. Understanding Chinese political behavior is extremely important in times of a “tectonic power shift“ (Haass 2008) in the world.
After the post-Cold War period with US hegemony of the international system, the world is moving towards multi- or nonpolarity with numerous centers of power. A multi- or nonpolar world will be less stable than a unipolar or bipolar one. Many actors with the means of power and the intention to exert influence make it “more difficult to build collective responses and make institutions work” (Ibid.). Grasping the intentions and actions of actors in international relations is an inevitable competence to shape the world in a peaceful way. Understanding the foreign policy of Beijing is particularly important for this purpose, because China – due to its economic and geopolitical rise – captures a special position in the new world order (Strüver 2014, 118).

As set out later, authoritarian regimes do not die out, as predicted by some academics during the post-Cold War era (e.g. Fukuyama 1989, 1), but rather celebrate a comeback in recent years. The motivation of this paper is to explain if Chinese aid is a factor when looking at the comeback of authoritarian states. By assessing Chinese aid and its effects, the study helps to explain the “undertheorized field of study” (von Soest 2015, 6) of authoritarian foreign policy and autocratic cooperation.

Moreover, the study is relevant for traditional donor countries trying to promote democracy by giving aid. China did become a significant donor and is likely to increase its aid budget in the future. Traditional donors are increasingly challenged by Chinese engagement in Africa and other regions of the world. By extending the knowledge about the characteristics and impact of Chinese aid, other donors can adapt their strategies, try to object certain developments or seek cooperation with Chinese authorities in charge of foreign aid policies.

**Conceptualization**

For a clear definition of the concepts and terms I use in this study I give an overview in the following chapter.
Regime

A regime is a value-free, descriptive definition of a political system of rule (Schmitt 2010, 677). It describes the formal and informal structure of power in a country by defining the access to political power on the one hand, and the power relations within the ruling elites and between the rulers and society at large on the other. For the stability of a regime, power relations must be institutionalized and ensure durability. The concept of the regime falls between the concept of specific governments of individuals and the concept of the state, consisting of the broader administrative-legal structure that has sovereign control of the country. A given regime can involve many governments that vary over time, for example between a Labour and a Conservative government, or from one president to another. For a regime change or regime type transition, the “rules of the game” must change in a systemic way, not merely the winner of the game” (Badie et al 2011, 2234). South Africa, for example, experienced a regime change in 1994 from the authoritarian apartheid regime to a liberal democracy and since then has had several presidents with the regime remaining the same. When a regime is changing, the state as an organization remains the same. Key state institutions, necessary for the rule of a society (bureaucracy, military, etc.) are still in place, what is changing is the definition of legitimacy of the state’s means of force. Yet, in unusual cases it happens that a regime change causes the complete reorganization of state structures, for example after the Red Army introduced the new communist bureaucracy with the creation of the Soviet Union. There are kinds of policies influencing regime type transitions like the extension or restriction of civil liberties, while there are other more socioeconomic ones like economic policy, health care or same-sex marriage, which may alter with a different government, but do not involve regime change. In short, regimes are more durable forms of political power structures than governments, but with shorter presence than states (Merkel 2010, 63-64; Badie et al 2011, 2233 – 2237).

Regime type

Due to specific regime characteristics, we can distinguish between the regime types of democracies and autocracies, with the subtypes of embedded and flawed democracies and authoritarian and totalitarian autocracies (Merkel 2010, 64). Schmitt supports Merkel’s categorization, claiming that there are three main types of regimes:
democracy, authoritarianism and totalitarianism (Schmitt 2010, 678). Relying on Wolfgang Merkel, regimes can be systematically classified into different categories by means of six criteria: a) legitimation of rule, involving the type of legitimation the rulers rely on. This can be the sovereignty of the people, nationalism, patriotism, law and order or ideology. b) Access to rule, asking about the entrance and limitation of government positions. Relevant questions here are about the election process. Are there free and fair elections? Is the electorate restricted out of power-political, ideological, ethnical, gender-related or other reasons? Are the rulers selected by elections? c) Monopoly of power. Who is in charge of political decision-making? Is it the democratic legitimized state institutions as defined in the constitution, self-appointed despots or other actors like the military who have decision-making power? d) Structure of power, including the point of checks and balances and control of power. The assessment of regimes here should refer to the number of rulers. Is there one person, one group or one party that rules a country or is power disbursed between actors? e) Authority, asking if the state authority vis-à-vis the citizens is limited by constitutional guidelines. f) Kind of rule, judging if sovereignty is based on the rule of law or executed in a repressive or arbitrary way (Merkel 2010, 22-23).

**Democracy**

When speaking about democracy in ordinary language, it is mostly used in an extensive, scraggy manner as a goal or idea that needs to be reached. Thus, it is important to define, what actually is meant when speaking about democracy in contrast to autocratic regimes. In the following, I introduce the requirements that needs to be fulfilled to speak of an unconfined democracy, afterwards referred to as ‘embedded’ democracy in contrast to regimes only partially fulfilling these requirements, defined as ‘flawed’ or ‘defective’ democracies.

**Embedded Democracy**

 Democracies draw their legitimacy from the full sovereignty of the people. They hold unrestricted, universal, fair and periodic elections. Because of pluralist competition for leading positions, elections “represent the cardinal difference to autocracy” (Ibid., 32). Hence, they have an open access to power. The monopoly of power lies within the democratically legitimized state institutions. The structure of power of embedded
democracies is pluralistic. Constitutional borders limit the entitlement to power, and the means of power are defined by the rule of law (Merkel 2010, 30-37). According to Robert Dahl, we can speak of a functioning democracy if there are elected officials, free, fair and frequent elections, freedom of expression, alternative sources of information, associational autonomy and inclusive citizenship (Dahl 2000, 85).

_Flawed Democracy_

In flawed democracies, some of these criteria are developed only in parts. Still, in total, their regime type is still more oriented towards democratic than autocratic attributes. Flawed democracies can take the form of a delegate, exclusive, enclave, or illiberal democracy. _Delegative democracies_ lack the full set of institutions incorporated in representative democracies. They mostly occur in countries with presidential rule. The basic premise of this type of regime is that the elected president governs the country as he or she thinks it should without responsibility to the legislative or judicative. Thus, checks and balances are constrained. The difference to authoritarian regimes is that parties, the parliament, higher courts, and associations still exist and raise their voices. Yet, they are overruled by the president at various occasions. Delegative democracy mostly occurs in young democracies with Argentina, Brazil, Peru, Ecuador, and Bolivia, plus the Philippines and Korea, and in some Central and Eastern European countries in the 1990s as empirical evidence of it (O'Donnell 1993, 1-17). _Exclusive democracies_ lack the institution of universal elections. If parts of the adult citizens are excluded, the democracy can be considered as flawed. Until a number of five to ten percent of excluded population, it is still possible to speak of a flawed democratic regime. Yet, when broader parts are excluded, a classification as an autocratic country is feasible (Merkel 2010, 37). One can speak of _enclave democracies_, if societal groups or actors like the military, big corporates, landowners or guerillas form occupy enclaves of the states by their own and build persuasive veto power against the elected government. _Illiberal democracies_ are prevalent when the work of the judiciary is constrained, rule of law is suspended and individuals cannot claim the freedom of equal treatment. According to Merkel, illiberal democracy is the most widespread form of defective democracy (Ibid., 38)
**Autocracy**

Assessing on the basis of Merkel’s six criteria for regime type classification, autocratic regimes obtain their legitimation by relying on ideology rather than on the sovereignty of the people. They largely constrain the electorate out of ethnic, religious, gender or political motives, or totally dismiss polls. If democratic legitimized institutions do not control the state monopoly of force, regimes can be classified as autocratic. Besides, autocracies miss the full manifestation of checks and balances. They disclose a tightened power concentration in the hands of the executive, restraining the work of the courts and the parliament in control and influence of legislation. Moreover, autocratic regimes reveal an authority of state execution that limits the individual freedoms of the citizens in the form of human rights or civil rights violations. A characteristic of autocratic regimes is that power is executed not on the basis of constitutional principles and the rule of law, but “arbitrary, illegitimate, repressive or even terroristic” (Merkel 2010, 41).

In his work “Totalitarian and authoritarian regimes”, Juan Linz gives a comprehensive overview about the differences between authoritarian and totalitarian regimes. For his categorization, Linz focuses on the execution and organization of power. He asks, “how authority is connected with society, how belief and value systems that support this authority are constituted and how citizens shape the political process” (Linz 2009, 130). Linz neglects the content of political agendas because he believes that they do not reveal relevant information about the institutions, groups and social classes of interest (Ibid., 130).

**Authoritarian Regimes**

Linz sets out three characteristics that authoritarian regimes incorporate in contrast to democracies and totalitarian regimes: a) limited pluralism, b) mentality, and c) demobilization. He considers limited pluralism the most important element. In contrast to totalitarian regimes, there are political groups independent from and not created by the state. Yet, the state determines which groups are allowed and sets the framework in which they can operate. In contrast to totalitarian ideology, authoritarian states rely on mentality. In contrast to ideology, which consists of an overarching utopia that dictates all aspect of life, mentality does not offer “fixed
codified solutions” on how to act in different situations. Although mentalities offer guidance on how to act, their degree of determination is weaker than that of ideology. Authoritarian leaders rather build on universal values like patriotism, nationalism, economic development, social order and justice. Doing so, they can incorporate different political groups in their system without political mass mobilization. The political demobilization of the society in authoritarian regimes is a result of the previous two points. The variety of actors enjoying partial degrees of freedom in the environment of limited pluralism would consider mass mobilization by one actor like a political party as hostile towards its societal position. The military, the bureaucracy, the church or interest groups thus rather contradict mobilization to maintain an equilibrium of power within the defined framework of participation. The absence of ideology is the second reason for political demobilization in authoritarian regimes. “Adolescents, students, and intellectuals are not involved in politics and do not engage as promoters of the population’s politicization without ideology” (Linz 2009, 138). There are no utopian elements, no narratives appealing for the political participation of the public. Instead, authoritarian regimes tend to be consensual and non-conflictive (Ibid., 129-142).

**Totalitarian Regimes**

Juan Linz defines the second subcategory of autocratic rule as totalitarian. A regime is totalitarian in his definition, when there is a) a monistic concentration of power, b) an exclusive ideology, which is the foundation of politics, and c) mass mobilization of the population. In contrast to the limited pluralism in authoritarian systems, there is only one leader or a group of leaders that hold all political power in their hands. All other societal actors, organizations and interest groups are eliminated or subordinated to central rule. Pluralism exists no more than in political questions within the ruling elite. The biggest source of legitimacy in totalitarian regimes is ideology. It provides “final answers, historical meaning and interpretation of social reality” (Linz 2009, 25) and sets the framework for political decision-making. Ideologies can differ in political content, degree of determination and complexity. Rulers relying on Marxist ideology for example draw on a much more complex and intellectual toolbox than more vague and emotional elements of fascist ideas do. A totalitarian system is based on congruence between most parts of the population and the rulers, reversing the
boundary between state and society. Ideology captures the role of luting together all societal streams in the same direction. In contrast to authoritarian systems, where the population is depoliticized, totalitarian regimes rely on the total mobilization of society for their goals. Upon initial observation, the participation of the people resembles the ideal of civil engagement in democracies. Yet, the goals and realization of mass movements are controlled and determined by the central rulers. The three characteristics defined by Linz can occur individually in authoritarian regimes as well. Only when they occur together, one can speak by definition of a totalitarian regime (Linz 2009, 20-37).

Regime type transition versus regime change

One can speak of a regime type transition, when basic structures and institutions of a regime are changing. The process of change happens gradually and it is not necessarily the case that the transition leads to a regime change. A regime change constitutes a crossing from one regime to another, when the structure of power is completely shifting in a “timely dramatized” manner, exhibited, for example, with the ‘peaceful revolution’ from authoritarianism to democracy in East Germany in 1989 or the overturn of elected leaders by the military in Latin America in the 1970s, illustrating the regime change from democracy to authoritarianism. When the gradual process of regime type transition over a longer time period leads to a regime change, this can be postulated ex post. An example for a gradual transition including a regime change as result is the democratization process in Spain, where regime changes were negotiated between the military, king Juan Carlos and civilian elites over three years (1975 – 1978). Yet, a regime change is no inevitable outcome, transitions can also happen within one regime type, as seen with the reform process in the communist state’s of Hungary (1956) and Czechoslovakia (1968), which were stopped by the military, followed by a stabilization of the communist regimes (Merkel 2010, 65-66).

Foreign aid

There are many kinds of public or private investment that try to foster the development of other, mostly developing countries. For the sake of comparison

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2 Speaking of developing countries, I refer to low-income economies with a GNI per capita of less than 1045 US$, defined by the World Bank (World Bank. New Country Classification).
between aid from different donors, I focus only on official development assistance (ODA), which is defined by the OECD – Development Assistance Committee (DAC) as “provided by official agencies, including state and local governments, or their executive agencies” and “each transaction of which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)” (OECD 2008).
Excluded from ODA is the support for military purposes in form of military equipment, services or debt relief for military means as well as enforcement actions of peacekeeping missions. Though, the costs for UN operations that encompass activities of “human rights, election monitoring, rehabilitation of demobilised soldiers and of national infrastructure, monitoring and training of administrators, including customs and police officers, advice on economic stabilisation, repatriation and demobilisation of soldiers, weapons disposal and mine removal” (Ibid.) do count as ODA. Civil police work can be classified as ODA, as long as it is not used to control civil disobedience, along with social and cultural programs, assistance to refugees, the peaceful use of nuclear energy and research directed towards the problems of developing countries (Ibid.).

**Chinese foreign aid**

“To answer questions about China’s impact on these rules and norms [set by the OECD DAC committee], we need to have a sound idea of what China is actually doing as a donor.” (Brautigam 2011a, 203)

In the next chapter I take a closer look on Chinese foreign aid, discussing historical development, institutions, instruments, allocation and characteristics.

The knockdown of the democratic insurgencies at Tiananmen in Beijing in 1989 by the Chinese authorities led to an isolation of China in the international arena. The United States and the European Union established arms embargos and condemned the incidents together with several other states in Latin America and Asia. To overcome international isolation, China started a diplomatic offensive and turned especially to
states that were not completely critical to human rights violations. China then started to use foreign aid as one instrument to foster bilateral cooperation with these states (Gu/ Humphrey 2008, 286). Numbers presented by Ian Taylor illustrate that: 1988 China disbursed 60 million US$ of aid to thirteen countries. In 1990 after Tiananmen, the amount increased to 374 million US$ disbursed to 43 countries (Taylor 2004, 87).

**Institutions**

Following, I describe the institutional structures that determine the decision-making of foreign aid policies by Chinese authorities. The main choices concerning foreign aid are made in Beijing. The State Council, headed by the prime minister, decides the broad strategy of what kind of foreign aid is granted, where to and how much. Details are handled by a large number of different actors. Subsequently, I introduce the most important. The Ministry of Commerce (MOFCOM) is the central ministry concerned with foreign aid. It accommodates the Department of Aid to Foreign Countries and the Bureau of International Economic Cooperation. The Ministry adopts annual plans and sets the budgets for the disbursement of foreign aid. Besides, it oversees the practical implementation of aid projects. The Ministry of Foreign Affairs (MFA) includes aid deliberations in the overall foreign policy plan and advises the government on issues of aid allocation, quantity and content, thus, setting guidelines for the national aid policy. Furthermore, there are two financing institutes worth mentioning, the Eximbank and the China Development Bank. The Eximbank was established, to “finance and implement the trade and overseas investment policies of the Chinese government.” (Brautigam 2008, 16). The Bank grants concessional loans, which are one major instrument of China’s aid. These are loans subsidized by the government used to finance official aid projects. The China Development Bank does not offer concessional financing. Hence, it cannot be considered as an aid institution by definition. However, it funds projects in Africa on market-rated loans and supports Chinese firms to invest abroad (Ibid, 14-15).

**Instruments**

Chinese aid is delivered in two ways, either by direct financial budget support or through projects, equipment or material goods. Besides, there are programs for humanitarian aid, training, scholarships, doctors on site, volunteers and debt relief.
Projects include complete plant programs, consisting of the construction of buildings and infrastructure like bridges, stadiums, state-owned enterprises, etc. and technical cooperation projects where training and advise is provided (Brautigam 2011b, 754). The AidData project confirms this diverse package of foreign aid initiatives by identifying health, educational, agricultural and infrastructural projects as components of Chinese aid (Dove 2016).

Like OECD aid, Chinese financial aid is characterized by concessionality. It includes grants, zero-interest loans and concessional loans as instruments. However, only a part of Chinese aid can be classified as official development assistance. For example, China uses its foreign aid budget to give military aid, which is excluded by the OECD-DAC from ODA or granted loans to support joint ventures between African and Chinese enterprises, which does not sufficiently satisfy the ODA criteria of promotion of economic development and welfare of developing countries as main objective (Ibid., 755-756).

**Allocation**

Every developing country, which accepts the ‘One-China Policy’ and maintains diplomatic ties with China, receives some amount of foreign aid from Beijing, even if it is only of symbolic nature, like the construction of a primary school in South Africa (Brautigam 2011a, 208; Brautigam 2011b, 755). Some authors claim that China is using its aid to secure access to mineral resources and hence, gives more aid to resource-rich countries in exchange for resource exploitation (Taylor 2007, 2; Naim 2007). Brautigam and Dreher contradict the preference to resource-rich states (Brautigam 2011a, 208; Dreher 2011, 3). They claim that Chinese aid rather follows diplomatic interests, regarding the recipient countries position towards Taiwan and China’s voting alignment with recipient countries in the UN General Assembly (Dreher 2011, 17).

In the paper at hand, the hypothesis is examined that China props up autocratic rule with the means of foreign aid. There are two ways foreign aid is employed towards this end. The first one is the effect foreign aid can have on the recipient countries after its dispersion. Authoritarian aid in general and Chinese aid in particular contains
features that are assumed to have the effect of pulling regime types towards autocracy, namely unconditional government spending on the one hand, and the undermining of Western conditional aid on the other. Besides that, promoting autocracy can also be done by simply supporting autocratic regimes with more financial and technical assistance than democratic regimes. Thus, I examine the allocation of Chinese aid with regard to regime types in the following.

Graph 1

Graph 1 shows that China grants more aid to democratic than autocratic countries. From 2000 to 2012, authorities in Beijing granted 27.8 US$ billion of foreign aid to democratic recipient countries, while spending 22.8 US$ billion, assisting countries with autocratic regimes. Hence, the hypothesis that China is supporting autocracies by providing more aid to autocratic than democratic regimes can be rejected when speaking about absolute numbers. Yet, these findings reveal more information when put into comparison. Looking at foreign aid spending of the United States (Graph 2), the country dispersing the largest amounts of foreign aid under the traditional donors, there is evidence that China spends a larger share of its aid to autocracies. US aid
spending between 2000 and 2010 (US aid data only provides data until 2010), is composed of 60.2 US$ billion of assistance to democratic and 37.1 US$ billion to autocratic countries. Thus, the USA spends 38% of its aid to autocracies, compared to 45% of Chinese aid that goes to countries ruled by autocrats.

Graph 2

In Graph 3 and 4, Chinese and US aid allocation is presented with regard to the subcategories of autocratic and democratic regimes. The outcome shows that China provides the largest share of aid to authoritarian states, compared to US aid, at first dispersed to embedded democracies. Yet, China disperses less aid to totalitarian states than the US, but more to defective democracies in comparison.
Characteristics

In 1953, Chou Enlai put forth the five principles of Peaceful Co-Existence as guidance for Chinese foreign policy, including a) Mutual respect for each nation’s territorial integrity and sovereignty; b) Mutual non-aggression; c) Mutual non-interference in each other’s internal affairs; d) Equality and mutual benefit; e) Peaceful co-existence. In 1964 he complemented them with eight principles for the granting of aid: a) equality and mutual benefit; b) respect for sovereignty with no conditions attached; c) provided through interest-free or low interest loans; d) promotes self-reliance, not dependency; d) quick results; e) uses best-quality equipment of Chinese manufacture; f) emphasizes technology transfer through technical assistance; g) Chinese experts will live at the standard of local experts.

Brautigam asserts that these principles are still governing Chinese official aid today (Brautigam 2011b, 760). Aspects that support this thesis are the non-conditionality of Chinese aid, shown on the one hand by the fact that governance does not play a role for the allocation, on the other hand by the circumstance that China respects local ownership by not attaching any obligations of structural reform in exchange for aid. Following the norm of non-interference, Beijing does not demand political adjustment or good governance from countries that receive foreign aid (Ambrosio 2010, 383). As the Chinese State Council puts it, providing aid, China is

“Imposing no political conditions. China upholds the Five Principles of Peaceful Coexistence, respects recipient countries’ right to independently select their own path and model of development, and believes that every country should explore a development path suitable to its actual conditions. China never uses foreign aid as a means to interfere in recipient countries' internal affairs or seek political privileges for itself” (State Council White Paper on Foreign Aid, 2011)

Furthermore, it is a different terminology that identifies foreign aid from Beijing. When speaking about foreign aid, the authorities do not label it as donor-recipient relation but rather stress South-South cooperation morality and mutual opportunity as major themes (Mawdsley 2014, 643).
Theory

In the following section, I introduce the theoretical framing. First, I discuss what can be understood by autocracy promotion, followed by theories on endogenous and exogenous factors of regime type transition.

Autocracy promotion

Fukuyama’s 1989 vision of the end of history, predicting “the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government” (Fukuyama 1989, 1) and Samuel Huntington’s findings on the “Third wave of democracy” (Huntington 1991) both concluded democracy to be on a steady rise as the predominant form of government. Yet, recent studies show that the spread of democracies slowed done and “the world has slipped into a democratic recession” (Diamond 2008, 1). Regional key states like Russia, Thailand, Nigeria or Venezuela experienced government transitions towards authoritarianism, contradicting the thesis of a continual democratization. In the following chapter I discuss the role of autocratic cooperation in the “preventing of democracy” (von Soest 2015), before asking about the role of Chinese foreign aid as an instrument of autocratic norm promotion.

Although still a rarely studied topic (Ibid.,1), recent autocracy research produced some insights on the question “whether the so-called democratic pushback is benefitting from the help of foreign friends of authoritarian or semi-authoritarian rule?” (Burnell 2010, 1) In contrast to democracy promotion, there are fewer players involved in the promotion of authoritarianism. Except Russia and China, supported in parts by Venezuela, Cuba, North Korea or Iran, few countries are “sources of influence on authoritarian maintenance” (Burnell 2010, 1). Moreover, the appearance of their governments is distinct and site-specific, relying on cultural background and political circumstances, making it difficult to function as a model for exporting autocracy globally. In contrast to the promotion of democracy, which is uphold by various actors with flying colors, including the United Nations offices (United Nations), there is no such offensive promotion of authoritarianism. Rather, the intent of advocating autocracy is hide away, sometimes even behind the shelter of
democratic rhetoric as Russia’s endorsement of ‘managed’ or ‘sovereign democracy’ (Burnell 2010, 3). Generally, autocracy promotion cannot be mirrored to the active and normative loaded advocating of democracy. There is no “fundamental normative underpinning” or “ideological commitment” in the support of fellow autocracies or prevention of democracy (von Soest 2015, 7). If not out of ideological reasons, what are the motives for authoritarian regimes to promote autocratic governance or prevent democracy in other countries?

According to Burnell (2010), the motive of autocratic regimes to foster authoritarian governments abroad can be out of altruistic motives, believing in the benefits of authoritarian rule like political stability, social justice or economic development. This is manifested for example in the case of China, praising its model of development, the *Beijing Consensus* – state capitalism in contrast to the Western market capitalism – as superior in international relations (Kurlantzick 2013). Yet, most authors believe that autocratic cooperation mostly happens as a self-serving project, in particular to preserve internal stability. Hence, autocratic leaders do not necessarily endorse autocratization abroad, but intend to prevent democratization, be it in fear of democratic spillover or out of geopolitical and material reasons (von Soest 2015, 7). Furthermore, internal legitimacy of authoritarian regimes can increase through a spread of autocracies in the world, enabling domestic elites to refer on the international acceptance of authoritarianism (Kneuer/Demmelhuber 2015, 12). A further self-serving reason for autocratic support is the higher chance of resource-exploitation in non-democratic states. The lacking accountability of authoritarian regimes eases its exploitation from outside. In contrast to democracies, where decision making needs to be legitimized in front of the public, it is easier to convince autocratic leaders for certain policy concessions, for example, by paying a short term cash transfer in exchange for a long-term mining concession (Bader et al. 2010, 87).

There are different modes and mechanisms for the external promotion of autocracy. The main distinction can be drawn between direct and indirect forms. Direct autocracy promotion is an intentional and deliberate act of spreading autocratic ideas and practices in other countries. The controlled assertion of autocracy with military means is the most coercive way of directly exerting external influence. It can be used to install political institutions or to impose autocratic regimes from outside. A further
direct measure is the bilateral collaboration with other authoritarian regimes. Collaboration or coordination happens if two countries mutually adjust their policies. In a donor – recipient relationship, collaboration can be unequal, with the recipient country – due to dependency from the donor - in the position of adjusting policies on its side alone. Bilateral collaboration can be considered as a form of active leverage. It is in its characteristics comparable to the conditionality applied in western countries’ development programs. Yet, active leverage from authoritarian states is exerted by other instruments, for example due to economic dependence or by granting or threatening to withdraw security guarantees. Direct and intentional autocracy promotion is also operated through socialization. In contrast to the previous two measures, socialization is a non-coercive, voluntary means. Autocratic norms can be socialized by setting international incentives or by normative suasion of domestic actors. Bargaining, arguing, rhetorical action and consensus-orientation are the eligible instruments. The outcome can be the adaption of ideas, institutions and policies as well as the internationalization of new norms. In sum, intentional autocracy promotion is directed towards a clear objective with external actors “actively involved in implementing them (independent of its success)” (Kneuer/ Demmelhuber 2015, 10).

Autocracy can also be promoted unintentionally, without an autocratic actor active and deliberately pursuing the spread of autocratic ideas and institutions. It is in the hand of the domestic or targeted actor to decide what elements he/she imitates or emulates. Diffusion, defined as “process by which institutions, practices, behaviors, or norms are transmitted between individuals and/or between social systems” (Starr 1991, 359), is initiated through a demonstration effect. A state or other actor serves as a role model, and it is the domestic actor who decides, which ideas, institutions or policies are attractive. Yet, there is no active collaboration between the actors (Kneuer/ Demmelhuber 2015, 10-13; von Soest 2015, 6).

**The role of Chinese aid in autocracy promotion**

So how can Chinese foreign aid be subsumed as a mode of autocracy promotion? Chinese aid is not officially labeled as a means of autocracy promotion. On the contrary, Chinese authorities stress the principle of non-interference in domestic
affairs for foreign assistance programs. Aid that influences regime type would contradict the official credo of non-intervention. Hence, Chinese aid cannot be discussed as a direct mode of autocracy promotion, because there is no clear objective of promoting autocratic ideas, policies or institutions. Owing to the lack of transparency, the only source of information about the intentions behind Chinese aid are officially released White Papers on foreign aid. There may be discussions between Chinese policy makers about further objectives of foreign aid. Due to lacking transparency, this can only be speculated at this point and needs to be studied in further academic work. Following the official statements, one can thus conclude that Chinese aid is not an intentional or direct mode of promoting autocracy. The question answered in this paper is thus, if Chinese aid is an unintentional, indirect mode of autocracy promotion.

**Why do regime types transition?**

In the following chapter I set out theoretically, how Chinese aid may cause decreasing democracy levels of the recipient countries’ regime. Therefore, I introduce the relevant literature on regime type transitions, laying out theoretical explanations for development towards democracy or autocracy and elaborating on the role Chinese foreign aid may play to it.

**Modernization theory**

According to modernization theory, economic development is the most important precondition for democracy (Lipset 1959). When countries develop, social structures differentiate, “labor processes begin to require the active cooperation of employees, and new groups emerge and organize. As a result, the system can no longer be effectively run by command” (Przeworski/ Limongi 1997, 156). Economic progress is accompanied by “industrialization, urbanization, education, communication, mobilization, and political incorporation” and other social changes that make democratic rule possible (Ibid., 158). Using the General Domestic Product (GDP) as the indicator for economic development, many studies confirm the statistical correlation between economic modernization and democratization, showing that GDP is “the most important single variable to explain the level of a country’s democratization or the global democracy-dictatorship difference” (Merkel 2010, 71).
The assumptions of *modernization theory* are confined by Michael L. Ross (2001), who determines that economic income does not support democratization when it is generated from oil export revenues (Ross 2001). According to Ross, there are significant differences between the economic development, which is accompanied by social changes and differentiation of social structures, and resource-wealth when looking at the impact on governance. Ross identifies three causal mechanisms accounting for a negative effect of resource rents on democratization: a) a rentier effect; b) a repression effect and c) a negative modernization effect (Ibid., 328). The concept of the rentier state indicates that oil exports enhances the control of the state bureaucracy. Oil rents allow governments to decrease taxes. Low tax rates in consequence do not encourage the population to demand accountability and representation. Furthermore, oil revenues can be used for patronage politics, “which in turn dampens latent pressures for democratization”, and is used to reduce dissent (Ibid., 333). The repression effect means that oil wealth allows governments to spend more on internal security and contain the population’s democratic aspirations. To secure their power against popular pressures governments use the opportunity oil revenues allow them to invest in military forces. Next to pure self-interest another reason for military investment might be ethnic or regional conflict caused by resource wealth. If resources are concentrated in a region populated by an “ethnic or religious minority, resource extraction may promote or exacerbate ethnic tensions, as federal, regional, and local actors compete for mineral rights” (Ibid., 336). These kinds of disputes can lead to larger military forces in resource-rich, ethnically fractured states. Besides, Ross argues that the social changes produced by economic development, as set out in the *modernization theory*, do not occur when it is based on oil wealth, because “resource-led growth does not lead to higher education levels and greater occupational specialization” and hence, does not “bring about democracy” (Ibid., 336).

With the exception of growth generated from oil revenues, socio-economic development - measured with the aggregated economic indicator GDP - is perceived as the most important reason for democratization with compelling statistical evidence in large-N studies. Therefore, modernization theory here presents the main theoretical framework when explaining regime type transitions, which are not related to Chinese aid. However, the main argument of modernization theory is not a deterministic
causal chain but a highly significant tendency (Merkel 2010, 73). Thus, there may be exceptions to the rule that economic progress is followed by democratization. Regime type transition theory offers alternative theories, which are more common in qualitative-historical analyses. Though not applied in this study, they are presented below in short for a better understanding of the topic.

**Structural-, Cultural-, and Actor theories**

Besides modernization theory, there are three further major theoretical approaches that deal with the endogenous factors of regime type transition. They differ mainly in identifying the causes of regime change in different subsystems of society. Modernization theory singles out transformations of the economy and society as most important drivers of democratization. Structuralism in contrast focuses on the state and social classes, cultural theory on idiosyncratic cultural and religious heritage and actor theories on political action. Below, I introduce the different theories and discuss strengths and weaknesses.

There are two main lines of thought in structural theory: neo-marxist structuralism and power dispersion theorem. For neo-marxist thinkers, power structures within a society determine regime type transformations. It is the relation between social classes that influence changes in a country’s government institutions. Democratization happens when these relations start to differentiate. There are five main factors determining regime type transitions: a) power distribution within the elites, b) economic situation of the agrarian upper class, c) constellation of class coalitions, d) power distribution between social classes, e) the state’s autonomy towards the dominant classes. Necessary precondition for democratization is a powerful and independent economic bourgeoisie or working class. If the former or the latter social class gains enough resources to constrain the elites (e.g. the big landowners) and is supported by the respectively other class, democratization will follow. Thus, the relation between the economic bourgeoisie and working class towards the upper class shapes regime type transitions. Besides, the power relation between the state and civil society represents a relevant factor. The chances of autocratic rule get more probable if the state’s elites maintain a greater threshold on the state’s apparatus. Structuralists see the organization of the state’s monopoly on the
use of force with importance. Democratization is possible if it is under civilian control (Merkel 2010, 76 – 77). Neo-marxist structuralism is supplemented by Tatu Vanhanen’s theorem of power dispersion (Vanhanen 1992). In contrast to neo-marxism’s focus on social classes, Vanhanen describes power distributions more precise. He measures the power resources of societal groups by reference to urbanization levels, education, landownership and economic resources. The higher the concentration of power resources, the less likely is democratization. If power means are dispersed more evenly, societies become more democratic. The reason behind this is the following: Through a broad dispersion of power no group can suppress others to maintain hegemony. Democracy then develops as a compromise between elites and other groups of society (Vanhanen 1992, 21-23). The weakness of structuralist theory is its inability to explain differences of interests or ideas within classes. According to Merkel, structuralist theory often portrays social classes as “coherently acting collective actors” (Merkel 2010, 79). Moreover, structuralists do neither explain religious and cultural factors of power relations nor the political decisions of actors (Ibid., 79).

According to Cultural theory, there are cultural and religious idiosyncrasies of certain countries, cultures or civilizations that are only compatible with a particular regime type. The most prominent advocate of this theory is Samuel Huntington, who classified types of civilization according to their preference for democracy, with the Western world (liberalism, Protestantism) and Latin America (Catholicism) as most friendly to democracy and Confucian and Islamic civilizations as most hostile to democratic rule. He claims that deeply embedded cultural and religious traditions are the most relevant factors influencing the acceptance of governance institutions (Huntington 1993). Next to religious culture, it is social traditions, shared norms and common historical experience, which are important factors for culturalist explanations of regime transitions. Accordingly, democratization can only happen if democratic values are prevalent and civil society engagement is accrued as social capital. When civil engagement and democratic values are not part of a common ‘habitus’, autocratic rule is more likely (Merkel 2010, 83).

Actor theory interprets modernization, culture and structural theory only as framework for political actors who shape the process of regime transition in their
perception. In contrast to the previously mentioned theories, actor theory attracts notice to the micro and meso level, focusing on the subjective strategies and decisions of the relevant actors. Regime type transitions occur if political actors aiming for change of political institutions have the necessary means and power to push through their ideas. As a sub stream of actor theory, the ‘rational-choice’ approach interprets regime change as strategic situations in a setting of game theory (Ibid., 84).

**The effect of Chinese aid**

In the next section, I cover the question of how and why Chinese foreign assistance may influence regime type transitions.

Chinese foreign aid flows, broadly disbursed to all low-income countries around the world to which Beijing maintains diplomatic relations, are in its basic characteristics (as described above) a similar source of funding for recipient governments as oil wealth. In contrast to OECD-DAC aid, which often bypasses recipient governments to support civil rights groups (Dreher 2011, 12), Chinese aid is directly transferred to the authorities of the recipient’s state. Committed to the norm of non-interference, Chinese authorities respect local ownership by granting unconditional aid. Hence, it remains in the hands of the recipient country’s elites on how to deploy the financial support. Accordingly, we can deduce that Chinese “foreign aid has a similar function on autocratic stability than that oil revenues have” (Kailitz/ Köllner 2013, 21), leading to a rentier, repression, and negative modernization effect, and therefore, to a decrease of the recipient countries democracy level.

Beside its similarity to oil rent revenues, Chinese aid may influence regime type transitions by reducing democratization pressure from traditional donor’s conditional aid. Since the early 1990s, the focus of traditional donors institutions like the World Bank and the International Monetary Fund (IMF) shifted from economic liberalization (‘first-generation conditionality’) to political and administrative reform (‘second-generation conditionality’). The governance related programs include public sector reforms, transparency, civil service reforms, decentralization of delivery system, and legal and judicial reforms as condition for the provision of financial assistance (Singh 2003, 11-12). In contrast to conditional aid by the traditional
donors, Chinese aid is not attached to demands of good governance. For the recipient
countries, financial support from China thus presents an alternative source of funding. 
They can avert political adjustment programs and turn to Chinese support instead. 
Assuming that conditional aid from traditional donors has a positive effect on
democratization, an increase in Chinese aid amounts can ease this effect, preventing 
the political adjustment that traditional donors intent (Ambrosio 2010, 383).

**External democracy promotion**

Apart from internal factors affecting regime type transitions, there are external 
magnitudes of influence that can influence a country’s regime type transition towards 
democratization. Democracy can be promoted actively by other states, or serve as a 
model that is copied by others. Subsequently, I introduce various forms of democracy 
promotion.

The US-American government of Ronald Reagan (1981-1989) was the first 
government that set the external promotion of democracy as a foreign policy goal. His 
*Project Democracy* program had the explicit aim of transforming authoritarian 
regimes to democracies. The National Endowment for Democracy (NED) - NGO was 
founded, promoting non-state democratic organizations worldwide. In the Reagan 
years, Cold War logic still was the primary driver of supporting democratization. 
Pulling authoritarian states in the camp of liberal democracies and anti-communist 
states motivated support for democracy back then. In the early 1990s, the United 
Nations Development Programme (UNDP) included democracy promotion in its 
program portfolio. In the World Bank, it became an important policy field within the 
encouragement of *good governance*, which included the rule of law, anti-corruption, 
transparency and participation. The ‘second-generation conditionalities’, aiming at 
redesigning the state and its institutions succeeded the mere economic assistance in 
the multilateral donor institutions. In the US, Clinton spelled out democracy building 
as the fundamental objective of US foreign aid in 1993 (Burnell 2000, 36-39; Merkel 
2010, 436; Wolff 2009, 4).

The increase of democracy promotion in terms of actors and amounts accompanied 
the fall of the iron curtain and the end of the Cold War. After the collapse of the
Soviet Union, the reputation of authoritarian rule was shattered. The notion of democracy as the predominant form of political governance developed to an international norm (Schraeder 2003, 22; Burnell 2000, 39). Furthermore, the Washington Consensus became prevalent towards the end of the 1980s, realizing that economic liberalization only functions in rule-based legal institutions. Therefore, good governance was included as an instrument of foreign assistance (Singh 2003, 11).

The theoretical analysis of democracy promotion is still in its infancy. There are few evaluations of strategies, trends and effects of the external factors of democratization (Merkel 2010, 437 – 439). In this section, I present some insights from the authors Merkel (2010), Burnell (2000), Schraeder (2003), Whitehead (2004), and Wolff (2009). According to Merkel (2010), a definition of democracy promotion can be broad or narrow. A broad conception includes all measures that support a country’s democratic development. Referring to modernization theory, this consists of all features of foreign assistance, which are directed at improving the socio-economic development of a country. Merkel suggests relying on the narrow definition, specifying as democracy promotion “all actions of external actors […] that aim to overthrow authoritarian regimes by supporting all institutions, organizations, movements and initiatives in politics, economy and society of the country of interest that contribute to democratization. This can be a ‘top down’ approach aiming at the state institutions or ‘bottom up’, directed at civil society initiatives. […] The enforcement of democracy with military means is barred” (Merkel 2010, 439).

The motivations for promoting democracies are numerous. At first, there are considerations of national interest for the promoters. From a realist viewpoint, these can be out of security reasons, expecting the world to be a safer place in line with the ‘democratic peace’ theory. Besides, encouraging democratization can be a foreign policy instrument to foster geopolitical interests by maintaining foreign alliances. Economic reasons may play a reason as well, by opening up new markets and decreasing barriers for transnational capital. Critics refer to dependency theory claiming that by democracy promotion global dominance structures are reproduced, ensuring that resources flow from the ‘periphery’ of poor states to the ‘core’ of the industrialized world. Yet, advancing democratic values can also be done for its own
sake, out of altruistic motives, believing in the superiority of democratic rule and its emancipatory potential. According to Burnell, it is a “mixture of motives” that drives actors to promote democracy (Burnell 2000, 45, 45-47; Wolff 2009, 17-18; Whitehead 1991, 10).

There are several means to promote democracy internationally. Since the 1990s, the most common and significant one is foreign aid (Burnell 2000, 3). Democracy promotion through aid can come in a negative way, by conditionality, threatening the withdrawal of financial assistance or in a positive way, by supporting democratic movements in the manner Merkel defines it above, as ‘top-down’ or ‘bottom-up’ approach. As a form of political conditionality, democracy is also advocated in regional organizations. The European Union and the Organization of American States make democratic rule a precondition for membership and thus incentivize democratization for potential future affiliates. Democracy can also be endorsed through diplomacy, in bilateral cooperation or in international organizations. Just as the unintended promotion of autocracy, democracy can also diffuse between countries. In times of global interdependence and infinite information flow, a way of propagating norms is to set a good example. A well-functioning democratic system can serve as a prototype or a model that is copied by other states. One pattern of diffusion can be the process of ‘contagion’, the “unintentional spread of an idea within a given geographical region” (Schraeder 2003, 23; Starr 1991). A more coercive measure is the imposing of sanctions against undemocratic practice. The most forceful means of democracy promotion is the military enforcement of a democratic regime by overthrowing an authoritarian ruler with the use of the military. The US intervention in Iraq 2003 under George Bush illustrates the application of this method (Schrader 2003, 26; Burnell 2000, 7; Wolff 2009, 7).

In this study, I will focus on foreign aid as one means of international influence on democratization processes. The reason for this is twofold. The first is due to the significance of foreign aid as the most common means of democracy promotion. As described above, the promotion of democracy in the context of foreign assistance became a substantial instrument in bilateral and multilateral aid from traditional donors since the 1990s. The second reason is methodological. Data on foreign aid from OECD donors is easy to access from World Bank, OECD or AIDData databanks
and appropriate for inclusion in quantitative statistical analysis, whereas other exogenous factors for democratization as diffusion for example are “vague […] and difficult to grasp” (Kneuer/ Demmelhuber 2015, 12).

**External or internal effects on regime type transition?**

The question of whether external or internal factors affect regime type transitions more is contested in the academic literature. Wolfgang Merkel holds that regime change and democratization is first and foremost an internal process. He claims that domestic factors are the driving forces for the transformation of societies and political regimes with economic development as the “most important factor of democratization” (Merkel 2010, 73). Transitions of regime types cannot be explained when ignoring the internal circumstances. Though, he concedes that democratization may be inspired, supported or initiated from outside or even prevented, if Great Power’s economic or geopolitical interests desire it (Ibid., 437). Laurence Whitehead by contrast stresses that the “external factors require at least as much attention as the internal dynamics” (Whitehead 2004, 159). Burnell supports this argument, outlining that external actors “can play a positive role in promoting, protecting and even enforcing democracy around the world, in a number of ways” (Burnell 2000, 7)

When looking at studies that test the effect of conditional foreign aid - as one of the most common kind of democracy promotion – on regime type transitions, the disunity between the authors engaged with the topic prevails as well. In the next chapter, I present the most relevant studies that engaged with the topic in quantitative studies.

**The effect of conditional aid**

Sarah Bermeo evaluated 159 countries, which received aid from multilateral and bilateral donors organized in the OECD with multiple regression analysis in the time period between 1992 and 2007. Controlling for Oil Wealth, Income as GDP per capita, Growth as GDP growth per capita, regime age and number of previous transitions, and relying on a logit specification statistical model, Bermeo tests the effect of aid on regime change, operating with a binary dependent variable classifying authoritarian and democratic regimes. She finds that receiving more aid from democratic donors increases the likelihood of democratic transition. She describes
that many democratic donors state democracy promotion as a foreign policy goal. Her analysis shows that the donor’s intent is effective and conditional aid has a positive effect on democratization (Bermeo 2011, 1-23).

Simone Dietrich and Joseph Wright support Bermeo’s findings, selecting 42 sub-Saharan African countries as their cases of observation. They test if aid by traditional donors has a positive impact on democratization as a) general input, by helping to bring about the necessary preconditions, as b) specific input over the short run, by supporting competitive elections, or as c) incentive, through leverage and conditionality. Similarly to Bermeo, Dietrich and Wright rely on foreign aid data from the AidData project, the time period of observation is between 1989 and 2008. They include GDP per capita, population, level of urbanization, a dummy variable for civil war, participation in an IMF adjustment program, ethnic fractionalization and oil and gas rents as control variables in their random-effects model, to analyze the effect of OECD donor’s conditional aid on regime type transitions. The authors conclude that there is a weak, but statistically significant impact of OECD-DAC aid on democratization, claiming that growing amounts of foreign aid increase the possibility of transition to multi-partyism (Dietrich/Wright 2012, 56-84).

A further study finding a positive relation between foreign aid and democratization is from Finkel et al (2007), who test the effect of US foreign aid in 165 countries, which are “potential recipients of democracy assistance” between 1990 and 2003 (Finkel et al 2007, 414). Including ethnic fractionalization, income inequality, population, state failure, Political violence and per capita GDP growth as explaining factors in their statistical model³, the authors’ findings indicate a positive effect from US democracy assistance on democracy levels in the recipient countries, measured in Freedom House and PolityIV indices (Ibid., 404-436).

Stephen Knack contradicts these findings, claiming that “no evidence is found that aid promotes democracy” (Knack 2004, 252). The economist Knack analyses the effect of foreign aid on regime type changes in a cross-country panel data model in the time

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³ ‘individual growth curves’ model
period between 1975 and 2000 with all recipient countries of OECD-DAC aid. He includes GDP per capita, GDP growth, levels of illiteracy and initial values of democracy indexes as controlling independent variables. For the main explaining variable of conditional foreign aid from OECD donors, Knack relies on ‘World Bank’s World Development Indicators’ data. He estimates if the amount of aid provided influences recipient countries regime type transitions. The dependent variable relies on the indexes of ‘Freedom House’ and ‘polityIV’, rating political institutions and civil liberties from ‘not free’ to ‘free’ or autocratic to democratic on a scale between 0 and 7 or -10 to +10 respectively. He sets out that for both explanandum indexes, the aid coefficients “never come close to attaining statistical significance” (Ibid., 257). His results suggest that foreign aid has no influence on regime type changes and neither promotes democratization nor undermines it.

Bruce Bueno de Mezquita and Alastair Smith (2010) maintain that foreign aid, like revenues from oil, benefits leadership survival and hinders institutional change towards democratization. They set out that leaders use the non-tax revenues oil and foreign aid to alleviate pressure for political mass participation and revolutionary desire, by providing public goods or suppressing free press and communications. The authors analyze the influence of population size, income as GDP per capita, GDP growth, oil rents and foreign aid on the dependent variable institutional change and leadership survival, which is constructed from polityIV regime type data and Archigos data on leaders. For the independent variables they rely on World Bank data. They find out that “whether a leader faces a revolutionary threat and whether she has access to free resources shapes […] the prospects for subsequent democratization” (Bueno de Mezquita/ Smith 2010, 944). In times of massive political opposition, leaders can rely on foreign aid as on oil rents to secure their power. According to the authors, this increases the likelihood of institutional change towards authoritarianism. The variable of foreign aid consists of OECD-ODA. Hence, Mezquita and Smith do not observe a relevant difference between conditional aid from most democratic donors and unconditional aid, mostly from authoritarian regimes (Bueno de Mezquita/ Smith 2010, 936-949).

The different results show that total agreement about the effect of traditional aid is not given in the academic debate. Yet, beside the study from Stephen Knack, the authors
suggest that aid as an instrument of external democracy promotion has an effect on regime type transition, in a positive or negative way. Following these findings, I include US-American foreign assistance as explaining factor for regime type transitions in the analysis. US aid is the most appropriate variable when dealing with external democracy promotion, on the one hand, because no other country spends a greater amount on foreign assistance worldwide. The inclusion of foreign aid from the US as a explaining variable for regime transition results on the other hand from the circumstance that the US government, in contrast to other donors, dedicates the largest part of its foreign aid to democracy promotion. Between 1990 and 2003, the expenses for foreign assistance directed explicitly to democracy support increased by 538 percent in contrast to 19 percent of total USAid assistance. US democracy assistance includes support for elections, strengthening of the parliament, political parties or the judiciary or sponsoring of civil society organizations like women’s or human right groups. Unlike Germany for example, where “democracy promotion is no strategic principal” (Merkel 2010, 443), conditionality of aid on progress in democratic reform is applied much stricter and promoted more offensive in the United States (Merkel 2010, 442-443; Finkel et al 2007, 415; Knack 2004, 252).

**Empirical analysis**

**Methodology, data**

The hypothesis of interest for the statistical analysis is:

- *Higher amounts of Chinese foreign aid cause regime types to gradually transition towards autocratic rule.*

In this section I present the methodology and the data of the statistical test of the hypothesis.

To analyze the hypothesis, I apply a statistical panel data analysis with a cross-national data set. Inspired by Ross’ study about the effect of oil on regime type, I use a feasible generalized least-square estimation method (FGLS) as the main statistical model (Ross 2001, 337 – 340). The FGLS suggested by Ross can be considered as a suitable modulation, because it is – in contrast to linear regression with ordinary least squares estimators - robust to disturbances of heteroscedasticity and serial correlation
within the data (Hansen 2006, 670). Statistical tests of the structure of the data used for this analysis reveals signs of both, heteroscedasticity and serial correlation, supporting the eligibility of Ross’ research design. The regression equation for the FGLS model is:

\[ y_{it} = x_{it} \beta + \epsilon_{it} \] or

\[ \text{Regime type}_{i,t} = a_1 + b_1(\text{Chinese aid}_{i,t-2}) + b_2(\text{Income}_{i,t-2}) + b_3(\text{Oil}_{i,t-2}) + b_4(\text{Civil War}) + b_5(\text{Regime type}_{i,t-2}) + b_6(\text{US aid}) + b_7(\text{Year})... + b_{19}(\text{Year}_{13}) + \epsilon_{it} \]

where \( i \) is the country and \( t \) is the year. To complement Ross’ methodology, I also compute a Random-Effects (RE) and Fixed-Effects (FE) model, two common methods in Social Sciences and Economics for the analysis of panel data. Fixed-Effect models eliminate unit-specific heterogeneity, meaning that the cumulated influence of time-invariant effects is excluded. The model analyzes the relationship between independent and dependent variable in one unit (in this case, in one country), calculating the arithmetic average of the sample values within one unit. Here, the average of Chinese aid for a recipient country in the period of observation is calculated. Time-invariant characteristics (in this study these are cultural attitudes towards a specific regime type for example) are treated as idiosyncratic in every unit and do not correlate with the error term of other units (Giesselmann/ Windzio 2012, 40-48). The equation for the FE model is:

\[ Y_{it} = \beta_1 X_{it} + \alpha_i + u_{it} \]

In contrast to FE models that focus on the change of values within one unit, Random-Effect models also consider differences across units. They include all time-invariant effects that are not controlled in the model, but correlate with the independent variable. Therefore, the unit-specific average of the sample values used for the FE model is approximated to the total average of all values in the sample (Ibid., 79-88, 99-102). The equation for the RE model is:

\[ Y_{it} = \beta X_{it} + \alpha + u_{it} + \epsilon_{it} \]
The case selection is based on all the nations that received any financial aid from China in the period of observation between 2000 and 2012. Next to Chinese aid, the model includes the before mentioned factors of Income/ GDP per capita and oil rents in percent of GDP as the most important determinants for regime type transition as controlling explanatory variables. In times of internal crises governance institutions cannot function as usual. Thus, we can assume that the explanatory factors for regime type may not function when a country is affected by domestic war (Bermeo 2011, 18). I therefore add the dummy variable civil war as a controlling independent variable.

Traditional donors use conditional foreign aid as an instrument of external democracy promotion. The academic debate about the effects of traditional aid on regime type transition is contested; the effect may be positive, negative or neutral. I include foreign aid spending from the US – as the traditional donor with the highest aid expenses and the donor, which spends the largest share of aid amounts to democracy promotion – as further independent variable in the analysis.

The dependent variable *Regime type index* (RTI) is the recipient country’s regime type classification according to the Polity IV dataset of the Integrated Network for Societal Conflict Research (INSCR) situated at the Centre for Systemic Peace (Polity IV Data). The index reaches from minus ten to plus ten with minus ten as most autocratic and plus ten as most democratic. The researchers of INSCR combined the interval scores of DEMOC, in which all democracies were classified and AUTOC, including all autocracies, to one index, labeled *polity2*. The countries of observation are scaled by examining the “competitiveness of political participation,[…] the regulation of participation,[…] the openness and competitiveness of executive recruitment,[…] and constraints on the chief executive” (Marshall/ Gurr/ Jaggers 2014, 14). The variable reveals a country’s regime type for every year, for example Ruanda with a score of -3 in 2009 and -4 in 2010, revealing a regime type transition towards autocracy.

Despite the definite utility of the combined *polity2*-scale for quantitative research, it should be treated with caution theoretically. The researchers’ original theory postulated that “autocratic and democratic authority are distinct patterns of authority” (Ibid., 17). Due to the fact that I expect the effect of Chinese aid and the
control variables on regime type to be alike in democracies and autocracies, *polity2* is a feasible index for my analysis.

Chinese aid is the main independent variable. It includes all financial Chinese support that is comparable to OECD – ODA like flows. The data stems from *AidData*, a project that collects and supplies worldwide aid flows for research purposes. Chinese aid flows are largely non-transparent. China does not report to and is not relying on the definitions for development finance of the OECD-DAC, other than the issuing of the State Council’s White paper on Foreign Aid, where broad strategies and the overall budget are presented on an irregular basis (e.g. State Council 2011), China does not publish project-level data (Dreher et al. 2015, 10). To overcome this lack of information, the *AidData* staff uses media-based data collection (MBDC) to identify project level aid data. The researchers compiled a data set with annual amounts of aid flows in the form of ODA, grouped by recipient country. The MBDC method functions in a two-step procedure. In the first step, aid projects worldwide are detected by Factiva, a media database, which draws on about 28,000 media sources worldwide in 23 languages, including newspapers, radio and television transcripts. In the second step, researchers search for additional information about the projects identified in step one using public search engines like Google and the donor country’s primary search engine. By identifying information about concessionality and financing type, stage two allows the accurate categorization of the project, classifying it as ODA-like aid or not (Strange et al. 2013, 10-19). Although it is currently the most comprehensive database about Chinese aid at place, it needs to be clear that the values are approximations and not officially reported data. Chinese aid is measured in percent of the recipient country’s GDP. Following the hypotheses postulated above, Chinese aid is assumed to have a negative effect on regime type transition and regime change.

Income is one of the most important determinants of regime type changes and is therefore included as a control variable in the equation. It is measured by the Gross Domestic Product (GDP) of the recipient country at market prices (in current US$), offered by World Bank Data. It is composed of “the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products” (World Bank b). According to modernization
theory, Income is supposed to have a positive effect on regime type transition and regime change.

As Ross shows in his study, oil is another factor explaining regime type transition, supposed to pull regime types towards autocracy. It is included in the model as further control variable in the form of oil rents in percent of the recipient countries’ GDP from World Bank Data. Oil rents are calculated out of the difference between the value of oil production at world prices and costs of oil production (World Bank b).

As third control variable I included Regime type\(^{t-2/t-5}\), the dependent variable lagged once by two, then by five years. This is to control for the initial level of regime type, measuring the change in a country’s regime type in the two or five year period. Moreover, we can capture country-specific effects that might not be captured by the other independent variables and address the problem of serial correlation by including the lagged dependent variable as an explaining factor (Ross 2001, 339-340).

Civil War is included as an independent dummy variable, relying on the Correlates of War ‘Intra-state War data set (v4.0)’ including “civil wars [,which] involve the government of the state against a non-state entity; regional internal wars [,which] involve the government of a regional subunit against a non-state entity; and intercommunal wars [,which] involve combat between/among two or more non-state entities within the state”. A conflict is labeled as Intra-State War and included in the variable with the value 1, when there is sustained combat involving organized armed forces and more than 1,000 casualties in a twelve month period (Sarkees 2010). Including the Civil War dummy in the model has the reason that in times of domestic crisis and war, developments in a country’s regime type cannot be explained as in peaceful times. Institutions, the unit of observation for our analysis, do not work at all or not properly in times of war. That makes it important to control, if there is a positive or negative effect of an Intra-State war that does not account for the other explaining variables. According to Sarah Bermeo, during a civil war, a country is less likely to experience transition (Bermeo 2011, 18).

At last, I include foreign aid amounts from the United States as an independent control variable. The data is derived from the AidData databank. Yet, it is only
covering the period between 2000 and 2010. As instrument of external democracy promotion, US aid in theory has a democratizing effect on regime types. Yet, academic literature in part supports this assumption, in part also rejects it, postulating either no or a negative effect on regime type transition and regime change. The descriptive statistics of all variables are presented in Table 1.

Table 1

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>1,040</td>
<td>40.50</td>
<td>23.10</td>
<td>1</td>
<td>80</td>
</tr>
<tr>
<td>Year</td>
<td>1,040</td>
<td>2,006</td>
<td>3.743</td>
<td>2000</td>
<td>2012</td>
</tr>
<tr>
<td>Regimetype_index</td>
<td>937</td>
<td>2.411</td>
<td>5.337</td>
<td>-8</td>
<td>10</td>
</tr>
<tr>
<td>Civilwar</td>
<td>982</td>
<td>0.0601</td>
<td>0.238</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Income</td>
<td>993</td>
<td>7.157</td>
<td>1.301</td>
<td>4.664</td>
<td>10.91</td>
</tr>
<tr>
<td>Oil</td>
<td>969</td>
<td>6.587</td>
<td>14.32</td>
<td>0</td>
<td>78.25</td>
</tr>
<tr>
<td>USAid</td>
<td>770</td>
<td>1.591</td>
<td>4.069</td>
<td>2.58e-05</td>
<td>37.14</td>
</tr>
<tr>
<td>ChinaAid</td>
<td>858</td>
<td>0.416</td>
<td>1.178</td>
<td>0</td>
<td>13.44</td>
</tr>
</tbody>
</table>

Source: Author’s own compilation (Table 1 to 3)

**Empirical results**

I run the statistical tests using Stata 13. Table 2 shows the results with a five-year lag, with the FGLS as model (1), RE as model (2) and FE as model (3). In Table 3, the results are presented when lagged for two years. The lag allows testing for a delayed effect on the one hand, assuming that changes of foreign aid amounts and of the other independent variables need some time to produce an effect on regime type transitions. On the other hand do long lags assure that the direction of causation is from aid to democracy, and not in the opposite direction, with higher aid amounts following a regime type transition desired by the donor (Dietrich/ Wright 2012, 17). The model thus allows excluding the opposite direction of causation that China increases it aid provision when a country became more autocratic. There is no theoretical instruction on the magnitude of a lag, it needs to be applied by logical evaluation of the empirical situation. For the five year lag, I referred to Michael Ross’ study (2001). To test if
Chinese aid and the further independent variables affected regime transition within a shorter period of time, I included a two-year lagged model.

The dependent variable in all models is regime type index (RTI), testing the influence on gradual regime type transition. The variable Income is transformed with a natural logarithm. Since income variables usually assemble most of the cases at lower values, this makes the distribution more normal to fit it better in the model (Bennoit 2011, 2).

Lagged five years (Table 2), Stata uses 421 country-year observations from 80 countries and 1040 possible observations. With a two-year lag (Table 3), 581 observation are calculated, fulfilling the condition of a complete case, with no missing values in one observation.

**Table 2, 5-year lag: Dependent variable: Regime Type Index**

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) FGLS</th>
<th>(2) RE</th>
<th>(3) FE</th>
</tr>
</thead>
<tbody>
<tr>
<td>L5.ChinaAid</td>
<td>0.0218</td>
<td>0.0444</td>
<td>0.0345</td>
</tr>
<tr>
<td></td>
<td>(0.0363)</td>
<td>(0.103)</td>
<td>(0.0878)</td>
</tr>
<tr>
<td>L5.Income</td>
<td>0.316***</td>
<td>0.766***</td>
<td>0.737**</td>
</tr>
<tr>
<td></td>
<td>(0.0862)</td>
<td>(0.232)</td>
<td>(0.350)</td>
</tr>
<tr>
<td>L5.Oil</td>
<td>-0.0206**</td>
<td>-0.0909***</td>
<td>-0.0485</td>
</tr>
<tr>
<td></td>
<td>(0.00816)</td>
<td>(0.0184)</td>
<td>(0.0335)</td>
</tr>
<tr>
<td>L5.Civilwar</td>
<td>0.527**</td>
<td>1.685***</td>
<td>1.126***</td>
</tr>
<tr>
<td></td>
<td>(0.231)</td>
<td>(0.457)</td>
<td>(0.412)</td>
</tr>
<tr>
<td>L5.Regimtype_index</td>
<td>0.817***</td>
<td>0.468***</td>
<td>-0.0627</td>
</tr>
<tr>
<td></td>
<td>(0.0251)</td>
<td>(0.0412)</td>
<td>(0.0527)</td>
</tr>
<tr>
<td>L5.USAid</td>
<td>0.0110</td>
<td>-0.0241</td>
<td>-0.00401</td>
</tr>
<tr>
<td></td>
<td>(0.0304)</td>
<td>(0.0486)</td>
<td>(0.0444)</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.097*</td>
<td>-2.941*</td>
<td>-1.495</td>
</tr>
<tr>
<td></td>
<td>(0.561)</td>
<td>(1.533)</td>
<td>(2.307)</td>
</tr>
<tr>
<td>Observations</td>
<td>421</td>
<td>421</td>
<td>421</td>
</tr>
<tr>
<td>R-squared</td>
<td></td>
<td>0.6803</td>
<td>0.037</td>
</tr>
<tr>
<td>Number of country</td>
<td>63</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Country FE</td>
<td>YES</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Table 3, 2-year lag; Dependent variable: Regime Type Index

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FGLS</td>
<td>RE</td>
<td>FE</td>
</tr>
<tr>
<td>L2.ChinaAid</td>
<td>0.0177</td>
<td>0.0754</td>
<td>0.0678</td>
</tr>
<tr>
<td></td>
<td>(0.0341)</td>
<td>(0.0853)</td>
<td>(0.0795)</td>
</tr>
<tr>
<td>L2.Income</td>
<td>0.164***</td>
<td>0.423***</td>
<td>0.329</td>
</tr>
<tr>
<td></td>
<td>(0.0619)</td>
<td>(0.125)</td>
<td>(0.227)</td>
</tr>
<tr>
<td>L2.Oil</td>
<td>-0.0113**</td>
<td>-0.0310***</td>
<td>0.0139</td>
</tr>
<tr>
<td></td>
<td>(0.00511)</td>
<td>(0.0109)</td>
<td>(0.0270)</td>
</tr>
<tr>
<td>L2.Civilwar</td>
<td>0.275</td>
<td>0.620</td>
<td>-0.0758</td>
</tr>
<tr>
<td></td>
<td>(0.177)</td>
<td>(0.393)</td>
<td>(0.391)</td>
</tr>
<tr>
<td>L2.Regimetype_index</td>
<td>0.916***</td>
<td>0.776***</td>
<td>0.264***</td>
</tr>
<tr>
<td></td>
<td>(0.0179)</td>
<td>(0.0248)</td>
<td>(0.0437)</td>
</tr>
<tr>
<td>L2.USaid</td>
<td>0.0264</td>
<td>0.0416</td>
<td>0.0724**</td>
</tr>
<tr>
<td></td>
<td>(0.0174)</td>
<td>(0.0329)</td>
<td>(0.0369)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.649</td>
<td>-2.032**</td>
<td>-0.175</td>
</tr>
<tr>
<td></td>
<td>(0.413)</td>
<td>(0.853)</td>
<td>(1.559)</td>
</tr>
</tbody>
</table>

Observations 581 581 581
R-squared 0.8089 0.097
Number of country 65 65 65
Country FE YES

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Subsequently, I present the results of the regression analysis. The main independent variable Chinese aid remains insignificant in all statistical models, irrespective of which variables were included and whether measuring the influence with a time lag of five or two years. Looking at the other variables in the FGLS model (Table 2 and 3, 1), both Income and Oil show the expected outcome with very high significance. Lagged by five years, a rise in Income by one unit leads to an increase of RTI of 0.31 points, with a significance level lower than 1 percent. With a two-year lag and Chinese aid, oil, civil war and US aid held constant in the model, the effect of Income on regime type transition is also highly significant with a smaller coefficient, causing RTI to rise 0.164 points when a country’s income increases by one unit. A 1 percent rise of oil rent’s share of a country’s GDP affects regime types negatively to the extent of a 0.02 drop of RTI, lagged by five years and 0.01 points, when measuring the effect on the dependent variable two years delayed. The variable civil war shows a positive influence on RTI on a five-year lag, suggesting that there is a high probability that five years after a civil war took place, a country develops towards democracy.
Suffering from a domestic war five years before causes the RTI to rise at 0.53 points with a significance level of 10 percent. Calculating the model with a two-year lag removes the effect of civil war presence on RTI. Examining the lagged dependent variable regime type index on the right side of the equation, it shows highly significant coefficients, revealing that the previous score of regime type strongly impacts regime type transition over time. Equal to Chinese aid amounts, US foreign aid does not cause significant change of regime type transition in any statistical model. The FGLS model does not include any information about the explanatory power of the model.

Looking at the alternative models (Table 2 and 3, 2/3), the Random-Effect model confirms the results of the FGLS model. Just as the FGLS, RE reveals a positive effect of Income, a negative effect of Oil and a positive effect of Civil War presence, when lagged for five years. The significance levels remain the same, while the coefficients are higher. The effect of the lagged dependent variable RTI as explaining factor remains significant with a smaller coefficient. The main independent variable Chinese aid remains insignificant, as well as US aid amounts do not cause any change of regime type. The Fixed-Effects model confirms that Chinese aid does not affect the dependent variable regime type index, as well as the insignificance of US aid. The model also shows the positive effect of Income and Civil War on regime types when calculated with five-year lag. Yet, when lagged for two years, all variables lose their explanatory power, except for regime type index. The coefficient of determination $R^2$ reveals that 68 percent of the dependent variables’ variation can be explained by the independent variables in the RE model when lagged for five years, and 80 percent, when lagged for two years. The explanatory power of the FE model is much smaller, with 4 percent variation explained by the predictors with five-year, and 10 percent with two-year lag.

**Discussion of results**

The empirical quantitative analysis of eighty countries that received foreign assistance from China in the form of OECD defined ‘Official Development Assistance’ between the years 2000 and 2012 reveals that there is no significant indication of a negative effect of Chinese aid on regime type transition. Regardless of whether calculated with
a Feasible General Least Square estimator and a five-year lag, as suggested by Michael Ross in his study about the effect of oil on regime type, or by applying two further models for the analysis of panel data, a Random- and a Fixed-Effect model and measuring the variables influence with a shorter delay of two years, there is no statistical evidence that the amount of Chinese aid has any effect on regime type transition. The hypothesis postulated in this paper can thus be rejected. Besides, the regression analyses reveal further important insights. First, the FGLS model shows statistical significant results for Income in a positive and oil rents in a negative direction. These results are in line with the theoretical expectations. Next to the possible controlling of heteroscedasticity and serial correlation existent in the data, this supports the eligibility of the FGLS model suggested by Ross. On the one hand, the analysis supports the importance of economic success for regime type transition towards democracy, as set out in the modernization theory by Seymour Martin Lipset or academics working on regime type transition like Wolfgang Merkel (Merkel 2010, 71). Economic progress leads to a differentiation of society, unleashing further developments like increasing education, industrialization or urbanization that support the emergence of democratic structures and institutions. Empirics lend strong support to the claims of modernization theory, showing high levels of significance in the sample of the analysis for the respective variable Income. On the other hand, the regression results support the thesis of Ross, who claims that increasing oil rents lead a country to become a rentier state without accountability towards the citizens, increasing repression against the population, reversing the side-effects of modernization through economic progress into its opposite. Although not significant when regressing with a Fixed-Effect model, in the Random-Effect and FGLS model, the results are highly significant, with a negative coefficient. The outcome presents empirical evidence that increasing oil rents cause regime types to transition towards autocracy. The assumption that civil wars affect regime types negatively is proved wrong in the analysis. Measuring the effect of civil war presence on regime types after two years, the regression outcome is neutral, showing no significant influence on transitions in the short run. Yet, when calculated with a five-year delay, the result is significantly positive, suggesting that the presence of civil war causes regime types to transform towards democracy after five years. This effect can most likely be explained by democratization efforts from the international community involved in peacebuilding processes in post-war societies. International peace operations mostly
strive to achieve both, peace on the one hand and democracy on the other (Jarstad/Sisk 2008, 18). My analysis shows that these efforts are successful not in the immediate aftermath of a war, but after a time span of five years. Furthermore, there are significant values for the lagged dependent variable regime type index, revealing that previous regime type scores can explain much of the dependent variables’ variation. In many cases regime types do not vary much over time. Many countries remain at the same score for all the years of observation or only change slightly. Mali, for example, has a regime type score of 6 for the year 2000 and 2001, which changes to 7 in 2002 until 2012. This shows that most regime types are rather stable and regime type transitions usually occur gradually. Only in exceptions are there large changes of regime types from a value of 6 in 2011 to 1 in 2012 in Guinea-Bissau for example within one regime type, or in Mauretania from 4 in 2007 to -5 in 2008, including a regime change from democracy to autocracy. This gives reason for the assumption that change of regime types, as result of changes in the economy accompanied by societal differentiation and citizen engagement or in oil rent amounts and its consequences, happen far more often in a gradual manner influenced by the preceding constitution of a country’s governmental institutions than in a timely concentrated large modification of regime types through large citizen protests, coups or revolutions, leading to immediate regime change. The insignificance of US aid in explaining regime type variation supports the findings of Stephan Knack, who in his study of 2004 finds out that US aid had no effect on regime type transitions in recipient countries between 1975 and 2000. The outcome of my analysis demonstrates that the inefficiency of democracy promotion with the means of foreign aid is still prevalent in the period between 2000 and 2012 for the countries that also received Chinese aid. These results show that internal factors, here income in GDP per capita and oil rents influence regime type transitions more than the attempt of external actors to establish democracies abroad.

The analysis of the effects of Chinese aid on regime type offers important insights. However, the results need to be treated with caution for various reasons. First, to allow comparisons to the impact of other donors’ aid, I only included ODA-like aid in the analysis. Yet, ODA-like aid represents only a part of Chinese aid flows. There are other forms of economic cooperation and development assistance, which do not count for that. Further studies have to show, if all kinds of Chinese aid combined present a
more systematic source of funding that might affect recipients’ regimes. Besides, the
data of Chinese aid is based on media information, consists of estimations and can
only be an approximation to official numbers. Only if China releases the official
numbers of its foreign aid program, precise statements on the effects of Chinese aid
can be made. Until then, numbers from AidData and others present approximations to
research Chinese aid and its effects.

Conclusion

In 2009, Moses Naím put forth in a *Foreign Affairs* article his critic that China gives
‘Rogue Aid’, deteriorating democracy and hurting progress. There are several authors
like Denis Tull and Ian Taylor, who support the thesis of Chinese aid being
undemocratic. In the paper at hand, I put this thesis on a test, analyzing the effect of
Chinese foreign aid on regime types. The statistical study showed that the hypothesis
that Chinese aid deteriorates democracy and causes regime types to transition towards
autocracy is to be rejected. Foreign assistance from Beijing does not affect recipient
countries’ regime types. The results add insight to the debate about external autocracy
promotion. In the last decade, scholars determined a resurgence of autocratic regime,
in part supported by autocratic regimes external norm promotion. The question raised
here was, if China, as one of the most powerful autocracies in the world in terms of
economic and military might, uses its foreign aid as a foreign policy instrument of
autocracy promotion. This question was first analyzed in terms of allocation of aid
and then in terms of the effect of Chinese aid on regime types. Regarding aid
allocations from Beijing, the data presented evidence that China does not disperse
higher aid amounts to autocratic regimes than democracies. Though, relative to the
USA, the largest provider of democratic aid, the share that went to autocratic regime
from Beijing was higher. Hence, I conclude that regime type plays a role for the
allocation of aid, suggesting that China in relation to the United States favors
autocracies. Concerning the effect of Chinese aid on regime types after its dispersion,
the hypothesis of China using aid as an indirect form of autocracy promotion can be
denied. All statistical models presented empirical evidence that there is no
relationship between Chinese foreign aid amounts and regime type changes in the
recipient country.
Literature


Bermeo, Sarah. 2013. “Aid is Not Oil: Donor Utility, Heterogeneous Aid, and the Aid-Democratization Relationship“. http://fds.duke.edu/db/attachment/2644, last access: 25.06.2015


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