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China and global integrity-building: Challenges and prospects for engagement

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Due to its economic weight and an increasingly active outreach towards developing countries under the framework of 'South-South Cooperation', the People's Republic of China's (PRC) global footprint has become such that it can no longer be ignored by international development actors. While some Western political leaders denounce China for undermining governance standards and thus facilitating corruption, this paper takes a practically oriented and constructive approach: its aim is to map Chinese actors' motivations, involvement in and impact on transnational integrity-building efforts with a view to identifying possible entry points for engagement for Western development partners.

Main points

- Contrary to some stereotypes, China's impact on corruption and integrity-building on a global scale is multifaceted, creating new risks as well as opportunities for multilateral engagement.
- China formally complies with important international anti-corruption norms but still fails to enact anti-bribery provisions abroad. Since 2014, Beijing's interest in international cooperation against corruption has strongly increased, targeting extradition and asset recovery.
- Growing resistance against Chinese investments and lending in key target countries of its 'Belt and Road Initiative' (BRI) could increase Chinese actors' sensitivity to governance issues. Several Chinese development actors are improving their risk management provisions to include corruption risks in target countries.
- Domestically, Xi Jinping's sweeping 'anti-corruption campaign' is about far more than bribery and embezzlement. It has a strong moralistic and political component, and combines deterrence against bribe-taking and 'extravagance' with measures to reinforce party discipline and top-down control.
- Though it is too early to make any conclusions on its likely future direction, China's new development agency (CIDCA) could lead to increased transparency in Chinese aid, improve intra-bureaucratic coordination and implementation, and facilitate better engagement with multilateral aid agencies as well as with bilateral development partners.
- China's on-the-ground impact on corruption and integrity-building in developing countries remains ambiguous. Constructive engagement on governance issues appears more likely on 'softer' aid issues less influenced by geostrategic interests and economic competition.
- International organisations engaged in anti-corruption efforts at global and regional level represent the most obvious opportunities for constructive exchanges. Another option for development partners is to engage China via 'triangular cooperation' projects in third countries.
- Challenges to international integrity-building efforts and potential entry points for Sino-Western engagement are listed in an overview of key issues and actors below (Table 1).

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Abbreviations

AIIB – Asian Infrastructure Investment Bank
APEC – Asia-Pacific Economic Cooperation
BRI – 'Belt and Road' Initiative (formerly 'OBOR')
CBIRC – China Banking and Insurance Regulatory Commission
CCDI – Central Commission for Discipline Inspection
CCP – Communist Party of China
CDB – China Development Bank
CIDCA – China International Development Cooperation Agency
CSR – Corporate Social Responsibility
DAC – Development Assistance Committee
EBRD – European Bank for Reconstruction and Development
FATF – Financial Action Task Force
MFA – PRC Ministry of Foreign Affairs
MNC – Multinational company
MoF – PRC Ministry of Finance
MOFCOM – PRC Ministry of Commerce
MPS – PRC Ministry of Public Security
NDB – BRICS New Development Bank
NGO – Non-governmental organisation
NSC – National Supervisory Commission
OECD – Organisation for Economic Cooperation and Development
PBOC – People's Bank of China PRC People's Republic of China
SOE – State-owned enterprise
UNCAC – United Nations Convention against Corruption
UNODC – United Nations Office on Drugs and Crime

China's domestic anti-corruption drive: 'Hitting tigers, squatting flies'

Chinese understanding and usage of 'corruption'

Without entering the theoretical debate about corruption and culture,[1] this paper is based on the assumption that any thinking about 'engaging China in anti-corruption' should be rooted in a sound understanding of what the term 'corruption' means and how it is used in the Chinese political context. Formally, 'graft' (*tanwu*), 'bribery' (*huilu*), and 'embezzlement' (*nuoyong gongkuan*) are defined as criminal offences in the PRC Criminal Law in similar terms compared to Western countries. In contrast, the term most frequently used for 'corruption' in CCP parlance is *fubai* (= 'rotten,' 'decay') which conveys a much broader, moralistic understanding of 'corruption'[2] and particularly relates to state and party functionaries' misconduct and deviations from 'correct behaviour' as defined by the Party. The predominant position of the CCP's disciplinary apparatus in anti-corruption measures[3] means that the prevention and punishment of economic crimes – i.e. bribery or embezzlement in a narrower sense – is inextricably blended with measures against acts of political misconduct or misbehaviour such as 'lavishness,' 'extravagance' or 'hedonism' in Chinese anti-corruption discourses and strategies. Regarding Chinese business culture, it is often argued that the Chinese tradition of cultivating personal networks (*guanxi*) through gift-giving inherently favours bribery, nepotism, and insider deals.[4] However, cultural fatalism is unwarranted in countering corruption globally.[5] Furthermore, other examples of successful endeavours against administrative corruption across Greater China, particularly in Hong Kong, corroborate the idea that anti-corruption efforts and integrity-building are primarily a question of political will and that 'cultural obstacles' can be overcome with adequate institutions.

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1. On the corruption-culture nexus in the Chinese context, cf. e.g. Chang, Kuang-chi (2011); Gong, Ting, and Stephen Ma (eds.)(2009); Luo, Yadong (2008); He, Zengke (2000).
2. Holmes, Leslie (2015).
3. Wedeman, Andrew (2005).
4. Wen, Shuangge (2013).
5. Rothstein, Bo (2011).

Table 1: Overview of key issues and actors

Sphere	Key players	Strategic drivers	Challenges to integrity-building	Potential for engagement
Domestic anti-corruption (within China)	NSC, (subnational) Discipline Inspection Commissions, People's Procuratorates	Xi's campaign to restore party legitimacy and internal discipline, extension of party control over state organs	Opaqueness of party-internal investigations, lack of judicial independence, risk of torture under 'Shuanggui'	Bilateral legal dialogues, judicial cooperation on foreign bribery *in* China, public pressure on rule-of-law
International norms and governance	MFA, MPS, NSC (formerly CCDI)	Operations 'Foxhunt' and 'Skynet'– pursuit of 'corrupt fugitives' and recovery of stolen assets	Weakening of human rights safeguards, difficult distinction between 'corruption' and political crimes	UNCAC and FATF review mechanisms, G20 negotiations on asset recovery, conditionality in bilateral extradition treaties
State-driven infrastructure investment along the 'Belt and Road'	State Council, MOFCOM, MFA, PBOC, major SOEs, CIDCA, provincial and subnational institutions	BRI: Amalgam of geopolitical, commercial, military, and 'soft power'-related objectives	Corruption risks in large-scale infrastructure programmes, lack of public tendering, support for kleptocratic regimes	'Multilateralisation' of BRI (e.g. EU-China Connectivity Platform, AIIB), African Union, civil society pressure and disclosure of corruption risks where necessary
Development finance	China Eximbank, CDB, Silk Road Fund, CIDCA	Mix of diplomatic and commercial interests	Improving but still weak accountability mechanisms	Joint investment projects (e.g. CDB–EBRD), multilateral engagement (e.g. AIIB), FOCAC action plan
Commercial investment and private business	Chinese private MNCs, SOEs, small businesses and individual entrepreneurs	Mainly business-driven investments, often long-term considerations	Relatively weak compliance and disclosure standards, lack of PRC anti-foreign bribery enforcement	Multilateral codes of conduct, trust-building and public pressure to improve compliance and CSR, training offers to MNCs
Foreign aid	CIDCA, MFA, MOFCOM and other agencies,	Diplomatic: 'South-South cooperation', 'win-win' and	Possible dilution of anti-corruption norms through 'no-strings-	Pilot projects on donor coordination, trust-building with CIDCA, cooperation

Sphere	Key players	Strategic drivers	Challenges to integrity-building	Potential for engagement
	philanthropic foundations and NGOs	development objectives, 'people-to-people' ties	attached' policy, lack of public debate and transparency in recipient countries	between non-profit organisations, in-country and trilateral engagement in South-South fora

Xi's landmark 'anti-corruption campaign'

Shortly after his ascension to power in 2012, Xi Jinping announced a 'year-long campaign' aimed at a 'thorough cleanup of undesirable work styles such as formalism, bureaucratism, hedonism and extravagance' within the CCP. This campaign has been presented to English-speaking audiences as a 'war on corruption.' It is best understood from the vantage point of a self-perceived existential crisis within the CCP leadership in the run-up to the Party's 18th National Congress in November 2012. Despite the international perception of China's continuous rise, internal governance problems abounded and the central leadership's steering capacity in addressing crucial issues like food and drug safety, pollution, or social inequalities was seriously doubted from within.

In this context, the Party's new strongman Xi pinpointed widespread 'corruption' as an issue that would 'inevitably doom the party and the state.' To restore the CCP's legitimacy in the eyes of the people, every effort has since been made to showcase the leadership's determination to 'catch both tigers and flies' (referring to high-level cadres and petty officials).[6] Apart from its unusual intensity and endurance, the campaign stands in a long tradition of recurring efforts to reinforce party discipline and curtail lavish spending practices, which bears similarities with anti-corruption campaigns in other (post-)socialist regimes[7] and indeed echoes Maoist times in many regards. Under the banner of 'fighting corruption and promoting integrity' (*fanfu changlian*), CCP members (mostly public officials, but also people working in SOEs and the private sector) are targeted for both economic (embezzlement, passive bribery, fraud) and non-economic (disciplinary violations, lavish feasting, deviating from the CCP line) crimes and misdemeanours.

6. Bai (2015).
7. Quah (2015).

The campaign was spearheaded by Xi's personal confidante Wang Qishan as head of the CCP's powerful Central Commission for Discipline Inspection (CCDI), China's *de facto* supreme anti-corruption body[8] prior to its integration into the new National Supervisory Commission.[9] In December 2018, after six years in which over 1.3 million party members and officials were sanctioned, the central leadership surprisingly declared a 'crushing victory' against corruption. This move, coming roughly one year after Xi Jinping's manifest power consolidation and the heralding of a 'new era' of China's development during the 19th Party Congress[10] has sparked vivid expert controversies over a potential end to – or gradual abatement of – Xi's year-long disciplinary campaign.[11] However, only time will tell whether the peak of investigations and prosecutions has indeed been reached.

Politicised anti-corruption and 'Shuanggui'

China's anti-corruption policy has been described as a 'political approach' to corruption, centring on the signalling effects of harsh individual punishments and 'anti-corruption propaganda,' as opposed to a (Western) 'legal approach' based on government transparency, preventive mechanisms, and institutional reforms. Indeed, 'anti-corruption' has proven a crucial, and effective, tool for President and CCP General Secretary Xi Jinping to consolidate his own power and reinforce central, top-down control at the expense of local-level discretion.

More worrisome from a human rights perspective is the continued prevalence of extra-legal measures and arbitrary detentions in anti-corruption procedures. Under the 'Shuanggui' system, most cases have been handled by opaque, party-internal investigations, including forced 'disappearances' of suspects for questioning, with cases only handed over to the judiciary after what often appears to be coerced confessions. Although top leaders have publicly committed to scrapping the practice, recent high-level cases, including against celebrities, suggest otherwise.

8. Guo (2014).
9. Holbig (2017).
10. Holbig (2017).
11. Gan and Chi-yuk (2018).

The National Supervisory Commission, China's new supreme anti-corruption body

Created in the wake of Xi Jinping's personal power consolidation during the 19th Party Congress in October 2017, this new supreme anti-corruption authority merged the formerly separated functions of party and state organs in disciplinary investigations against both CCP members and state officials. This major institutional reform officially expands the scope of a hitherto party-internal anti-graft campaign beyond CCP members to the entire public sector, thereby further blurring the boundaries between party and state organs in China's governance system. Steered by a close Xi ally, Yang Xiaodu, the NSC gained unprecedented international visibility in October 2018 with the surreptitious detention of Interpol president Meng Hongwei for bribery.

Institutional reforms?

The actual effectiveness of Xi's widespread campaign in permanently reducing bribery, embezzlement, and favouritism in a more narrow sense of the term is still up for debate. With regard to petty corruption, the tightened controls on lavish spending[12] and the reduction of special privileges for public officials and party members have undoubtedly reduced the incentives[13] and increased the risk of illicit self-enrichment. Some analysts have even argued that the campaign has worked 'too well,' frightening lower-level officials into avoiding all sorts of risk-taking behaviour and thereby risking policy paralysis.[14]

By contrast, the arbitrary and highly political nature of prosecutions at higher leadership levels appears to make survival in Xi's disciplinary system primarily a question of loyalty rather than one of integrity. Whether systemic corruption can really be reduced under these conditions is doubted by many external observers.[15] Despite tightened capital controls, unprecedented illicit outflows of 'hot capital' from Mainland China in recent years also indicate that those at the very top are still finding ways to extract rents from the system, thus illustrating the campaign's limited effects on *grand* corruption.

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12. Yang Shu and Cai Jiayao (2017).
13. Yong Guo and Li Songfeng (2015).
14. Bell (2017).
15. Tepperman (2018).

Critics of Xi's campaign also point to the short-term nature of campaign-driven anti-corruption strategies to show its elusiveness. On the other hand, Xi has done more than his predecessors to perpetuate and institutionalise his fight against graft.[16] The most important 'systemic reform' so far has been the creation of a 'National Supervisory Commission' (NSC) in March 2018. However, despite being presented as a dedicated 'anti-corruption agency,' the new body is a far cry from international models.[17] Instead, the set-up of the institution under tight political oversight further demonstrates that China has no intention of following international 'best practices' [18] in terms of setting up politically independent anti-corruption bodies or a strong and efficient judiciary system to favour systemic integrity-building.[19]

President Xi has overseen a sustained domestic campaign against corruption and disciplinary offences, while further intensifying the Party's political control over state and society.

Key questions for tracking
Can the NSC – as China's new supreme anti-corruption agency – increase transparency and accountability of Chinese anti-corruption procedures, despite its lack of political independence? How actively will NSC officials engage in exchanges with counterparts from Western and developing countries?

China and multilateral anti-corruption institutions

Before 2014, the PRC acted primarily as a norm-taker and learning participant in multilateral fora dealing with corruption issues and subscribed to many international anti-corruption norms.[20] Most importantly, Beijing ratified the UN Convention against Corruption (UNCAC) in 2006 and formally implemented many UNCAC provisions.[21] Chinese officials familiarised themselves with international 'best practices' by participating in UNODC, OECD, or APEC review mechanisms and working groups. China joined the

16. Guo (2014: 621).
17. See Horsley, J. P. (2018).
18. Holbig (2018).
19. As an example for such recurring international recommendations, see Transparency International (2017).
20. Lang (2018).
21. Tsimonis (2016).

multilateral Financial Action Task Force (FATF) in 2007 and made 'significant overall progress' on FATF provisions to fight money laundering and terrorist financing.[22] Since 2007, the People's Bank of China (PBOC) has undertaken several reforms to strengthen regulatory convergence with international standards on anti-money laundering and anti-terrorist financing,[23] most recently in early 2019.[24] In this vein, suspicious outbound capital transfers originating in China have come under much tighter supervision, which is in the mutual interest of China's domestic corruption hunters and international agencies fighting against transnational financial crime and money laundering.

In line with international commitments, China also included a clause criminalising bribery of *foreign* officials in its Criminal Law in 2011.[25] As part of its implementation of UNCAC, China created a National Corruption Prevention Bureau (NCPB) in 2007 to strengthen and coordinate *preventive* measures against corruption and increase government transparency. However, the reforms undertaken in response to international standards all concerned state institutions as well as the civil and criminal law system and – given the CCP's overwhelming role in anti-graft proceedings – had only limited real-life impact.[26] The NCPB, for instance, completely lacks the authority to fulfil its mission of coordinating relevant anti-corruption institutions and implementing systemic reforms to prevent corruption.[27]

Moreover, a wide gap persists between staggering punishments for *domestic* bribery and embezzlement – up to the death penalty in cases involving large amounts – and the almost complete lack of credible enforcement of the new provisions against *foreign* bribery. Thus, calls for a stand-alone Chinese Anti-Foreign Bribery Statute following the US Foreign Corrupt Practices Act model have become louder, including within China.[28] In return, Chinese authorities have visibly stepped up anti-bribery enforcement against foreign corporations in recent years.[29] This, in principle, increases the potential for international law enforcement cooperation on transnational corruption cases, and information exchange between US and Chinese law enforcement agencies has indeed improved over time. The Chinese beneficiaries of US companies' bribery

22. FATF (2012).
23. Hsu (2017).
24. Caixin Global (2019).
25. Gintel (2013).
26. Holmes (2015).
27. Quah (2015).
28. Jiang (2017).
29. Bu (2014).

schemes, however, have often not been further prosecuted – presumably due to solid political connections – as shown by the high-level case of JPMorgan's 'Sons and Daughters' programme for Chinese princelings.[30]

Expanding China's anti-corruption campaign abroad: Operations 'Foxhunt' and 'Skynet'

Before 2014, China's anti-corruption efforts retained a clear domestic focus, while Chinese law enforcers operating abroad generally tried to keep a low profile. Thus, the official launch of 'Operation Foxhunt' in July 2014 can be seen as a watershed from an international perspective. As part of this new campaign, intended to seize and repatriate 'corrupt fugitives,' China greatly intensified its diplomatic outreach to other governments[31] and started to push for tangible cooperation within international fora like APEC, the G20, or Interpol.[32] The motivation behind this international expansion is two-fold.

First, domestic deterrence against illegal self-enrichment works only if Chinese officials can no longer rely on promising 'exit plans' and enjoy their ill-gotten wealth offshore. Thus, following the slogan of 'leaving corrupt officials nowhere to hide,'[33] China aims at creating a globe-spanning 'Skynet' to chase individuals and assets abroad. Beijing promotes law enforcement cooperation with foreign governments, judiciaries, and police forces, including in Europe and Australia, to reduce legal and diplomatic obstacles to extraditions. Rights groups have repeatedly charged that Chinese security forces also use corruption and tax evasion charges to push for extradition of exiled political dissidents. According to official accounts, China's 'global anti-corruption manhunt' has been highly successful: in January 2019, Xinhua news agency reported that 4,997 'fugitives' had been returned to China and ill-gotten assets of over USD 1.5 billion recovered during the first five years of the campaign.[34]

Second, anti-corruption measures have been identified as one policy area in which China should exert global leadership, as outlined by President Xi in 2016. It is now openly assumed that China's core objective of 'chasing fugitives and recovering stolen assets' should become a 'key principle of the future

30. Levin (2015).
31. Zhuang (2015).
32. People's Daily (2014); China Daily (2015).
33. CPC News (2014).
34. Xinhua (2019).

international new anti-corruption order,' in which, according to CCDI leaders, 'our Party and country [should] occupy the international moral high-ground.' China has also started to present its anti-corruption campaign as a model for others to follow. In 2018, China's NSC reported on an African Union meeting where China's anti-graft fight was presented as a 'valuable model,' enthusiastically stating that the 'unique features' of the CCP's efforts against corruption were being 'approved and imitated by a growing number of countries and parties worldwide.'[35] The official statement, however, also exemplified the delicate balance which the Chinese leadership strikes between praising the (supposed) global attractiveness of its own policies and insisting on a non-intrusive approach to international cooperation presented as substantially different from that of Western countries. The latter is reflected in the mandatory quotation of Xi Jinping stating that 'We do not "import" foreign models, nor "export" the China model, nor ask other countries to "copy" China's practice.'[36]

Lessons from Hangzhou: China's engagement with international anti-corruption regimes

Overall, China's growing interest in international cooperation can strengthen the global relevance of anti-corruption measures in multi-issue fora like the G20. Western governments, however, have struggled to identify areas of shared interest and have been unwilling to engage with the – still narrow – Chinese anti-corruption agenda because of fears it could contribute to diluting international standards. One indication that China might be willing to yield some ground to international demands for preventive measures and increased transparency in return for more efficient international cooperation was provided by the adoption of ambitious measures on beneficial ownership transparency at the G20 Brisbane Summit in 2014.

Conversely, China's behaviour as a G20 host in 2016 demonstrated its resolve and diplomatic ability to insert its own priorities in international documents while preventing the inclusion of normative principles and human rights safeguards, and reducing access for non-state anti-corruption actors from business and civil society.[37] Beijing's strong emphasis on extradition and asset

35. Central Discipline and Inspection Website (2018).
36. Xi Jinping, quoted in Central Discipline and Inspection Website (2018).
37. The Business 20's working group on anti-corruption failed to organise a meeting in China because no Chinese company was willing to chair it. The 'Civil 20' meeting in Qingdao, in turn, was absorbed by the state-sponsored 'China NGO Network for International Exchanges' which ensured that discussions remained focused on 'building consensus across society' (Chen 2016).

recovery at the Hangzhou Summit led to the adoption of related 'G20 High-Level Principles,'[38] celebrated as 'manifesting China's leadership role and leading force' in international anti-corruption efforts. Another Chinese initiative in Hangzhou was the set-up of a G20 anti-corruption research centre, which equally focuses primarily on extradition and preventive asset seizure.[39] According to informal negotiation accounts, Western delegations refused to support the creation of an official G20 centre that exclusively promotes Chinese priorities. The compromise consisted of China unilaterally setting up a 'Research Center on International Cooperation Regarding Persons Sought for Corruption and Asset Recovery in G20 Member States,' based at Beijing Normal University.[40]

It remains to be seen whether this Chinese initiative can, over time, gain international reputation and evolve into a truly international institution with a more comprehensive interest in anti-corruption law and policies. Some recent events, such as a 'UNCAC Implementation Review Preparation Training Workshop' with some international speakers in September 2018, suggest that it is at least trying to broaden its original remit.[41] The centre's founding director, Huang Feng, also expressed his hope that it could 'help China further get to grips with international rules as well as judicial review procedures and rules of evidence of other countries,' suggesting a strong interest in promoting international exchanges among anti-corruption lawyers.[42]

A related normative challenge for Western democracies stems from China's reframing of international anti-corruption efforts as a pure matter of 'win-win' cooperation[43] between sovereign states, thus downplaying the role of civil society as well as judicial independence and potentially turning the extradition of corruption suspects into a matter of diplomatic quid pro quo. This is also – albeit implicitly – reflected in the Chinese proposal of a 'three zero' anti-corruption policy, presented at the occasion of the Hangzhou Summit. The three zeros refer to 'zero tolerance, zero loopholes, zero obstacles' (*ling rongren, ling loudong, ling zhang'ai*) and should be understood, according to official Chinese media, as an effort to build a global consensus that corruption must not be

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38. Group of 20 (2016).
39. For further details, see Lang (2018).
40. However, the centre's Chinese name – G20反腐败追逃追赃研究中心 – still makes it sound like an official G20 institution, and the centre is commonly referred to in official Chinese communications as 'G20 中心' (G20 centre).
41. Beijing Normal University (2018).
42. Yu Lintao (2016).
43. Xinhua News Agency (2018a).

tolerated – despite different interpretations of what it means – and that all loopholes for fugitive corrupt officials should be eliminated through inter-governmental cooperation without obstacles.[44] Repeated party-state media attacks against liberal democracies' reluctance to 'sincerely cooperate' with 'Operation Skynet' due to 'legal and human rights excuses' and 'double standards' in recent years have demonstrated that established international norms, like the non-refoulement principle, are at least implicitly counted among those 'obstacles' by the Chinese leadership.

Conflicting domestic and international priorities

In principle, the quest for international leadership on anti-corruption measures complements China's domestic agenda: Chinese diplomats work towards strengthening those norms compatible with national interests and framing anti-corruption initiatives as inter-governmental 'win-win cooperation' in the pursuit of criminal individuals, while de-emphasising associated human rights safeguards against arbitrary extraditions. If successful, such a shift could reduce the legitimacy costs incurred by China (and other governments) for pursuing and convicting individuals accused of 'corruption' without respect for due process and the right to a fair trial. However, the recent removal of Vice-Minister of Public Security Meng Hongwei from the Interpol presidency tells a different story. In open disregard for international due process requirements as well as neglect for the existing Sino-French extradition treaty, Meng was furtively taken into custody during a visit to China in September 2018, weeks before bribery investigations were officially confirmed. Although the internal power struggles behind this top-level case remain opaque, the episode strongly suggests that when push comes to shove, CCP elite politics trump international considerations, even if the damage to China's self-promoted image as a responsible player in international organisations is huge.

An authoritarian alternative to existing anti-corruption approaches?

Several articles in authoritative media outlets have reiterated the call for a 'new international anti-corruption order' in recent years. Whereas those articles remain evasive about the exact nature of such a 'new order,' China's domestic experimentation with new approaches to anti-corruption, integrity-building,

44. Xinhua News Agency (2018b).

and ‘social trust’ (*shehui xinyong*)[45] based on big data and social scoring[46] could eventually evolve into a more fundamental Chinese authoritarian alternative to the ‘good governance’ agenda promoted by many Western donor agencies and development finance institutions.

Indeed, the Social Credit System (*shehui xinyong tixi*), which is often discussed in Western democracies purely as a dystopian vision for totalitarian state control, is in large part driven by Chinese regulators’ more pragmatic efforts at better supervising all market actors to reduce corruption- and fraud-related problems like food and drug safety and environmental pollution.[47] From a central-level perspective, the system is also meant to change the incentives of local governments – which often benefit from collusion with businesspeople particularly in real estate development – by rating their performance in terms of respect for due procedures. The hope is that once all natural and legal persons are continuously rated for their compliance or non-compliance with relevant laws and government policies, irregularities should become easier to detect based on big data analyses, and companies with poor compliance ratings or insufficient anti-bribery safeguards could be automatically punished and disadvantaged, e.g. in future public tenders, based on a nationwide blacklisting system.[48]

While the related political and human rights concerns are obvious, this use of mass surveillance technologies to bring companies and state officials in line with the government agenda promises to reduce principal-agent problems often identified as the essence of anti-corruption efforts. If successfully implemented within China, such a model could become highly attractive for (would-be) authoritarian leaders, and potentially shake up established international norms on fighting corruption in the long run. At the same time, China’s global promotion of its authoritarian model of internet governance and growing exports of high-end surveillance technology to interested customers around the world could help autocrats silence critical voices in civil society and thereby weaken anti-corruption efforts.

45. Tian Xiangbo and Xing Qiao (2018).
46. Ohlberg, Ahmed and Lang (2017).
47. Ohlberg, Ahmed and Lang (2017).
48. Chorzempa, Triolo and Sacks (2018).

China's growing interest in international anti-corruption cooperation since 2014 presents both challenges and opportunities to Western democracies. China's international agenda clearly focuses on facilitating extradition and the recovery of stolen assets.

Key questions for tracking
How successful will China be in expanding its global 'Skynet' by concluding and enforcing new extradition treaties? Will the Chinese leadership increase its efforts to present its own anti-corruption approach as a model for others? How are Chinese efforts to step up 'international anti-corruption cooperation' received in developing countries?

China's impact in developing countries

Modern China has a long history of engagement with other developing countries – beginning with the 1955 Asia–Africa conference in Bandung. From the Chinese side, this mainly revolved around political cooperation and some small Chinese development aid projects in Africa. Commercial expansion began with Chinese economic reforms in the 1990s and gained strong momentum after the proclamation of a specific 'going out' strategy (*zouchuqu zhanlüe*) in 1999. Within less than two decades after its 2001 accession to the World Trade Organization, China has become the biggest trade partner for most regions in the developing world. Trade between China and developing countries is a small share of global trade and also a small share of China's international trade, but for many developing countries the trade with China is very significant.

For Africa, China is now way ahead of any other country, including the historically main trade partner – the US – even if the value of the trade was reduced from 2014 as a result of the fall in commodity prices, and remains their dominant trade partner.[49] Typically, China imports oil and other natural resources – mainly minerals – and exports manufacturing products. Corruption and governance standards have emerged as important issues in the scholarly debate about China's role as development actor, particularly in Africa,[50] where Chinese development finance and aid have alternately been labelled as 'The Dragon's Gift' or 'The Dragon's Curse.' This section will try to disentangle some

49. This is captured in official statistics from China and in the UN database on commodity trade.
50. Cf. a recent overview provided by Chris Alden and Daniel Large (2018).

of those issues by looking at the role of Chinese development finance, infrastructure investment, and aid in a narrow sense respectively.

Development finance: Prospects for multilateral coordination?

Most significantly, China has become a dominant provider of development finance. Over the past 10–20 years China has dramatically scaled up its financial support for construction and infrastructure in other developing regions. This is most strikingly evident in Africa, where China has emerged as a major provider of finance for construction of roads, railways, harbours, power plants, telecommunications and more. China is now rivalling the combined contribution of Western development partners and development banks as funder of infrastructure development. The Infrastructure Consortium for Africa's 2018 report on the financing of Africa's infrastructure noted that China is now the biggest foreign funder – mainly through loans – of infrastructure development in Africa.[51]

Key actors and strategic drivers

This funding is mainly provided by the two major state-owned policy banks – The Export-Import Bank of China (Eximbank) and the China Development Bank (CDB). As providers of loans and export credits, they have become major funders of Chinese companies 'going out,' especially in the construction sector. Funding has also been linked to provision of oil and natural resources to the Chinese economy. China's policy banks have often been criticised for their lack of transparency and poor governance standards.[52] However, the times when Chinese state-owned actors could carelessly spend large amounts of money without proper risk assessments are apparently over, as controls on outbound investments, including in development finance, have been decisively stepped up.

Today, Chinese policy banks are keen to emphasise that their lending is largely based on market principles and thus includes diligent economic risk assessments. At the same time, CDB in particular is officially presented as a key actor in supporting 'China's economic diplomacy' and has already 'signed more than 140 agreements with partners along the Belt and Road countries, involving

51. Infrastructure Consortium for Africa (2018).
52. Friends of the Earth (2012).

a total financing amount of more than 130 billion U.S. dollars' since 2013.[53] The volume of Eximbank's lending is even more important, although much of it is categorised as trade facilitation and support for Chinese companies 'going global'. Projects regularly highlighted by Chinese actors as showcase examples for mutually beneficial development finance include high-speed railway projects such as the Jakarta–Bandung high-speed railway, the Mombasa–Nairobi Railway in Kenya, or the recently approved Bangkok–Nong Khai high-speed connection in Thailand, as well as a large-scale Ferronickel Smelting Project in Indonesia.

With the issuance of China's 'Green Credit Guidelines' in 2012, development banks are also expected to assume a pioneering role in green finance.[54] The China Banking Regulatory Commission (CBRC) – an agency under the PBOC which was merged into the China Banking and Insurance Regulatory Commission (CBIRC) in 2018 – further issued Key Performance Indicators to improve monitoring and accountability of development finance in 2014 and Risk Management Guidelines for overseas investments in 2017. However, implementation has been patchy and 'Chinese banks continue to have weak channels of communication and engagement with the public and local stakeholders' in host countries.

This strengthening of regulatory oversight in recent years raises hopes for improved governance and accountability standards of Chinese development finance overall, even if the overriding importance of China's global energy security strategy will prevent Chinese development banks from divesting problematic resource extraction projects, regardless of environmental or corruption risks. Simultaneously, the potential for Sino-European engagement to improve project governance on softer, non-competitive issues seems likely to grow even if China continues to reject Western demands to condition development assistance on good governance or even human rights standards.

Governance and anti-corruption issues in development finance

One conspicuous problem of Chinese development finance and tied lending is the absence of international tendering, which can lead to increased costs and lower quality. Thus, the OECD DAC standards no longer allow aid funds to be used to subsidise exporters from the donor agency's home country. China's tied aid model also implies a lack of transparency regarding governance standards

53. Xinhua Silk Road News (2018).
54. Gallagher and Qi (2018).

and corruption safeguards, since Chinese bidders are usually not held to high accounting standards. There are several examples of how tied Chinese aid has inflated costs for the recipients, although it must be added that Chinese construction companies often provide the lowest and most competitive bid in international tenders for construction funded by international development banks.

An interesting recent development in this regard is the PBOC's initiative to train officials from China and BRI target countries on issues of debt sustainability management in cooperation with the International Monetary Fund.[55] This virtual China-IMF Capacity Development Center (CICDC), set up in May 2017, provides a good example for the terms under which Chinese institutions are willing to enter into international cooperation: it features first, the use of a practically oriented vocabulary ('capacity development,' focus on 'hands-on training courses and workshops') and second, explicit references to China's cherished Belt and Road Initiative, thus sanctioning and amplifying Beijing's claim to 'serve the interests of countries along the "Belt and Road" Initiative.'[56] In addition, it also suggests that the PBOC, due to its function as China's chief banking and financial markets regulator, is more keenly aware than other Chinese banks and development finance institutions of the need to step up governance standards in the field of transnational lending and investment, and consequently be more open to international coordination and joint efforts.

Potential for engagement

China's growing self-confidence and will to shape international development policies are also reflected in their participation in the traditional development finance institutions, such as the World Bank and the African Development Bank (ADB), and in the emergence of new multilateral development banks, notably the Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank (NDB), where China's voice carries much more weight than in established development banks like the World Bank or the ADB. As part of a more ambitious diplomatic strategy under the Belt and Road framework, China has also initiated and financially supported the creation of a host of regional development funds, including the 'Silk Road Fund,' the 'China-Africa Development Fund,' or the 'China-Latin America Cooperation Fund' – all co-financed by Eximbank. Due to their recent creation and comparatively small

55. International Monetary Fund (2017), more related analysis in Dollar and Thornton (2017).
56. International Monetary Fund (2017).

scale, we still know too little about the governance standards and possible corruption prevention mechanisms in these funds.

The Asian Infrastructure Investment Bank: Blueprint for Europe-China cooperation?

First presented in 2014 and launched in January 2016, the Asian Infrastructure Investment Bank (AIIB) has been interpreted as a litmus test for China's engagement with the international development finance regime. While the US explicitly opposed the Chinese initiative, European participation was initially piecemeal after the UK declared its participation without prior consultation with EU allies. Only after half its member states had individually joined did the EU come up with a strategy for multilaterally 'embedding' the new bank within the existing development finance architecture. Yet, China's will to present the AIIB as a showcase for its new geopolitical relevance gave Western participants considerable leverage in shaping the bank's governance structure. Eventually, Western democracies' participation in and influence on high-level personnel decisions, as well as the bank's statutes and financing vehicles, appears to have ensured that the AIIB conforms with established standards of infrastructure investments for development purposes. While this new multilateral institution does not address the problems of corruption in China's bilateral projects, it underscores the resilience of international regimes if China's growing ambitions in developing countries are genuinely accommodated by Western powers.

While certainly posing risks of double efforts and unhealthy competition, the proliferation of multilateral development finance providers, particularly in Asia, also offers new opportunities if banks manage to find their respective niches and complement rather than out-compete each other. In this respect, European experiences in terms of development bank coordination and project co-financing between the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) offer potentially valuable lessons for cooperation between the ADB and AIIB,[57] which could also ensure that the highest possible governance standards are upheld by all stakeholders.

In addition, China's own development finance providers are also keen to learn from the experiences of other and Western providers of development finance.[58]

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57. Ji (2017).
58. Chin (2012).

Co-funding arrangements between the World Bank Group and Eximbank since 2007 have helped China raise its profile as a cooperative provider of international development finance. Whereas the vast majority of Chinese development finance continues to be disbursed through bilateral channels, both Eximbank and CDB are seeking to expand their cooperation with international development lenders, notably the EBRD and the *Agence Française de Développement*. This new openness for engagement from the Chinese side – which can be at least partly attributed to Chinese policy banks losing large amounts of money in unsustainable investment projects abroad over the past decade –offers additional entry points for discussions on risk management, including governance standards and corruption prevention, in development finance.

China's important role as a provider of development finance makes multilateral engagement a necessity. Chinese banks are becoming increasingly open to cooperation with Western counterparts.

Key questions for tracking

How will the incipient cooperation project between Chinese and Western development finance institutions fare in terms of governance and accountability? How does China engage with these issues in the multilateral development banks?

Infrastructure investment: Any chances for a 'Belt and road to integrity'?

Other developing countries have also become an increasing destination for Chinese foreign direct investment. On this dimension, China is so far only one of several investors. It does not play a similarly dominant role as in development finance; although in some countries, especially in Asia, it is emerging as a major investor. This trend is likely to continue and accelerate in line with Xi Jinping's flagship foreign policy project, the 'Belt and Road Initiative' (BRI).[59]

59. Wignaraja et al. (2018)

Key actors and strategic drivers

Officially comprised five ‘connectivity’ pillars – namely policy, infrastructure, trade, financial, and people-to-people connectivity – the BRI has sparked most widespread international attention thanks to massive Chinese infrastructure investment pledges in programmes of intercontinental transport, energy, and telecommunications linking China to other Asian countries, Africa, and Europe. Most official BRI projects are financed through China’s policy banks and carried out by Chinese companies, although China’s commercial banks are also increasingly getting involved.

Development through connectivity: The ‘Belt and Road Initiative’ (*yidaiyilu*)

Originally presented in 2013 as a modern reincarnation of the silk routes from East Asia to Europe, the BRI quickly emerged as Xi Jinping’s flagship foreign policy strategy, particularly as an overarching framework for ‘South-South Cooperation’ with developing countries. It is China’s most ambitious global initiative to date, with actual and planned investments in 65 countries totalling over $1 trillion. While initial policy plans focused on connecting Eurasia through new ‘economic corridors’ at land and sea, today any country that supports China’s official rhetoric seems welcome to join. Officially, BRI projects are not ‘aid-like’ but commercial and ‘win-win’ in nature, supported by loans from Chinese policy banks or the state-owned Silk Road Fund. Useful overviews and up-to-date analyses of BRI developments are provided by MERICS, CSIS.

Long before the creation of BRI, the Forum on China-Africa Cooperation (FOCAC) has developed from an initial ministerial-level meeting in 2000 into a major vehicle for China’s Africa policy. Since 2006, FOCAC Summits at ministerial or state leader level are held every three years. The three-year work plans and related Chinese pledges at FOCAC meetings have become a major avenue for understanding the nature and direction of China’s South-South approach. At the FOCAC Summit in Beijing in September 2018, China made several promises and commitments. This included funds totalling USD 60 billion for economic development in Africa – together with a range of specific programmes and initiatives.[60] Some of these addressed corruption and some called for engagement with third countries.

Governance and anti-corruption issues in (infrastructure) investment

One conspicuous problem of BRI-related investments from an anti-corruption perspective is the 'generous' offer of (either concessional or commercial) loans or ready-made showcase projects (such as bridges, ports, or stadiums) without proper public tendering. Several high-profile examples have substantiated the charge that many BRI investments are more politically motivated than commercially viable, and tend to support politicians favourably disposed towards Chinese interests.[61]

Under such arrangements, rent-seeking by local elites risks increasing recipient countries' indebtedness and economic dependency on China. Sri Lanka has emerged into the prototype of such 'debt-trap diplomacy' at the intersect of infrastructure development, geostrategic plotting, and outright bribery. According to investigative reports, Beijing used a state-owned shipping company and Eximbank as vehicles to first induce Sri Lanka's then President Rajapaska into unsustainable, credit-financed port projects, including by means of illegal campaign funding in 2015, then to renegotiate Sri Lanka's debt in exchange for property and estate rights in a geostrategically crucial area. A similar logic applies to the 'China-Pakistan Economic Corridor,' where political and military involvement obfuscates concerns over project governance or even economic viability.

Potential for engagement

China's global expansion, including efforts to present the BRI as an alternative to Western engagement in Eurasia and beyond, has led some Western commentators to worry about a possible dilution of governance standards and preventive mechanisms against bribery and embezzlement in development finance. Indeed, the PRC's apparent lack of interest in enforcing international anti-foreign bribery standards against its own multinational companies seems to bode ill for future Chinese investments in BRI target countries, many of which are perceived as the most corrupt worldwide. In addition, China's strong preference for 'South-South' bilateralism (including with Eastern Europe under

60. See especially Section 6.2 in FOCAC 2019–2021 Action Plan which deals with anti-corruption. See also the discussion of the 2018 FOCAC commitments.
61. South China Morning Post (2018).

the ‘16+1’ format) still limits the potential for in-country engagement with Western development actors.

However, while politicians in the Global South welcomed the first wave of Chinese investment and lending promises, examples of popular and political backlashes against China’s growing influence and corruption in BRI-related projects have multiplied. Most importantly, Malaysia’s pro-China premier was ousted from power in May 2018 by an electorate exasperated with conspicuous grand corruption and cronyism. Worse for China, Malaysia’s (aged) new leader, Mahathir Mohamad, openly warned China against a ‘new version of colonialism’ and immediately halted China-sponsored development projects. Further signs of backlashes against Chinese investment have appeared in other key BRI countries, including Laos and Pakistan, where the newly elected prime minister, who essentially campaigned on an anti-corruption and transparency platform, announced a thorough review of the previous government’s China deals in autumn 2018.[62]

Such acts of defiance from important strategic BRI countries threaten to undermine China’s efforts to increase its ‘soft power’ by presenting itself as a benevolent ‘South-South’ development partner,[63] and are therefore likely to spark some strategic rethinking in Chinese foreign policy circles. Anti-corruption safeguards could thus be sensibly presented to Chinese leaders as tools to improve project-level governance and mitigate local-level resistance against growing Chinese presence, at a time when BRI implementation encounters growing obstacles on the ground.

Indeed, despite an increasingly oppressive political environment, there have been candid warnings *within* China that the BRI could be at risk of falling prey to corruption and rent-seeking in target countries. A 2016 China Daily comment warned that ‘governance failures, ranging from corruption to inefficient implementation of reforms, also pose a serious challenge [to BRI], as do social and political tensions’. Public intellectuals’ warnings that corruption risks could be ‘the Belt and Road initiative’s stumbling block’ and related recommendations for building the BRI into a ‘road of integrity’ (*lianjie zhi lu*)[64] have multiplied since Xi Jinping officially raised the corruption issue at the Belt and Road

62. Anderlini et al (2018).
Going far beyond corruption, however, these challenges to China’s growing economic presence can also be seen as proxies for an increasingly accentuated US–China rivalry for geopolitical influence in the region.
63. Hillman (2018).
64. China Disciplinary Inspection Times (2017).

Forum for International Cooperation in May 2017. Whether Beijing's rhetorical recognition of anti-corruption mechanisms in development cooperation translates into tangible measures will be one crucial issue to watch in coming years.

The BRI has raised the stakes for China's foreign policy vis-à-vis developing countries. Chinese lending for large-scale infrastructure projects has sparked high expectations but also meets with growing resistance linked to reports about political kickbacks and high-level corruption.

Key questions for tracking

Will the recent political backlashes against BRI projects induce visible strategic readjustments in favour of better project governance and transparency? Will the political slogan of a 'Belt and Road to Integrity' be filled with substance, both in theoretical and empirical terms? How will the incipient cooperation project between Chinese and Western development finance institutions fare in terms of governance and accountability?

Aid: China's evolving role as a donor

Key actors and strategic drivers

A smaller portion of Chinese development finance is provided through a special development aid budget. This has been managed by a section within the Ministry of Commerce (MOFCOM), but it is implemented through a very large number of government departments and agencies. China's foreign aid policy is officially meant to improve China's 'soft power,' which implies that aid allocation is motivated by concerns for bolstering China's image in strategic partner countries. However, the important role of MOFCOM and Eximbank also explains certain commercial biases in aid allocation. Internal turf wars with the Ministry of Finance (MoF) further complicate the picture.[65]

Official aid figures have been reported by the MoF since 2003,[66] but aggregate figures often tell little about the motivations, management, or impact of Chinese

65. Zhang and Smith (2017).
66. Cf. one of the best available datasets at China-Africa Research Inititative: Data Chinese foreign aid.

aid allocation. The main primary sources of information on policies, volume, and allocations are the two white papers from 2011 and 2014.[67] In the 2010–2013 period, the annual average volume of Chinese development aid was nearly USD 5 billion. It is significantly higher today. According to some estimates China may be the world's seventh biggest bilateral provider of development assistance. However, much of the Chinese aid, such as the subsidy of the interests on loans and export credits, would not qualify as development aid according to the criteria of the OECD DAC.[68]

The recent creation of the China International Development Cooperation Agency (CIDCA) marked a major reshuffle of China's foreign aid policy. Unveiled in April 2018 by former foreign minister Yang Jiechi, CIDCA was explicitly presented as an important tool 'for Chinese diplomacy and the Belt and Road initiative' under CCP leadership. As a coordinating agency meant to promote strategic long-term goals at the expense of sectoral interests, CIDCA faces the gargantuan task of reducing overlaps and conflicts between the 33 different government bodies plus numerous contracting companies involved in Chinese foreign aid. However, CIDCA's placement under direct State Council oversight along with the political weight of its chairman put it in a strong position to streamline China's development cooperation. While it is still too early to assess the new agency's actual influence and future direction, it could evolve into a relevant counterpart for Western development agencies. CIDCA's portfolio also includes non-aid-like economic cooperation projects under the BRI but it so far puts a strong emphasis on 'humanitarian aid' notably in the health and disaster relief sectors. Whereas empirical evidence on governance and corruption prevention in these programmes remains scarce, their geographical diversification across the Global South suggests engagement potential for Western development partners with strong existing ties on the ground.

In November 2018, CIDCA released draft 'Administrative Measures for Foreign Aid' for consultation. This proposal for a departmental regulation adopts a substantial part of the previous measures of MOFCOM, but also shows that the functions of CIDCA will go well beyond the ones that MOFCOM had. Thus, CIDCA will be in charge of developing aid strategies, drafting aid laws, and doing aid-related research. They will also be responsible for drafting country strategies, project evaluation, and policy reviews. The draft does not indicate any significant changes in policies and approaches compared with the previous

67. See Information Office of the State Council (2011) and (2014).
68. Bräutigam (2011).

white papers. The categorisation and distinction between grants, interest free loans, and concessional loans from the 2011 and 2014 white papers are maintained. However, the draft regulations do emphasise that Chinese aid shall promote the Belt and Road Initiative.[69]

The draft measures suggest that we may see improved statistics and data on Chinese aid, including better monitoring and evaluation. This may facilitate increased transparency. Furthermore, CIDCA will have a mandate to engage internationally on behalf of China. This may pave the way for greater engagement with OECD donor agencies. It is unclear how this may affect engagement with multilateral agencies which is now managed by the MoF.

Governance and anti-corruption issues in Chinese foreign aid

China's openly advertised 'no-strings-attached' policy[70]on foreign aid has often been chastised for undermining Western aid conditionality and promotion of good governance standards,[71] for propping up kleptocratic regimes in Africa,[72] or for using 'double standards' by fighting corruption at home while turning a blind eye abroad.[73] However, the quality and reliability of empirical research on the actual impact of Chinese aid on governance integrity has been hindered by differing Chinese definitions of 'aid.'[74] An additional problem is the continued opaqueness and the ensuing difficulty of obtaining reliable, objective data on Chinese activities in developing countries. While Chinese official media have become much more forthcoming with reporting figures for individual, high-profile aid and investment projects in the wake of BRI, transparency regarding the overall distribution of aid funds or the specific loan conditions remains poor.

One large-scale effort to address this issue has been made in recent years by an AidData project which uses the Tracking Underreported Financial Flows (TUFF) methodology to triangulate open source information from news reports,

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69. The draft administrative measures were released in November 2018. An unofficial English translation is provided in China Aid Blog, Peering into the black box of Chinese aid. It also highlights differences and parallels with the 2014 administrative guidelines. See also CIDCA's website.
70. While the 'no-strings' rhetoric serves to frame Chinese aid as more attractive compared to Western donors who use 'conditionality' to push for, *inter alia*, governance reforms and anti-corruption safeguards in recipient countries, Chinese aid does come with some very obvious political strings, notably support for the 'One-China policy.'
71. Li (2018).
72. Hodzi et al. (2012).
73. Marantidou and Glosserman (2015).
74. Kitano and Harada (2016).

official statements from Chinese and recipient countries' government agencies, and selective field research to 'minimise the impact of incomplete or inaccurate information.'[75] The project is methodologically innovative and lays ground for future research, particularly by compiling a large open-source dataset at project (rather than country) level. Related studies to date have mainly addressed the economic growth effects of Chinese as compared to Western aid, with the notable exception of a new study by Isaksson and Kotsadam who did find a negative impact of Chinese aid projects on local corruption perceptions across 29 African countries.[76] The authors attribute this to both growing economic incentives and 'norm transmission' of 'China's alleged lax attitudes towards corruption.'[77] This, however, remains a rather tentative conclusion as it is based only on the geographic association between Chinese development projects and Afrobarometer survey responses.

Applying OECD DAC criteria to differentiate between 'aid-like' and 'non-aid-like' Chinese projects, another study by Brazys et al. confirmed a negative impact on local corruption levels only for 'non-aid-like' projects.[78] This suggests that the type of Chinese development finance hugely matters in terms of the motivations for allocating funds as well as its potential impact on governance in target regions.[79] It should, however, be added that the validity of the data used in these studies remains subject to controversial debates in the absence of trustworthy official statistics.

In general, Chinese aid is primarily disbursed in the form of projects, often tied to goods and services provided by China. There is very little transfer of cash to recipients – with humanitarian aid and contributions to multilateral organisations being the main exceptions. Interestingly, this is now often justified by Chinese officials with reference to supposedly lower risks of corruption in such forms of direct finance, as compared to cash transfers and budget support.[80] Concessional loans – like the much bigger ordinary loans and export credits – usually remain conditioned upon the use of Chinese companies (typically the requirement may be that at least 50% shall be sourced from within China). Funding for the major massive capacity-building projects and human resource development is linked to training and education, deployment of Chinese professionals abroad and so on.

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75. Dreher et al. (2017).
76. Isaksson and Kotsadam (2018).
77. Isaksson and Kotsadam (2018:157).
78. Brazys et al. (2017).
79. Dreher et al. (2018).
80. Tan-Mullins et al (2010).

Potential for engagement

Since foreign aid – and particularly the rapid expansion of highly visible humanitarian aid programmes[81] – has been openly presented as 'a major instrument of Chinese diplomacy' China should be expected to be relatively sensitive to international criticism and to ensuring high-quality standards in this field. Insisting on the principle of non-interference in other countries' internal affairs, the Chinese government officially continues to pursue a firm hands-off approach in relation to governance issues. From a Western perspective, this 'non-interference' argument regarding corruption recalls experiences from the early decades of development assistance in the post-war period, when Western development partners would still hand out funds to foreign governments without adequate controls or even concerns about the embezzlement of funds. The World Bank in particular came under heavy criticism in the early 1990s for not paying sufficient attention to corruption risks[82] and completely overhauled its aid conditionality to include anti-corruption safeguards subsequently.[83]

While a similar 'paradigm change' may be what many Western critics also expect or ask from China today, any move in this direction appears highly unlikely in the current political context. China's reluctance towards direct budget aid and preference for the delivery of 'ready-made' projects may somewhat mitigate the problem of insufficient donor oversight, but only if Chinese actors are serious about building good compliance mechanisms into their own projects. In addition, the closed and rather opaque character of Chinese wholesale aid projects also reduces the possible entry points for engagement from the perspective of other development partners.

However, after roughly two decades of rapid expansion during a phase of Chinese foreign aid euphoria, it is becoming apparent that experiences with failed or unsatisfactory projects are gradually leading to some shifts in Chinese thinking and approach. Chinese actors are now placing a greater emphasis on the 'soft' issues of capacity building and management, together with a growing

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81. China's humanitarian aid budget remains small in absolute terms but the field has been clearly identified in Beijing as an important field in which China's international presence and standing need to be strengthened. Recent efforts at doing so include both an increase in official funds to solve international humanitarian crises like Ebola outbreaks in Africa and ideological support for Chinese NGOs and GONGOs carrying out humanitarian relief work, particularly in neighbouring Asian countries like Nepal and Myanmar. For further information, cf. UNDP (2015).
82. Eigen (2013).
83. Sampson (2010).

concern for the sustainability of their aid-funded projects. Growing attention to corruption-related issues (albeit often described in other terms) as a potential pitfall of development aid is most evident in China's engagement with Africa.

At the most recent FOCAC meeting in Beijing in September 2018, China committed to train over 100 African anti-corruption officials over the next three years.[84] There is a specific reference to the UN Convention Against Corruption; however, the main opening paragraph makes it clear that the focus is on repatriation of fugitives and asset recovery. Thus, the document also provides another illustration of how China is inserting its own priorities – driven by the domestic logics underlying the afore-mentioned Operations Foxhunt and Skynet – into international declarations. It is also noteworthy in this regard that the National Supervisory Commission is now taking the lead on international anti-corruption cooperation efforts. One new method which reflects China's growing self-confidence as a global norm-*shaper* is the organisation of workshops for foreign officials and international development experts in China, where NSC officials share China's domestic anti-corruption experiences and present them as a potential model for other countries to learn from.

Despite growing Chinese sensitivity to corruption problems in BRI target countries, anti-corruption safeguards are not yet officially integrated into China's foreign aid programmes. Direct engagement on these issues will be most realistic as part of broader, less sensitive labels like capacity building and development finance sustainability.

Key questions for tracking

Will the creation of CIDCA lead to more transparency in Chinese aid? Will Western donors be able to establish meaningful relations with CIDCA? What does this mean for the possibility of engaging with China on aid and governance issues in multilateral fora at the global level (e.g. the UN), in South-South fora (e.g. the African Union), or in third countries?

84. See paragraph 6.2 in Forum on China-Africa Cooperation (2018), Beijing Action Plan (2019–2021).

Beyond central planning: Chinese commercial and non-state actors and governance in the Global South

One common fallacy in analyses of China's international presence is to treat the country as a monolith, disregarding important divergences between foreign policy actors in terms of interests, behaviour, or strategy. The high visibility of central government initiatives like the 'going out' strategy and now BRI tends to obfuscate the actual bureaucratic fragmentation of China's development policy. Indeed, China's contemporary presence in the Global South consists of a heterogeneous set of actors pursuing their own agendas within rather vague central policy frameworks. In addition to long-standing tugs of war between the Ministry of Commerce (MOFCOM) and Ministry of Foreign Affairs (MFA) over the orientation of Chinese foreign aid, other actors scrambling to advance their own interests under the BRI banner include provincial governments, various state agencies, quasi-commercial banking institutions, SOEs, and private businesses.

Chinese corporate foreign bribery

With resource extraction a mainstay of Chinese SOEs' and conglomerates' investments (particularly in Africa), cases of large-scale bribery involving Chinese companies in high-risk countries like the DR Congo have indeed abounded. But these problems are not unique to Chinese multinationals. Bribery of government officials in developing countries by multinational companies from richer countries continues to be a major global development problem.[85] Western development partners and investors have long struggled to agree on common standards and tangible control mechanisms to address the use of kickbacks to gain competitive advantage, especially in extractive industries. China's rise has not caused the 'resource curse' but poses new challenges to international efforts at alleviating it. As long as Chinese companies have to fear 'little or no enforcement' of anti-foreign bribery laws,[86] growing Chinese competition also offers multinationals from other countries new excuses for contravening existing multilateral codes of conduct.[87]

New research cautions against overplaying the role of central planning in individual investment decisions, let alone project-level management – even for

85. Transparency International (2018).
86. Transparency International (2018).
87. I have further explored this argument elsewhere, cf. Lang (2017).

Chinese SOEs.[88] With the introduction of fundamental changes in risk allocation in 2006, SOEs investing abroad started to care much more about investment risks in host countries, including corruption control.[89] Other analyses confirm that Chinese SOEs – when acting *abroad* – are more similar to 'normal,' profit-seeking companies in their commercial quest for market shares than usually assumed, which also means that they factor in corruption and governance risks into their risk management strategies in similar ways.[90]

Furthermore, while state-supported infrastructure and extractive industry investments continue to dominate headlines, a recent McKinsey study concluded that 90% of Chinese firms active in Africa are privately owned and engage in a great variety of business sectors.[91] While Chinese state-owned companies have spearheaded the 'going out' process, they have been followed by both major and smaller private companies such as Huawei in telecommunications and StarTimes in pay and digital TV in Africa. Special economic zones in many African countries – modelled after their successful predecessors on the Chinese mainland – have also become an important arena for a number of Chinese manufacturing companies.[92] Similarly, at the micro level there has been an explosion of small-scale enterprises owned by Chinese self-made businesspeople who left their country to seek out opportunities abroad.

Recent trials of 'dealmakers' who facilitated bribery of African political leaders on behalf of Chinese corporations have corroborated the narrative that China is exporting a model of state-private collusion which has also haunted domestic policy implementation. There are a few examples of prominent individuals who have been detained and accused of corrupt activities. One of the most published examples is the case of the Hong Kong-based businessman Sam Pa. He emerged as a key player and middleman between Beijing and Angola in several of the major infrastructure projects that China funded. He has since spread his activities to other African countries and beyond. He was detained in China in 2015 but seems to have resurfaced in Angola in late 2018.[93]

To what extent the recent emphasis on anti-corruption measures in China has impacted the behaviour of Chinese companies abroad remains largely an open

88. Gu et al. (2016).
89. Chalmers et al. (2017).
90. Liou (2014).
91. Jayaram et al. (2017).
92. Bräutigam and Xiaoyang (2011).
93. See more on the case of Sam Pa in Burgis et al. (2014) and Vines (2018).

question. Within China, Xi's anticorruption campaign has also reached deep into the management of state-owned enterprises, as well as the world of private business tycoons with extensive links to the Communist Party apparatus. Notably, high-profile cases with harsh sentences have also concerned Chinese business magnates with a strong international presence, such as the former chairman of China's biggest insurance company Anbang, Wu Xiaohui.[94] However, corruption charges in such cases almost exclusively involve illegal behaviour within the PRC. As in other countries, profit-seeking businesspeople and companies are unlikely to refrain from illegal behaviour as long as they do not have to fear enforcement of anti-bribery provisions by either host or home country. Thus, in addition to actually enforcing its foreign bribery provisions introduced into the Criminal Law in 2011, the Chinese government should be encouraged to be more cooperative on mutual legal assistance and information exchange – not only in cases of individual wrongdoing but also when it comes to cases of transnational corporate bribery.

While China's corporate anti-bribing and corruption compliance framework has formally approached international standards,[95] individual companies' minimal disclosure practice urgently needs to improve. In Transparency International's latest Bribe Payers Index, China ranked 27 out of 28, with only Russian companies more likely to pay bribes abroad. Although 276 Chinese companies have joined the UN Global Compact, transparent reporting mechanisms and company-level compliance systems remain underdeveloped in many Chinese corporations. This is coupled with a lack of trust in corporate transparency indices developed by Western NGOs, who often complain about non-responses from Chinese companies. Minimally, growing international exposure apparently leads to improvements in Chinese multinationals' Corporate Social Responsibility frameworks. As for the many Chinese-run small-scale businesses, they tend to be faced with the same problems of petty administrative corruption that haunt many poor countries.

A growing international role for Chinese non-profit organisations?

Finally, the incipient internationalisation of Chinese non-profit organisations also deserves attention. In recent years, a growing number of Chinese NGOs and

94. Mai and Yu (2018). For another high-profile case of Xiao Jianhua who disappeared in Hong Kong to later show up in investigations on the mainland, cf. South China Morning Post (2017).
95. Schonfelder et al. (2016).

foundations, such as the private One Foundation, the Christian Amity Foundation, or the state-backed China Foundation for Poverty Alleviation which pioneered international humanitarian activities, have sought to launch or expand philanthropic and humanitarian projects in developing countries outside of China.

That corruption prevention is a crucial yet underdeveloped aspect in philanthropy management is also a relatively new insight for many Western organisations. It is, however, of crucial importance for non-profit organisations worldwide if they want to avoid being tainted by repeated scandals in which supposedly 'charitable' organisations have been used for tax evasion, private enrichment, and money laundering. As in other countries, the Chinese charity sector has repeatedly been shaken by such publicised scandals over the past years.[96] The fact that the government stepped in with tighter regulation of charity organisations with a new Charity Law (*cishan fa*) in 2016 was thus generally welcomed within the sector. However, the current legal and regulatory framework deals exclusively with domestic activities and fundraising, while overseas activities of Chinese non-profit organisations continue to operate in a legal grey area.

Generally speaking, Chinese foundations and NGOs, which are still in an early phase of 'going out' crucially lack the capacity and experience to manage transnational aid projects in an accountable manner. However, due to the non-profit nature of their activities in poverty alleviation or disaster relief, they are likely more open to engagement in joint training and capacity-building programmes with Western counterparts.

Outlook: Strengthening engagement and integrity systems

Many Western observers tend to paint a daunting picture of Chinese foreign investment along the BRI in terms of opaqueness and corruption. With its new 'BUILD Act' marketed as a transparent counter-proposal to China's BRI, the Trump administration is now moving towards an openly confrontational approach vis-à-vis China's presence in developing countries. Such an approach, reminiscent of great power competition during the Cold War, is no option for Europe – for both normative and practical reasons. Instead, the following

96. Wong (2011); Moore (2011).

recommendations build on the premise that Western development partners should scrutinise China's rapidly evolving development cooperation structure for emerging engagement opportunities, while actively upholding their own anti-corruption standards.

The purpose of direct engagement with Chinese authorities on anti-corruption and integrity-building issues could be both to contribute to specific Chinese aid policies and interventions, and to learn more about Chinese approaches. Indeed, Chinese aid and foreign policy authorities appear increasingly prepared to engage with traditional Western development partners. As Chinese stakes in developing countries increase, China's experiences are not that different from those of Western investors in highly corrupt contexts in the 1960s–80s – i.e. that simply ignoring corruption or conniving in corrupt deals might pay off in the short term, but has greater economic and political downsides in the long run. It took Western development partners several decades before fully acknowledging the devastating effects of corruption and transnational bribery for economic development in target countries and, indeed, investment security for their 'own' MNCs. Furthermore, donor fragmentation on the sensitive issue of anti-corruption has proven a difficult challenge even among Western countries.

Bilateral engagement

It is useful to distinguish between three main arenas for engaging with China on these issues. One is at bilateral level directly with China. This involves the monitoring of emerging Chinese policies and practices and political dialogue. A main priority in the short to medium term should be to monitor the new China International Development Cooperation Agency (CIDCA), including any efforts to address corruption in its aid policies and approaches. Although CIDCA should be pragmatically seen as a foreign policy tool under the BRI framework, it could evolve into an important interlocutor for donor-to-donor engagement with Western development agencies.

Currently, the China office of the United Nations Development Programme (UNDP) has a strong focus on China's aid policies and management. Some bilateral donor agencies (especially the UK's Department for International Development (DFID)) have had the same focus in their bilateral engagement with China. These efforts may be stepped up to address governance and corruption issues. In terms of strategic cooperation, the CCP's broad vision of an anti-corruption agenda as a cross-cutting issue offers numerous opportunities for issue linkages, notably with programmes to fight environmental pollution, a less sensitive topic where China can more easily present itself as a model for developing countries. While geostrategic interests will likely continue to override good governance concerns in large-scale infrastructure projects along the 'Belt and Road,' there might be more common ground on initiatives to counter petty corruption in developing countries – a problem that has been widely identified as a major risk for BRI-related investments by Chinese experts.

Multilateral engagement

The multilateral channel will be a second and main arena for engagement. This is also considered important by China itself. There are currently at least two main priorities to be considered. The new global 2030 Agenda and its Sustainable Development Goals, with their emphasis also on Triangular and South-South cooperation, are expected to provide further opportunities here. The outcome document of the March 2019 BAPA+40 conference (The Second High-level United Nations Conference on South-South Cooperation) in Buenos Aires similarly emphasised the importance of multilateralism for sustainable development and stressed the 'need to enhance the development effectiveness of South-South and triangular cooperation.'[97] Likewise, the G20 will remain an important arena. China's strong interest in facilitating international asset recovery should be welcomed and leveraged to obtain more tangible Chinese commitments on structural efforts e.g. in terms of anti-money laundering, which is a cornerstone in tackling transnational corruption. Finally, the trend towards multi-stakeholder approaches and engagement with UN bodies in China's humanitarian aid efforts offers opportunities for engagement, notably with Chinese NGOs and foundations that implement aid programmes abroad but lack the capacity of ensuring the proper use of their resources.

Triangular cooperation

The third and perhaps most important arena for development partners is the engagement with China in other developing countries. China has traditionally been reluctant to engage in triangular cooperation with bilateral Northern donor agencies. However, this is changing. China may view triangular cooperation as an option to address rapidly growing demand from other

97. UN Conference on South-South Cooperation (2019).

developing countries for knowledge sharing and expertise, and it may be a way of advancing their own evolving development cooperation architectures. In this regard, they might consider triangular cooperation as a way to acquire more international recognition as development partners. Ultimately, however, motivations to engage in triangular cooperation relate to broader foreign policy considerations that vary across countries.[98]

Several major bilateral donor agencies now have programmes and projects working towards triangular cooperation with China. This is linked to a perceived importance of working strategically with emerging and regional powers in the Global South in implementing interventions in other developing countries. This is most evident in relation to China, but also with countries like India, Brazil, and South Africa, or even Indonesia, Chile, or Mexico. This is justified both by the belief that such countries possess certain strengths and relevant experiences, and that they have policies and instruments available to support development efforts in other countries. This trend is also motivated by a keen interest in 'influencing' the aid policies of these emerging powers. Some major bilateral donors – such as the UK and Germany – have developed specific strategies for this.[99]

What do we know about the results of such triangular cooperation with China in other developing countries? A major challenge in assessing results is often insufficient clarity about the purpose. Is the purpose to improve development outcomes in a specific developing country? Is it to increase the capacity of China to assist other developing countries? Or is the purpose to promote cooperation between China and other developing countries? Several reviews of recent triangular cooperation with China have attempted to move beyond the listing of activities and outputs and have addressed outcome issues more systematically.

Some of the DFID-funded triangular projects stand out in this respect. DFID's 2012–2017 agriculture partnership between the UK, China, Uganda, and Malawi is an illustrative example. The project aimed to transfer appropriate Chinese agricultural technologies (in cassava and tilapia) from production to processing and value adding in order to improve agricultural productivity and food security. It intended to achieve this through collaborative research, pilot programmes, and knowledge-sharing activities. It aimed to bring together Chinese technology experience with DFID's understanding of effective aid

98. Zhang Denghua (2017); Tjønneland (2019); Haider, Human (2018).
99. Cf e.g. German Federal Ministry for Economic Cooperation and Development (2013); Honda and Sakai (2014); Anna Rosengren et al. (2013); and ICAI (2016).

delivery related to technology transfer. Reviews of the programme find it largely successful. The transactions costs are, however, high, but it provides important lessons for scaling up triangular cooperation in this area. Also, these reviews identify an additional challenge: the risk of China being identified as just another foreign donor with the sustainability suffering from low ownership by the beneficiary country.[100]

Corruption issues do not seem to be a focus in any triangular projects with China (beyond addressing corruption and financial management within the specific projects funded). There are, however, also opportunities for exploring possible entry points to address this. This will depend on specific country context. The African Union (AU), for example, is developing norms and guidelines for engaging with governance issues, with Western donor agencies being key partners and funders. With China now entering as an AU partner, there are also new entry points for engaging – through the AU – with it on such issues.

Strengthening integrity systems

The sheer scope and size of the Chinese engagement and expansion in other developing countries implies that, whatever it does, it will have a major impact also on governance and corruption. This implies that development partners should continue to strengthen the capacity and competence of other developing countries to face up to these challenges and opportunities.

The 'Belt and Road to Integrity' may be primarily a diplomatic slogan, but as with most rhetorical figures in CCP parlance, it offers potential partners – particularly in strategic BRI countries – a reference point for engagement, and for holding China accountable. The reputational costof engaging in corruption is the most compelling argument for convincing Chinese counterparts to engage in prevention mechanisms. This is true both for government actors worried about growing political backlashes, and companies which need to understand the positive business implications of compliance mechanisms and increased accountability. Overcoming Chinese investors' reticence against transparency and accountability mechanisms in development projects will require a combination of trust-building and pressure from recipient countries.Supporting developing countries in strengthening their own integrity systems thus remains crucial in countries with high Chinese engagement. Vibrant local civil societies

100. Cf. Buckley (2017); Zhou (2018).

capable of denouncing the negative effects of transnational corruption raise the reputation costs for all corrupt actors and can prove essential in building leverage vis-à-vis China.

Need for further research

Finally, there is a definite need for further, practically oriented research on what works and what does not in terms of engagement with Chinese actors on governance-related issues.

- As Chinese companies are professionalising their risk management systems for overseas activities (partly due to regulatory pressure at home), it is worth exploring the role of corruption prevention concerns therein. Such a more systematic assessment of corruption prevention in Chinese overseas finance could build upon, and complement, the pioneering work done by Friends of the Earth on the environmental and social impact of Chinese corporations and development banks, including specifically on green finance along the BRI.
- China-initiated multilateral development institutions, notably AIIB and NDB, present both opportunities and challenges for traditional donors. More research into the role of anti-corruption safeguards in their actual project management could facilitate engagement while holding those banks accountable to international standards.
- There is also an obvious need for practically exploring what works and what does not in engaging Chinese actors (both state and private) in integrity-building efforts. Research involving direct interaction with Chinese development actors requires prior trust-building and should, therefore, start with some pioneering case studies. Chinese philanthropic organisations could provide easier entry points for both academic and practical engagement.

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