Buying Influence? Rotating Leadership in ASEAN and Allocation of Chinese Foreign Aid

Taegyun Lim
Korea University
Harvard University

Sung Eun Kim
Korea University

1 Introduction

Southeast Asia is one of the most contested regions in the world, particularly given the intensifying strategic competition between the United States and China. In response to President Obama's "pivot" policy toward Asia, Beijing has strived to expand its presence in the region via diverse channels including diplomatic, cultural, economic and security instruments. The ten member states of the Association of Southeast Asian Nations (ASEAN) have long pursued a "hedging" strategy to juggle their relationships with the world's two major powers. Yet recently, many observers of the region have noticed signs of a shift toward China. One area where China's influence is particularly evident is the economic sphere, as China is now by far the largest trade and investment partner of countries in the region (Shambaugh, 2018).

China's expanding economic footprint in ASEAN can also be seen in the rapid growth of its development finance in the region. Among the various tools available China can use to promote its interests in the region, provision of development finance plays a crucial role. A growing amount of China's development finance has flowed to the region, serving the country's foreign policy objectives there. China's Official Development Assistance (ODA) to ASEAN increased from 225 million USD in 2000 to 1.2 billion USD in 2013. Similarly, China's other official flows (OOF), which are also government-funded but more commercially oriented, increased from 319 million USD in 2000 to 6.8 billion USD in 2013 after reaching a peak of 7.1 billion USD in 2012. However, the increase in Chinese development finance has not been evenly distributed across ASEAN member countries over time.

What determines China's allocation of development assistance to Southeast Asian countries? Who receives more aid or other forms of state financing from China? China's foreign aid is often considered "rogue aid" in that it is dictated by selfish interests alone,

rather than recipient countries' level of need (Naim, 2007). While Dreher and Fuchs (2015) find the concern over "rogue aid" to be exaggerated, their empirical analysis also finds evidence that political motives are important drivers of China's aid allocation. Recipient countries are rewarded for not recognizing Taiwan and for voting in line with China at the United Nations General Assembly (UNGA). Dreher et al. (2018) distinguish ODA from other official flows (OOF) and find that the allocation of Chinese ODA is largely guided by foreign policy considerations, while economic interests better account for other forms of less concessional flows.

In this paper, we further explore how China strategically allocates its development assistance in Southeast Asia. While previous studies of Chinese aid have mostly focused on Africa (e.g., Naim, 2007; Dreher and Fuchs, 2015; Dreher et al., 2018; Guillon and Mathonnat, 2020), China's strategy for aid allocation may vary significantly across different regions. Yet, it remains under-explored *how* China uses its foreign aid to pursue its strategic interests in Southeast Asia. On the one hand, Lum (2009) suggests that China's foreign aid activities in Southeast Asia serve its long-term diplomatic and strategic objectives, while its aid to Africa and Latin America may relate more to economic interests. On the other hand, a more recent analysis by Oh (2019) suggests that foreign policy determinants are not strongly related to Chinese aid in Asia, but do play a significant role in China's allocation of ODA in Africa. We contribute to this line of inquiry. While previous studies have focused on recognition of Taiwan or voting alignment with China at the UNGA as a proxy for China's strategic interests (e.g., Dreher et al., 2018; Oh, 2019), it is necessary to consider region-specific contexts. China's strategic interests in different regions cannot be measured in a uniform way because China pursues different strategic objectives in different regions.

To understand the strategic motivation for China's provision of development finance in Southeast Asia, we examine how China rewards the country that assumes the chairship

of ASEAN. ASEAN has played a major role in promoting regional economic integration among its member states with the aim of building a prosperous community for Southeast Asian nations (Al-Fadhat, 2019). The ASEAN Chair possesses agenda-setting power both externally and internally, hosting ASEAN meetings and representing the organization in its external relations with 16 developed countries, including major donors to the region.[1] This agenda-setting power enables the ASEAN Chair to set priorities among a wide range of issues in the region. If China or any other donor countries intend to project their political influence in the region, targeting the ASEAN Chair as they strategically allocate foreign aid to the region could be an effective strategy.

We estimate the effects of ASEAN chairship on the extent of China's foreign aid, leveraging the annual rotation in the ASEAN leadership position among member countries. Our analysis addresses the identification problem posed by the possibility that the regional organization's leadership position is endogenously determined. If a country that is more influential or strategically important to China assumes the ASEAN chairship, identifying the independent effects of ASEAN chairship on the amount of China's foreign aid poses a challenge. The association between the chairship and Chinese foreign aid may reflect the effects of the chairing country's influence or its strategic importance rather than its chairship of ASEAN. Because the annual rotation in ASEAN's chair position is alphabetical, uncorrelated with other determinants of aid allocation, it provides a unique opportunity to identify the causal effects of the regional organization's leadership on countries' receipt of foreign aid.

Our analysis of Chinese aid allocation patterns between 2000 and 2013 finds that China allocates more foreign aid to an ASEAN member country when that country assumes the leadership position in ASEAN. When we disaggregate the results by type of aid, into ODA and OOF, we find that the effects are mostly driven by the allocation of Chinese

[1] See `https://asean.org/asean/external-relations` (Accessed on March 3, 2021).

ODA. Taking the leadership position at ASEAN appears to be significantly associated with an increase in ODA flows from China, a finding that remains robust to different model specifications. In contrast, the allocation of OOF has much weaker effects that are not statistically significant. This is in line with the finding of Dreher et al. (2018) that China's foreign policy interests guide its allocation of ODA, while its commercial interests play a more prominent role in its allocation of OOF. Our findings suggest that China uses development finance, especially ODA, as a strategic instrument to buy influence within the ASEAN by allocating more development finance to the ASEAN Chair, a position endowed with important agenda-setting power within the regional organization.

Our findings contribute to the broader understanding of how China uses foreign aid in Southeast Asia. Despite the region's significance, given the strategic competition for influence between the United States and China, previous studies on China's foreign aid allocation have mostly focused on the African continent (Naim, 2007; Dreher and Fuchs, 2015; Dreher et al., 2018; Guillon and Mathonnat, 2020). Our research highlights the importance of considering region-specific contexts to understand how China allocates its foreign aid to recipient countries in different regions.

Furthermore, our findings underscore how a donor country can target a regional organization to increase its political influence in the region as a whole. The literature on the strategic allocation of aid has focused primarily on the context of bilateral relations between donor and recipient countries (Alesina and Dollar, 2000; Lai, 2003; Fleck and Kilby, 2010; Boutton and Carter, 2014). However, as developing countries are organized around regional organizations, donor countries may shift their allocation of aid to expand their influence on these organizations. Our research demonstrates that donors can exert indirect influence on member countries of regional organizations by strategically allocating more aid to recipient countries with more influence within the regional organizations. In a world with institutional regionalism, targeting such an organization can be an effective

strategy that serves donors' interests.

Below, we review the relevant literature on strategic allocation of foreign aid. We then provide historical context for Chinese foreign policy toward Southeast Asia, followed by a discussion of the theoretical expectations for the relationship between the ASEAN chairship and China's aid allocation. The subsequent sections present our data, empirical strategy, and empirical results. The concluding section discusses the broader implications of our findings for understanding the aid allocation strategies of emerging donors and their effects on developing countries.

2 Strategic Allocation of Foreign Aid

A long line of research suggests that states strategically allocate foreign aid to advance their foreign policy goals. Morgenthau (1962: 309), for instance, states, "a policy of foreign aid is no different from diplomatic or military policy or propaganda. They are all weapons in the political armory of the nation." This framework suggests how states can use foreign aid to serve their interests abroad "which cannot be secured by military means and for the support of which the traditional methods of diplomacy are only in part appropriate" (Morgenthau, 1962: 301). This view suggests that foreign aid can serve the strategic interests of donor countries, in a manner distinct from other military and political instruments.

Donors can pursue their strategic interests by allocating more aid to their allies. The strategic use of foreign aid has attracted scholarly attention since the Cold War. Studies focusing on the United States demonstrate that its foreign aid allocation during that period was largely guided by strategic competition with the Soviet Union (e.g., McKinlay and Little, 1977; Lebovic, 1988). In the post-Cold War period, such research has continued. For instance, Lai (2003) demonstrated that the United States provides more foreign aid to states that are more important to its national security (e.g., Latin American nations

or states that bordered a rogue state). Following the September 11th attack, US foreign aid allocation was largely shaped by its strategic interests in countering international terrorism (Fleck and Kilby, 2010; Boutton and Carter, 2014).

More broadly, the seminal work by Alesina and Dollar (2000) expanded the empirical scope of the literature by exploring how major donor countries consider various strategic and political factors when allocating bilateral foreign aid to recipient countries. Examining the relative significance of various determinants of foreign aid, Alesina and Dollar (2000: 34) find that "the direction of foreign aid is dictated as much by political and strategic considerations, as by the economic needs and policy performance of the recipients." They find that a past colonial relationship and political alliances, measured in terms of similarity in voting patterns at the UNGA, are the major predictors of aid allocation. In a similar vein, Kuziemko and Werker (2006) has examined the effects of UN Security Council membership on foreign aid receipt. By leveraging the fact that ten out of fifteen seats are held by rotating members for two-year terms, they find that recipient countries serving on the Security Council receive considerably more foreign aid from the United States as well as the UN.

Recently, with the emergence of new donors, studies have begun to explore the determinants of aid allocation by donors who are not members of the OECD's Development Assistance Committee. For instance, Dreher, Nunnenkamp, and Thiele (2011) examine how aid allocation by new donors differs from the aid allocation of longtime donor countries. They find that new donors care less about recipient need, and provide more aid to countries with corruption than longtime donors do. The findings of Fuchs and Vadlamannati (2013) suggest that when distributing aid, India prioritizes both commercial and political benefits. On the whole, these studies suggest that emerging donors, like traditional donors, consider strategic self-interest when allocating foreign aid to recipient countries.

A large body of literature has examined China's role as an emerging major donor to developing countries. On the one hand, there are critical perspectives on Chinese foreign aid, which is often viewed as "rogue aid" (e.g., Naim, 2007). Skeptics allege that Chinese foreign aid is almost entirely guided by self-interest, based on China's commercial interests and the geopolitical benefits of its aid allocation. On the other hand, Dreher and Fuchs (2015) demonstrate that China considers political factors when allocating aid, but the influence of such factors is not stronger than it is for Western donors. These competing perspectives on the determinants of Chinese foreign aid allocation call for further empirical research to develop a comprehensive understanding of how and to what extent Chinese foreign aid is guided by the country's strategic and political interests.

The advent of AidData, which tracks development finance projects by China and other major donor countries, has enriched the discussion of the determinants and the effects of Chinese foreign aid (Dreher et al., 2017). For instance, Broich (2017) find that political regimes do not significantly affect Chinese aid allocation decisions, contrary to the widespread criticism that Chinese foreign aid supports authoritarian regimes. The study by Dreher et al. (2018) underscores the importance of distinguishing the different sources of Chinese capital flows to developing countries, showing that Chinese foreign policy considerations shape the allocation of Chinese ODA considerably, while less concessional financial flows are more driven by economic interests. Other studies have further disentangled the logic of China's foreign aid allocation by examining the allocation patterns across different industry sectors and sub-regions (e.g., Dreher et al., 2019; Guillon and Mathonnat, 2020).

The extant literature provides valuable insights into the allocation of Chinese foreign aid, but China's aid allocation in regions other than Africa remains underexplored. Although African countries are the major recipients of Chinese foreign aid, the findings from these countries may not be applicable to other regions. Moreover, a common pitfall

of the literature is the implicit assumption that China's strategic or political interests can be captured in a uniform way regardless of regional context. While a country's recognition of Taiwan or its UNGA voting similarity with China can be an important indicator of its strategic importance or its political relations with China, there are other important region- or country-specific variations that are not captured by these indicators. Our study contributes to the literature by articulating the logic of China's strategic allocation of aid to Southeast Asia.

3 Chinese Foreign Policy Toward Southeast Asia

The current form of Sino-ASEAN relations date to the 1997-99 Asian Financial Crisis, when Chinese relations with Southeast Asian countries were significantly strengthened (Ba, 2003). The crisis shattered the cohesion of ASEAN, revealing the limits of the institution's ability to address the financial hardships in the region (Narine, 2008). While ASEAN countries were deeply disappointed by the harsh conditions imposed by the International Monetary Fund (IMF) and the limited role of US leadership in overcoming the financial crisis, China provided vital support to ASEAN members (Ba, 2003). China's policies toward the region, including its $1 billion in assistance to Thailand and its decision not to devalue the Yuan, helped alleviate the financial crisis, consolidating China's leadership position in the region (Shambaugh, 2005).

The period from the Asian Financial crisis in 1997 to China's entry into the WTO in 2001 was a "critical juncture" in China's policies toward Southeast Asia (Chin and Stubbs, 2011: 281). Strengthening its cooperation and integration with regional organizations became a key strategy of China's foreign policy toward the region. China's perception of the regional organizations "evolved from suspicion, to uncertainty, to supportiveness" (Shambaugh, 2005: 69). In the early 2000s, China and ASEAN began to hold regular

dialogues at the summit and ministerial levels.[2] The ASEAN-China Export Group was established in 2000, and served as the ground for a free trade agreement (Chin and Stubbs, 2011). China has further engaged with the region on various fronts, and "China's support has been critically important for ASEAN's efforts to maintain a prominent role in the regional institutional framework" (Narine, 2008: 424).

In its recent engagement with the region, China has used diplomatic, cultural, economic, and security instruments (Shambaugh, 2018: 87). Among the multiple channels China has used to expand its influence in the region, allocation of foreign aid also fits within the larger framework of foreign policy. While China's decision to allocate foreign aid to Southeast Asian countries may be influenced by multiple factors, we argue that China has a strategic incentive to allocate more foreign aid to the country that assumes the role of Chair at ASEAN. As the ASEAN Chair enjoys agenda-setting power within the institution, China can attempt to buy influence within the region by strategically providing more aid to the country serving as Chair.

While ASEAN has adopted decision-making by consensus, famously characterized as the 'ASEAN Way,' a coordination process is needed to reach agreements among member states with conflicting interests. Since each member state essentially has veto power as they work toward consensus, the role of the Chair, setting the agenda and guiding discussions, is critical to reaching an agreement. Indeed, the ASEAN Chair enjoys relatively strong agenda-setting power compared to the leaders of other organizations. Because the chairship rotates among a small number of members, each member state can expect to take on the role in the near future, thus they allow this strong agenda-setting power (Suzuki, 2020).

Examples of how countries assuming the chairship have led agendas within the or-

[2]For more on ASEAN's relations with China, see `https://asean.org/asean/external-relations/china/`.

ganization abound. For example, Thailand suggested the founding of the ASEAN-Japan Cybersecurity Capacity Building Centre located in Thailand through the ASEAN Political and Security Community (ASEAN, 2019). Under the chairship of the Lao PDR in 2016, the ASEAN Summit declared plans to launch the Lao-Thailand-Malaysia-Singapore (LTMS) Power Integration Project (ASEAN Chairman Statement, 2016). Moreover, the ASEAN summit accepted the agenda proposed by the Philippines, the ASEAN Chair in 2007, to strengthen relationships with the Shanghai Cooperation Organization (ASEAN Chairman Statement, 2007). These cases illustrate the significant power of the ASEAN Chair driving the regional agenda.

One recent case that directly illustrates the agenda-setting power of the ASEAN Chair is ASEAN's position on territorial disputes in the South China Sea, a subject over which ASEAN member states are divided. While Brunei, Malaysia, the Philippines and Vietnam have territorial disputes with China, other member states such as Cambodia, the Lao PDR, Myanmar and Thailand have no such territorial disputes and prioritize maintaining economic relations with China. When Indonesia chaired ASEAN's Foreign Ministers' Meeting (AMM) in 2011, the country insisted that territorial disputes should be addressed bilaterally and used its agenda-setting power to deliberately exclude the Philippines' proposal to resolve the disputes at ASEAN. In 2012, as territorial disputes with China continued in the South China Sea, the Philippines and Vietnam sought ASEAN support for their position. While most member states generally supported the proposals by the Philippines and Vietnam to express concern about China's actions through the AMM joint communiqué, Cambodia, which served as Chair at the time and received substantial amounts of development aid from China, declined to do so (Suzuki, 2020). Following this decision, some observers began to characterize Cambodia as a Chinese 'client state,' and China announced over $500 million in new loans and grants to Cambodia, noting "the part played by Cambodia as the chair of ASEAN to maintain good cooperation between China and

ASEAN"[3] (Ciorciari, 2015).

Drawing on the history of China's strategic interactions with the ASEAN Chair, we expect that China distributes more foreign aid to the country that assumes the role of Chair. As the ASEAN Chair is empowered to set the agenda for the regional organization, the Chair's position on relations with China can be a key determinant of the overall direction of ASEAN-China cooperation. Thus, China is better able to realize its foreign policy goals vis-à-vis ASEAN if it provides more foreign aid to the ASEAN Chair.

4 Data and Empirical Strategy

To test whether China allocates more foreign aid to an ASEAN member state when that state assumes leadership of ASEAN, we assemble annual time-series data capturing China's development finance to ASEAN member countries between 2000 and 2013.

The dependent variable is the logged amount of China's official financial flows to ASEAN member countries. We also disaggregate the financial flows into two types, ODA-like flows and OOF. Figure 1 presents the distribution of China's ODA-like flows to ASEAN member countries between 2000 and 2013. The data are drawn from AidData (Dreher et al., 2017). Development finance projects are classified as ODA-like projects when they meet three conditions: 1) they consist of official financing, 2) the donor's intent is development, and 3) they are concessional in character, with a grant element of at least 25%. Cambodia has been the largest recipient of Chinese foreign aid, followed by the Philippines, while Malaysia and Thailand have received the least foreign aid from China. As Singapore and Brunei are developed countries, they are not recipients of ODA and thus are excluded from our analysis.

The independent variable is the rotating chairship within ASEAN, which takes a value of 1 if a country is ASEAN Chair, and 0 otherwise. ASEAN has maintained rotating lead-

[3] "China gives Cambodia aid and thanks for ASEAN help," *Reuters*, September 4, 2012.

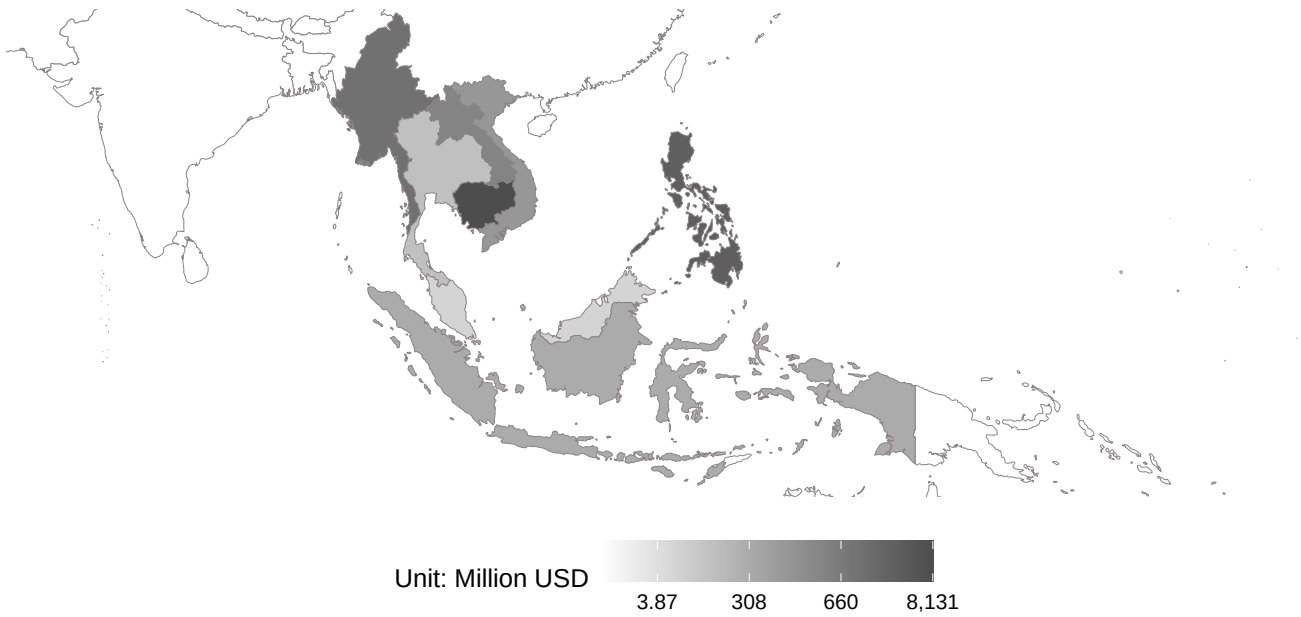

Figure 1: China's ODA-like flows toward ASEAN, 2000-13

ership since its foundation, as stipulated in Article 31 of the ASEAN Charter. Since the current 10 member states joined the organization, the leadership role has been shared relatively equally among them. The leadership has rotated based on the alphabetical order of member countries' English names, with very few exceptions.[4] Since the variation in the chairship is uncorrelated with other political and economic determinants of ODA, we can exploit this exogenous variation to test the causal effects of assuming the chairship position on inflows of Chinese ODA. We expect the chairship to be positively correlated with China's ODA-like flows, which are guided more by its foreign policy interests relative to OOF.

We add a wide range of covariates that may influence China's foreign aid allocation.

[4]One recent departure from this norm was Indonesia's swapping of the Chairship with Brunei in 2012, which was unanimously accepted by the other ASEAN member states. This is the only case of departure during the examined period.

We first consider member countries' level of economic need by controlling for the logged values of GDP per capita and the mortality rate for those under 5 (World Bank., 2021). If ODA-like projects are intended to promote development in recipient countries, China would allocate foreign aid to countries in greater need of development assistance.

To control for other self-interested political factors China may consider when allocating foreign aid, we consider member countries' non-permanent UN Security Council (UNSC) status and their voting behavior in the UNGA.[5] Studies have noted that recipient countries with non-permanent UNSC status receive more aid from Western donors aiming to expand their influence in the decision-making process at the UN (Vreeland and Dreher, 2014; Kuziemko and Werker, 2006; Reynolds and Winters, 2016). China could punish these countries for aligning with Western donors by curtailing the amount of Chinese foreign aid they receive (Dreher et al., 2018). We also consider recipient countries' political alignment with China based on the recipient countries' voting behavior in the UNGA and the extent of their alignment with the US (Bailey, Strezhnev, and Voeten, 2017). We expect that countries with greater voting similarity with China (the US) receive more (less) foreign aid from China.

We add several variables to measure China's economic interests with regard to recipient countries. We first consider China's trade relationships with recipient countries, measured as the logged value of Chinese trade with each recipient.[6] Foreign aid could function as part of an economic strategy to strengthen China's trading relationship with recipient countries, with China giving more aid to recipient countries that trade with it in larger volumes. The logged population size captures the potential market size of recipient countries. Foreign aid can raise positive awareness of the donor, which could lead

[5]None of the ASEAN countries have recognized Taiwan, which has been a profound political factor in China's allocation of aid. As there is no variation in this factor across ASEAN member countries, we do not consider it in our analysis.

[6]Data was drawn from the United Nations Comtrade database accessed on July 24 2021.

citizens in recipient countries to purchase more of the donor's goods in the future. China could target larger countries from which it could expect to boost sales of its products. Natural resource rent captures China's intention to gain greater access to countries with more natural resources.[7]

We include a variable on control of corruption to examine how the quality of governance in recipient countries affects China's aid allocation. The data come from the Worldwide Governance Indicators (Kaufmann and Kraay, 2021). With this indicator, we can test whether China indeed provides 'rogue aid' by supporting countries with more corrupt regimes (Dreher and Fuchs, 2015; Naim, 2007).

Lastly, we consider whether ODA commitments from DAC donors impact the allocation of Chinese aid based on OECD (2021) data. Previous studies have noted that China competes with traditional donors in its expansion of influence through foreign aid policies (Sarma and Pais, 2008; de Mesquita and Smith, 2016; Fuchs, Nunnenkamp, and Öhler, 2015). Following the approach by Dreher et al. (2018), we control for potential competition among donors using the residuals of an ordinary least squares regression of logged ODA from all DAC donors on all right-hand side variables.

With these variables, we estimate the following model:

$$Y_{it} = \beta_1 * Chair_{it} + X_{it} + \lambda_i + \gamma_t + \mu_{it} \tag{1}$$

where Y_{it} is the logged amount of Chinese official financial flows to recipient country i in year t. We are interested in β_1, the coefficient on *Chair*, which would be positive and statistically significant if China financially rewards the country that assumes the position of ASEAN Chair. The model includes X, a set of control variables for country i in year t. Our model also includes λ, a vector of country fixed effects, in order to control for

[7]The data on population size and natural resource rent are drawn from the World Development Indicators (https://data.worldbank.org/)

country-specific factors related to China's foreign aid allocation. Since we are interested in how assuming the chairship position changes the amount of foreign aid member countries receive from China, we employ fixed effects models.The model also includes γ, a vector of year fixed effects, to account for temporal trends in Chinese aid allocation over time.

5 Results

Table 1 presents the results. Model 1 depicts the total amount of financial flows, aggregating official development assistance (ODA) and other official flows (OOF). Models 2 and 3 disaggregate the official financial flows into ODA and OOF, respectively. ODA is more concessional in nature, as it is designed to promote development in recipient countries, while OOF is more commercially oriented.

The results suggest that assuming the ASEAN chairship is positively associated with official financial flows received from China (Model 1), but the results are largely driven by China's allocation of ODA (Model 2). The effects of the ASEAN chairship on receipt of OOF are weaker and statistically indistinguishable from 0 at the conventional level of significance (Model 3).

Our findings show that foreign policy considerations have a meaningful effect on China's allocation of foreign aid to Southeast Asian countries. In particular, the results are consistent with our expectation that China has a strategic incentive to increase ODA to the country that assumes the ASEAN leadership position. Given the substantial agenda-setting power of the ASEAN Chair, China can expect more policy concessions from the region if it provides more ODA to the country serving as ASEAN Chair. Yet the effects on OOF flows are much weaker, which is in line with previous findings by Dreher et al. (2018) that ODA flows are more subject to the political considerations of the Chinese government, while OOF flows are more commercially oriented.

Table 1: ASEAN Chairship and China's development finance (logged amount, 2000-13)

	(1) All	(2) ODA	(3) OOF
Chair	3.528^{+}	3.792*	2.031
	(1.902)	(1.882)	(2.294)
GDP per capita (log)	-2.413	-10.034	-7.322
	(16.284)	(14.132)	(13.975)
Mortality under 5	-0.232^{+}	-0.256*	-0.247^{+}
	(0.120)	(0.115)	(0.141)
Affected from disasters (log)	0.117	0.173	0.127
	(0.152)	(0.149)	(0.157)
UNSC	-6.779**	-5.442^{+}	-2.584
	(2.533)	(2.753)	(3.368)
UN voting with China	2.914	1.674	-4.167
	(5.036)	(4.916)	(4.800)
UN voting with the US	12.142^{+}	0.713	17.070*
	(6.919)	(5.809)	(7.528)
Trade with China (log)	-3.839	-2.625	-0.641
	(4.285)	(3.785)	(4.342)
Population (log)	-69.313^{+}	-93.486*	45.806
	(38.098)	(40.028)	(30.154)
Natural resources rent	0.952*	0.825*	-0.007
	(0.430)	(0.366)	(0.483)
Control of corruption	13.160*	9.655	-0.606
	(6.251)	(5.960)	(6.462)
DAC OF (log, residuals)	0.107	0.434	0.454
	(1.603)	(1.491)	(1.662)
Country FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Observations	112	112	112

Robust standard errors in parentheses.
*+p < 0.10, * p < 0.05, ** p < 0.01*

We also find that serving as a non-permanent member of the UNSC is negatively associated with receiving Chinese foreign aid. The findings are in line with earlier findings that analyzed aid to countries in Africa, which show that China punishes countries for serving in the UNSC, as this aligns such countries more closely with Western donor

countries (Dreher et al., 2018). However, neither political alignment with China nor with the US, measured using UNGA voting patterns, are statistically significant in explaining China's aid allocation to Southeast Asian countries. The results suggest that UNGA voting patterns may not adequately capture recipient countries' strategic alignment with or their importance to China.

Turning to other control variables, we find that Chinese development finance to Southeast Asian countries does not necessarily go to the countries with the greatest economic or development need. The coefficient on *Mortality under 5* is negatively associated with the amount of all official flows and with ODA amounts from China, indicating that countries in greater need receive less development assistance from China, all else being equal. Also, the coefficient on *GDP per capita (log)* is negative, although this finding is not statistically significant at the conventional level. We also find that China does not necessarily provide more assistance to countries that are affected by disasters. The results on the whole suggest that recipient countries' level of need does not account for much of China's foreign aid allocation.

We also find some suggestive evidence that Chinese aid tends to go to countries with better governance, as indicated by the positive coefficient on *Control of corruption*. The findings are contrary to those from the analysis of recipient countries in Africa. The results suggest that when allocating foreign aid, China may consider different factors depending on regional contexts.

6 Conclusion

As strategic competition between the United States and China has intensified, China has strived to expand its regional leadership in Southeast Asia. Among the various diplomatic and economic tools in its toolkit, development finance to Southeast Asian countries has been a major economic instrument China has used to project its influence in the re-

gion.

In this research note, we have examined China's strategic use of foreign aid to support the country serving as ASEAN Chair. Our analysis of China's foreign aid allocation to ASEAN member countries demonstrates that China increases its ODA-like flows to the country that assumes leadership of ASEAN, while such a pattern is not observed for OOF. Our results suggest that in its strategic use of foreign aid, China not only considers its bilateral relations with recipient countries, but also its relations with the region as a whole. Providing more support to the ASEAN Chair is an effective strategy because the Chair has a substantial influence on the overall direction of ASEAN's relations with China.

This research note makes an important contribution to the literature on foreign aid in two ways. First, we demonstrate the importance of considering the regional context in unravelling the strategic allocation of foreign aid. While previous studies have examined how donors consider their strategic interests, focusing on a few measures that apply equally to different regions, such as voting similarity, our findings highlight the importance of considering regional contexts to better understand the motivations of donors' allocation of aid. For instance, countries' recognition of Taiwan, one of the most profound determinants of China's aid allocation, does not influence aid allocation within Southeast Asia, since no ASEAN countries have recognized Taiwan. Instead, our findings suggest that the aid allocation strategy for each region has its own unique logic. Our results suggest that greater attention be paid to the political factors tied to regional dynamics.

Second, our approach helps identify the causal effects of assuming leadership of a regional organization on foreign aid receipt. While previous studies have examined the effects of assuming various positions at international organizations (e.g., Vreeland and Dreher, 2014; Kuziemko and Werker, 2006; Reynolds and Winters, 2016), our study is one of the first to examine whether a country's role in a regional organization can also influ-

ence donors' aid allocation decisions. While our empirical findings pertain to ASEAN, we expect that a similar pattern can be observed in other regional organizations, such as the African Union. As regional organizations can play a central role in shaping a region's relations with countries outside of it, future work should broaden the scope of this analysis by examining how donors allocate aid to different member states within regional organizations.

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