

Foreign aid and human rights under renewed great power competition: The effect of Belt and Road Initiative agreements on OECD donors' human rights promotion strategies

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1 Introduction

Donors may respond to state violence problems in aid recipient countries using coercive or catalytic strategies. Coercive strategies involve donors using foreign aid to influence targeted leaders' human rights policies by manipulating the types of aid that are most beneficial to those leaders and other elites. Catalytic strategy involves donors using foreign aid to promote political liberalization and improve institutions closely related to human rights. Since at least the early 2000s, donors have exhibited a strong preference for catalytic strategy, while substituting coercive strategy where political liberalization would be problematic or too costly to achieve. Rapid changes in great power competition in international development threaten coercive strategy (Corwin 2023).

One explanation for the rise of catalytic strategy in the late 1990s and early 2000s is that coercive strategy is more likely to be effective if donors can coordinate their strategies. If all donor countries are able to coordinate their coercive strategies, then the threat of decreased aid for non-compliance with human rights norms, and the promise of increased aid for improvements, may be substantial. If only one donor out of many uses coercive

strategy, then the pain inflicted by aid cuts on a violent recipient state will be minimal (assuming that the donor does not provide a large share of the recipient's aid). The greatest challenge to the ability of coercive threats to influence recipients is when one donor is willing to increase its economic sector aid in response to another donor decreasing its aid. By offsetting another donor's punishment strategy, this action renders coercion powerless.

In contrast, catalytic strategy relies less on coordination and may benefit from a larger set of donors with more diverse interests, so long as the set of donors is broadly interested in promoting human rights. Catalytic strategy benefits from a broader pool of democratic donors if those donors pool their resources or pursue governance improvements in a specialized manner.

Coordination failures between donors are well-documented and appear to be quite persistent (Aldasoro, Nunnenkamp, and Thiele 2010; Steinwand 2015). These coordination failures, even within the OECD, can threaten coercive strategy. The pool of donors and lenders for developing countries has grown and diversified over time. The number of OECD donors has increased, many smaller new donors now provide foreign aid, and donors differ in the sectoral composition of their development portfolios. Donors also vary in how much aid they devote to different sectors. These donors also have varying approaches to development strategy, and differ in whether they bypass or engage with recipient governments in their foreign aid delivery according to the donors' domestic political economies (Dietrich 2021).

Despite all of this variation, coercive strategy became easier after the Cold War ended. Donors were relatively homogeneous in their interests and pursued similar goals in development. Donors shared interests in promoting democratization, good governance, human rights, and anti-corruption. To achieve these goals, donors attached relatively comparable political conditionalities to foreign aid, and the majority of recipient states' options for loans contained similar conditions. Powerful donors could shape the terms of finance to decrease conditionality for some recipients, but donors paid reputational costs for doing so, which limited these behaviors (Stone 2011).

If the shift toward catalytic strategy was driven by a diversifying pool of donors that rendered coercive strategy less feasible, then this would be difficult to observe since these changes occurred slowly over time and there are many potential confounding explanations. However, China’s precipitous rise in development cooperation, particularly through its Belt and Road Initiative, serves as a shock to the international development finance system. This can help to reveal the dynamics that cause donors to shift from coercive to catalytic strategies. My argument is that, although coordination problems existed prior to the wide availability of Chinese finance, these were trivial compared to the outside options created by China’s so-called “no strings attached” approach to development finance. Chinese development finance offers potential aid recipient countries ways to obtain economic sector finance without complying with Western demands for human rights, democratization, and “good governance.” Chinese development finance is available to leaders who are willing to pay a different set of costs to avoid political conditionalities. These costs include higher interest rates (due to obtaining non-concessional loans rather than concessional loans or grants), the threat of surrendering territory for non-payment, requirements to support Chinese interests in the international system, and domestic backlash against Chinese loans and projects.

The full extent of the threat that China poses to Western donors’ human rights strategies depends, to some extent, on how Western donors themselves respond to increased competition. China’s global ambitions have signaled a return to great power competition by dismantling hierarchies and challenging Western dominance. This has important implications for international development efforts and for promoting human rights. Policymakers and politicians in Western donor countries have voiced concerns that Chinese development finance will undermine Western conditionalities by offering an alternative source of funding.¹ There are many ways in which Chinese development cooperation may undermine human rights, but perhaps the greatest threat would be by reigniting great power competition that leads

1. These concerns increased with the BRI, but began as soon as China started increasing its development cooperation activities in Africa. For an early example, see S. Hrg. 110-649 CHINA IN AFRICA: IMPLICATIONS FOR U.S. POLICY. JUNE 4, 2008. pp. 5-6. <https://www.govinfo.gov/content/pkg/CHRG-110shrg45811/html/CHRG-110shrg45811.htm>

Western donors to abandon their human rights promotion strategies in order to use aid to gain or preserve influence in recipient countries. This was the case during the Cold War, when great power competition prevented foreign aid from promoting policy changes.

Gaddis (2006) addresses one of the more paradoxical outcomes of great power competition during the Cold War. Competition between the United States and Soviet Union often played out in third countries in an incredibly destructive manner as governments and rebels clashed along ideological lines, with each side supported by and acting in the interest of one of the rival superpowers. Great power competition also gave leaders of otherwise trivial unaligned states substantial autonomy when they could play the two superpowers off against each other (Gaddis 2006, p. 154):

There were limits to how much either Moscow or Washington could order smaller partners around, because they could always defect to the other side, or at least threaten to do so. The very compulsiveness with which the Soviet Union and the United States sought to bring such states within their orbits wound up giving those states the means of escape. Autonomy, in what might have seemed to be inhospitable circumstances, was becoming attainable. Tails were beginning to wag dogs.

The foreign policies of both superpowers prioritized gaining or maintaining influence above all else. The outside options presented by a rival superpower made it impossible for Western foreign assistance to promote beneficial reforms abroad.

The key change that allowed foreign aid to incentivize reforms in recipient states was the fall of the Soviet Union, which, in turn, made Western donors' threats to withhold aid more credible (Dunning 2004; Bearce and Tirone 2010). The absence of a powerful rival left recipients with no viable outside options, so donors did not have to worry about a rival stealing influence. Consequently, recipients had stronger incentives to agree to reforms after the Cold War ended. More credible coercive punishment strategy became the key to foreign aid promoting democratization and sound economic policies in recipient states.

Power dynamics in the international system have shifted over the past decade, signaling the return of great power competition. China has rapidly risen to become one of the most powerful countries in the world and has turned its focus outward. China is now politically, economically, and militarily powerful. It has wielded its growing power to challenge Western influence on the global stage. This power shift threatens the United States' dominance and has led to a wealth of concerns about the implications of the return of great power competition. Recipient states can choose between sources of development finance, and their choices are becoming more diverse and plentiful (Bunte 2019). If the Cold War is any indication, the availability of these outside options may pose a serious threat to human rights promotion.

Does the rise of China as a global power mean that aid policy will prioritize influence over development again, as it did during the Cold War? While the Cold War may give some insights into competitive dynamics between rival donors, there are substantial differences between the two eras that provide grounds for optimism. Unlike the Soviet Union, China is deeply integrated into the global economy and thus relies strongly on international economic integration. China benefits from economic stability and trade relations. This provides some grounds for preference overlap between Western donors and China, but may also lead to tensions if Western donors pursue political reforms that destabilize recipient states. Additionally, OECD donors have diversified foreign aid strategies which include catalytic strategy, a potential substitute for coercive strategy if coercive punishments are rendered ineffective by outside options. Catalytic strategy is less reliant on cooperation and coordination between donors, and may be more resilient than coercive strategy as preference and policy heterogeneity between donors increases.

While Chinese development finance, rhetoric, and influence in the international system all present direct challenges to OECD donors' coercive strategy, this is less true of catalytic strategy. China's foreign policy rhetoric emphasizes non-interference in the domestic political systems of its partner countries. China does not typically care about the human rights

records of its partners or what regime type its partners have. As long as its partner country is stable enough to provide China with economic benefits and is willing to support Chinese interests, China is willing to tolerate authoritarian or democratic political systems. If political instability harms Chinese economic interests or does excessive damage to China's global image, then China becomes more willing to cut off its development cooperation with recipient countries or interfere in the country's domestic politics. Where catalytic strategy does not harm stability or impact China's interests, there is no reason for China to oppose catalytic strategy or political liberalization. Consequently, Chinese development finance is a far greater threat to coercive strategy than it is to catalytic strategy.

This chapter investigates the rise of Chinese foreign assistance to answer several questions about OECD donors' strategies for promoting human rights: Have OECD donors continued to use foreign aid to promote human rights, since violent states can simply turn to China for their development finance needs? Is there any indication that donors increase their economic sector aid to counter Chinese influence? To what extent does catalytic strategy substitute for coercive strategy, and to what extent does catalytic strategy rely on underlying, unobserved coercive threats to secure approval from recipient countries?

Much of China's development finance has been secretive. Chinese debt contracts contain confidentiality clauses that keep recipients from disclosing the amount, terms, and sometimes even the existence of the contract (Gelpern et al. 2022). For this reason, it would be difficult for OECD donors to observe and react to much of China's lending. However, China has taken a very different approach with the Belt and Road Initiative (BRI). China typically signs BRI agreements with member states in public ceremonies, and China reports on these agreements in global media and official statements. When an aid recipient country signs a BRI agreement, this sends a strong signal to OECD donors that they have lost the power of coercive punishment.

I use variation in the timing of when recipient countries sign BRI agreements to measure the effect of these agreements on OECD donors' economic and governance sector aid. If

donors respond to BRI agreements by increasing their fungible economic sector aid, this would suggest that donors are increasing aid to preserve influence. If donors decrease governance aid in response to BRI agreements, this suggests that donors rely on coercive leverage to compel recipients to agree to governance reforms. Alternatively, if BRI agreements do not change governance aid, this suggests that coercive and catalytic strategies are fairly independent. Finally, if BRI agreements increase governance aid, this suggests that donors use catalytic strategy as a substitute for coercive strategy when coercive strategy is least likely to be effective.

I examine the 85 aid recipient countries that signed BRI agreements with China between 2013 and 2018 using a doubly-robust difference-in-difference estimator with multiple treatment periods, developed by Callaway and Sant'Anna 2021. I find that OECD donors respond to BRI agreements by increasing governance aid and that this effect is concentrated among recipient countries with high levels of state violence. Donors increase governance aid when recipient countries with high levels of state violence sign BRI agreements. Contrary to concerns that Chinese development finance might result in a race to the bottom, I do not find evidence of Cold War competitive dynamics in economic sector aid in any subgroup. OECD donors appear to maintain their economic aid levels and political conditionalities despite the rise of China and despite these donors announcing several alternatives to the BRI.

The remaining chapter is structured as follows. I begin by discussing the literature that examines how geopolitical competition during the Cold War and the decline of the Soviet Union shaped the willingness and ability of western leaders to pursue reforms in recipient countries using foreign aid. This is important background information since this chapter is concerned with geopolitical competition and coercive strategy, and this literature gives important insights into those dynamics. However, catalytic strategy only became prevalent after the end of the Cold War, which limits the applicability of this prior literature to the current context. Next, I discuss the relationship between the BRI and OECD donors' strategies for promoting human rights. China's influence on the world stage presents a

substantial threat to coercive strategy, but OECD donors appear committed to keeping political conditionalities in their foreign aid, even in their initiatives that compete with the BRI. This suggests that donors have not abandoned coercive strategies. I discuss why China is generally less concerned with countering catalytic strategy and exceptions to China's willingness to ignore political systems. The shock of BRI agreements to the foreign aid system provides insights into the underlying relationship between coercive and catalytic strategy. In the next section, I present my research design, which treats BRI agreements as shocks to donor strategy that give causal leverage to modeling the relationship between competition and donor strategy. I then present my findings that BRI agreements increase catalytic responses to state violence but do not appear to change economic sector aid. I conclude by discussing the implications of this research for human rights and international development.

2 Human rights, foreign aid, and geopolitical competition in the Cold War

During the Cold War, Western donors struggled to use foreign aid to promote policy changes in recipient states. The threat of Soviet influence spreading like wildfire if left unchecked loomed large, and, consequentially, rich and powerful Western states used their foreign aid less to promote policy change or development and more to gain influence over recipients. The result was Soviet containment at the expense of sound development practices.

Even as transnational networks of human rights activists began to actualize reforms in the United States Congress and install human rights protectors into official positions within the foreign policy bureaucracy, officials in the executive branch continued to prioritize geopolitical competition (Snyder 2018). In a particularly telling example, United States Secretary of State Henry Kissinger told the Chilean Foreign Minister under Pinochet at the height of state violence in 1975, "I hold the strong view that human rights are not appropriate

in a foreign policy context.”²

After government-supported death squads killed several Jesuit priests and massacred towns during the Salvadoran Civil War, public outcry in the United States forced the government to respond. Vice President George H.W. Bush was flown into the Salvadoran jungle in a Black Hawk helicopter to demand that the Salvadoran government disband its death squads. The Salvadoran approach to the meeting was nothing short of brazen. They held their meeting with the Vice President of the United States—the entire purpose of which was to address egregious human rights violations—in a meeting room with walls that were riddled with bullet holes and floors that were stained with pools of blood.³ Bush demanded that the Salvadoran government-backed forces stop killing civilians, and threatened to withhold crucial aid if the government failed to meet basic human rights standards. The Salvadoran government promised to address the problems, but the CIA was skeptical that any real improvements had been made.⁴ The Salvadoran government appeared to have called the United States’ bluff, as aid continued to flow from the United States to El Salvador despite its continued egregious state-supported human rights abuses. The governments of the United States and El Salvador both knew that if the United States withheld enough aid to meaningfully harm Salvadoran leaders that it could tip the scales in the civil war, and the Soviets could gain another foothold in America’s backyard. Because the United States feared nothing more than having another Soviet satellite country in the Americas after Cuba, the Salvadoran government enjoyed effective impunity for its human rights violations as long as the Soviet threat continued.

During the Cold War, leaders in aid recipient countries had an outside option for obtaining foreign aid. That outside option, the Soviet Union, was a powerful rival of the Western

2. As quoted in Peter Kornbluh. (2003) *The Pinochet File: A declassified dossier on atrocity and accountability*. New York: New Press, p. 228.

3. John Solomon. March 21, 2011. “George H.W. Bush — Revisited” *The Center for Public Integrity*. Last accessed 26 Feb 2023 from: <https://publicintegrity.org/accountability/george-h-w-bush-revisited/>

4. The U.S. Central Intelligence Agency. 13 July 1983. “El Salvador: Performance on Certification Issues. NIC M 83-10011. Last accessed 23 February 2023 from: https://www.cia.gov/readingroom/docs/DOC_0000049227.pdf

powers. The rivalry allowed small recipient countries that would have otherwise been inconsequential players on the world stage to play the superpowers off against each other. Donors could not withhold aid for geostrategic reasons. This allowed recipient leaders facing leftist threats to obtain large sums of foreign aid from Western donors, even when that aid contributed directly to state violence. The United States and its allies, ostensibly some of the most powerful countries in the world, became effectively powerless to cut off aid from violent recipient countries, lest their rival use that gap to gain a foothold. This was not limited to violent regimes. Leaders of the unaligned movement, including Yugoslav President Tito, Indian Prime Minister Nehru, and Egyptian President Nasser masterfully played the two superpowers off against each other to gain autonomy (Gaddis 2006).

It was only after the Cold War ended, when the threat of Soviet expansion and the outside option of Soviet support had disappeared, that western donors were able to consistently and credibly commit to withholding foreign aid from recipient countries if they did not meet policy demands. In the post-Cold War period, donors began to attach more credible political and economic conditionalities to foreign aid. As a result, foreign aid began to promote sound economic policies, political liberalization, and compliance with human rights norms.

Donors rapidly increased their use of political conditionalities after the Cold War ended (Molenaers, Dellepiane, and Faust 2015). These early conditionalities were largely punitive. Donor governments threatened to terminate aid if recipient governments did not meet the conditions (Crawford 2001). Dunning 2004 argues that, in Africa, the end of the Cold War resulted in a decline in donors using foreign aid to meet geopolitical objectives and improved credibility of donors' threats to withhold aid in the absence of democratic reforms. As a result, foreign aid became associated with modest increases in democratization, but only in the post-Cold War period.

Cold War geopolitics also undermined the ability of foreign aid to incentivize economic reforms. Bearce and Tirone 2010 argue that the end of the Cold War led to a decline in the strategic benefits of foreign aid, and after the fall of the Soviet Union aid began to foster

beneficial economic reforms. Both Dunning 2004 and Bearce and Tirone 2010 argue that it was the decline in the strategic benefits of foreign aid to donors that allowed foreign aid to promote reforms in recipient countries.

Several changes to foreign aid strategy have occurred since the end of the Cold War. Bearce and Tirone 2010 made the out-of-sample prediction that the Global War on Terror would lead to a decline in aid effectiveness because foreign aid would once again provide donors with military and strategic benefits. Donors increased foreign aid to Cold War levels, suggesting that foreign aid was being used to promote security goals. However, the problems with strategic priorities that Bearce and Tirone predicted did not manifest. With the benefit of hindsight, Bermeo 2018 argued that instead of undermining aid effectiveness, donors' security interests in the Global War on Terror played an important role in driving donors to pursue targeted development strategies. To limit their exposure to the negative externalities from "underdevelopment," donors increasingly used aid to address underlying problems in potential aid recipient countries.

Beginning in the early 2000s, political conditionalities evolved, with donors relying on more positive than negative conditionalities to promote change (Molenaers, Dellepiane, and Faust 2015). Donors are now more likely to pursue reforms by promising higher levels of more fungible assistance for reaching policy milestones than they are to threaten aid cuts for non-compliance. Donors optimize their coercive and catalytic strategies to promote human rights and prioritize catalytic strategy when the costs of political liberalization are not prohibitively high (Corwin 2023). Achieving development goals is often in donors' self-interests. This is not exclusive to OECD donors. China also benefits from stability and economic growth in its partner countries.

3 The Belt and Road Initiative and OECD donors’ strategies for promoting human rights

There are many reasons to be concerned about the deleterious consequences of Chinese development finance to human rights and good governance. Chinese development cooperation has increased rapidly and offers recipients an outside option for obtaining development finance from an increasingly powerful rising state, echoing aspects of Cold War dynamics. Additionally, the 2017 United States National Security Strategy confirmed that the United States views China’s rise as part of the return to great power competition: “...great power competition returned. China and Russia began to reassert their influence regionally and globally. [...] They are contesting our geopolitical advantages and trying to change the international order in their favor.”⁵ How does this return to great power competition affect OECD donors’ strategies for promoting human rights? Does this security position indicate a return to Cold War dynamics where powerful countries focus on using aid to buy influence? To help answer these questions, this section investigates the Belt and Road Initiative and OECD donors’ responses and introduces my argument about the relationship between the BRI and donors’ strategies for promoting human rights.

One of China’s most prominent and visible policies has been the BRI, which it launched in 2013. The BRI challenges the OECD donors’ dominance in development finance and lacks the same types of political conditionalities that are typically attached to the OECD’s foreign aid. Through the BRI, China has poured massive investments into development finance across multiple regions. This finance consists of loans with interest rates that vary from low concessional levels to full market rates and also grants that more closely resemble traditional foreign aid. Notably, Chinese development finance has a much higher ratio of loans to grants than traditional donors’ development finance. Despite having higher average financial costs for recipient governments than traditional donors’ official development assis-

5. National Security Strategy of the United States of America. December 2017. p. 27.

tance, many states in the Global South have entered into BRI partnerships. By the end of 2022, 150 countries from across Asia, the Middle East and North Africa, Europe, and Latin America and the Caribbean had signed BRI cooperation agreements.⁶ These countries span all levels of income and development.⁷ Policy makers, transnational human rights activists, and researchers have voiced concerns that the rise of Chinese development cooperation will harm global democracy and human rights outcomes, broadly defined.⁸

One reason for these concerns is that China provides access to development finance without attaching the same types of political conditionalities as OECD donors. Recipients may access Chinese finance without meeting human rights, democracy, control of corruption, or other “good governance” criteria. Furthermore, Chinese development finance disproportionately targets many of the same sectors that other donors use as leverage: large infrastructure projects, business, industry, energy, natural resources, and trade promotion. This finance creates outside options for repressive leaders, who may bypass even the most credible OECD donors’ threats to cut aid by going to China for help. For these reasons, the outside option presented by Chinese development finance takes the teeth out of OECD donors’ coercive punishment strategies.

This chapter focuses narrowly on how Chinese development finance affects OECD DAC human rights promotion strategies. The first part of my argument is perhaps quite obvious: the BRI poses a significant threat to coercive strategy because it finances similar projects and explicitly rejects political conditionality. The BRI prioritizes trade, infrastructure, energy, and finance for development cooperation, and its projects target fungible and broadly beneficial economic sector projects. China’s BRI branding strategy emphasizes that these projects disavow any formal attempts to alter the domestic politics of member countries in

6. Shimeng, L and Jianing, C. (2023 Jan 05). “Infographics: Belt and Road Achievements in 2022.” *Belt and Road Portal*. <https://eng.yidaiyilu.gov.cn/qwyw/rdxw/300621.htm>

7. See Table 4 in the Appendix for a full list of countries and years of BRI agreement.

8. Many of these concerns relate to a broader set of human rights that extend beyond the narrower physical integrity rights focus of this dissertation. This includes labor rights, environmental protection, and safeguarding. While some aspects of this theory and discussion may generalize to broader aspects of human rights, I leave those determinations to future research.

any way.

At the 2018 Beijing Summit of the Forum on China-Africa Cooperation, Xi Jinping summed up China's development strategy toward Africa as having "five nos," as follows:

The "Five Nos" refers to: (1) No interference in the way African countries pursue their development paths according to their national conditions; (2) no interference in a country's internal affairs; (3) no imposition of China's will on African countries; (4) no attachment of political strings to assistance to Africa; and (5) no seeking of selfish political gains in investment and financing cooperation.⁹

Of course, China uses its development finance to pursue its global interests. "No interference" and "no impositions of China's will" represent China's branding strategy for the BRI, not China's actual willingness to provide its partners with development finance under any circumstance. China fills a niche in demand for development cooperation that was created, in part, by Western political conditionality. It fills that niche by allowing recipients to choose their own governance and economic systems, so long as this does not interfere with China's political or economic interests. For example, recipient leaders must prioritize the repayment of Chinese loans, cycles of dissent and repression cannot severely impact China's returns on investment or reputation, and recipient leaders are expected to provide political support to China in international fora.

There are theoretically important parallels between great power competition during the Cold War and the return of great power competition with the rise of China that are relevant to this theory. Great power competition during the Cold War led to substantial problems with foreign aid. During the Cold War, donors used foreign aid to gain and maintain geopolitical influence. Consequently, donors could not leverage aid to compel recipient leaders to reform policies or deter leaders from adopting policies that would harm development and human

9. This is the English-language phrasing, intended to reach global audiences, as reported by China's state-owned global media CGTN. Source: Yutong, Yang. (2018, 09 July). "China-Africa ties: 'Five Nos' and eight initiatives for the new era" *CGTN*. https://news.cgtn.com/news/3d3d674d344d444d7a457a6333566d54/share_p.html

rights. Western donors could not credibly commit to withhold aid in response to state violence, poor governance, or problematic economic systems out of fear that the Soviet Union would replace the aid to capture influence. There are some indications of rivalry and some indications of cooperation between the OECD countries and China in development cooperation. One purpose of this chapter is to ascertain whether OECD donors respond to BRI agreements by increasing economic sector aid. This would be an indication that the OECD donors are treating China as a great power rival in international development, are using foreign aid to pursue influence, and could signal a return to the Cold War maladies of foreign aid.

An important distinction is that during the Cold War, catalytic strategy was not yet common. The second part of my argument concerns catalytic strategy. There is a clear, intuitive relationship between Chinese development finance and coercive strategy. However, the relationship between Chinese development finance and catalytic strategy is less clear. Typically, Chinese development finance targets infrastructure, trade, and natural resources instead of political systems or governance performance.

In this chapter, I examine variation in the time that recipient states signed BRI agreements to measure the effect of the BRI on coercive and catalytic strategies in order to make inferences about the relationship between the two strategies. BRI agreements undermine coercive strategy, but do not directly challenge catalytic strategies.

My argument is that there are three possible relationships between coercive and catalytic strategy that BRI agreements would help to reveal. First, catalytic strategy may rely on the underlying threats of coercive strategy to compel recipient leaders to accept reforms. If this is the case, following a BRI agreement, donors will struggle to get recipient leaders to agree to governance reforms and we will observe a decline in governance aid. If catalytic strategy relies on the underlying threat of coercive punishment to get recipient leaders to acquiesce, then the signing of a BRI agreement should decrease catalytic strategy. Second, catalytic strategy may be independent of coercive strategy, with no real relationship between the two

other than both involve donors using foreign aid. In this case, following a BRI agreement, there will be no change in governance aid. Third, donors may use catalytic strategy as a substitute for coercive strategy when coercive strategy is not possible. In this case, following a BRI agreement, donors will increase governance aid. If donors substitute catalytic strategy when economic aid withdrawal cannot be meaningfully harmful, then BRI agreements should increase catalytic strategy.

In addition to leveraging the BRI to better understand the relationship between coercive and catalytic strategies, I test for any evidence of OECD donors returning to Cold War competitive foreign aid dynamics. If signing a BRI agreement results in an increase in economic sector aid from the OECD donors to the recipient, this would be evidence that donors are abandoning any remaining coercive foreign aid strategies or are increasing more fungible types of aid to compete with China for influence over recipient leaders. If OECD donors opt to use foreign aid to compete with China for influence over recipient countries in a Cold War-style rivalry, then BRI agreements should trigger an increase in economic sector aid.

4 The Belt and Road Initiative is a costly signal

Recipient leaders can use BRI agreements to signal to OECD donors that they are no longer bound by coercive strategy. Importantly, signing a BRI agreement is a costly, and therefore credible signal, and BRI agreements are highly salient to Western donors.

China's official rhetoric claims that it as a champion of the Global South, that it engages in win-win development partnerships with recipient countries, and that it is a powerful partner in anti-colonialization efforts. In reality, China, like other powerful states, uses development finance for its own purposes. Chinese finance reflects aspects of the nonaligned movement, in that their finance allows recipient leaders a great deal of autonomy in their internal affairs. However, Chinese finance also has imperialistic elements, and China has

been accused of engaging in “debt-trap diplomacy” by Indian and Western media sources (Brautigam 2020). Chinese state-owned firms have bankrolled overly ambitious projects in countries with weak economies. This included projects with little hope of financial solvency, and China has secured massive concessions when the countries could not pay their debts. Perhaps the most notable of these projects was the Hambantota Port in Sri Lanka, which was surrendered to China in a 99-year lease after Sri Lanka could not pay its debts.¹⁰

China is a master of economic coercion. Many of China’s multinational firms are state-owned enterprises that the government exercises significant control over and uses as tools of foreign policy (Norris 2016). China is willing to wield its economic strength as a weapon against any country or group that criticizes it, large or small. For example, China restricted salmon imports from Norway in response to the 2010 Nobel Peace Prize being awarded to a Chinese dissident, which led Norwegian officials to cancel a meeting with the Dalai Lama in 2014 (Chen and Garcia 2016). China threatened to ban the NBA in China after the Houston Rockets general manager tweeted support for Hong Kong protesters, prompting a surge of vocal support for China from throughout the NBA and leaving executives scrambling to preserve their relationship with one of their largest markets.¹¹

In developing countries, China provides finance under the principles of nonintervention and sovereignty, which it brands as having “no strings attached.” This rhetoric aside, Chinese finance attaches a different sort of strings. Gelpern et al. 2022 analyzed 100 Chinese contracts and found that they typically contain strong confidentiality clauses that prevent borrowers from discussing the loans with others, clauses that prioritize repayment to China before other creditors and block debt restructuring, and clauses that allow China to manipulate the terms of the loan to influence recipients’ domestic and foreign policies. There is evidence that China successfully uses its economic relationships to gain policy concessions from partner countries. Countries that trade with China have strongly converged with it in on foreign

10. Schultz, K. (2017 12 Dec). “Sri Lanka, struggling with debt, hands a major port to China.” *The New York Times*. <https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html>

11. <https://www.cbsnews.com/news/nba-china-crisis-nba-ties-with-china-worth-billions-now-under-strain/>

policy issues and in multilateral forums (Flores-Macias and Kreps 2013). In 2022, several Muslim-majority states in the United Nations Human Rights Council voted against holding a debate about the Chinese government’s actions against Uyghurs in Xinjiang.¹² It was only the second time in the UNHRC’s history that a motion had been defeated, and leaders from Qatar, Indonesia, the United Arab Emirates, and Pakistan indicated that their votes to reject the motion were driven by concerns about alienating China.¹³

Unlike its commercial loans, China’s BRI agreements are anything but secretive. China likes to show off its BRI agreements. China seeks BRI partners in large forums and conferences, often signing and publicizing agreements with multiple countries at the same time. These agreements are highly visible to OECD donors and send a strong signal that the signatory has an attractive outside option for development finance and is now immune to political conditionalities. Therefore, BRI agreements offer a useful starting point for examining the OECD’s policy reactions.

5 The rise of China and coercive strategy

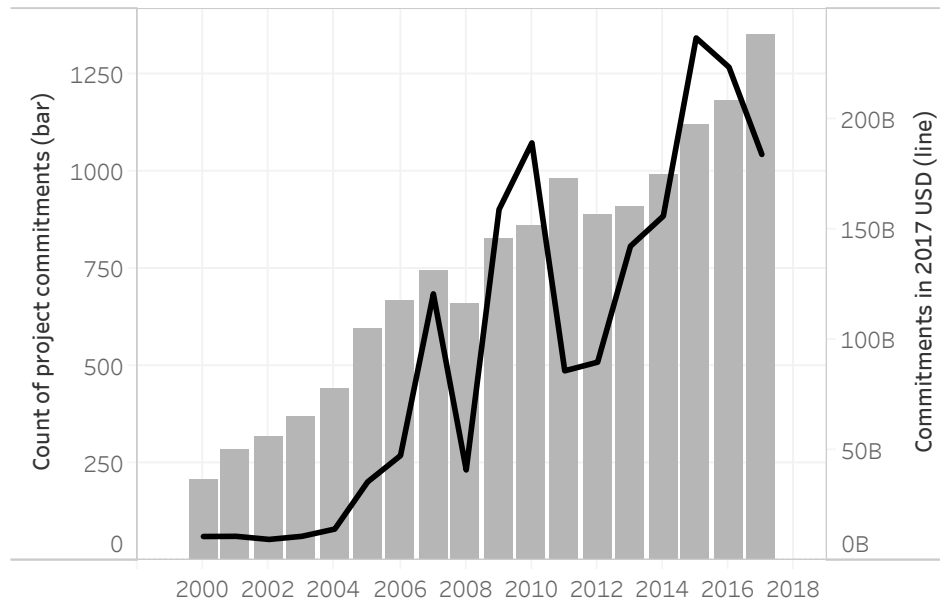
Has the rise of Chinese development finance doomed foreign aid to the same problems it faced during the Cold War? Figure 1 charts the increase in Chinese development finance over the past two decades, which has now risen to a level that challenges the dominance of OECD donors in economic development.

Western donors have responded to rising Chinese finance. The Obama administration announced its “Pivot to Asia” policy in late 2011. The policy substantially shifted U.S. foreign policy priorities toward the Pacific region. It centered around security, trade, multi-lateral engagement, and human rights priorities. The policy hedged against the possibility that U.S. re-engagement in the region would antagonize China by also including aspirations

12. A/HRC/51/L.6 Voting Results.

13. “U.N. Body Rejects Debate on China’s Treatment of Uyghur Muslims in Blow to West” (2022, 06 Oct). *Reuters*. <https://www.usnews.com/news/world/articles/2022-10-06/u-n-body-rejects-historic-debate-on-chinas-human-rights-record>

Figure 1: China’s overseas loans and grants 2000-2017 (AidData).



to cooperate with China (Anderson and Cha 2017). The Trump administration passed the BUILD Act of 2018, which created the U.S. International Development Finance Corporation, a consolidated U.S. development finance institution, which was billed as an alternative to the BRI.¹⁴ The Biden administration, in partnership with the Group of Seven, announced the Build Back Better World Initiative as an alternative to the BRI, with the intention of investing in infrastructure for developing countries.¹⁵ The European Union has announced its Global Gateway program, which would invest up to €300 billion between 2021 and 2027 in sectors including energy and transport.¹⁶

Although these Western donors have announced strategies to challenge the BRI, they have not mimicked China’s “no strings attached” approach. Each of the strategies includes political conditionalities for good governance, respect for human rights, transparency, and control of corruption. Furthermore, none of the initiatives have come close to delivering the

14. S.2463 - BUILD Act of 2018.

15. White House Press Release. (2021, 12 June). Fact Sheet: President Biden and G7 Leaders Launch Build Back Better World (B3W) Partnership. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/12/fact-sheet-president-biden-and-g7-leaders-launch-build-back-better-world-b3w-partnership/>

16. European Union. Global Gateway. https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway_en

volume of finance that the BRI has promised.

5.1 Small states and the limitations of exploiting China-U.S. rivalry

There is mixed evidence that leaders of developing countries can play China and the United States off against each other to gain autonomy. The United States and the Philippines have a long history of security and trade partnerships and cooperation, and Obama made the Philippines a priority country in his Pivot to Asia strategy. President Duterte came to office in the Philippines in 2016 and used his office to support extrajudicial killings of suspected drug dealers and users. President Obama was quick to publicly criticise Duterte for these human rights violations. Duterte responded by threatening to shift his foreign policy away from the United States and toward China. He stated in a speech, “Respect is important. If this is what happens now, I will be reconfiguring my foreign policy. Eventually I might, in my time, I will break up with America. I’d rather go to Russia and to China.”¹⁷ Duterte subsequently cancelled joint military exercises between the Philippines and United States in an attempt to appease China.¹⁸

Duterte attempted to use this “break up” with the United States to gain favor with China in talks over a maritime dispute in the South China Sea, to attract Chinese investments, to improve its commercial and trade relationships with China, and to deter the United States from further criticising his human rights record. In return, China made commitments to invest in large infrastructure projects in the Philippines—but it did not deliver on those commitments—and China’s stance on the South China Sea remained unchanged (Castro 2022).

17. Buena Bernal and Holly Yan. “Philippines’ President says he’ll ‘break up’ with US, tells Obama ‘go to hell’” *CNN*. October 4 2016. Last accessed February 13 2023 from: <https://www.cnn.com/2016/10/04/asia/philippines-duterte-us-breakup/index.html>

18. “Rodrigo Duterte to end joint US and Philippine military drills” *The Guardian*. 29 September 2016. Last accessed 15 February 2023 from: <https://www.theguardian.com/world/2016/sep/29/rodrigo-duterte-to-end-joint-us-and-philippine-military-drills>

In addition to securing commitments for infrastructure projects that never materialized from China, Duterte was able to secure a more conciliatory tone from the United States. President Trump took a softer stance on human rights as his administration attempted to restore important strategic ties in the region. This was described in the statement below, made by Murray Hiebert, Senior Advisor and Deputy Director of the Southeast Asia Program at the Center for Strategic and International Studies, to the Senate Committee on Foreign Relations to inform its Southeast Asia strategy (emphasis added):

In a phone call to Duterte in late April, Trump congratulated him for the “unbelievable job on the drug problem,” and invited him to the White House. In another call to Prime Minister Prayuth of Thailand the next day, he congratulated him for the 2014 coup doing a good job of stabilizing the situation after toppling a democratic government. *In both cases, the President appears to have been trying to mend fences with countries that have been treaty allies of the United States [which] had really faced a bit of a drift apart from the United States and had moved closer to China, as a result of tensions with the U.S..*¹⁹

These phone calls signal a softening of the U.S. position on human rights issues in order to prioritize balancing against China’s increasing power in the region. However, these concessions were limited and were far from the “tails beginning to wag the dogs” phenomena observed during the Cold War. Popular support in the Philippines turned against Duterte for shifting away from long standing geopolitical relationships with the relatively favorable United States and Australia and toward China without gaining the promised infrastructure or South China Sea concessions. Duterte’s gamble to play China and the United States off against each other resulted in the Philippines gaining only minimal autonomy and losing political and military power rather than gaining significant economic and security concessions.

In short, Western donors have responded to China’s rise in development cooperation by

19. Statement of Murray Hiebert to the U.S. Senate Committee on Foreign Relations. Wednesday, July 12, 2017. *S. HRG. 115-710*.

creating development initiatives that are similar to the BRI in their infrastructure focus, but there is scant substantive evidence to suggest that the Cold War style foreign aid problems have returned in full to international development. Western donors have included similar political conditionalities in their global infrastructure initiatives to those in other areas of foreign aid. Furthermore, the case of the Philippines demonstrates that smaller states have struggled to leverage the rivalry between the United States and China to gain meaningful policy concessions or autonomy.

5.2 Global demand to end unilateral economic coercion

By offering its partners trade and aid without political conditionalities, China is filling a massive niche in development finance. There is significant demand for Western countries to limit their use of unilateral economic coercion to push for policy changes in recipient countries, which the United Nations General Assembly and Human Rights Council have examined repeatedly.²⁰

Urges all States to refrain from adopting or implementing any unilateral measures not in accordance with international law and the Charter of UN, in particular those of a coercive nature with all their extraterritorial effects; rejects unilateral coercive measures with all their extraterritorial effects as tools for political or economic pressure against any country; calls upon Member States that have initiated such measures to commit themselves to their obligations and responsibilities arising from the international human rights instruments to which they are party by revoking such measures at the earliest time possible; reaffirms the right of all peoples to self-determination, by virtue of which they freely determine their political status and freely pursue their economic, social and cultural development; urges the Commission on Human Rights to take fully into account the

20. This began with the UN Commission on Human Rights' Human rights and unilateral coercive measures resolution on 4 March 1994, E/CN.4/RES/1994/47.

negative impact of unilateral coercive measures; requests the UN High Commissioner for Human Rights to give urgent consideration to the present resolution in her annual report to the General Assembly (A/RES/73/167, 2018).

The UN returns to the issue often with resolutions condemning unilateral coercion. Coercion is defined very broadly in the resolutions to include trade and aid cuts that are designed to pressure states into changing their political or economic policies. The resolutions frame unilateral coercion as a human rights violation that deprives countries of their right to development.

The OECD donors and a handful of Eastern European countries vote against these condemnations while China and nearly every other country in the world vote for them. This divide is demonstrated in Figure 2, which shows the vote breakdown for one such resolution, A/RES/73/167 from 2018.²¹ This illustrates that there is a clear divide between the OECD donors, who would prefer to keep economic coercion in their foreign policy toolkits, and aid recipient countries, who would prefer to obtain development finance and access to trade without facing political conditionalities or sanctions. There is clear demand in developing countries for “no strings attached” economic partnerships. China is willing to supply this demand for a price, and OECD donors are unanimously committed to keeping the option of unilateral economic coercion open to them.

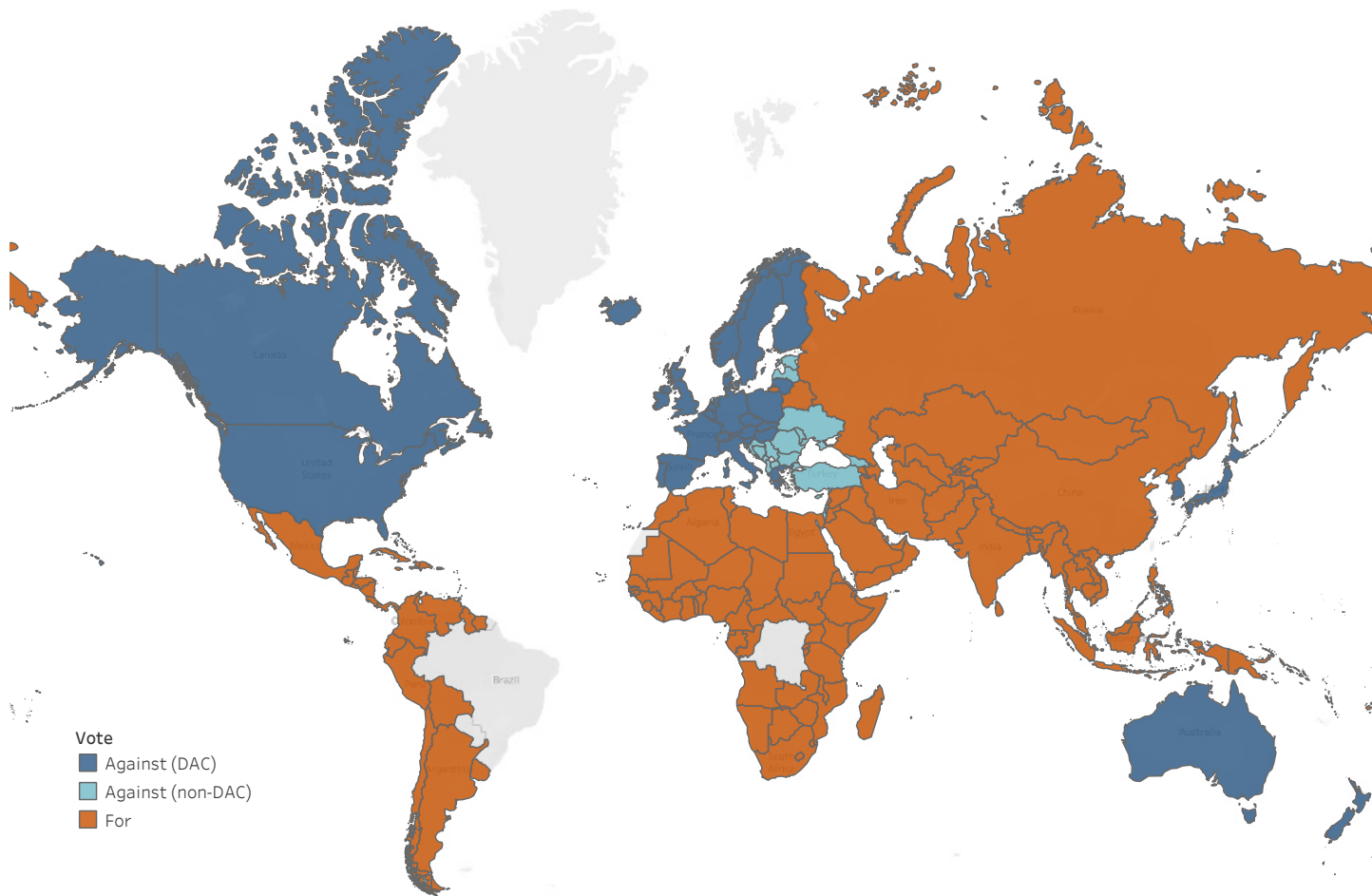
China does not need to provoke Cold War-style geopolitical rivalry with Western states to undermine the OECD’s efforts to promote political reforms. China allows leaders in their partner countries to bypass the political conditionalities of OECD aid. Offering an outside option for development finance without political conditionalities is enough to severely limit the efficacy of OECD donors’ coercive strategies. “No strings attached” Chinese finance renders political conditionalities obsolete as long as China is willing to finance the types of

21. Although these resolutions and vote patterns have been similar over time, I chose the 2018 vote as an example, since it is the final year of the quantitative analysis in this chapter, and since it was a General Assembly vote and therefore demonstrates the preferences of a larger set of countries than Human Rights Council votes.

projects that OECD countries would have used as leverage at the same or higher spending level.

China is willing to support, provide aid to, and trade with very violent regimes, as long as China benefits from the arrangement. China's early development strategies prioritized access to oil to fuel the country's rapid industrialization, growth, and development. This led to the Chinese government and its state-owned enterprises partnering with and supporting some particularly brutal regimes, including those in Sudan and Zimbabwe (Brown and Sri-ram 2009). In both cases, China provided highly repressive leaders with political cover in the United Nations Security Council and continued to provide support, weapons, and aid to the regimes long after other countries had stopped. China blocking sanctions forces other countries to engage in unilateral coercion. China only decreased its assistance to Zimbabwe after political instability and economic turmoil reached a level that would have made continued engagement a net loss.

Figure 2: A/RES/73/167 Vote to condemn unilateral coercive measures (2018).



In these cases, China prevented the United Nations Security Council from imposing formal, multilateral economic sanctions on the regimes, but the dynamics were strongly reminiscent of sanctions busting activities. A vast majority of powerful countries cut economic ties to the regimes, and this allowed China to gain substantial economic benefits for continuing to do business with them when no one else would. Similar dynamics—political and economic benefits from sanctions busting—are particularly strong predictors of the failure of sanctions to achieve their intended purpose (Early 2015).

China has demonstrated that it is willing to continue doing business with exceptionally violent regimes when there are economic benefits. This means that its growing ambitions in international finance constitute a real and increasing threat to OECD donors’ coercive strategy, even if OECD donors themselves continue to use political conditionalities to safeguard human rights.

6 Research design

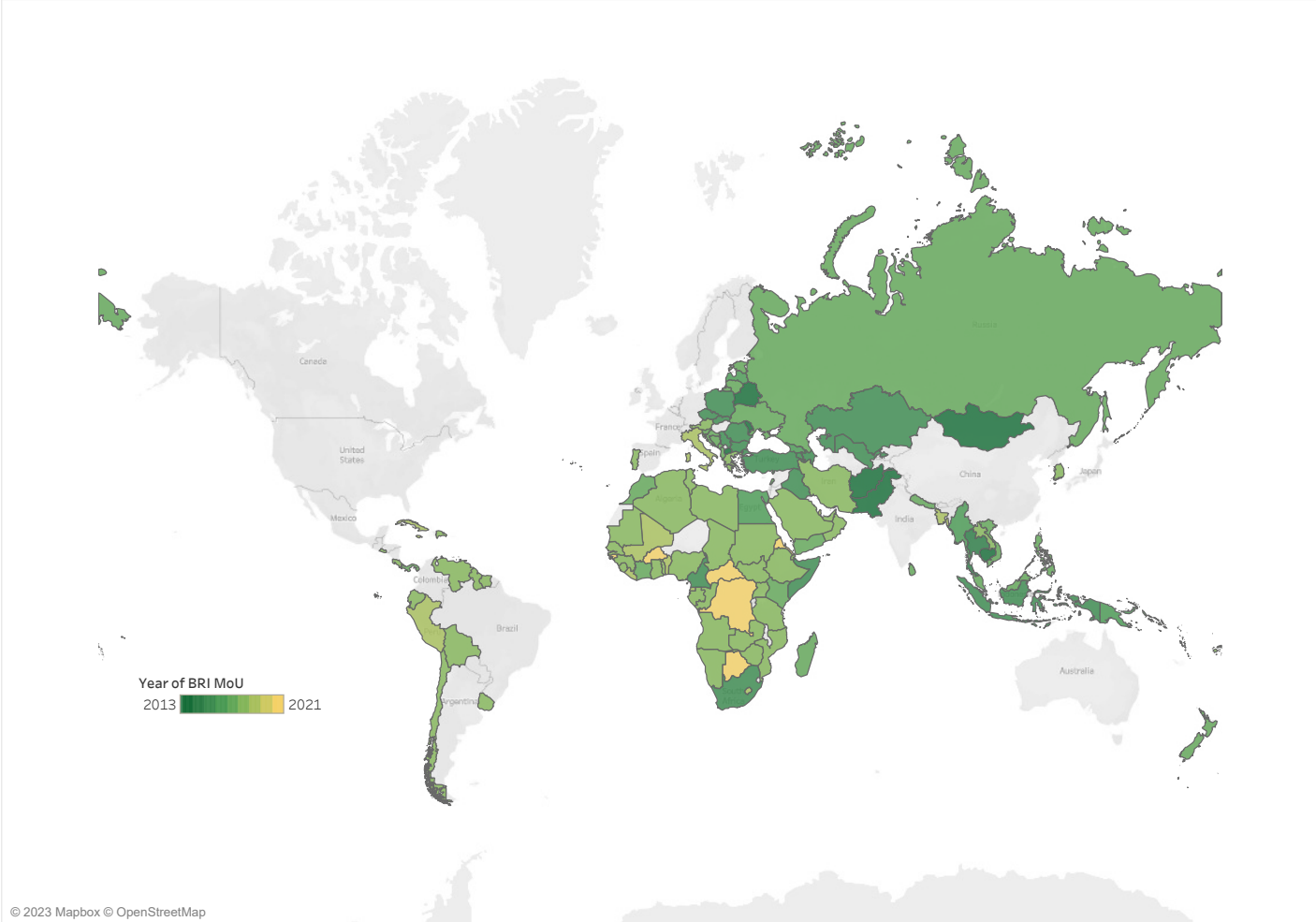
150 countries from across all regions and at all income levels have signed BRI agreements with China. By doing so, signatories gain access to infrastructure and development finance networks without political conditionalities. There is substantial concern that this finance will harm human rights outcomes and political reforms in aid recipient countries by allowing recipients to circumvent political conditionalities. The threat posed to coercive strategy is clear. Chinese finance gives recipients access to economic sector development finance without requiring the recipient to demonstrate adequate human rights, good governance, democracy, or anti-corruption practices. How the BRI affects OECD donors’ strategy is not yet clear but is crucial for understanding the severity of the threat posed by South-South development finance to human rights globally.

I use the year of BRI agreements as shocks to foreign assistance policies. If these agreements affect OECD donors’ strategies, we should observe changes in their foreign aid com-

mitments to the economic and governance sectors beginning shortly after the announcement of the agreement. Variation in the timing of when recipient countries signed BRI agreements with China provides the causal leverage necessary for measuring the effect of signing a BRI agreement on coercive and catalytic strategies. The identifying assumption is that foreign aid trends in treated, not-yet treated, and untreated dyads would have changed similarly over time if a treated recipient had not signed an agreement.

This analysis includes BRI agreements signed by 80 aid recipient countries from 2013 to 2018, shown in Figure 3 and listed in the Appendix. I estimate the average treatment effect on the treated using a Callaway and Sant’Anna 2021 doubly-robust difference-in-difference estimator with multiple periods. This allows for the estimation of individual group time-specific treatment effects and for heterogeneity in treatment effects between cohorts of different years. This does not rely on strict assumptions that early adopters are the same as late adopters and allows for parallel trends to hold conditional upon pre-treatment covariates. I use a simple average of the treatment effects for all cohorts to estimate an average treatment effect on the treated, which I report in the next section.

Figure 3: Variation in the timing of BRI agreements.



The economic aid and governance aid variables used for this analysis are the same as those described and used in Chapter 3. These use the natural log of donors' foreign aid commitments adjusted by population. I use commitments, rather than disbursements, to more accurately capture donors' short-term responses to changes in the aid recipient countries. In each of the event study graphs, year zero reflects the year the agreement was signed and one is the first year after signing. Donors cannot typically adjust their policies immediately, so any effects of signing a BRI agreement are most likely to occur in year one or later.

I test for several possibilities. Regarding economic sector aid, it is possible that OECD donors view Chinese finance as a geopolitical competitor and will attempt to counter Chinese influence by increasing their own economic sector aid. If this is the case, then the OECD donors would respond to new BRI agreements by increasing economic sector aid, indicating that recipient countries are successfully playing China and OECD countries off against each other to obtain higher levels of fungible finance without instituting reforms.

Regarding governance sector aid, I use BRI agreements to test for three different possibilities. First, if catalytic strategy relies on underlying coercive threats from OECD donors to secure agreements with recipients for reforms, then a new BRI agreement should decrease OECD governance aid. Second, if donors use catalytic strategy independently of coercive strategy, then the signing of a BRI agreement should not change OECD governance sector aid. Third, if donors use catalytic strategy as a substitute for coercive strategy where coercive strategy is unlikely to be effective, then signing a BRI should trigger an increase in OECD governance sector aid.

Table 1 lists the 35 ODA-eligible countries with relatively high and persistent levels of pre-treatment state violence that signed BRI agreements between 2013 and 2018. These states are sorted into cohorts according to the year that each signed a BRI agreement with China.

Table 1: BRI signatories with high state violence, by BRI cohort

2013:	Afghanistan, Cambodia, Pakistan.
2014:	Thailand.
2015:	Azerbaijan, Cameroon, Indonesia, Iraq, Kazakhstan, Somalia, South Africa, Turkey, Uzbekistan.
2016:	Egypt, Myanmar.
2017:	Côte d’Ivoire, Kenya, Madagascar, Philippines, Sri Lanka, Ukraine, Viet Nam, Yemen.
2018:	Angola, Chad, Congo, Dominican Republic, Ethiopia, Iran, Libya, Nigeria, Sudan, Uganda, Venezuela, Zimbabwe.

7 Results: OECD donor reactions to BRI agreements

Table 2 reports the average treatment effects on the treated and p-values for signing a BRI agreement for economic aid and governance aid across three groups. The first group includes all potential aid recipient countries. The second includes only potential aid recipient countries with relatively low levels of state violence prior to 2013, and the third group includes only potential aid recipient countries with relatively high levels of state violence prior to 2013.

Table 2: Effect of signing a BRI agreement on Foreign Aid by Sector

	Ln Economic Aid	Ln Governance Aid
All Recipients	0.0145 [0.786]	0.0902** [0.023]
Low State Violence	0.0832 [0.832]	0.0645 [0.373]
High State Violence	-0.0967 [0.212]	0.2205*** [0.003]
High State Violence (Outliers dropped)	-0.1070 [0.179]	0.1618** [0.019]

Results from doubly-robust difference-in-difference models with multiple treatment periods. The coefficients are the average treatment effect on the treated, which is the percent change in economic or governance sector aid per 1000 population after a BRI is signed. The p-values are reported in square brackets. *** p<0.01, ** p<0.05, * <0.1. Rows are subgroups. Columns are dependent variables. The bottom model omits Afghanistan and Venezuela to ensure that results are not strongly driven by outliers.

Figures 4 to 7 are event-study graphs showing the estimated average treatment effect on the treated for four years before and four years after a BRI agreement is signed. The graphs show the combined estimates for all recipient countries in the sample with the BRI agreement year centered at zero. In each, the pre-treatment estimates (black) hover near zero between treatment and control groups, providing confidence that the conditional parallel

trends assumption is satisfied.²²

7.1 Effect of BRI agreements on OECD economic aid

Figure 4: ATT of signing BRI agreement on OECD economic aid commitments for all recipients

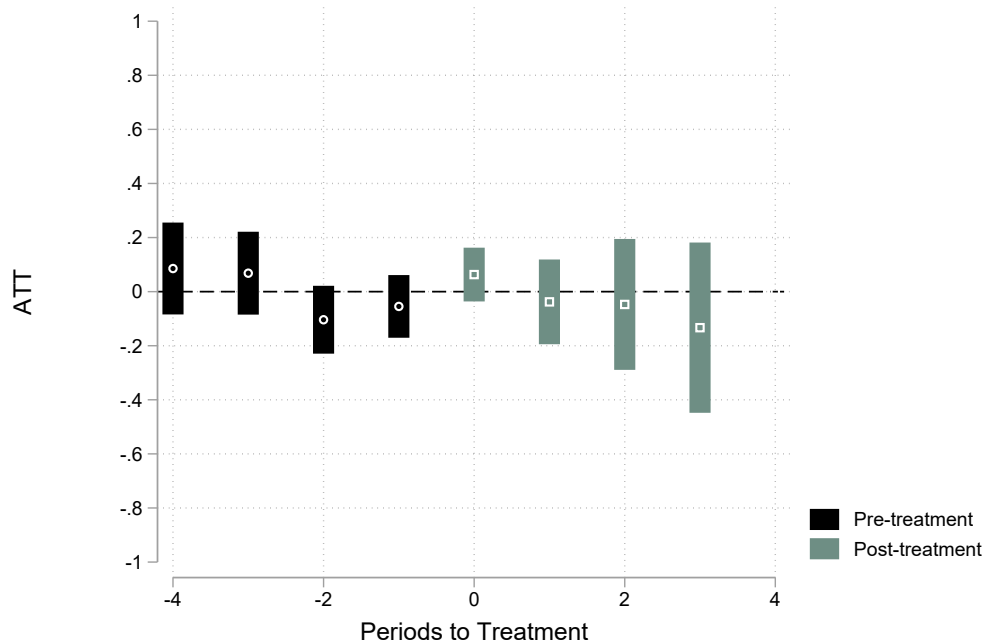


Figure 4 visualizes the difference-in-difference results for the economic sector dependent variable across all recipients. Both the pre-treatment and post-treatment trends are relatively flat and not statistically different from zero. The results do not provide any evidence that there is a significant relationship between a recipient state signing a BRI agreement and the OECD donors' economic sector aid. Similarly, there is no significant relationship for the low or high state violence subgroups. Visualizations by subgroup are included in the Appendix C.1.

This finding provides evidence that OECD donors continue their existing economic sector projects with recipient states that choose to pursue BRI finance. China's engagement does

²² Diagnostics of the pre-trend test, reported in Appendix C.1, fail to reject the null hypothesis that all pre-treatment are equal to zero. This provides further confidence that the parallel trends assumption holds for these analyses.

not appear to result in donors abandoning any coercive punishments that are in place. It also does not result in competitive dynamics, with donors bidding for influence.

This does not mean that the absence of political conditionalities in Chinese foreign aid is not problematic from a human rights perspective. Chinese finance may still undermine incentives for recipient countries to institute reforms that are required by political conditionalities by providing an outside option. However, the Cold War dynamics that led to massive aid packages from Western donors despite human rights crises do not appear to be playing out.

7.2 Effect of BRI agreements on OECD governance aid

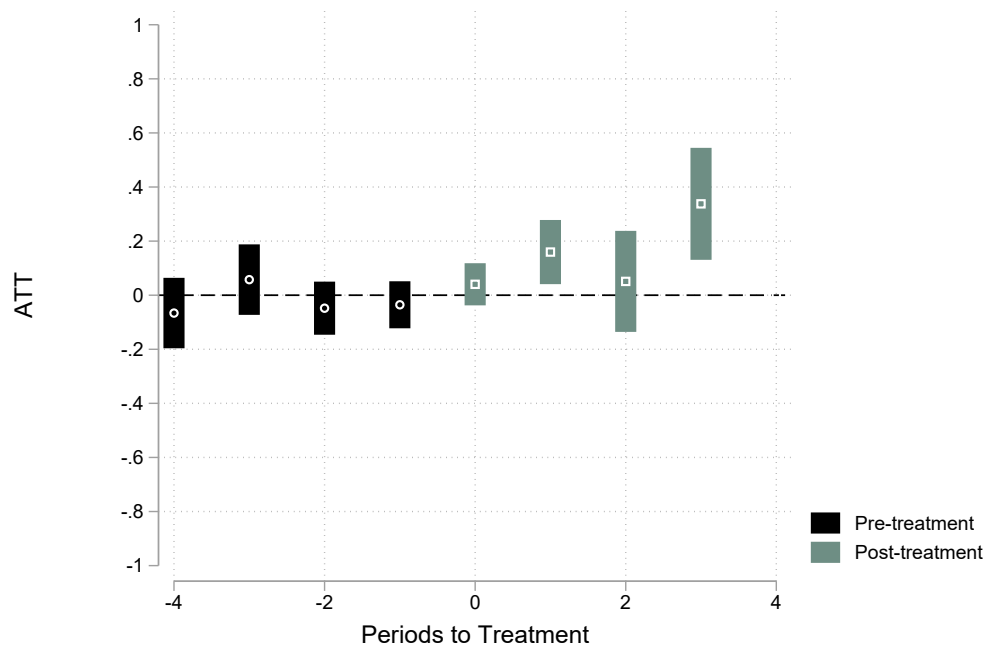
Signing a BRI agreement corresponds to a substantial increase in governance sector aid. As shown in Figure 5 and Table 2, for all recipients, the average treatment effect of signing a BRI agreement results in a nine percent increase in governance aid from OECD donors. This suggests that when donors lose the power of coercive punishment, they rely on catalytic strategy to pursue reforms in recipient states.

A subgroup analysis reveals that this effect is driven by donor responses in countries with high levels of state violence. Figure 6 shows the average treatment effect of signing a BRI on governance aid, limited to recipients with low average levels of state violence before 2013. There is no significant or substantive relationship.

Restricting the sample to recipient states with high average levels of state violence in the pre-treatment period demonstrates that the increase in governance aid after signing a BRI agreement is a catalytic strategic response to state violence. For this group, signing a BRI agreement leads to a 22% increase in governance aid. Figure 7 visualizes this result.

A 22% increase in governance aid is unexpectedly large. It is possible that this result is driven by outliers for which governance aid increased radically at the same time that they signed a BRI agreement but for an unrelated reason or that a handful of results are driving the lion's share of the results. Afghanistan is a particularly important outlier to omit

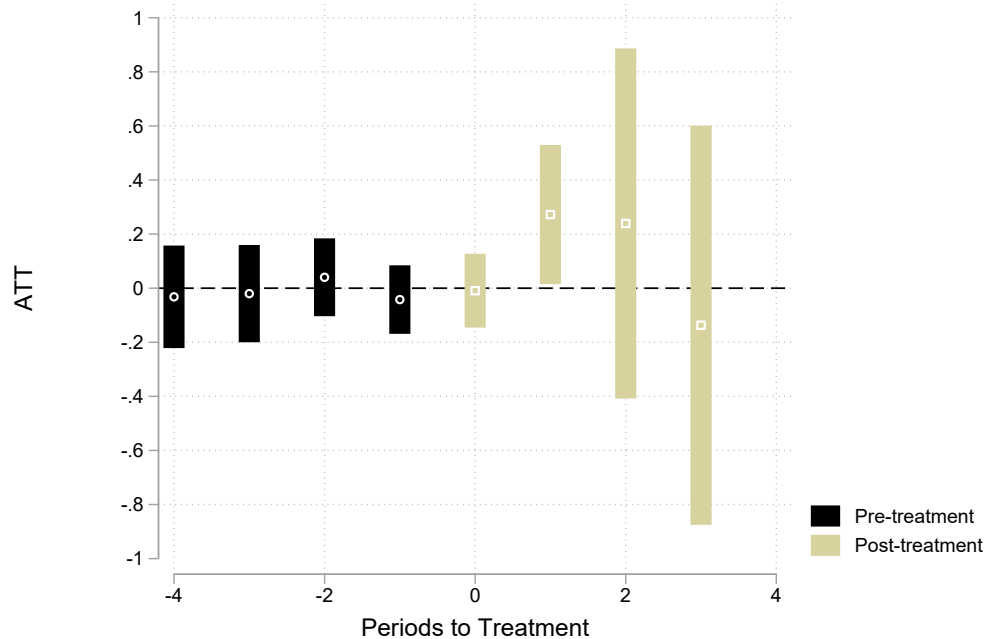
Figure 5: ATT of signing BRI agreement on OECD governance aid commitments for all recipients



from the analysis: It joined the BRI in 2013 and held its first presidential election in 2014. The presidential election prompted a surge in foreign aid to promote a peaceful transition of power and prevent electoral violence. It would be unreasonable to assume that donors weighed the importance of the BRI more heavily than the country’s first presidential election. Afghanistan had by far the largest difference between pre-BRI and post-BRI governance aid per capita. Venezuela also experienced a very large increase in governance sector aid per capita after signing its BRI agreement in 2018, although alternative reasons for this spike are less obvious.

To ensure that the result is not driven by such outliers, I omit the two BRI signatory countries that had the largest changes in average governance sector aid between the pre- and post-BRI periods. These countries are Afghanistan and Venezuela. Omitting these countries causes the ATT coefficient to drop to 0.16, which remains statistically significant at conventional levels, and suggests a 16% increase in governance sector aid per capita if

Figure 6: ATT of signing BRI agreement on OECD governance aid commitments to recipients with low state violence



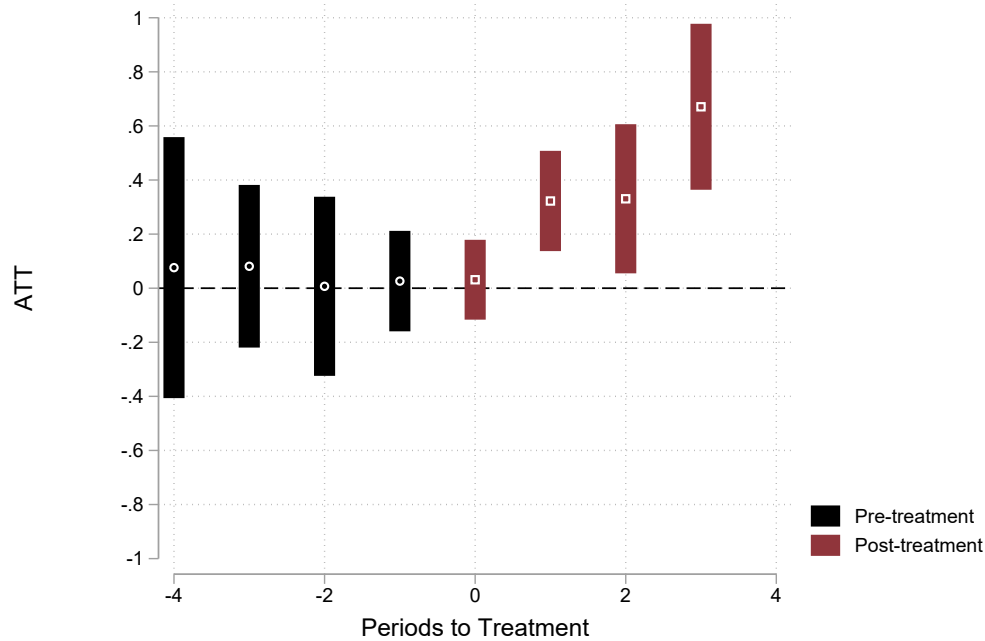
these outliers are omitted from the analysis. These results are visualized in Figure 8.²³

Donors respond to BRI agreements by increasing governance sector aid, but not economic sector aid. This suggests that, at least for now, there are very clear differences between the Chinese era of great power competition in international development and the Cold War era. There is no quantitative evidence of competitive dynamics in which OECD donors drive up spending on fungible projects in response to China’s BRI, and the human rights performance of aid recipient states is a strong determinant of whether donors double down on their governance aid spending when they lose the power of coercion.

Donors are not simply responding to BRI agreements by pouring money into good gover-

23. It is possible that other outliers, such as the United States as a donor or Iraq as a recipient are driving these results. Unfortunately, with the smaller sample size of the restricted, high state violence sample, dropping either of the two results in models that do not meet the parallel trends assumption. The pretrend coefficients are statistically significant and different from zero, and thus cannot be used in good faith. To assuage concerns that these outliers are driving the catalytic strategy results, I include a robustness check in the appendix that uses the full pool of recipient countries and a longer pre-treatment period to improve matching and satisfy the parallel trends assumption. Figure 12 provides the event study graph with Afghanistan, Venezuela, Iraq, and the United States omitted. The results are similar in terms of statistical significance and coefficient size to those reported in Figure 5, which includes all donors and recipients.

Figure 7: ATT of signing BRI agreement on OECD governance aid commitments to recipients with high state violence



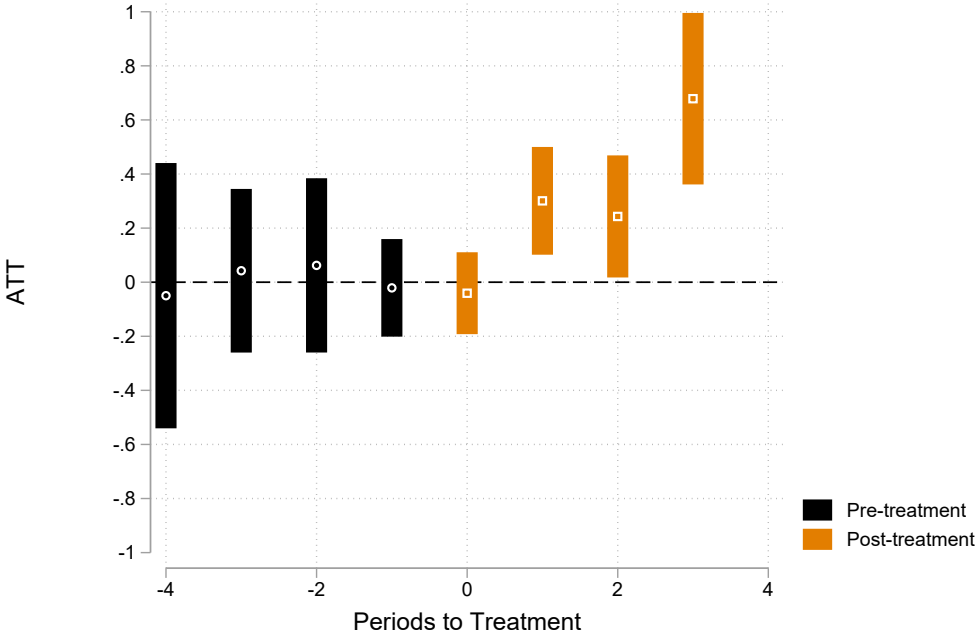
nance and anti-corruption efforts across all recipients. Rather, they are sending more governance aid to countries that have poor human rights records. This demonstrates that donors are substituting catalytic strategies for promoting human rights where coercive strategies are no longer viable.

8 Discussion and Implications

8.1 Is the return of great power competition the end of human rights promotion?

Although Chinese development assistance has diminished the feasibility of coercive punishments, this does not mean that it has eliminated OECD donors' willingness to engage in human rights promotion using foreign aid. Faced with BRI agreements, donors substitute catalytic strategy in the place of coercive strategy toward recipient states with high levels of

Figure 8: ATT of signing BRI agreement on OECD governance aid commitments to recipients with high state violence, with recipient outliers Aghanistan and Venezuela omitted.



state violence.

This is a clear departure from the pathologies of foreign aid and human rights that happened during the Cold War. By the time China rose to become an important player in development finance, donors had already begun to prioritize catalytic strategy, and catalytic strategy has offered OECD donors a path forward for pursuing human rights, good governance, and democratization abroad when coercive strategy cannot succeed. When Chinese finance renders coercive strategy obsolete, OECD donors further increase governance sector aid.

This chapter examined the relationship between OECD donor strategy, human rights, and the BRI. In it, I presented several pieces of evidence that are grounds for optimism regarding human rights and foreign aid, despite the return of great power competition to foreign assistance. OECD donors continue to attach political conditionalities to aid and finance, even in the initiatives that are intended to compete with the BRI. There is no evidence that OECD donors competitively increase economic sector aid in response to BRI

agreements, suggesting that increased competition is not driving Western donors to shift to more fungible forms of aid to buy influence. Where BRI agreements undermine coercive strategy, OECD donors substitute catalytic strategy.

Although there is little evidence that Chinese foreign aid leads to Western donors abandoning their human rights promotion activities, Chinese development finance still poses a threat to human rights. There are many avenues through which China’s rise in development cooperation may harm human rights broadly and human rights promotion in particular. China gives political cover and direct support to violent regimes, weakens international human rights regimes, and is changing norms surrounding human rights, non-intervention, and state sovereignty (Brown and Sriram 2009; Ganso 2019; Hodzi, Hartwell, and De Jager 2012; Piccone 2018; Wuthnow 2013).

8.2 Limitations and scope conditions

This study investigates early Western responses to BRI agreements over a short period. Tensions between the West, most notably the United States, and China continue to evolve and have escalated since 2018, when this quantitative analysis ends. The inaugural hearing of the United States Congress Select Committee on the Chinese Communist Party was held on February 28th, 2023, where speakers focused heavily on the importance of “countering China’s malign influence” globally. In 2021, the Senate Appropriations Committee introduced a “Countering China’s Foreign Influence Fund” to put “\$300 million to combat malign Chinese influence and promote transparency and accountability in projects associated with the People’s Republic of China’s debt-trap diplomacy and the Belt and Road Initiative.”²⁴ The House has introduced a similar “Countering Chinese Communist Party Malign Influence Act.”²⁵ This rhetoric and these non-specific discretionary funds suggest that the United States may be or may soon begin to engage more in using fungible economic aid as

24. The Senate Appropriations Committee. (2021) “State, Foreign Operations, and Related Programs, 2021.”

25. H.R. 2329 -Countering Chinese Communist Party Malign Influence Act. <https://www.congress.gov/bill/117th-congress/house-bill/2329/text>

a tool of influence. It is too early to tell, but I believe that this will be an important topic for future research.

Additionally, Western alternatives to the BRI are beginning to make inroads in financing infrastructure projects in BRI partners as the problems with BRI debt are driving BRI members, such as Bangladesh, to cancel projects and look for new infrastructure partners.²⁶ These strategic dynamics are also still unfolding and promise to continue to change over time.

8.3 Implications: Catalytic strategy and great power politics

The results suggest that OECD donors are increasingly substituting catalytic strategies for coercive strategy. If donors are doing so where coercive strategies would have been more appropriate but are no longer possible, then this may have the unintended consequence of exacerbating rather than alleviating human rights problems. If donors are diverting governance aid toward non-governmental organizations and civil society organizations in a way that threatens repressive governments, this may increase incentives for the government to restrict these organizations' activities. There has been a rapid proliferation of anti-civil society organization laws in recipient countries that would limit donors' abilities to promote human rights and political liberalization in those countries (Chaudhry 2022; DeMattee 2019).

In Chapter 2, Section 2.2.1, I discussed the constraints and limitations of catalytic strategy and discussed how partial democratization in Kenya contributed to persistent state violence problems. If donors are pursuing political liberalization in more hostile environments, then this may threaten leaders' tenure and in doing so inadvertently increase violent repression. In Chapter 3, I provided quantitative evidence that donors generally respond to state violence using catalytic strategy if the recipient country has stronger democratic institutions and using coercive strategy if the recipient country has weaker democratic institutions. This demonstrates that donors are optimizing their strategic choices by considering

26. Parkin, Benjamin. (2022, 08 August). Bangladesh's finance minister warns on Belt and Road loans from China. *The Financial Times*. <https://www.ft.com/content/65632129-dd75-4f23-b9c4-9c0496840a54>

the domestic context of the recipient state and the probable impact of their policy choice on human rights.

That donors respond to BRI agreements by increasing catalytic strategy may be problematic if donors are doing so in decreasingly appropriate contexts. When donors' catalytic strategies threaten to further destabilize the countries in which China holds strong political, economic, or security interests, then this may provoke China into countering Western human rights and democracy promotion efforts. China is typically willing to ignore the regime type, political systems, and human rights records of its partner countries, but it is less willing to tolerate instability that harms its political and economic interests. Tensions between the United States and China in this manner could further destabilize fragile states and would suggest that a different type of destabilizing geopolitical dynamic is playing out in United States-China relations.

The case of Myanmar/Burma suggests that these patterns are beginning to emerge. Geopolitical dynamics that include development finance dimensions are currently playing out in Myanmar/Burma and illustrate the challenges and dangers of Western donors using foreign aid to promote human rights with the return of great power competition.

8.3.1 Myanmar/Burma: Coercive and catalytic strategies, the BRI, a coup, and a civil war

Beginning in 2010, there was growing optimism about the Burmese democratic transition. The country began to hold elections and initiated political and economic reforms that would open the country to trade, normalize its international relations, and integrate it into broader global politics. Early human rights victories included the release of political prisoners, the reintegration of child soldiers, a ceasefire agreement between the government and Ethnic Armed Organizations, and press freedom reforms. The Obama administration made Burma an important part of its "Pivot to Asia" strategy. However, optimism was short-lived, and democratic consolidation never occurred.

The 2015 elections included the disenfranchisement of the Rohingya ethnic group, which had been allowed to vote in previous elections, and arbitrary refusals to allow Rohingya incumbents from running for re-election.²⁷ After the election, military forces became increasingly violent against ethnic Rohingya. This prompted a small scale retaliatory attack by a Rohingya insurgent group against military targets. In 2017, the military's indiscriminate acts of state violence against ethnic Rohingya escalated rapidly, killing thousands and culminating in a refugee crisis and international condemnation for ethnic cleansing. Myanmar had never boasted a strong human rights record, but this surge in state violence drew criticism. Many of the Western countries that had been supporting democratic transition and economic opening in Myanmar/Burma imposed economic sanctions, increased humanitarian aid, and shifted governance support to civil society organizations.

The government of Myanmar signed its first BRI agreement in 2016, as Western human rights organizations were criticizing its elections and treatment of Rohingya ethnic minorities. The BRI gave the government an outside option for support, and the government responded to Western threats and criticism over ethnic cleansing by strengthening its ties with China. In January 2020, the civilian government signed a series of 33 BRI agreements.²⁸ The military opposed strengthening ties with China, just as it had opposed existing contracts for Chinese investments in Myanmar.²⁹

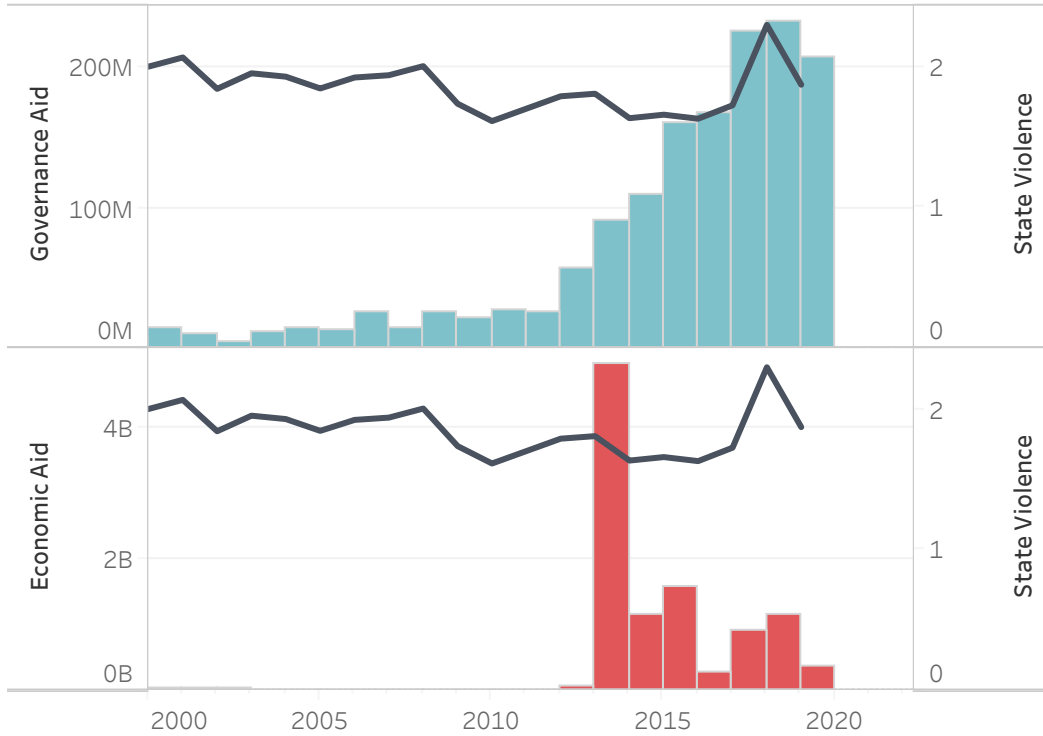
On February 1 2021, the Burmese military overthrew the civilian government. In its immediate response to the coup d'état, China remained neutral between the democratically-elected NLD government with which it had signed numerous BRI agreements and the military junta that seized power. Rather than exerting notable political pressure on coup leaders, China's first priority upon meeting with the junta was to request security assistance around

27. Maung, U Shwe. (2015, 2 Nov) Myanmar's Disenfranchised Rohingya. *The New York Times*. <https://www.nytimes.com/2015/11/03/opinion/myanmar-election-disenfranchised-rohingya.html>

28. Reed, John. (2020, 18 Jan) China and Myanmar sign off on Belt and Road projects. *Financial Times*. <https://www.ft.com/content/a5265114-39d1-11ea-a01a-bae547046735>

29. Han, Enze. (2021, 6 Feb) China does not like the coup in Myanmar. *East Asia Forum*. <https://www.eastasiaforum.org/2021/02/06/china-does-not-like-the-coup-in-myanmar/>

Figure 9: OECD DAC donors' economic and governance aid to Myanmar.



its pipeline.³⁰ On March 7th, China called for the former government and junta to work toward de-escalation, conflict resolution, and stabilization. China’s foreign minister stressed that, “China has long-term friendly exchanges with various parties and factions in Myanmar, including the NLD, and friendship with China has always been the consensus of all walks of life in Myanmar. No matter how the situation in Myanmar changes, China’s determination to promote China-Myanmar relations will not waver, and the direction of promoting friendly cooperation will not change.”³¹ However, as Western donors increased their democracy support in the wake of the coup, and as pro-democracy supporters have targeted Chinese interests, China has increased its support for the junta. On March 9th, two days after China stressed that political control was an internal matter for the Burmese to figure out on their

30. Si Yang and Lin Yang. (2021, 12 March) Leaked Documents Suggest Fraying of China-Myanmar Ties. VOA. <https://www.voanews.com/a/east-asia-pacific-leaked-documents-suggest-fraying-china-myanmar-ties/6203234.html>

31. Zhang Yanling, Wei Jing and Liu Hongqing. (2021, 07 March). Wang Yi talks about the situation in Myanmar: China is willing to play a constructive role in easing tension. *China Net* http://www.china.com.cn/lianghui/news/2021-03/07/content_77281702.shtml

own, pro-democracy supporters in the country called for attacks on Chinese businesses and a major BRI gas pipeline infrastructure project.³² Since then, China has distanced itself from the NLD and has generally offered lukewarm support for the junta. The junta has reversed its early anti-China stance and has increased its support for Chinese economic interests in return.³³

Western governance aid has continued to flow into the country, but there are important differences between the governance support that the United States prioritized after the coup. The United States passed the BURMA Act on December 15 2022. Two related bills were introduced in the House and Senate as independent pieces of legislation. Neither advanced to a vote. Instead, the BURMA Act was passed as a component of the National Defense Authorization Act. The BURMA Act authorized and secured funding for the United States Agency for International Development, National Endowment for Democracy, and State Department to support federalism in ethnic states within Burma, to support civil society groups to investigate human rights violations and help victims, and included additional authorizations to provide technical assistance to document war crimes and human rights abuses.³⁴ These are normal governance sector projects for a country that has descended into civil war.

One part of the foreign assistance sections in the Act stands out, however: the Act authorizes “non-lethal assistance” to pro-democracy movement organizations, which specifically include Ethnic Armed Organizations (EAOs) and People’s Defense Forces (PDFs).³⁵ Some of the groups that this assistance could reach are currently fighting the junta. The United States is using civil society organization and democracy assistance to support armed groups that are fighting the Chinese-supported junta. To complicate matters, several EAOs are

32. Battersby, Amanda. (2021, 10 March) Myanmar’s Chinese-operated pipelines threatened amid fresh coup protests. *Upstream*. <https://www.upstreamonline.com/politics/myanmars-chinese-operated-pipelines-threatened-amid-fresh-coup-protests/2-1-977472>

33. Myanmar Junta Approves 15 Investments, Including US\$2.5-Billion Power Project. (2021, 08 May). *The Irrawaddy*. <https://www.irrawaddy.com/news/burma/162007.html>

34. H.R.7776 - James M. Inhofe National Defense Authorization Act for Fiscal Year 2023

35. Section 5575 (3) authorizes the use of funds under the Foreign Assistance Act for “technical support and non-lethal assistance for Burma’s Ethnic Armed Organizations, People’s Defense Forces, and pro-democracy movement organizations to strengthen communications and command and control, and coordination of international relief and other operations between and among such entities.”

members of the National Unity Government (NUG), which is operating as a pro-democratic shadow government in exile.

On December 29th, shortly after the United States passed the Burma Act, China's special envoy began meeting with several of the most powerful EAOs in an apparent bid to hedge against the junta and limit the United States' influence over the EAOs. China's special envoy then also met with the coup leader, presumably in a bid to improve ties with both sets of actors while attempting to decrease tensions and instability on its border.³⁶

China has clearly demonstrated that it prefers stability and support for its interests rather than any particular regime type or human rights performance. The coup was a nightmare for Chinese interests. China had strong ties with the ousted civilian government, the military had a long history of opposing Chinese projects, and the coup's aftermath included attacks on Chinese companies and infrastructure. After the coup, China hedged by not immediately picking a side but has provided lukewarm support for the junta ever since pro-democracy supporters attacked BRI projects, the West backed pro-democracy forces, and the junta agreed to new Chinese development partnerships.³⁷

The United States has demonstrated its support for the civilian government and pro-democracy groups. Governance aid from the United States is being allocated to the armed groups that are fighting the junta, which Congress views as being supported by China. The Burmese National Unity Government opened an office in Washington D.C. in February, and has met with senior members of the Department of State to deepen ties with the United States.

The Myanmar case doesn't echo Cold War dynamics, but it rhymes. These dynamics suggest a strong potential for great power politics between the United States and China to have a destabilizing effect on third states. Both the United States and China appear to be

36. China's new Special Envoy to Myanmar Meets Ethnic Armed Organizations. (2022, 29 Dec). *The Irrawaddy*. <https://www.irrawaddy.com/opinion/analysis/chinese-envoys-visits-signal-growing-tensions-with-us-over-myanmar.html>

37. Myers, Lucas. (2021, 10 Sept) China Is Hedging Its Bets in Myanmar. *Foreign Policy*. <https://foreignpolicy.com/2021/09/10/china-myanmar-coup-national-league-for-democracy/>

using development assistance as a means of countering the other's influence. However, there are important differences in the dynamics between these tensions in great power politics and those in the Cold War. The United States is focusing its efforts in increasing its democracy and human rights assistance to nominally pro-democracy groups. Neither the United States nor China has signaled unwavering support for the junta. China is backing whatever side it thinks will win, and China is hedging its bets every time uncertainty increases. This suggests that there is a much larger acceptable bargaining range between the United States and China than would have been possible between the United States and Soviet Union.

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A Country Lists

A.1 Recipient List

Afghanistan, Albania, Algeria, Angola, Argentina, Armenia, Azerbaijan, Bahrain, Bangladesh, Barbados, Belarus, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Burkina Faso, Burundi, Cabo Verde, Cambodia, Cameroon, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo, Costa Rica, Croatia, Cuba, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Eswatini, Fiji, Gabon, Gambia, Georgia, Ghana, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kyrgyzstan, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Maldives, Mali, Mauritania, Mauritius, Mexico, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, North Macedonia, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Rwanda, Sao Tome and Principe, Saudi Arabia, Senegal, Serbia, Seychelles, Sierra Leone, Slovenia, Solomon Islands, South Africa, Sri Lanka, Sudan, Suriname, Tajikistan, Tanzania, Thailand, Timor-Leste, Togo, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe.

A.2 Donor List

Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, and United States.

B Difference-in-difference diagnostic tests

Difference-in-difference with multiple time periods

Outcome model : least squares

Treatment model: inverse probability

Control: Never Treated

Pretrend Test: H0 All Pre-treatment are equal to 0

Table 3: Diagnostic tests and results for CS-DID

	Economic Aid Commitments			Governance Aid Commitments		
	All	Low SV	High SV	All	Low SV	High SV
Pretrend test						
Chi2	9.7432	6.8483	5.0195	15.4562	7.3916	2.5809
p-value	0.4633	0.7397	0.212	0.1163	0.688	0.9786
ATT						
Coefficient	0.0145	0.0832	-0.0934	0.0902	0.0645	0.2205
Std Error	(.0532)	(.0865)	(0.775)	(.0396)	(.0725)	(.0753)
p-value	0.786	0.336	0.212	0.023	0.373	0.003
Obs	17,278	9,766	7,477	17,278	9,766	7,477

C Event study graphs for low and high state violence subgroups (economic aid DV)

Figure 10: ATT of signing BRI agreement on OECD economic aid commitments to recipients with low state violence

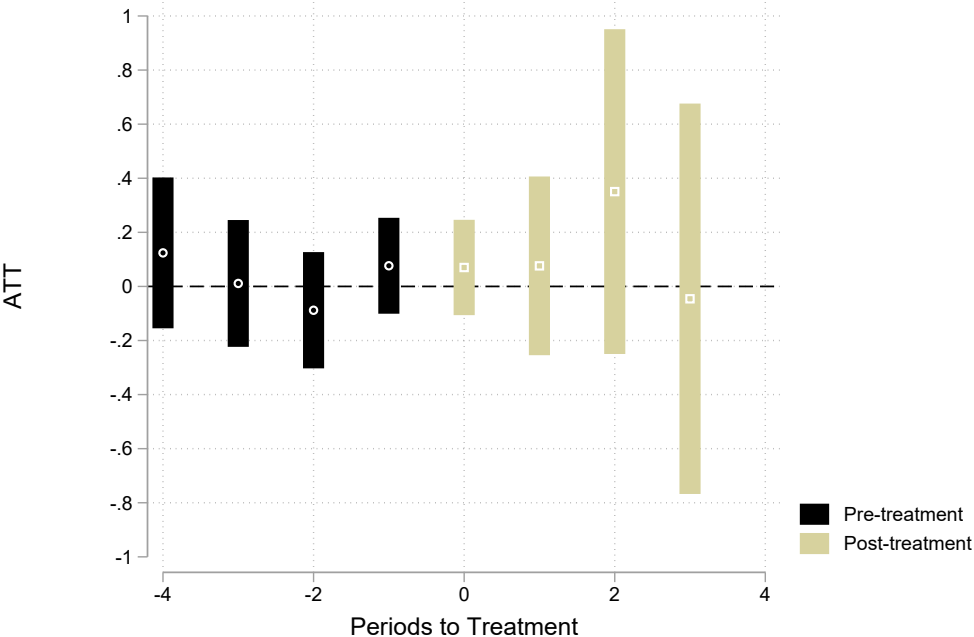
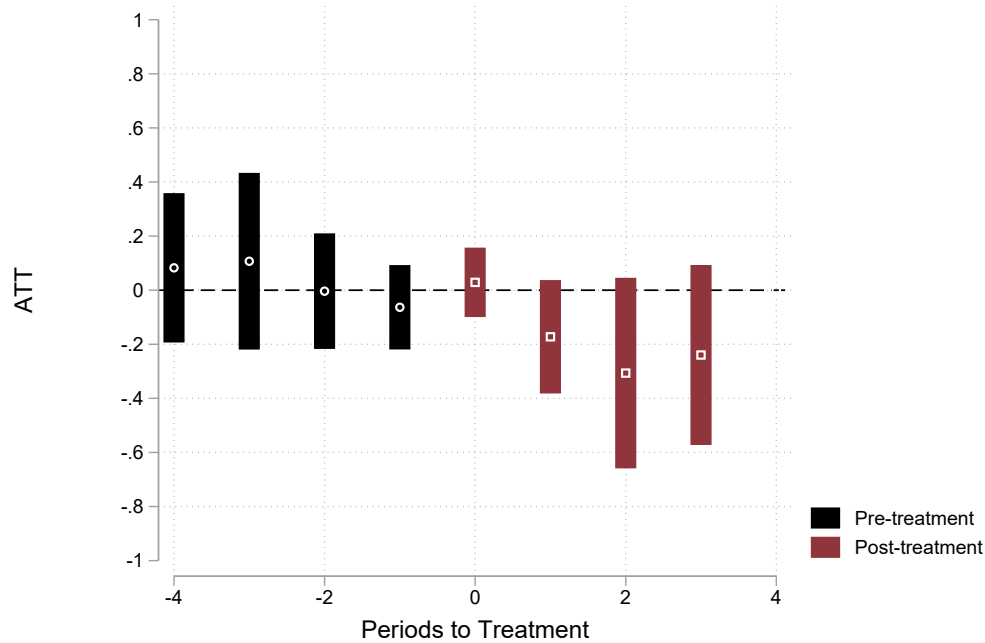
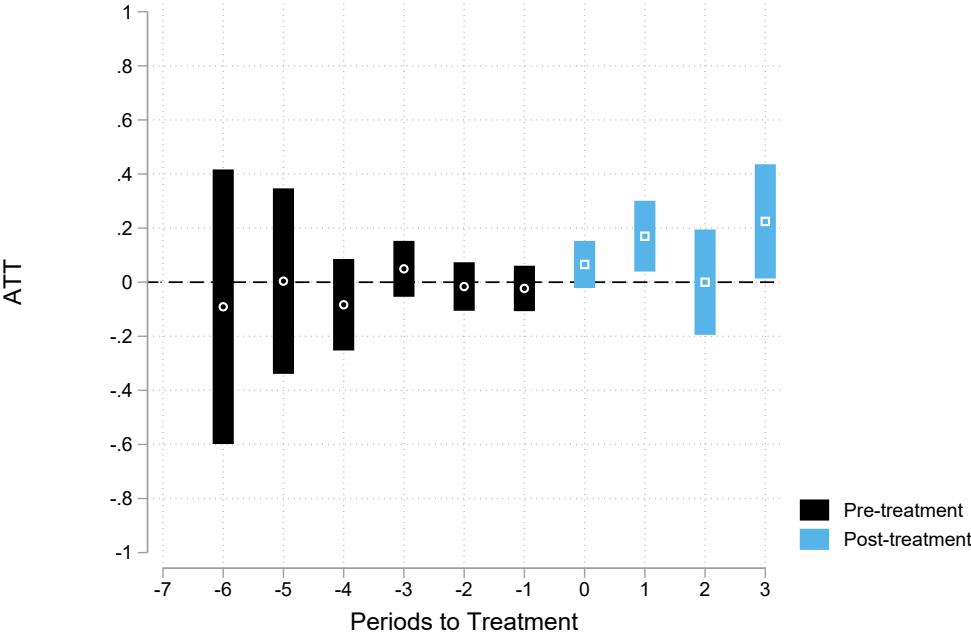


Figure 11: ATT of signing BRI agreement on OECD economic aid commitments to recipients with high state violence



Attempting to drop outliers beyond Afghanistan and Venezuela in the high state violence set resulted in those models failing the pretrend tests. Going back to the full dataset and extending the pre-treatment period allowed for a larger matching pool and passed pretrend tests. This allowed me to drop Afghanistan, Venezuela, and Iraq as recipients and to drop the United States as a donor. The results with these outliers removed are similar to the full models, which are reported in the manuscript. For this model, the p-value for the pretrend test was 0.5081, indicating that we can fail to reject the null hypothesis that all pre-treatment are equal to zero. Figure 12 shows the event study plot. The pre-treatment point estimates hover near zero. The ATT with these outliers removed is 0.0955 with a p-value of 0.025. The ATT of the full set is 0.0902 with a p-value of 0.023. Omitting these outliers did not significantly change the results.

Figure 12: ATT of signing BRI agreement on OECD governance aid commitments to recipients. Donor and recipient outliers omitted: United States, Afghanistan, Venezuela, Iraq



D Belt and Road Initiative agreement recipient-years

Belt and Road Initiative agreements, as reported by the Chinese government. <https://eng.yidaiyilu.gov.cn/>

Table 4: Year of BRI agreements

Country	Agreement Signed	State Violence	ODA Eligible
Belarus	2013	Low	Y
Moldova	2013	Low	Y
North Macedonia	2013	Low	Y
Afghanistan	2013	High	Y
Pakistan	2013	High	Y
Mongolia	2013	Low	Y
Cambodia	2013	High	Y
Thailand	2014	High	Y
Poland	2015	N/A	N
Czech Republic	2015	N/A	N
Slovakia	2015	N/A	N
Serbia	2015	Low	Y
Romania	2015	N/A	N
Bulgaria	2015	N/A	N
Turkey	2015	High	Y
Armenia	2015	Low	Y
Azerbaijan	2015	High	Y
Kazakhstan	2015	High	Y
Uzbekistan	2015	High	Y
Indonesia	2015	High	Y
Iraq	2015	High	Y
Somalia	2015	High	Y
Cameroon	2015	High	Y
South Africa	2015	High	Y
Latvia	2016	N/A	N
Georgia	2016	Low	Y
Myanmar	2016	High	Y
Papua New Guinea	2016	Low	Y
Egypt	2016	High	Y

Country	Agreement Signed	State Violence	ODA Eligible
Panama	2017	Low	Y
Russia	2017	N/A	N
Estonia	2017	N/A	N
Lithuania	2017	N/A	N
Ukraine	2017	High	Y
Slovenia	2017	N/A	N
Croatia	2017	Low	Y
Bosnia and Herzegovina	2017	Low	Y
Montenegro	2017	Low	Y
Albania	2017	Low	Y
Lebanon	2017	Low	Y
Nepal	2017	Low	Y
Sri Lanka	2017	High	Y
Malaysia	2017	Low	Y
Viet Nam	2017	High	Y
Philippines	2017	High	Y
New Zealand	2017	N/A	N
Yemen	2017	High	Y
Madagascar	2017	High	Y
Morocco	2017	Low	Y
Côte d'Ivoire	2017	High	Y
Kenya	2017	High	Y
Dominican Republic	2018	High	Y
Costa Rica	2018	Low	Y
El Salvador	2018	Low	Y
Venezuela	2018	High	Y
Guyana	2018	Low	Y
Suriname	2018	Low	Y
Ecuador	2018	Low	Y
Bolivia	2018	Low	Y
Chile	2018	Low	Y
Uruguay	2018	Low	Y
Portugal	2018	N/A	N
Austria	2018	N/A	N

Country	Agreement Signed	State Violence	ODA Eligible
Greece	2018	N/A	N
Iran	2018	High	Y
South Korea	2018	N/A	N
Laos	2018	Low	Y
Vanuatu	2018	Low	Y
Fiji	2018	Low	Y
United Arab Emirates	2018	N/A	N
Saudi Arabia	2018	Low	Y
Oman	2018	Low	Y
Algeria	2018	Low	Y
Tunisia	2018	Low	Y
Libya	2018	High	Y
Djibouti	2018	Low	Y
Mauritania	2018	Low	Y
Chad	2018	High	Y
Sudan	2018	High	Y
Ethiopia	2018	High	Y
South Sudan	2018	High	Y
Nigeria	2018	High	Y
Togo	2018	Low	Y
Ghana	2018	Low	Y
Sierra Leone	2018	Low	Y
Guinea	2018	Low	Y
Senegal	2018	Low	Y
Gabon	2018	Low	Y
Congo	2018	High	Y
Angola	2018	High	Y
Namibia	2018	Low	Y
Mozambique	2018	Low	Y

Country	Agreement Signed	State Violence	ODA Eligible
Zimbabwe	2018	High	Y
Zambia	2018	Low	Y
Tanzania	2018	Low	Y
Uganda	2018	High	Y
Samoa	2018	N/A	N
Cuba	2019	High	Y
Jamaica	2019	High	Y
Peru	2019	Low	Y
Italy	2019	N/A	N
Bangladesh	2019	High	Y
Solomon Islands	2019	Low	Y
Qatar	2019	N/A	N
Mali	2019	High	Y
Benin	2019	Low	Y
Liberia	2019	Low	Y
Equatorial Guinea	2019	Low	Y
Lesotho	2019	Low	Y
Eritrea	2021	High	Y
Central African Republic	2021	High	Y
Burkina Faso	2021	Low	Y
Guinea-Bissau	2021	Low	Y
DR Congo	2021	High	Y
Botswana	2021	Low	Y