

# Methodology

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## 1 Introduction

I will be creating 2 different sets of equations for my research paper

### Economic Model 1:

1. The first equation will be a pooled regression that will aggregate total commitments by country controlling for other potential confounders

Only one country in Africa still recognises Taiwan: Eswatini. Most of the countries converted to recognising One China Policy as its the one political condition China asks of its partners. Since almost all countries in Africa have recognised China, i use the "duration of Taiwan recognition" as a proxy for measuring newer diplomatic relationships with China

$$\log(\text{total commitment}) = \alpha + \beta_1 \text{Taiwan recognition} + \beta_2 \text{duration Rec OneChinaPol} + \beta_3 \text{Freedom Index} + \beta_4 \text{Population}(\log) + \beta_5 \text{GDP}_{\text{percapita}} + \beta_6 \text{FDI} + \beta_7 \text{NetODA percapita} + \beta_8 \text{CO2emissions} + \beta_9 X_j$$

*j = other indicators (shares of fuel exports, ores and metal exports, english speaking country, Years of Diplomatic relationship with China)*

### Economic Model 2:

2. The second equation will be similar to the first but will look to aggregate total commitments by country and time while also controlling for other potential confounders

Furthermore, in this model, it will be the same as the equation as above but we will also control for "intent", "Flow Class", "Recipient Country" and "Year"

$$\begin{aligned} \log(\text{total commitment}) = & \alpha + \beta_1 \text{Recipient Country} + \beta_2 \text{Flow Class} + \beta_3 \text{intent} + \beta_4 \text{Year} + \\ & \beta_5 \text{Taiwan recognition} + \beta_6 \text{duration Rec OneChinaPol} + \\ & \beta_7 \text{Freedom Index} + \beta_8 \text{Population}(\log) + \beta_9 \text{GDP}_{\text{percapita}} + \beta_{10} \text{FDI} + \\ & \beta_{11} \text{NetODA percapita} + \beta_{12} \text{CO2emissions} + \beta_{13} X_j \end{aligned}$$

*j = other indicators (shares of fuel exports, ores and metal exports, english speaking country, Years of Diplomatic relationship with China)*

### 3. Further Research

Based on the data I've collated, it may be prudent to *include regional effects to see if Chinese official finance strategy is different globally versus Africa*. Furthermore, other literature *included data on countries that were UNSC voting members* and whether these countries voted along with the US on "key votes". It would be interesting to see if the magnitude of this coefficient has changed now, given that China has a higher GDP than US and political tensions between the two countries are increasing.

The literature on Chinese Official Finance also points to different phases of geopolitical strategy.

*During the period of 1956-1960, its believed that China's motives for aid was largely motivated by political and ideological considerations.*

*By 1969, after 9th National Congress, it is believed there was a shift in priority for aid. During this phase (2nd phase: 1970-1978), aid was used to garner support for One China policy (also known as the period of checkbook diplomacy). It is during this period we see a lot of African countries sever their ties with Taiwan.*

*The third phase (1979-1989) is the period of reform under the leadership of PM Deng Xiaoping. China during this period liberalized its economy and became more influential in China's aid allocation decisions.*

*The fourth period (1990-1995), this era of Chinese aid policy was guided by the aftermath of the Tiananmen Square incident in 1989. After this moment, China actively sought diplomatic support and increased aid substantially to African and Latin American allies to reward their "all-weather friends".*

*China's fifth period (1996-2006), aid was reformed, introducing market-oriented principles and emphasizing linkages between aid, trade and investment (Brautigam 2009).*

Leveraging the new data set that's compiled here, we can learn more about how and what has motivated Chinese Aid during the period of 2006-2017. Are there different phases within this period of time or has China shifted course?