

# IDS IN FOCUS POLICY BRIEFING

Research and analysis from the  
Institute of Development Studies

ISSUE 08  
CHINA AND DEVELOPMENT:  
LESSONS FOR AND FROM THE WORLD  
SEPTEMBER 2010

## China's Rise – Implications for Low Income Countries

With one fifth of the world's population and a rapidly growing economy, China has become a significant political and economic power. To sustain this, China is increasingly engaging with low income countries through aid, trade, investment, diplomacy, migration and environmental processes, albeit in a decentralised and at times contradictory fashion. In turn, this has provided low income countries with an alternative to traditional donors. This *In Focus Policy Briefing* looks at how China's own development influences its engagement with low income countries, discusses the marked contrast between the OECD countries' approach and China's approach to development and addresses the implications of this for traditional donors, Chinese policymakers and low income country decision-makers.

### Introduction

China's rapid growth has seen the country engaging more closely with a number of low income countries (LICs) in pursuit of diverse economic and political goals. The emergence of China as a major economic player on the world stage challenges the pre-existing dominance of the Organisation for Economic Co-operation and Development (OECD) countries, but for LICs China's growing role in development policy and practice is equally important. Development policy has its roots in post-World War II international intervention and in broad terms has shifted in emphasis from states to markets and back towards state-enabled markets. Through colonial ties and later aid conditionality, development policy has often been accused of paternalism. But the growing role for China in international development potentially transforms the way in which OECD countries approach

development in which they have held a self-appointed leadership role. In future, China's role in international development will only increase and the implications will encompass economic, social and environmental issues.

The Economic and Social Research Council (ESRC) Rising Powers network *China as the new 'shaper' of global development*, led by IDS in collaboration with the Open University, aims to enhance our current understanding of China's rise as a global development actor. As part of this, the network organises a series of workshops exploring the implications of China as a rising global power for low income countries and the international development community more broadly. This policy briefing draws on the findings from the first workshop held in collaboration with Tsinghua University in Beijing in July 2010.

### China's growing influence as a rising global power

Today, transboundary phenomena like the global financial crisis, global security threats, global environmental problems like climate change and international migration require international and multilateral solutions. Another major shift in development policy and practice relates to the 'Rising Powers': the rise of Brazil, Russia, India, China, South Africa (BRICS) and states in the Middle East. These new powers have contributed to the questioning of dominant Western approaches to development, as embodied by the Washington Consensus which was for a long time the symbol of the OECD-dominated approach to international development and donor activities. Recent years have seen the shift of power from the G8, dominated by developed countries, to the G20 which includes major economies from Africa, Asia, Latin America and as well as the OECD.

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China is aware of its growing importance internationally and plays a leadership role for other developing countries in international forums such as in the G20, the United Nations' climate change negotiations and the World Trade Organisation (WTO). China also plays a critical role in brokering between the West and certain 'pariah' states such as North Korea and Iran. These are part of a discourse from both within China and from beyond, of China as a 'responsible' international player. Moreover at a cultural and discursive level China has a growing sense of nationalism and manifest destiny in seeing itself return to its place as a great power.

## China's engagement with Low Income Countries (LICs)

All the same, China is uncomfortable with the mantle of 'Rising Power' or a hegemon in the classic sense. Rather than practise bullish conditionality in its dealings with LICs, China prefers notions of a 'peaceful rise' and 'harmonious development' based rhetorically, at least, on the idea of partnership, cooperation and mutual benefit. However, in many cases relationships between LICs and China are quite unbalanced, so it is important to look beyond the rhetoric and get a clearer picture of where the relative gains and losses of engagement with China lie for LICs.

It is often argued that China needs LICs, particularly in Africa, for achieving its development process and for fuelling its high economic growth. While access to

natural resources for its industrialisation and urbanisation and ensuring energy security, access to trade markets and low cost labour is key to China's own development, China also expects support from these countries for its 'One China' Policy<sup>1</sup> and leverages its activities in LICs to exert influence in key multilateral forums such as the G20. The key lesson here is that China's motives are not singular or uniform, but rather multiple and complex, and vary from country to country.

## Who in China is engaged in development processes?

Contrary to the Western approach of having one main agency which dispenses aid and coordinates development activities, China has a multiplicity of different actors engaged in development activities. They include various ministries like the Ministry of Finance (MFA) and the Ministry of Commerce (MOFCOM), provincial governments, central government, state-owned companies, private companies, banks such as China's ExIm Bank, civil society, research institutions and others. Some of these actors have different or even opposing motives. This highlights the challenge that China's highly decentralised governance structure poses to the so-called Beijing Consensus, a term widely used to describe the Chinese development approach as an alternative to the Washington Consensus.

<sup>1</sup>The 'One China' Policy refers to the recognition of the Chinese government in Beijing as the sole legitimate government of Taiwan and mainland China, including Tibet.

## China's development actors

China's development actors are numerous and do not work together in a coordinated fashion as the 'Beijing Consensus' model suggests. They include:

- **Central Government:** Ministry of Finance, Ministry of Foreign Affairs, Ministry of Commerce, Chinese Communist Party, International Department
- **Provincial Governments**
- **Banks** such as Export Import Bank (ExIm), China Development Bank
- **State-owned enterprises** such as Sinopec and Sinohydro, particularly when it comes to large markets and access to resources such as oil and hydropower
- **Private enterprises, individual entrepreneurs and migrants**
- **Think Tanks** such as the China Institute of Contemporary International Relations, the Chinese Academy for Social Sciences, the International Poverty Reduction Centre in China
- **The military**
- **Non-Governmental Organisations and International Non-Governmental Organisations** and other Civil Society Organisations
- **Educational and cultural exchanges, such as Confucius Institutes**
- **Research institutes**
- **The media**

“ China advocates a ‘no-strings attached’ policy of non-interference in international relations and emphasises mutuality or South-South cooperation in its dealings with other countries. ”

### How does China’s approach to development differ from the OECD’s

Although there is a common consensus on economic growth as being important for international development, China’s approach to development differs markedly from the traditional Western approach: while the West focuses more on aid, China focuses on business relations with LICs and while the West focuses more on human development and a rights-based approach, China focuses on growth. This partly reflects China’s own recent and rapid development. However, one major challenge of this, also reflected in its engagement with LICs, is the serious environmental impact resulting from high growth and modernisation. This will be discussed in more detail in further workshops and publications.

For many developing countries, China provides an alternative to traditional donors. China’s engagement with low income countries differs from that of the West as it advocates a ‘no strings attached’ policy of non-interference in international relations. This is reiterated by the Chinese President Hu Jintao who emphasises countries’ sovereignty as a key principle for engaging with LICs and consequently denies the use of hegemonic control over other countries, especially given China’s recent history as a colony. Unlike the West, China thus emphasises mutuality or South-South cooperation in its dealings with other countries.

The central pillar of this non-interference is the *Five Principles of Peaceful Coexistence* of Premier Zhou Enlai that were established in 1954 and prescribed:

“[...] mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other’s internal affairs; equality and mutual benefit; and peaceful coexistence (De Haan, 2009:5)”

This rhetoric encourages the impression that China is not imposing its political conditions, ideals or principles onto recipient countries. Chinese development discourse talks about ‘influence without interference’ and contrasts this to the West’s approach of ‘sanctions plus military intervention’. As a result of this, Chinese aid tends to focus on infrastructure such as building roads and schools without being ‘tied-up with a package of political or economic reforms’ (Huang 2007:82). China also prefers to foster a business relationship over a donor relationship, with a strong emphasis on trade and Foreign Direct Investment (FDI) and it rarely sets any benchmarks related to human rights and environmental protection.

### Examples of China’s engagement with LICs from around the world

While China’s relationship with sub-Saharan Africa is what has received the most attention in the West on the basis of its perceived lack of liberal conditions, there is, in fact, no single or ‘typical’ pattern of engagement between China and other LICs and regions. When it comes to aid, Chinese aid levels are well below the OECD, and are mostly concentrated on Africa.

China has given aid to every country in Africa save Swaziland, which alone has never switched allegiance from Taiwan (Brautigam, 2009, p.2), while Chinese FDI goes to more than forty African countries with the largest investments by far going to Sudan as investment in oil (UN, 2007). China maintains trade relations with most African countries, including Angola, Sudan, Congo, Nigeria, Libya, South Africa, with China exporting manufactured goods into local markets.

In Southeast Asia, the main motives for China’s engagement have been access to markets and cheap labour, and latterly as sites to relocate noxious industries. Trade

and investments with China are much more common than Chinese aid in Southeast Asia. It is to these ends that China has been keen to establish a free trade area as part of a greater Association of Southeast Asian Nations (ASEAN) region. When it comes to Latin America, Chinese aid is relatively insignificant and engagement is much more about securing market share for Chinese manufactures although there are some significant imports of tropical products from Brazil.

### Tensions between China’s avowed bilateralism and its activities in multilateral forums

As China’s own development was premised on territorial sovereignty, security and peaceful development, this filters through to its principles of engagement with LICs. Yet the non-interference line has always been flexible and has certainly broken down where China realises the need to respond to criticism, such as over its involvement in Darfur, or where there is a need to ensure ‘stability’ for major investments, such as in major oil producing regions. It is no surprise then that recent cooperation agreements have emphasised things like ‘capacity building’ of local institutions. Yet China is also involved in pan-regional governance initiatives such as with ASEAN, and plays an increasing role in various UN forums. At times there is a tension between China’s avowed bilateralism and respect for sovereignty and its activities in multilateral forums.

In summary, China’s rise has direct implications for low income countries in Africa, Asia and Latin America through aid, trade, foreign direct investment and other channels of interaction. Yet it is relatively free from the baggage of colonialism that many OECD countries carry in terms of relations with LICs. These different relationships have varied implications for politics and policy in those regions.

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## Implications for policy, practice and research

*China's development pathway challenges common thinking and requires a rethinking of development theory*

China's development pathway has been unprecedented. Its high population, rapid economic growth and strong political power make it substantially different from other developing countries. This challenges common thinking and understanding of development pathways which should lead to a critical rethinking of the current development paradigm. However, policy-makers should be wary of trying to adopt a 'China model' in a different context since, as this briefing has argued, no such singular model exists.

Given that policies have their roots in theory, the rise of China requires a rethinking of development theory. China's pathway has been experimental and emergent, which means it does not yet have a reflexive or formal sense of what 'Development' means and with it no elaborated discipline of Development Studies. Here learning between China and others about the meanings of development can take place.

*China should be recognised as a serious contender when engaging in development processes*

The rise of China requires a rethinking of traditional donor practices. In many LICs, particularly in Africa, China is often considered as an alternative to established donors due to practices like infrastructure delivery, non-conditionality, non-interference and no benchmarks related to human rights and environmental protection. Additionally, policy-makers and donors within the OCED need to critically assess their practices and its impacts in light of this. It should also be recognised that China and the established donors can be both competitors, for example when it comes to access to global markets, and collaborators, for example when it comes to the policies and practices of international aid.

- OECD states and donors need to recognise China as a serious contender when engaging in development processes with LICs. They should increase the efficiency of their development processes going beyond only aid, increase the cooperation between different donors and deliver their commitments.
- China also needs to increase its cooperation with other donors. It will need to learn how to avoid aid increasing unsustainable debt and postponing necessary reforms, and aim for long-term sustainability on a social, environmental and economic level.

- Low income countries will need to learn how to complement established Western donors with China. At the same time they need to remain aware of the need strive for long-term sustainability and integration.

*China's own development has been contradictory and contains the potential for future disruption in terms of social polarisation, overproduction and environmental degradation.*

Crucially the question of sustainability has risen up the agenda over recent years and various initiatives, including the post-crisis stimulus package, have focused on 'green' technologies. Moreover, corporate social responsibility has entered the lexicon of Chinese firms yet it remains to be seen how far these companies honour such proclamations or local societies can effectively monitor and enforce environmental standards.

*Changes at home and on the international stage*

As outlined in this briefing, China's rise has indirect global implications such as the way that China impacts multilateral relationships in the WTO, the G20 and the UN climate change negotiations. This will inevitably affect both OECD and low income countries.

On the home front, the increasing role of civil society in China will have significant policy implications. In the past, civil society played only a minor role in China. During recent years, however, civil society and grass-roots organisations have become more visible and active, for example in relation to environmental or social issues. It remains to be seen how this will affect the way China engages as a development actor in low income countries.

## Further reading

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## Credits

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The Beijing workshop and this policy brief were supported by the Economic and Social Research Council ESRC (ESRC Ref: RES-075-25-0019), the Department for International Development DFID, Oxfam and the Open University. We would like to thank Sarah Cook for her contribution to the policy brief and the overall project. We would like to thank the workshop participants for their presentations and discussions.

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