



Institute of
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**The rise of China: challenges
for development policy and
strategy**

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China matters and it matters big!

DFID, “Promoting growth in Africa: working with China”
October 2006

Challenges in three areas of development policy

1. Impact on developing countries
 - As a model for other countries
 - Through trade investment and aid
 - As a donor
2. Regional leadership
3. Global public goods

Challenge for UK and Europe

- Working with China: global public goods
 - financial stability
 - trade reform.
 - climate change
 - security, etc.
- Working towards the MDGs: China's policies matter
- Influence (i.e. change) China
 - on trade policy
 - on governance
 - on donor coordination

Two bases for Western influence in development assistance and policy

1. Economic power
2. Soft power

Both being challenged

Economic Power (1)

● Trade

- China a market for resources, intermediate good and final products
- One of focal points of Asian trade
- Measurable impact on GDP growth in some Latin American countries
- Third largest trading partner for Africa – first by 2010
- Some preferential access to Chinese market: Early Harvest Programme, tariff exemptions for poorest African countries

● Investment

- Infrastructure spending in Africa and the Mekong region
- FDI rising: \$16.1bn in 2006

Economic Power (2)

- Loans and debt relief
- Aid
 - infrastructure, health, education, training
China is quite effective in these areas
 - aid to Africa, \$2.7bn in 2004
 - the promises of the November 2006 Beijing summit
- None of this power anywhere close to the Triad Economies – US, EU and Japan
- But it is an unexpected challenge

Soft power (1)

Credibility: development paradigms

Not what China is, but what it will be:

- Modernity: the lure of success
- Current trends will lead China to be even more important, and quite soon
- It is the future
- Rapid growth: a different path
 - much faster than Europe and the US
 - faster than countries that have followed IMF and World Bank advice

Soft power (2) China's development posture

- Acceptance in Africa
 - China has a discourse of mutual benefits and cooperation among equals:
 - Bandung - five principles. non-interference, peaceful coexistence, respect for sovereignty, etc.
- Conditionality does exist
 - Taiwan
 - No criticism of China's human rights
 - Tied aid, including labour

What to do? The “taming” perspective

Bring China into line with Western practice

- Involvement with the DAC
- Involvement with donor groups in developing countries
- China’s view:
 - “little brother”: entry into fora were the rules have been set by Western countries
 - hypocrisy
 - over-confidence in western solutions

Are we powerless?

- UK and Europe as increasingly marginal in the 21st century
- Little leverage: aid for China is low, and being phased out by various donors

Addressing China's needs and concerns

- Responsibilities of increasing power, pressure from developing countries:
 - for market access
 - for export restraint
 - dumping actions
- Sensitivity over Africa's perceptions of China
 - lack of knowledge: influence is a surprise
 - concerns about some Chinese firms – construction, the Kampala riots
 - assumption that trade must be good being questioned
 - pressure for more engagement in multilateral fora

Scope for engagement

- China is feeling its way (for the time being at least)
- China is changing: policy still being formed
- Interaction needed at multiple levels: from scholarly exchanges to ASEM
- Support for more interaction with African scholars
- Cross-country collaboration in Europe