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Where Does China Fit in the Bottom Billion Narrative?

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Most of the world's poor are in China and India, but Paul Collier argues in *The Bottom Billion* that development efforts should focus on slower-growing countries. This In Focus brief suggests that development agencies still need to focus on China and India as these countries still face development challenges in their poorer regions and with respect to a number of the Millennium Development Goals (MDGs). In addition these countries have become development actors themselves. It is critical to engage with them as equals in order to learn from their successes, deliver global public goods and work with them as they become increasingly important trade, investment and aid partners for the Bottom Billion countries.

Three radical arguments in *The Bottom Billion*

First, Collier argues that development policy should focus on the Bottom Billion of the world's poor, defined in terms of countries that are failing to grow. Although this group of countries is never defined explicitly, it clearly includes a substantial part of sub-Saharan Africa, the poorer countries of the greater Mekong sub-region (Cambodia, Lao People's Democratic Republic and Myanmar), a very limited number of South Asian countries (Nepal, but not Bangladesh, India or Pakistan), and some Central Asian countries (definitely Afghanistan, quite possibly Mongolia and some if not all of the five 'Stans' of the former Soviet Union).

Clearly, this definition does not include 95 per cent of the population of South Asia, and it does not include China. For Collier, development efforts should exclude countries where substantial shortfalls in MDG attainment exist now, perhaps even excluding countries that are not in line to reach the MDGs by 2015, as long as these countries are on a growth path which will eventually bring people out of poverty. Development efforts should be focused on those countries that are trapped in low growth and therefore not able to generate the resources that would enable them to tackle by themselves the problems identified by the MDG targets (low income, malnutrition, maternal mortality, low educational achievement, etc.).

Collier on Asia and China

Growth is the cure for poverty. Aid should be focused on slow-growing countries, not slow-growing sectors (agriculture) or regions within countries. Most of Asia has escaped the poverty traps. Even if most of the world's poor are still in Asia, they are in growing economies and should not be the focus of development efforts. Asia is now a problem for the Bottom Billion: it has raised the bar for entry into global markets. China is an obstacle to development because of its poor policies and practice, which undermine Western development efforts.

> "The shift in world power to the East is fundamental and will have substantial consequences over the next decades."

Second, Collier identifies groups of low-growth countries rather than low-income groups within countries as the focus of the development challenge. Collier is not the only influential writer to argue that development agencies should focus on the poorest. Jeffrey Sachs makes a similar argument for a focus on the poorest. He argues that there is a specific 'crisis of extreme poverty' (Sachs 2005: 1), and that:

> ... certain parts of the world are caught in a downward spiral of impoverishment, hunger and disease ... it is our task to help them onto the ladder of development, at least to gain a foothold on the bottom rung, from which they can then proceed to climb on their own.
>
> (Sachs 2005: 2)

The difference between Collier and Sachs, however, is that Sachs' overall message is that the focus of development should be on poor people, particularly the lowest-income people in the rural areas of the poorest countries. Sachs says that aid programmes targeted on specific interventions to overcome problems such as disease and low productivity (malaria nets and fertiliser) will enable these people to escape what might be called the 'low productivity trap'. Collier's approach could not be more different. He sees growth in the economy as a whole as solving the problems of the poorest, as evidenced in his reference to the work of David Dollar (Dollar and Kraay 2001), and a telling observation that Fairtrade is useless because 'it encourages recipients to stay doing what they are doing ... They get charity as long as they stay producing the crops that have locked them into poverty' (Collier 2007: 163). Instead, the focus should be on diversifying agricultural production and promoting production and export of labour-intensive manufactures and services.

Third, Collier argues that, because of the successful emergence of the Asian economies, globalisation is no longer the panacea for growth and development that it would have been 20 years ago. These countries have raised the bar for global competitiveness in manufacturing and services. Using arguments first put forward in a World Bank document (Collier and Dollar 2002), Collier argues that economies of agglomeration, particularly with respect to infrastructure and specialised services, are so strong that they are likely to offset the effect of rising wages on the competitiveness of the Asian economies for quite some time. This argument is essentially sound. The declines in exports of garments from sub-Saharan Africa to the US under the Africa Growth and Opportunity Act preference scheme following the phase-out of the Multifibre Arrangement in 2005 is a good example of how China remains competitive in labour-intensive activities, in spite of rising wages (Kaplinsky and Morris 2006).

China and India remain important for development

So, where does this leave China and India (and much of the rest of Asia) in Collier's narrative about development? The main argument is that countries that are growing – and must therefore have escaped the traps – should not be the focus of development efforts. The logical conclusion is that development agencies should stop aid as soon as countries are on a path of sustained growth. It would not even make sense to delay cutting off aid until such countries 'graduate' to middle-income status. Collier's argument implies that aid to Bangladesh, India and Pakistan should be cut immediately. Based on projections from the UK Department for International Development (DFID), even countries such as Cambodia and Lao PDR are expected to reach a per capita income of $750 per year by around 2015 if baseline growth rates are maintained, so, optimistically, they too could merit scaled-down programmes.

In fact, Asia, and particularly China and India, remain important for development in distinct ways. The first concerns their own achievement of the MDGs:

- Fast economic growth in Asia and elsewhere may not continue. Collier recognises that growth spurts occur, but are not necessarily sustained, and he also recognises cases of resource-based growth that are equally unsustainable. Clearer criteria are needed to identify countries whose current periods of growth should not be taken as indications of sustainable future growth.
- Even in fast-growing economies in Asia, there are continuing challenges to fulfilling the MDGs. The Asian Development Bank's projections show

> China and India are becoming development actors and they demand attention beyond being recipients of aid.

that 200 million people in South Asia will remain below the $1-a-day poverty line in 2015: 190 million of them in Bangladesh, India and Pakistan – not in the Bottom Billion countries. In China and India substantial pockets of poverty are found in particular provinces and states, many of which suffer from the same development traps as the Bottom Billion, particularly landlocked status and poor governance.

- Work by the UN on the achievement of the MDGs in Asia shows that even where poverty is falling rapidly, progress towards other goals is slow or non-existent. In the case of the malnourishment goal, for example, India, Indonesia and Pakistan were all classified by the UN as 'regressing' in 2005 even though they were performing well on the income target. Maternal mortality is another area where progress lags behind other targets, and targeted development assistance would be desirable (UN Economic and Social Commission for Asia and the Pacific 2005).

More important for global development policy is the fact that China and India are becoming development actors. They demand attention because of the impact of their trade, investment and aid in developing countries. In addition to remarking on the impact of China and India on market opportunities for the Bottom Billion, Collier only makes four further references to China as a development actor. Collier emphasises China acting as an obstacle to good governance and the good development practices of established donors (Collier 2007: 62, 86-7, 146 and 186). For Collier, China is a country that needs taking in hand by Western development agencies so that its development activities are brought into line with the best practice of the Organisation for Economic Co-operation and Development (OECD). Collier's only plan for achieving this goal is to argue that China be offered membership of the G8, or in his words a 'place at the top table' (Collier 2007: 146).

China (and other emerging donors) will become increasingly important for development policy and practice. China, in particular, matters for the Bottom Billion in three ways:

- For the lessons China offers for development policy from its own experience. Collier, however, is very confident that Western, and particularly World Bank, practices are sufficiently well developed and effective for little learning to be necessary.
- For its increasingly important role in global governance. This was evident in the role of countries such as Brazil, South Africa and India in the Doha Round negotiations, and in the importance attached at the UN Framework Convention on Climate Change (UNFCCC) meeting in Bali in December 2007 to the positions taken by China and India on the shape of the climate change negotiation process leading up to Copenhagen in 2009.
- For its increasing role as a development actor through its rapidly expanding trade, investment and aid links in Africa and Asia.

For these reasons, China and India will become increasingly important for development policy over the next few years. But building relationships between the established and rising global powers will be difficult. China and India present a new phenomenon. They are poor but powerful. In the past, rich countries were powerful and poor countries were generally powerless. China and India can exert power in the global economy and in global politics because of their size and rapid growth. But they remain relatively poor, with substantial proportions of their populations living below the $2-a-day poverty line. So, continued rapid growth is a priority, and with this the need to secure access to resources in a world where many scarce resources have been grabbed by others a long time ago. While the West sees development predominantly in terms of the donor role, giving aid to countries that are poor (and in the case of the Bottom Billion, growing far too slowly to make substantial inroads into poverty), China and India both see engagement with the Bottom Billion countries as driven by their own economic and strategic priorities, including access to natural resources and energy. In the case of China, this strategic interest is accompanied by an optimism about the potential for growth in sub-Saharan Africa that is leading to a rapid expansion of trade and investment.

> There is much for the West to learn from China – it has just presided over the biggest and most rapid fall in global poverty ever seen.

Unless the motivations and priorities of the rising powers are recognised, it will not be possible for the OECD countries to engage with them constructively. It is true that China (and also India, which is increasingly active in Africa, although with a lower profile) has much to learn about development. There is increasing debate within China about mistakes made in its own development and necessary changes in priorities. It will increasingly come to recognise and understand the complexities of building trade, investment and aid relationships with the Bottom Billion countries. Engagement will be possible. But this engagement will need to be combined with some humility on the part of the West about its own development shortcomings. There is much for the West to learn from China – it has just presided over the biggest and most rapid fall in global poverty ever seen – and if the West does learn from China and engage with it, then China might be prepared to recognise that it needs to learn about development from the West too.

Further Reading

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