

Spotlight iii: China – the developed developing nation

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China has already been the focus of an emotional debate about its developing country status for more than a decade. This applies both to its ODA eligibility and to the developing country status it has enjoyed in the World Trade Organization (WTO) since its accession in 2001. At the WTO, this status affords China “special and differential treatment”. It enables China to provide subsidies in agriculture and set higher barriers to market entry than more developed economies. The WTO, in contrast to the OECD, does not apply clear criteria for the assessment of a developing country. The discussions on China’s status are therefore complicated and mainly of a political and economic nature. For instance, in 2019 the United States of America proposed a couple of possible WTO criteria for excluding countries from the status of a developing country, mainly with the aim of taking China off the list⁵⁰.

The discussion on China’s status is based on objective criteria such as GNI per capita, but it also entails a lot of subjective and debatable issues. Let’s start with the objective criteria: With 9,460 USD GNI per capita in 2018⁵¹, China is by DAC definition a developing country and eligible to receive ODA. Depending on its growth rate, it may take another decade until it joins the high-income group. Moreover, it is well-known that there are big interpersonal inequalities as well as asymmetries between China’s regions and provinces, as in many other countries. However, the 19th National Congress of the Communist Party set the goal of eradicating poverty in China by the end of 2020.

This leads us to the emotional and subjective part of the discussion. Since China is already the second largest economy in the world, a top exporter, an innovator in digitalisation, an international donor, a G-20 member and an important investor, governments and taxpayers in DAC member countries question its ODA status for good reasons. The discussion started around 2005 and gained momentum after the Beijing Olympics, when the degree of China’s development became visible to every TV viewer. With its success in alleviating poverty and with the modernisation and innovation taking place, China is one of the few countries where even persisting inequalities may not be a good excuse to continue ODA.

50 United States Fed. Reg. 2019.

51 World Bank 2020.

As a consequence, many donor countries have reacted and began phasing out their development cooperation projects from 2008 onwards. Germany was one of the first countries to cease new public commitments on financial cooperation in 2008 and on technical cooperation in 2009. The fact that the decision about the “end of ODA with China”, made by the then Minister for Economic Cooperation and Development, Dirk Niebel, had been communicated to the yellow press⁵² without any prior consultation with the Chinese, included a clear statement: Committing ODA to the second biggest economy was no longer justifiable to the taxpayer.

Today, most donors have left China – bilaterals first, EU DEVCO and UNDP rather late, multilateral development banks not yet, but soon⁵³. This leads to a somehow unique situation that China’s forthcoming ODA graduation will probably neither affect it in any way nor its relations to DAC members. China will become a high-income country – so what? Just another step on its way to the top of the list of all countries even in absolute GDP terms. Just another step towards overcoming the ‘lost’ two centuries after 1800 AD.

Still, after more than a decade of donors phasing their aid out, the discussion on project-based international cooperation with China is still ongoing. Why? Many donor countries realised that, after the development cooperation projects ended, they had lost important communication and cooperation channels with the Chinese government – and this was not in their own interest at all. These channels were, for example, those with G20 peers, such as the Chinese Ministry of Finance and the People’s Bank of China, or those with trading partners such as the Ministry of Commerce and those to the Ministry of Ecology and Environment, which is in charge of climate negotiations. And those channels used in the past for designing development programmes could have also been used for advocacy – important towards a country with worldwide relevance not only to achieve the SDGs or climate goals but also to shape global governance.

These days, we observe the contradiction that while China is becoming ever more crucial in global terms or in bilateral economic relations, the formats of exchange are becoming fewer. Without joint projects, only diplomacy is left. However, this is not always the most effective instrument with which to design relations. Was it a good idea that many donor countries cut the dialogue on climate change because it was funded with ODA money? If it is still worth talking, debating, showcasing one’s own experiences and advocating one’s own

52 Interview with the German newspaper ‘Bild’. See Pinzler 2009.

53 See e.g. the World Bank’s new Country Partnership framework for China 2020–2025.

principles, why not do so in an intergovernmentally agreed and funded project? If yes, how could a country come back without irritating taxpayers? This is the background to a discussion on a smart intervention into Chinese politics. To what extent is it possible to use the mutual framework development cooperation created – intergovernmental negotiations and intergovernmental projects – for policy areas beyond aid, such as foreign trade or climate policy? Finally, project-based approaches, in the form of trilateral cooperation, could also be used for interaction on the principles of China's outbound activities along the Belt and Road Initiative or on its development cooperation with Africa.

Germany – being one of the first to phase out traditional development cooperation with China – has also been one of China's first bilateral partners to test new forms of project-based approaches beyond ODA, mainly activities funded by the German Ministry of Economic Affairs and the Ministry of the Environment. The Ministry for Economic Cooperation and Development has paved the way for this handover. Germany still uses the development cooperation agreement of 1982 to officialise new bilateral projects in areas which are beyond the initial framework: for projects on economic or climate policy or on exchange on law and justice. Important fields in the Sino-German intergovernmental cooperation are Industry 4.0, cybersecurity, mobility, emission trading, energy transition and trilateral development cooperation.

Joint bilateral projects create the basis for a positive agenda with which to design common principles, norms and standards. And at the same time, they can serve to confront China with alternative ways of doing things or to promote countries' own (vested) interests. These projects now cover issues of mutual concern, but in many cases with different objectives. This might be one of the crucial differences between development cooperation and cooperation in other policy areas. Whereas development cooperation is meant to assist on a basis of joint objectives, new forms of international cooperation do not necessarily share the same interests. One partner might want to get insights into alternative governing rules, the other might aim to advocate their own principles or a level playing field. Another essential difference to the former development cooperation projects is the constant real-time conceptual – not only financial – monitoring and steering of their impact by the respective ministries funding these new project-based approaches. There is no standard indicator for these rather sensitive and political projects which is comparable to the Aid Effectiveness Agenda or the SDGs.

Besides Germany, the UK Prosperity Fund and the EU Partnership Instrument follow the same approach. This mode of working requires a clear strategy on China. In addition, it requires the preparedness to engage in a debate with the general public, including the media, which may not always be able to

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understand the differences between aid and advocacy projects. Using the former development cooperation shell is a smart way of engaging countries which have graduated or, like in the case of China, are a developed developing nation – a category of its own.