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Is China a Developing Country?

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IS CHINA STILL A DEVELOPING country, or has it joined the ranks of the advanced developed countries?

This has become a topical question, especially after US President Barack Obama reportedly told the Chinese President Hu Jintao that China had to act more responsibly, now that it has "grown up."

This interesting one-to-one conversation took place at the APEC Summit in Hawaii. And when Obama met Chinese premier Wen Jiabao at the recent East Asia Summit hosted by ASEAN in Bali, he must have said something similar, in between scolding him for not allowing the Chinese currency to shoot up.

By telling China that it has become a grown-up adult, Obama meant that China should now be treated just like the US or Europe in terms of international obligations. Like taking on binding commitments to reduce greenhouse gas emissions, cutting its tariffs and to near zero and giving up its subsidies under the World Trade Organisation (WTO), giving aid to poor countries, and letting its currency float.

This is what the US has been pressurising China to do in the recent negotiations on climate change, in the WTO's Doha talks, at various meetings of the United Nations and at the APEC summit. In fact, most of the important multilateral negotiations are stalled because the US (with Europe and Japan standing behind them) insists that China gives up its developing-country status and takes on the obligations of a developed country.

It's not only China, of course. They also want India and Brazil to do likewise. And often also mentioned are South Africa and the wealthier or bigger ASEAN countries.

The main focus however is China. There has been a growing respect for or rather fear of China, that it is growing so fast and has become so big and powerful it might swallow up the Western world in a decade or two.

So, the question is pertinent: is China a developed country?

The answer depends on what criteria are used. In absolute terms, China is indeed a big economy. Its GNP is second only to the United States. It has become the biggest emitter of Greenhouse Gases, having overtaken the United States.

But this is mainly because China is a big country, in terms of population. With 1.3 billion people, it's the world's most populous country. India is not far behind with 1.2 billion people and is on track to overtake China in two decades.

However, despite the mighty image it has been given by the world media, China looks like a very ordinary developing country, once one looks at per capita indicators.

Whether one is a developed or developing country is defined by the UN and by the International Monetary Fund (IMF) and World Bank, and the most important criterion is income per capita.

By that yardstick, China is very much a developing country.

The IMF, in its latest World Economic Outlook, classifies China as a developing country, with a per capita Gross Domestic Product in 2010 of US\$4,382, ranked a lowly 91 of 184 countries in the world.

Six African countries (Equatorial Guinea, Gabon, Botswana, Mauritius, South Africa, and Namibia) had GDP per capita levels higher than China.

China's GDP per capita was less than a tenth that of the United States, which had \$46,860. Luxembourg had the highest ranking, with \$108,952. Malaysia was No. 65 with \$8,423 while Singapore was No. 15 at \$43,117.

The World Bank classifies countries into four income groups. In its latest report, economies were divided according to 2008 Gross National Income (GNI) per capita according to the following ranges of income:

- Low income countries with GNI per capita below US\$1,006;
- Lower middle income countries with GNI per capita between US\$1,006 and US\$3,975;
- Upper middle income countries with GNI per capita between US\$3,976 and US\$12,275; and
- High income countries with GNI above US\$12,276.

The World Bank classifies all low- and middle-income countries as developing. According to the Bank's figures, China's GNP per capita was US\$ 2,050 in 2006, US\$ 2,490 in 2007, US\$ 3,050 in 2008, US\$3,650 in 2009 and US\$ 4,260 in 2010.

In fact, China has in recent years been in the category of lower-middle income countries until it crossed over to upper middle income in 2010.

Economists also use the measure of GNP per capita "in gross purchasing power" (or GPP). This is to take into account the different cost of living in different countries. People living in

countries with a lower cost of living could enjoy a higher living standard than their country's GNP implies.

In 2010, in GDP (at GPP) per capita terms, China was lower still at No. 95 with US\$7,544, just below Ecuador and Bosnia and Herzegovina, and just above Albania, El Salvador, Tonga and Guyana.

By contrast, Malaysia was at No. 58 with GPP per capita of US\$14,744 while Singapore was No. 3 with US\$56,694.

The UN Development Programme has a human development index (HDI) that measures quality of life in terms of income, schooling, life expectancy and so on.

The Human Development Report 2011 shows China at No. 101 of 187 countries with a HDI of 0.687 and in a category of "medium human development".

It was below many other developing countries in the very high or high human development categories, such as Chile, Argentina, Barbados, Uruguay, Cuba, Bahamas, Panama, Malaysia, Libya, Grenada, Lebanon, Venezuela, Mauritius, Jamaica, Ecuador, Brazil, Iran, Tonga, Tunisia.

What about climate change? China, again mainly because of its huge population, is the top Greenhouse Gas emitting country, with a total of 7,232 Megaton of CO₂ equivalent in 2005. The US is second with 6,914 Megaton. India was fifth with 1,859 Megaton.

But in per capita terms, China's emissions level was 5.5 CO₂ equivalent per person, ranked 84 in the world.

By contrast, the US's per capita emission was 23.4 CO₂ equivalent, Australia 27.3, Canada 22.9, Russia 13.7, Germany 11.9, Japan 10.5, Singapore 11.4, Malaysia 9.2, South Africa 9.0, Brazil 5.4, Indonesia 2.7, India 1.7, Tanzania 1.5 and Rwanda 0.4.

Thus, as the No. 91 country in the world in GDP per capita, No. 101 in human development index and No. 84 in per capita emissions, China is looking like, and is, a middle-level or even lower-middle-level developing country, with not only all the developed countries ahead of it, but also many developing countries.

China also shares the same characteristics of many developing countries. More than 700 million of its 1.3 billion people live in the rural areas, and in 2008 there was a large imbalance, with the urban disposable household income 3.3 times bigger on average than in rural areas.

According to China's own standard, 43 million Chinese are low-income (below US\$160 a year). By the higher UN standard, 150 million people are poor, living on less than one US dollar a day.

Each year, 12 million people are newly added to the job market, outnumbering the population of Greece, and it is quite a task to find them jobs.

This does not deny the fact that there are high points in China's development: its big GNP in absolute terms, its high rate of economic growth, and the foreign reserves of above US\$3 trillion.

But the fact remains that while China has become a big economic power in absolute terms, it is still a middle-level developing country, with the socio-economic problems that most developing countries have.

And if China is pressurised to take on the duties of a developed country and to forgo its status and benefits of a developing country, then many other developing countries that are ahead of China (at least in per capita terms) may soon be also asked to do the same.

Thus, China's fight to retain its developing-country status is of interest to other developing countries, for they will be next, if China loses that fight. □□

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