World in transition: Migration and Trade

Is China a developing country?

Narrator: In such a climate, the dangers of social upheaval are high in the Chinese governments mind. And this is one reason why China believes it should join the World Trade Organisation as a developing country.
The WTO has two different sets of rules for developing and developed nations. John Taylor argues that China should be treated as a developing country.

JT: When you're looking at the World Trade Organisation, you have to look at the benefits that will come to China in terms of economic growth. And the benefits that will come to it in terms of human development. Though of course the two are related, the impact to the World Trade Organisation around these areas will be different. So if you're looking at patterns of foreign investment. If you're looking at the kind of sectors which will export commodities to industrialised countries. Then there could be an argument that China should be treated as a developed country. But on the other hand, because the impact of joining the World Trade Organisation could be quite adverse, on areas of human development. For example China's ability to continue reducing it's poverty levels. China's ability to do something about the increase in the regressive distribution of income within the society. China's ability to do something about it's fairly high levels of unemployment. These are all things in which treating it as a developing country would actually benefit it. so it all depends which aspect you're focussing on. And I think that the human development aspect has to be taken much more seriously than it is at present.

Narrator: Whether a country has developed country status makes a difference to the terms of entry. Such as the amount of time they're given to make the transition to WTO rules. This has made the issue a particular sticking point in the WTO negotiations. As Jun Woo explains.

JW: There has been lots of unpleasant feelings, even of anger from China's side. And this international society especially some major member of the WTO. Let's say USA or sometimes the EU as well. [one word] asking too much from China. Why should be really bend our knees just to become a member of the WTO. Even China's Chief Negotiator has said this is a political choice and decision. It's not an economical one. That China is a developing country. If you not accept China as a developing country, you deny the basic what China is. But of course not this has been solved. And they are asking there has been a compromise from both sides. So they meet somewhere in the middle.

Narrator: As Jude Howell observes, this is symptomatic of the way China often behaves in international negotiation.
JH: Whether China is or is not a developed or a developing country, is a very interesting question. And I think the Chinese government and many Chinese people have rather ambiguous position on this. On the one hand China likes to see itself as a developed country. And to be considered as an equal to America or Europe and so on. On the other hand they're advantages to playing the developing country card as well. As in terms of preferential treatment and so on. From the point of view of the international institutions, China sees itself as the leader of the developing world. And plays a very appropriate role in taking up issues that are sensitive and difficult. Particularly with regard to powerful developed countries.

Narrator: In fact the WTO may be useful for the Chinese government. A set of rules imposed from outside may actually help it push through it's own ambitious programme of reform. The consequence could change the very nature of government itself.

JT: It has been said that over the past years before the WTO, the reform in China has been from inside. From China's own initiative. It's not a wholesale reform. And this WTO will be different. There will be a whole set of rules, market economy rules, applied from our side.

China will have to accept it wholesale. So this is the key difference and people do realise that the functioning of the government will have to change a lot. At the moment the government is heavily involved in the running of the economy. And they realise this will have to change. Probably the government's role will be to make the laws, the regulations and then to enforce regulations to make sure they are properly abided. But the more detached from the actual economy running.

JT: The country's legal structure is definitely developing. The Chinese Minister of Justice said what we are trying to do is in 30 years to develop a legal structure, which Britain has taken well over 300 years to develop. And I think that is broadly speaking true. While it's doing of course there are all sorts of problems. Because lots of things are not clear. And therefore it isn't clear sometimes, to business. From outside China going into China, exactly what the rules are.

Narrator: But not all areas of government and legislation are likely to be equally affected.

PN: If you're talking about areas like a commercial or for example, then I think it will actually look very similar. Because a kind of commercial law we have an industrial capitalist countries. But while those changes will go along. There would be other areas of law which relate for example to social aspects, for example. The marriage law in China, or conditions for divorce. Which shall remain essentially Chinese for many years, and they're very very different from what we have here.

Narrator: There are practical limitations to the pace of reform. You may think of China as a centralised system. But in fact the provinces are very strong. They could be resistant to change and not move my arguments that it's imposed by the WTO.

JT: The other thing of course if one thing to devise the laws and draw them up. It's quite another to implement them, in a way that is fair and transparent. And China is such a vast country. You decide to do something in Beijing. Whether that is done in the far reaches of the west of China, is quite a different matter. Because they may not even have heard about it.

Narrator: So does China's entry to the WTO reflect a path of development that's intrinsically different? On a trivial level, every country's development is different. But does China's trajectory challenge contemporary wisdom. Current theories tend to assume that development is achieved through a liberal capitalist route. You're answer will almost certainly depend on your background and outlook.

JW: The WTO is mainly about trading. About services, and about the intellectual properties. It does not govern every areas of economy in terms of how you run the economy. So WTO membership doesn't mean you cannot have a state owned industry.

JH: If we look in the reform period it is increasingly moved away from state intervention in the economy. The private sector has taken after is increasing foreign investment. So we have already many of the features of a capitalist economy.

JT: It think China's transition is different from other developments towards industrial capitalist economy in other parts of the world. Simply because China went through a long period in which it's industry and it's agriculture were collectivised.

JH: it may have only been possible for China to implement the reforms and have such great success with the economic reforms, from 1978 onwards. Because of the base, the economic base, the industrial base, the social base, the stability. Which had been built up in the period before that. Of course we know there are errors such as a great leap forward and a political term or instability of the cultural revolution period. But we cannot overlook the fact that the considerable economic achievements were made in the pre-reform period. So it's historical backdrop makes China a rather different case to other countries.

JT: I think we are misled very often by the fact that China is still officially a communist country. It is governed by the communist party of China. I think one has to be careful. You can

label a country capitalist. And it can mean all sorts of different things. It’s not a capitalist country in the sense that the United States of America is a capitalist country. But if you look at the business practices in China, they are becoming more capitalist by the minute. And even the communist party itself has now suggested that entrepreneurs should be allowed to become members of the party. That would have been unthinkable even two or three years ago.