

## Rich China, poor China conundrum as clout grows

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By Paul Eckert, Asia Correspondent

WASHINGTON (Reuters) - Success in winning China's help with global tasks like reviving the world economy or fighting climate change can depend on which China you're talking to: the established economic powerhouse or the developing country.

China the new power holds \$2 trillion in foreign reserves, including about \$1 trillion in U.S. debt, and increasingly lectures rich nations on economic management. Developing China has tens of millions of rural poor among its 1.3 billion people and falls in the same World Bank per capita income rankings as Cameroon and Guatemala.

The emergence of China as a heavyweight economic player with a relatively poor population has economists scrambling for new definitions, perplexes policymakers in other countries and has some competitors crying foul.

"I can't think of any other instances where an economy at this relative level of development compared to the other leading countries in the world had such a large role to play in terms of world trade, world finance and overall contribution to the world economy," said Eswar Prasad of Cornell University.

The World Bank groups China among lower-middle-income countries, with \$936-3,705 in annual per capita income, based on 2007 data. Countries such as Bolivia, India, Morocco and Syria are also in that grouping of lower-income countries.

The United Nations Statistics Division counts all of Asia excluding Japan as developing countries. China is a developing country under the International Monetary Fund's criteria.

"It's a fair thing for China to say 'We're not rich yet,' and we have to deal with that," said trade expert Derek Scissors of the Heritage Foundation.

Nevertheless, China has raised eyebrows when it appeared to be demanding more rights as an unquestioned economic power while pleading poverty when asked to shoulder greater obligations.

### CHANGING THE CONVERSATION

Steve Dunaway, a Council on Foreign Relations scholar, saw this a lot in his former job as IMF China mission chief.

China's line was "that as the number three economy in the world, they want a bigger say in the world economy. But when the discussion came up about additional resources for the IMF, the conversation switched back to per capita income," he said.

China overtook wealthy Germany in 2007 to become the world's third-largest

economy behind and the United States and Japan. With Japan sputtering, some economists see China overtaking that rich country by 2012.

In an ongoing debate about funding the United Nations, U.S. critics note that China pays just over two percent of the annual U.N. budget, while the United States pays 25 percent.

Ahead of last week's London G20 summit, senior Chinese leader Wang Qishan reiterated Beijing's call for more power at the IMF. He said China's contributions to the fund should be based on per capita economic output -- not on the size of its \$2 trillion in reserves -- the most in the world.

China ended up contributing \$40 billion to the IMF kitty for economically troubled countries and won promised reforms that will give China more clout at the fund.

At 175-country climate change talks in Bonn, Germany, this month to work on a new U.N. climate pact, China led developing nations in demanding rich countries to agree to far deeper cuts in greenhouse gas emissions.

Chinese delegate Xu Huaqing bluntly said rich states had to do the most to allow the poor to burn more energy to end poverty.

A Chinese lawmaker elaborated on what he called "unique" features of the carbon emissions of China, which recently surpassed the United States as the world's top emitter of planet-warming gases.

"One feature is that China's emissions are subsistence emissions," Yuan Si, a member of the Standing Committee of China's National People's Congress, said in remarks at the Nixon Center in Washington recently.

"China has the right to make people's lives better. To achieve that goal, China has to consume some energy and has to make some greenhouse emissions," he said.

#### DANGEROUS HOT AIR

While that line of reasoning seems self-serving, many U.S. climate experts say China has a point.

"Their argument, and it's pretty valid, is that you guys have caused most of the problem -- you've eaten up a larger share than you really should," said Jake Schmidt, head of climate policy at the Natural Resources Defense Council.

Dan Dudek, chief economist of the Environmental Defense Fund, says a call for historic fairness is "totally valid and that is why there is a genuine insistence that developed nations need to lead."

The World Resources Institute calculates that the United States has contributed 30.3 percent of carbon dioxide emissions from 1990-1999. China's share was 12.2 percent, but it has risen rapidly in this century.

China's industrial competitors in the West don't agree.

U.S. steel industry executives have called for tariffs on Chinese steel if China's steelmakers are not subject to the stringent emission limits Washington is considering adopting.

To a stressed atmosphere and warming planet, the debate is little more than dangerous hot air, suggests Schmidt.

"At the same time that both sides are making valid arguments, the climate's getting worse, global warming's getting worse and both sides of this debate are suffering," he said by telephone from the Bonn negotiations.

"The impact is not related to who causes the emissions," Schmidt said. The real issue is action, he added.

Prasad, a former IMF economist, said questions of where China lies on the development spectrum and what obligations or leniency that entails are "the wrong ones if you want to make progress on what matters to China and the world."

"This was always a bit of a false dichotomy: On many issues, framing the debate this way suggests that what's good for China is not necessarily what is good for the world, or the other way around," he said.

(Editing by Philip Barbara)

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