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## Are we asking the right questions when the talk turns to China?

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# The Current Column

*of 24 January 2011*

## Are we asking the right questions when the talk turns to China?

Bonn, 24 January 2011. On 18 January 2011, shortly before Hu Jintao's arrival in the USA, the *Financial Times* (FT) reported that in the last two years the China Development Bank and the Export-Import Bank of China had together allocated more loans to developing countries than the World Bank. This statement was based on statistics published by the World Bank and the FT's own calculations from media reports of loans granted by the two banks (since they do not publish statistics of this kind). The news was greeted with some excitement in the western media, but was published largely without comment in the Chinese media.

In the daily flood of media stories, this news has played no more than a minor role. But one thing it does reveal is that the western world still does not seem to have got used to the idea of China becoming important. Our reaction to reports emphasising China's growing influence is still one of latent fear, often mixed with prejudice and displaying little self-confidence. The news that two Chinese banks have allocated more loans to developing countries than the World Bank prompts the subliminal questions: "Are they allowed to do that? Is the World Bank's importance waning? What should we do to stop this?" What is not reported, or at least not asked, is how many loans other countries allocate to developing countries or if the figures calculated for the Chinese banks are at all comparable with those published by the World Bank on its lending.

The fact that China is growing in importance and playing a global role should not be a problem for us. We want the developing countries to develop and, at some stage, to stop being developing countries. In this respect, China is on the right track. But one challenge is undoubtedly that China is so large, too large to be ignored, too large to slip into the group of developed countries unnoticed. The second, and perhaps real, challenge is that, for most people in the West, China is not transparent, that China today is so difficult to understand. Here

we have a country growing in stature and importance, playing an international role, but little is known about the motives driving its politics, people and politicians.

Achieving transparency and the understanding based on it is certainly a complex exercise. It requires both access to information that can bring about this transparency and the willingness and ability to process the information accessed. In the past, doubts about transparency have often been associated with the way in which Chinese policy is communicated. In the first few decades after China began to open up, it was common practice for political documents to be classified as "internal", with only selected circles permitted access to them. At the same time, however, compliance with the rules laid down in these internal documents was definitely expected. The situation has changed significantly.

The quantity of information to which access can be gained today through websites and other media is enormous. Most rules are now laid down in laws and regulations, which are published. Nonetheless, access to information is still an issue. This is evident, for example, from the fact that the impression of China gained from a reading of the country's two leading English-language newspapers (the *China Daily* and the *Global Times*) differs markedly from that conveyed by Chinese-language newspapers. Chinese research colleagues continue to emphasise the importance of good contacts with certain institutions for obtaining "correct" data (rather than what is generally accessible). In these circumstances, the important question for us is: why, unlike the World Bank, do the two state banks not publish any statistics on the level of their loan commitments or on the recipients of the loans?

For transparency and understanding, however, what is also needed is the willingness and ability to make correct use of available information. The sum of the loans allocated to developing countries

by the two banks, according to press reports, is certainly not the same as the volume of credit actually granted. Not everything is reported by the press, nor is every loan announced to the media necessarily disbursed. Nor can the question whether this volume of credit is impressively large, normal or even small be answered simply by making a comparison with World Bank data. Such a comparison may reveal that China's credit volume has risen more sharply over the years than the World Bank's. But perhaps the same can be said of other countries. Perhaps China's credit volume has grown only in proportion to its economic growth.

It would be helpful if a comparison could be made with data from the USA, the EU or other countries. But there is a problem here: data issued by these countries or regions on their financial development cooperation are not comparable with Chinese data. The data collected by the *Financial Times* are, at best, gross figures while the development cooperation statistics of individual countries are usually expressed as net figures (those for 2010 are not yet available in their final form). Moreover, Chinese loans do not entirely satisfy the

criterion set by the Organisation for Economic Co-operation and Development (OECD) to qualify as Official Development Assistance (ODA). The Chinese government sees its cooperation with other developing countries primarily as economic cooperation, and the loans of the Export-Import Bank of China are undoubtedly used largely to promote Chinese exports.

After all these considerations the headline about China allocating more loans to developing countries than the World Bank is suddenly no longer headline news: the comparison is hardly relevant, it is statistically weak, and even if the statement is true, the question is "So what?" Many other examples, some perhaps more important, could be found to show how rashly we tend to pass judgment on the basis of a report on China without having asked the right questions.

We must learn to cope with China's growing significance. Not for fear of the great unknown, but with the serious aim of asking the really important questions.



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