

This year a Chinese observer will take part in the OECD's Development Assistance Committee's review of DFID. I hope that this process will be beneficial to the Chinese and that it will deepen understanding of the way the UK is striving to eradicate poverty in developing countries.

On 6 and 7 March next year DFID, the World Bank and the Asian Development Bank will hold an "Asia 2015 - sustaining development and ending poverty" conference in London. This conference will be opened by the Prime Minister. It will aim to generate new thinking on development priorities in Asia. It will examine how new partnerships can be forged between Asian countries and developed countries.

The overall message from the conference will be very positive. Asia can and should achieve all of the Millennium Development Goal (MDG) targets by 2015. But to do this, countries in Asia and the international community will have to act now in partnership. I would like to see China taking a lead in the discussions of how Asian countries can achieve the MDGs. It will also be an excellent opportunity for China to showcase its wider role in reducing poverty in the region.

Before then, we have the WTO ministerial in Hong Kong. If rich countries open their markets, end export subsidies and other trade-distorting support, then poor countries will have the chance to earn and trade their way out of poverty. Oxfam recently estimated that an increase of just 1% of Africa's share of world exports would be worth five times as much as the continent's share of aid and debt relief put together. In this context, it is important to note that China-Africa trade has risen 15 times from \$2 billion to \$30 billion between 1992 and 2004.

A trade deal which is positive for the world's poor is essential. China occupies a potentially unique position of being able to build bridges between developed-developing countries. This puts China in an advantageous position to play a more proactive and leading role in the Doha Round.

This is a role that so far China has not really stepped into but I think sooner or later it will. I see a time when China will be more proactive in tabling proposals, cooperating with other major players, participating in large and small coalitions, helping overcome inter-member differences and coming up with creative solutions. I think much of the developing world wants to see China playing this role and pushing forward the collective interests of this group. It will go a long way to increasing the effective "voice" of developing countries in the international financial institutions particularly and on the world stage generally.

So my challenge is as follows. We know there is immense interest in China's own development story. We know that China is emerging as a donor in its own right. We know that China has a strong commitment to the Millennium Development Goals. We know there is great interest in China playing a leading role in the developing world. In these circumstances, what practical things could China do to reduce poverty outside its own borders and what practical steps could the UK and China take together to achieve this end?

We have a distinguished audience here this afternoon. I look forward to your comments and suggestions.

THE UK AND CHINA: TAKING FORWARD A PARTNERSHIP ON DEVELOPMENT

SPEECH BY GARETH THOMAS, PARLIAMENTARY UNDER-SECRETARY OF STATE, DFID - GIVEN AT THE CHINA ACADEMY OF SOCIAL SCIENCES, 1ST DECEMBER 2005

I am very pleased to be here today to discuss China's economic growth and its global impact. China has truly emerged on the global stage in the last decade. Its significance will continue to grow.

China has made dramatic progress in reducing poverty. Over 450 million people have been lifted out of poverty since the reform process began in 1979. There are many personal success stories in this huge achievement such as that of Mr Zhang from Jilin. He was laid off as a result of the reform of state owned enterprises, with no income and few job prospects in his home province. After attending government sponsored training, he was able to prepare a business plan, gain access to credit and start his own business. He now employs eight other previously laid-off workers who had been plunged below the poverty line.

China has designed and implemented a reform programme that has generated an average annual

growth rate of over 9% since the late 1970s. Other nations have risen fast - Britain during the industrial revolution, the US at the turn of the last century and Japan during and after the 1960s. However, the speed and scale of China's transformation is without precedent.

China's success story is not just limited to its own shores. We have all seen the evidence of China's rise. Consumers across the world are benefiting hugely from lower priced goods from China, DVD players can now be found for less than £20 in British shops. Nearly 40% of all Chinese exports are consumed in developing countries. Many developing countries and indeed whole regions such as Latin America are experiencing a huge turnaround in their trade performance as they supply raw materials to businesses in China. Last year, over thirty five per cent of Brazil's entire soya crop was exported to China.



But China's re-emergence is not just about producing goods efficiently at a low cost. The country that invented paper, printing, gunpowder and the compass is now producing 2 million graduates a year including 270,000 in science and engineering. Chinese companies are now investing in Western economies. The hi-tech, higher value added sector in China is now growing rapidly. This is a global economic transformation that will dominate the next few decades. China is one of the world's leading destinations for foreign direct investment. Many people talk about the 21st century belonging to China.

China's growing global political importance can be seen all around us. Whether at the UN, its prominent role in ASEAN, its leadership in the six party talks with North Korea, its very close involvement with the G8, its leadership this year of the G20, and its increasing positive engagement in climate change negotiations. This leadership can contribute significantly to the achievement of international development objectives.

In May 2004 my colleague Hilary Benn attended the Global Poverty Conference in Shanghai. This conference brought together world leaders and development professionals to discuss how poverty reduction programmes could be scaled up to achieve lasting impact. During his visit to China, Hilary called for a UK partnership with China on international development issues.

By doing this Hilary was signalling his hope for an evolution in the relationship between the UK and China. This evolution was from one where the UK provided aid to China to one based on a more equal and mature partnership to promote global poverty reduction. This evolution directly acknowledges China's changing status and growing impact. It also recognised the fact that China has immense experience and expertise in poverty reduction that is of great value to other countries.

Hilary's call was acknowledged by the Chinese. Since then the British Government has developed links in a number of key areas including:

- incorporating development issues as a theme of the annual UK-China summits. The most recent summit took place in September of this year.
- inviting the Chinese to provide a commissioner to participate on the Prime Minister's Commission for Africa.
- issuing a joint statement on international development objectives during the visit of the Chancellor of the Exchequer to China in February. This was followed up by a joint statement in advance of the spring meetings of the IMF and the World Bank and a joint paper at the G20 meeting in Beijing a few weeks ago.
- participation by the UK in the international poverty reduction centre being established in Beijing
- a very active sustainable development dialogue at Ministerial level, concentrating on the development of new and appropriate environmental policies, based on shared experience

Of course in the near future DFID will continue to provide resources to support poverty reduction in China. And we should not forget that, despite China's progress, millions remain in poverty. DFID's current programme is focused on support to government programmes in HIV and AIDS, water and sanitation, basic education and TB.

But I welcome the opportunity to work with the Chinese beyond its own borders. China can help keep the international community focused on the importance of development. It can ensure that the achievement of the MDGs remains central to the objectives of the UN. It can have a significant influence in regions such as Africa where its trade and investment are deepening.

Why is this necessary? Well, there still remain many challenges to achieving the Millennium Development Goals (MDGs). On current progress developing countries will not achieve these Goals unless we, and they, work harder to promote poverty reduction.

As things stand, poverty is not going to be halved until 2150 - 135 years too late. Child deaths will not be reduced by two-thirds until 2165 - 150 years too late. 30,000 children under 5 will continue to die every single day - mostly from diseases we can prevent - that's nearly 7 million children a year.

Last year AIDS, TB and malaria claimed the lives of 6 million people around the world. Today, 100 million children in developing countries, most of them girls, will not be where they should be - in school. At a time when so many have abundant wealth, there are still over 800 million of our fellow human beings without enough food to eat every day, and over a billion without access to clean and safe water.

The G8 Summit this year discussed Africa and climate change. The G8 leaders added their pledges to those of the EU, and agreed that global aid will rise by \$50 billion a year by 2010. The G8 also agreed to universal access to HIV and AIDS treatment by 2010; free and good quality primary education, funding for treatment and bed nets to fight malaria; and free access to basic health care where countries want it.

In September world leaders met at the UN Millennium Review Summit and in a few weeks, trade ministers in Hong Kong will have the chance to reach agreement on a development round.

In the last two generations, China has rightly focused on promoting its own development. But following the start of its open door policy it has become more and more integrated into the global economy. The profile and importance of China has grown as globalisation has intensified.

China's new profile carries with it new political and economic weight. I know the Chinese are deeply committed to the achievement of the MDGs. At the Millennium Summit President Hu Jintao unveiled a five-point plan of support for developing countries including debt relief, tariff-free access to least developed countries, up to US\$10 billion in concessionary loans for infrastructure projects, manpower training, and drugs and medical technical assistance.

In recent years, China has also contributed \$50 million to each of the last replenishments of the African and Asian Development Funds. China is also a small donor to the Global Fund to Fight AIDS, TB and Malaria and has been a board member representing the Western Pacific region since its foundation. It provided swift and generous support following the tsunami last year.

There are many things that the world can learn from China. The time is right for China to take its place amongst the leading nations fighting global poverty. But in the immediate term this is not a call for China to substantially increase the aid it gives to other developing countries. Rather, I would like China to use its considerable "soft power" in a constructive way that maximises the impact on poverty reduction in developing countries.

In February of this year, China and the UK were signatories to the Paris Declaration on Harmonisation. China has a very clear policy of working to other countries own agendas and not imposing solutions. Key to this is the capacity of government systems to absorb and use aid effectively. I would like to learn more about:

- Chinese experience of what works and what has not worked in the delivery of aid; and
- how we might coordinate our respective activities together with other donors as part of a unified effort in any particular country.