China’s Progress in Poverty Reduction: What Can South Africa Learn from China to Attain the Poverty Eradication Goal in the Sustainable Development Goals?

Mandla Abednico Mubecua
Department of Development Studies, University of Zululand, Kwa-Dlangezwa, South Africa
mubecua@gmail.com

Abstract: During the evaluation of the Millennium Development Goals (MDGs) from 2000 to 2015, it was discovered that there was no country managed to meet the envisioned goal of eradicating poverty. However, it was observed that China is the only country that managed to half its poverty levels. Just like other developing countries, South Africa is one of the countries whose performance in the attainment of the first goal of MDGs was not satisfactory. Through the utilization of secondary data in a qualitative approach, this paper argues that South Africa can perform better if it can learn and follow the strategies used by China to shrink its poverty levels. The study shows that China mostly supports State Owned Enterprises, which make the economy to grow and help in poverty alleviation. For that reason, the study recommends that in order for South Africa to attain the poverty eradication goal by 2030 more SOEs have to be established.

Keywords: SDGs, poverty, South Africa, China

1. Introduction

South Africa is a country that is rich in mineral resources like coal, gold, and platinum, however, it still experiences high rates of unemployment and poverty. The approval of the MDGs in 2000 brought hope about the issue of poverty that was targeted by the MDGs. Unfortunately, most of the African countries failed to achieve the MDGs by 2015, more especially the poverty eradication goal. The only country that managed to halve its poverty levels was China. The Chinese economy has been growing since the decades ago. In the year 2010, the Chinese economy went beyond Japan’s economy and became the biggest economy following the United States of America (USA). In the 1980s, China’s rural population who were living below the poverty line was reduced from 96.2 percent to 4.6 percent in 2016 (Westmore, 2018). Moreover, the Chinese economy grows very fast compared to other developing countries. While countries like China grows economically, South Africa still faces the perpetuation of both unemployment and poverty. For that reason, the paper traces the development of China. Since most of the countries aim to eradicate poverty as proposed in the SDGs by 2030, understanding how China managed to halve poverty is important to a country like South Africa since poverty is perpetuating and the country seeks various strategies to alleviate poverty to its citizens. It is within this background that this paper explores the strategies that were employed by China to halve its poverty levels and how these could perhaps be implemented in South Africa to solve its poverty levels. The paper provides a conceptualization of SDGs; it goes further to discuss the rise of the Chinese economy. It also gives a methodology where it explains how data was collected and analyzed. The findings and discussions are also discussed lastly the study provides a conclusion and recommendations.

2. Literature Review

The literature review covers the conceptualization of the SDGs. The section goes further to discuss the challenges faced by South Africa as well as the rise of the Chinese’s economy. The section starts by conceptualizing SDGs.

Conceptualizing Sustainable Development Goals: Since the concept of ‘sustainable development goal’ is new in the development agenda, a proper definition of the concept is important. One can define the concept (SDGs) as second MDGs responsible for any development or change taking place from 2015 to 2030. There is no way the term can be defined without referring to the given period of operation which is 2015 to 2030. The year 2015 was marked as an important year to end the MDGs era and perhaps move to a new development agenda (Harmancioglu, 2017). The idea of developing a post-2015 development framework started in 2010 during the Millennium Summit in New York, in the USA. The former United Nations (UN) Secretary-General (Ban Ki-moon) was asked to evaluate and check the progress of the MDGs. During the evaluation, it was discovered that the majority of countries will not be able to meet the MDGs in 2015 (Mubecua, 2018).
The Rio+20 conference that was held in Rio de Janeiro, Brazil from 13 to 22 June 2012 pushed member of states to launch a process of formulating a new framework that will succeed the MDGs (Harmancioglu, 2017). The SDGs were successfully formulated to succeed the MDGs. The 193 countries of the UN General Assembly on the 25th of September 2015 approved the 2030 development framework titled "Transforming our world: the 2030 Agenda for Sustainable Development". On the agenda, there were 92 paragraphs, paragraph 51 focused on the SDGs and its targets. Historically, Sustainable Development Goals comes from the name "sustainable development". Sustainable development arose in the context of environmental problems that was shown in the World Charter for Nature (WCN) (Hák, et al., 2016). The WCN was approved and declared by the General Assembly of the UN on the 28th of October 1982.

The WCN supports that the benefit that is received from nature relies on the maintenance and ensure sustainability of the natural resources. The concern of the SDGs was also seen in 40 Chapters of the Agenda 21 of the Earth Summit in 1992. The World Summit on Social Development that was held in Copenhagen, Denmark in the year 1995 provided an important role in sustainable development, in ensuring global social development. The notion of global goals and the indicators was initiated by the government of Colombia and Guatemala, and it was formally introduced at the Rio+20 conferences (Hák, et al., 2016). The UN agencies that are part of the United Nations Development Group took a decision to support the independent campaign to present the new development program. The campaign was named "Project Everyone" aimed to put the power of communication behind the new development agenda (SDGs) and fast-track the creation of a better world by 2030 (Saxena, 2017). The mission of the campaign was to "ensure that everyone on the planet knows what the Global Goals are so that the goals may stand the greatest chance to be achieved". The director of the campaign (Alice Macdonald) revealed that people did not know about the MDGs and there was a huge communication gap, for that reason, there was a need to communicate the message to everyone. The Deputy Secretary-General of the United Nations (Amina J. Mohammed) stated that the more people know about SDGs is the more the government leaders are forced to introduce and implement policies that will channel countries to the attainment of the SDGs by 2030 (Saxena, 2017).

The SDGs remain the hope of the world since the majority of the countries failed to achieve the MDGs that were set between the periods of 2000 to 2015 as discussed above. The concept of SDGs was built considering that the SDGs should focus on the inclusivity in the attainment of the global goal (Saxena, 2017). The global goals were made not to discriminate by race, class, creed or gender. Moreover, the SDGs aimed to end poverty and ensure everyone's physical well-being. They were built on the ground that every development (social, political and economic) has to be sustainable. All countries must ensure that the three aspects of development are recognized (social, economic, and environmental) to ensure that the use of resources will still be available in the future. Furthermore, the SDGs have to encourage the transformation of the economy for job creation (Saxena, 2017). There is a difference between MDGs and the SDGs. The difference is that the SDGs invite every country (whether developed or developing) to come together and take collective action whether poor, middle-income or rich countries, it also promotes prosperity and protection of the environment. However, the MDGs were mostly targeting the developing countries (Lehikoinen, 2017). Moreover, the SDGs has 17 goals and 169 targets, the figure below shows the goals and objectives of the SDGs.

South Africa and its Challenges: Ever since South Africa got independent in 1994, it has been searching for a strategy that can be used to develop its social, economic and political aspects. In the social and economic aspects, this has been seen by introducing various approaches and policies to improve the living standard of South African citizens. There are many political organizations that have emerged with the aim of transforming the country. The political change in 1994 gave hope to South African populace that all the oppression, poverty and inequalities face in the country will be solved (Chopra, et al., 2009). However, the country still faces challenges that others consider better when compared to challenges of the erstwhile apartheid government. Unemployment in South Africa (see figure 2) remains extraordinarily high the domination of unemployment, especially in the youth is a threat to the dignity and economic growth of the country. There are many causes of unemployment but the main cause is the lack of experience. However, there is a close relationship between experience and working, it is not possible to get experience without a job. On the other hand, it is not impossible to get a job without experience. As a result, the South African government introduced an internship as a strategy to give young people working experience so that they can be employable.
Figure 1: Showing the Sustainable Development Goals (2015-2030)

<table>
<thead>
<tr>
<th>SDG</th>
<th>Objective</th>
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<tbody>
<tr>
<td>Goal 1</td>
<td>End poverty in all its forms everywhere</td>
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<tr>
<td>Goal 2</td>
<td>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</td>
</tr>
<tr>
<td>Goal 3</td>
<td>Ensure healthy lives and promote well-being for all at all ages</td>
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<td>Goal 4</td>
<td>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</td>
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<td>Goal 5</td>
<td>Achieve gender equality and empower all women and girls</td>
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<td>Goal 6</td>
<td>Ensure availability and sustainable management of water and sanitation for all</td>
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<tr>
<td>Goal 7</td>
<td>Ensure access to affordable, reliable, sustainable and modern energy for all</td>
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<tr>
<td>Goal 8</td>
<td>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</td>
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<td>Goal 9</td>
<td>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</td>
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<td>Goal 10</td>
<td>Reduce inequality within and among countries</td>
</tr>
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<td>Goal 11</td>
<td>Make cities and human settlements inclusive, safe, resilient and sustainable</td>
</tr>
<tr>
<td>Goal 12</td>
<td>Ensure sustainable consumption and production patterns</td>
</tr>
<tr>
<td>Goal 13</td>
<td>Take urgent action to combat climate change and its impacts</td>
</tr>
<tr>
<td>Goal 14</td>
<td>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</td>
</tr>
<tr>
<td>Goal 15</td>
<td>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</td>
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<tr>
<td>Goal 16</td>
<td>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</td>
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<tr>
<td>Goal 17</td>
<td>Strengthen the means of implementation and revitalise the global partnership for sustainable development</td>
</tr>
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</table>

Source: Nam, (2015)

As shown above that there are 17 goals, the first goal of the SDGs focuses on the eradication of poverty by 2030. This goal had created a debate since the MDGs expired before it eradicated poverty in 2015. The question is whether the goal of eradicating poverty will be achieved in 2030 or not since the MDGs failed to eradicate poverty. In addition, the first goal of the SDGs links with the South African National Development Plan (NDP) that also aims to eradicate poverty by 2030. The performance of South Africa in the process of achieving the MDGs was not good, because of the perpetuation of poverty and high unemployment as revealed above. The following section discusses more the South African challenges in the economy.

Figure 2: Showing the Unemployment Rate in South Africa (2015 – 2018)

Source: Moya, (2018)

The above graph shows the unemployment rate in South Africa from July 2015 to January 2018. The graph depicts that unemployment rate increases in 2015 from 25 to 25.5 percent although the unemployment
dropped in January 2016 it also grew high to 26.7 percent. From July 2016, the unemployment decreased from 26.7 to 26.6 percent. Furthermore, the percentage grew from 26.6 to 27.1 percent. In general observation, the unemployment rate decreases by one percent but when it increases it goes more than one percent. In 2017, the percentage dropped from 27.1 to 26.5 percent. However, the unemployment increased to 27.7 percent in July 2017. In January 2018, the percentage of employment declined to 26.7 percent. The increasing of unemployment and poverty cast doubt about the attainment of the first goal of the SDGs (ending poverty) by 2030. The unemployment rate is high for both young people and adults however it is higher among South African youth. Unemployment in South Africa can be considered as an economic problem. It causes threats to the people living in South Africa (Mazumdar & Mazaheri, 2018). However, the internship strategy is not useful since the majority of young people who are employed as interns still don't get permanent jobs when their internship contracts are over.

Moreover, most of the public and private sector internship programs only last for one to two years. While permanent vacancies require at most above three year’s working experience. South Africa is not only facing a high unemployment rate but also the perpetuation of poverty as it has been stated before. Currently, South Africa has a challenge of reducing poverty, inequality, and crime. After the apartheid period in 1994, many people were living below the poverty line and the majority of them were black people (Saayman, et al., 2012). The arrival of the Europeans and British colonizers to South Africa in the 1800s was a driver of poverty (Palacio-Mejía, et al., 2003). Ngwane et al. (2001) argue that in previous years, South Africa has undergone vast political and social change but the country still faces challenges of poverty. Lilenstein et al. (2018) support the above argument by stating that the levels of poverty are high in South Africa. In addition, Noble et al. (2008) mention that the spread of poverty in South Africa continues to affect the country as it is still in the process of becoming a developed.

**The Rise of the Chinese Economy:** There are many reasons that make countries want to adopt the strategy used by China in its economic development (Child & David, 2001). Understanding the development of China can give direction and also helps in predicting challenges that might be experienced in the future. The development of China is complex to understand because its institutions have developed massively inter-dependent in formerly closed and state-owned institutions (Child & David, 2001). The first stage of the economic reform in China started between the 1970s and the early 1980s (Wu, 2016). The first assembly of the eleventh Chinese Communist Party Congress took place in December 1978 was considered as a reform era. The main aim of the assembly was to shift the party from class struggle to focus on economic development. After that gathering, there were many debates held. This debate paved the way for the start of China’s reform (Qian, 2000). The open door policy was introduced by Deng Xiaoping in 1978 with the aim of allowing foreign businesses to invest in the country (Baek, 2005). The privatization in 1979 contributed to the increase of the GDP of China. During that period (1979) the development of universities has been low, even China’s market-distribution system was also low (Child & David, 2001). However, China shared an open door policy, where the country permits the system of trade to be opened to all countries equally. The development of China in the 1980s was supported by the neo-classical economist theory. For instance, the non-government sector which includes private enterprises, foreign-invested enterprise and those who are out of financial support by the state.

Even though there were many industries but most of them were owned by the state. The second stage of reform in China was in the 1980s. The decade of 1980 is considered as a reform decade in China. In that period, the SOEs were diminished, only banks and petroleum remained. This means that the country followed a capitalist-oriented reform, which resulted in rapid economic growth (Solinger, 2016). On the same view, Baek (2005) revealed that during that period (the 1980s), China was considered the most developing state when compared with others. As a result, the state was said to be the new world economic centre. The USA became the largest China’s export market. Beijing was only dependent on imports of technology from Japan. On the same view, Roland (2002) argues that China has a great success story in the transition of its economy by escaping the deep recession and quickly moving to the rapid growth path. What made China survive the financial crisis was the strong capital control by the state the unavailability of capital convertibility, manageable debts, and the foreign exchange reserves was very high. Moreover, the country endured the financial crisis because it promoted the inflows of foreign direct investment. From the mid-1980s, China's
economic growth was driven fast by the proliferation of industrialization and urbanization (Du, 2005). In the 1990s, the economy of China was transformed into a theorized Socialist Market Economy.

The concept socialist market system economy was initially used in 1992, where the 14 Congress of the Chinese Communist Party proposed the new goal of the economic reform (Lei, 2018). The reform was motivated by the Soviet Model. Soviet Model refers to the form of economic planning that includes centralized investment decisions (Lei, 2018). During the 1990s, the role of the state transformed the mandatory planning of the economy to the guideline plan setting (Baek, 2005). The transformation of China’s economy made the country to be considered as a state that is using a dual economy (Baek, 2005). The dual economy had an important role in the development of China. In that period, the country encouraged economic policies that will motivate the industrial upgrading of the technology sector. The term corporate governance started to be emphasized. The researcher of the Chinese Institute (Wang Yungui) from the State Development and Planning Commission, proposed that the state needs to establish and develop firms with intermediate-level technology with the aim of encouraging a labor-intensive industry (Baek, 2005). The Chinese stock market was developed very quickly and it was ranked as the second largest economy in Asia (Baek, 2005), and was developed at Shanghai and Shenzhen.

Another important factor in China’s development was the provision or the supply of human resources, more especially those who have businesses (Child & David, 2001). As a result, the country (China) managed to design five hundred and twelve big State-Owned Enterprises (SOEs) through government industrial policy in the 1990s. As a result, there was a time where other East Asian countries were deeply affected by the Asian Financial Crisis of 1997 and 1998. The country (China) was least affected by the Asian Financial Crisis (Baek, 2005). In the year 2000, the Chinese global trade improved from one percent to three percent. After a decade, the country managed to triple its international trade (Wu, 2016). In the past years, the overall growth rate of China’s GDP reached 9.7 percent (Zhang, et al., 2008). The country did not only improve its GDP per capita, but it also experienced structural changes (Rasiah, et al., 2013). From the start of the economic reforms, China managed to make a remarkable impact on poverty reduction. The government established an organization named the State-owned Assets Supervision and Administration Commission of State Council (SASAC) (Baek, 2005). Wu, (2016) reveals that globally, the SASAC is one of the influential economic actors it controls half of the Chinese companies on the Fortune Global 500 list of the world biggest corporation.

Each province and municipality in China has its own SASAC, which report to the central government. SASAC is the agency that serves to regulate the shareholder of the SOEs in the country. The agency aimed to realize and address the property rights of SOEs. The banking industry in China continued to be in the hands of the Chinese on the other hand, the development of banks that are not owned by the state is very low. Moreover, most of the banks that are not owned by the government have been established by the SOEs or the local government with the intention of promoting local investment (Baek, 2005). Government banks remain in command in the financial sector of the country. The saving and loans in the financial institutions of China have greatly increased, showing the high rate of savings. For instance, the total bank loans in 2001 amounted to 14 trillion 361 billion Yuan, which is 1 trillion 723 billion US dollars (Baek, 2005). China is a country with the improving economy when is compared with other countries because of its enormous size of financial resources (Baek, 2005). It was predicted that the future of the Chinese financial system is impossible to be weak.

The central bank and the People’s Bank of China are possible to continue to be governed by the State Council. The government of China prefers direct control instead of indirect control through the central bank. From the time when the Asset Management Companies emerged to address the issue of the non-performing loans of the four commercial state banks (Baek, 2005), the government of China has been the major role player in reign forcing economic reforms. In China’s economic growth, it is revealed that the country wants to develop a robust market system with socialist characteristics. Contradictory to the European transition economies, China followed a pragmatism idea with the intention of balancing the pace of reform with social stability (Child & David, 2001). Pragmatism believes in the practical impact of an object of the conception (Wen, 2018). Following the idea of pragmatism has helped China to be able to support continuously the economic reform without open conflict between their political parties (Bisley and Schreer, 2018). The central government has delegated power to the lower level of government (provincial, city and village government).
As a result, the local government is capable of creating their own policies that will help them to draw investors. This has been an important part of China’s industrial restructuring. China’s commitment to marketization led to the growth of competition within the country domestic economy.

This has permitted any type of Multinational Corporations (MNCs) to enter China’s economy with confidence. China’s impressive growth will still proceed in the next coming years (Rasiah, et al., 2013). The development of China has also been observed in 2013 where its international trade exceeded that of the USA, the Chinese economy is now ranked the largest or the second-largest in the world (Wu, 2016). Moreover, Chinese law firms have started to branch out globally. While China’s global trade increases so as to the number of disputes from the World Trade Organization (WHO), as a result, in 2006 to 2015 they were forty-four cases against China. The USA and the European Union (EU) were the front-runners of these disputes. The only thing that sets apart China with other countries is that the SOEs are regulated by a central government (Wu, 2016).

3. Methodology

In order to understand what South Africa can learn from China’s progress in poverty alleviation, different literature has been consulted, basically, the study employed secondary data. According to Szaboand and Strang (1997), secondary data uses existing or published data from different sources the data may be collected from the database and internet website. The paper followed a qualitative research approach in a qualitative research approach the researcher has a choice to select their own data which is relevant to the selected topic(s). Moreover, the qualitative data assist in ensuring that the researcher uses coherent data, and the collected information is indeed helpful to resolve the problem (Szaboand and Strang, 1997). The data were analyzed by content analysis to understand the rise of the Chinese economy and all the methods behind its development. Harris (2001) reveals that it is important to utilize content analysis when analyzing secondary data because it reduces distortion.

4. Findings and Discussion

The findings of the study show that SDGs emerged after the MDGs were unable to meet the targeted goals in the year 2015. The MDGs can be traced back to the 1990s in the Rio Conference, moreover, there were formally approved on the year 2000 and they expired on the year 2015. Then is where the SDGs emerged in the development agenda. The findings of the paper reveal that from the end of the apartheid period in 1994, South Africa has been searching for a strategy that can be used to develop its social, economic and political aspects. In the social and economic aspects, South Africa introduced various approaches and policies to improve the living standard of the citizens. The approval of the MDGs in 2000 also gave countries a hope that their economy will be improved and people be freed from the bondage of poverty. However, during the evaluation of the MDGs, it was discovered that there was no country managed to eradicate poverty as stated, except for China which managed to half its poverty levels. For that reason, the findings of the paper show that there are many things that can be learned from China that can make South Africa develop and be able to meet the first goal of the SDGs by 2030. On the basis of the findings, the development of China is complicated since the country developed interdependency in formerly closed and state-owned institutions. Initially, in 1978 China promoted open door policy with the aim of allowing foreign businesses to invest in the economy (Baek, 2005). During that period, the development of China was supported by the neo-classical economist theory. The results of the study show that even though there were many industries but most of them were owned by the state.

When the time goes by most of the SOEs in China were demolished only a few remained. In the 1990s, the economy of China was also transformed into a theorized Socialist Market Economy. Jackson (2006), states that the Socialist Market Economy is the economic system and model, of the economic development that is used in the Republic of China. In that era, China was considered to be using a dual economy. It is shown that the development of China was on the proliferation of international trade, industrialization, and urbanization. South Africa is the biggest producer of gold, platinum, coal, and others. The opportunity for establishing and enhancing international trading that can lead to job creation and poverty alleviation is very high. Moreover, the findings of the paper depict that China designed five hundred and twelve big SOEs. It is important for South Africa to have more SOEs than companies that are not belonging to the government. This means that
South Africa has to process all the minerals (gold, oil, and platinum) in South Africa, without transporting them overseas for processing. On the basis of the findings, it is shown that through international trading and industrialization even the USA became the largest China’s market. Having more SOEs can make South Africa earn huge revenues without any extra cost.

5. Conclusion and Recommendations

The findings also show that the operation of the SOEs has to be guided by well-structured policies. As revealed that in China there is a SASAC, which controls the SOEs. South Africa needs a private organization (not political organizations) the organization will ensure accountability and transparency in the SOEs in South Africa. SOEs require a proper operational strategy that will also be accountable and transparent to the proposed private organization which will not be influenced by South African politics. In the beginning, the paper started by conceptualizing the term Sustainable Development Goal with the aim of understanding how the concept came to exist. It is revealed that the concept derives from the MDGs which started in 2000 and expired in 2015, the unmet MDGs led to the SDGs. The study went further to discuss the challenges faced by South Africa and the rise of the Chinese economy. On the basis of the findings of the study, South Africa should promote the creation of State Owned Enterprises like banks, mines, and other important institutions, doing this will stimulate South African GDP. The increasing GDP will help citizens to have access to jobs, which will enable them to escape the poverty trap. It is shown that the banking industry in China is owned by the Chinese themselves. In other words, South Africans require to own the banking industry in order to stimulate economic growth, which will then lead to the attainment of the first goal of the SDGs. Encouraging SOEs do not mean that the country will restrict the operation of the market. Moreover, the findings of the paper also revealed that China invested in research to motivate the technology industry sector, this also contributed to the development of China. For that reason, the paper also recommends that South Africa should as well invest in research to enhance the technology sector that will then lead to more job creation and poverty alleviation.

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