

Climate caps don't work for China (SCMP)

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Why Beijing dare not sacrifice growth

When delegates gather in the Danish capital for the opening of a much-anticipated UN climate conference today, they will confront the hard reality that China, the world's top carbon emitter, is unwilling to sacrifice economic growth as part of any deal to curb greenhouse gases.

China scored political points late last month when it announced for the first time targets for its carbon emissions and said that Premier Wen Jiabao would attend the leaders' summit scheduled to be held towards the end of the 12-day conference.

While some hailed the move as a positive message for the global climate talks intended to produce an agreement to supplement the Kyoto Protocol, sceptics are quick to point out that what China promised to do was slow the rate of growth of its carbon emissions, not cut the total level.

Beijing has pledged to cut its carbon intensity - essentially, how much carbon is produced per unit of economic growth - by 40 to 45 per cent in 2020 from 2005 levels. A few days later, India - the world's fourth-largest carbon emitter - followed suit and promised to cut its carbon intensity by 24 per cent over the same period.

But that's not the same as the absolute reduction in emissions being called for at the conference. And since China and India - the two largest fast-growing economies - will continue to generate more and more carbon as their economies expand, there is little prospect of a breakthrough in setting out a global, legally binding climate agreement.

While there's much political sparring over who should and shouldn't be bearing the brunt of cuts, China's position is grounded in simple political and economic reality: caps on emissions would slow growth and that spells danger for the government.

"The communist leadership, facing a gaping rich-poor divide and increasing social unrest, sees economic growth as a political issue concerning social stability and thus says it needs to maintain a minimum of 8 per cent gross domestic product growth each year to maintain stability," Ma Guoxian, director of the Public Policy Research Centre at Shanghai's University of Finance and Economics, said.

In contrast to developed nations with their established and sophisticated welfare networks and knowledge-based economies, binding targets would take a heavy toll on the mainland's key industries and the resulting job losses in the tens of millions could lead to social unrest and potential political upheavals, several experts warn.

Economists disagree on how much impact caps would have, but they agree it wouldn't be palatable.

Zhuang Jian, a senior economist with the Asian Development Bank's China resident mission, forecast the mainland's China's annual economic growth would slow to 5-6 per cent, from the double-digit expansion in the past 30 years, if Beijing agreed to cap its overall carbon emissions at current levels. Ma said GDP growth would slip to 2-3 per cent.

Research by Professor Pan Jiahua, a climate expert at the Chinese Academy of Social Sciences and a member of the country's negotiation team in Copenhagen, reached an even more pessimistic conclusion: China's economy would shrink. "The economic consequences would be too devastating for China to bear if China accepts carbon caps now," he said.

Every percentage-point rise in mainland GDP growth drives energy consumption up by 0.8 to 1 per cent; even factoring in Beijing's drive to develop renewable energy sources, consumption will still rise by more than 0.5 per cent.

Academic studies suggest that every percentage point of growth in GDP generates one to two million jobs. If the mainland's annual GDP growth drops from the 8-10 per cent range to about 2-3 per cent, that would mean at least 10 million fewer jobs created each year.

China's meteoric economic rise has been blamed for many things, including creating a yawning gap between rich and poor and widespread pollution. But it has lifted millions out of poverty and also helped the Communist Party retain legitimacy and maintain a delicate stability.

Chinese leaders have to choose between two equally unattractive options - putting the brakes on growth to choke off pollution or facing an array of scary scenarios, from rising unemployment to social unrest.

Analysts agree that implementing stricter carbon emissions standards would inevitably slow economic growth, add to the costs for small and medium-sized enterprises, require massive plant closures in polluting manufacturing industries and cause a huge loss of jobs.

Zhuang said that while the nation's leaders recognised the urgent need to combat climate change and reverse environmental degradation caused by rapid industrialisation, they could not allow any such efforts to impede the economic growth necessary to pull hundreds of millions of people out of poverty.

Ma agreed. He said steep carbon cuts would also worsen the development gap among regions and the income gap among people; Beijing sees the relocation of manufacturing industries from affluent coastal to inland regions as a historic chance to balance growth and bridge the gap.

"That is why Beijing insists that any action China takes on combating climate change has to be pegged to its national conditions," Ma said.

It doesn't help, either, that some people in China believe that climate change has been used as a weapon by the club of rich nations to contain the rise of emerging economies and maintain their predominant influence.

Mandatory carbon caps, along with another demand on developing countries - that their voluntary emission reduction effort must be subjected to a transparent monitoring system and be "measurable, reportable and verifiable" - are seen by some mainland commentators as a conspiracy theory designed to curb China's rise.

China and other emerging economies have accused wealthy nations of trying to kill the Kyoto Protocol, which imposes mandatory carbon caps on developed countries, and create an entirely new agreement that binds all nations. Industrialised nations including the US have repeatedly denied the charge.

Climate change is poised to become a defining issue in the new world order, said a Chinese climate negotiator. "Western countries are creating new international rules, featuring carbon trading and carbon markets, with the help of political and academic discourse on climate change," he said. The creation of such markets could slow the rapid rise of China, and the political, economic and technological dominance of the US and Europe would be maintained.

Still, while China has so far refused to succumb to mounting pressure for absolute reduction targets, it has cut energy and carbon intensity and is tackling pollution. Analysts say Beijing can't afford to be seen ignoring widespread concerns over the country's soaring emissions, nor can it turn a deaf ear to domestic grievances about the dire consequences of its energy-intensive growth.