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China Will Follow the U.S.: A Climate Change Fable

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President Obama's emphasis on climate change has notable implications for U.S.–China relations. On her inaugural trip to Asia, Secretary of State Hillary Clinton sought to expand the Sino–American Strategic Economic Dialog to include climate change among America's chief China policy priorities.¹

Making climate change a high priority is a mistake. It may inject unnecessary hostility into the already-strained bilateral relationship over what should be a secondary issue. And it rests on a faulty premise: Many argue that the PRC will make sharp cuts in carbon emissions but only if the U.S. does so first.² This claim borders on nonsense.

America Must Go First: A Flawed Premise. The importance of American leadership is often neglected in discussion of trans-Pacific matters. In climate change debates, it is not neglected but twisted. The American climate change leadership the Obama Administration wants Beijing to follow will certainly not be successful due to moral concerns. The world is littered with instances where American moral leadership has been ignored or actively defied by the PRC—the Sudan genocide, Iranian and North Korean nuclear programs, Burmese human rights repression, and so forth.³

Instead, the usually unexamined and always inaccurate assumption behind the notion that China will follow the U.S. on climate change is that it is question of economic competition—i.e., Beijing does not want to harm the competitiveness of its firms with carbon restrictions. This is certainly true, but it has nothing to do with whether the U.S. is

willing to harm the competitiveness of its firms first. That is because U.S. firms are well down the list of China's competitiveness concerns.

China's economic story is multifaceted. The bulk of it, though, is captured in the creation and maintenance of conditions to encourage relocation of East Asian output to the Chinese mainland, primarily for the purpose of export. This extends from the initial zones to draw capital from the Chinese diaspora for export back to home markets starting in 1979⁴ to the mass movement of factories to serve the entire world as WTO membership was finally secured in 2001.⁵ Chinese firms may be competing first and foremost *for* the U.S. market, but they are competing *against* other export platforms to the U.S. in East Asia and around the globe.

Consider what would happen if China were to impose carbon-driven restrictions on firms operating in China without the U.S. “going first.”⁶ This would not be to the principal benefit of American companies. Rather, the relocation process would reverse: East Asian firms would disinvest in China, moving production to the second-most competitive regional location for textiles, computer assembly, furniture, and other products. Depending on the

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goods, this could be Vietnam, Bangladesh, Indonesia, or others. These countries would then be the source of the bulk of U.S. imports.

Perhaps more important, most American companies operating in China would probably move not back home but to low-cost third-party platforms elsewhere. Dramatic and effective American steps to restrict carbon emissions would make all goods imported into the U.S. more competitive but do nothing to alter China's incentives to take the same steps. What would actually encourage the PRC to impose carbon-driven restrictions would be willingness by Japan, Korea, the Philippines, Central America, and other exporters to impair their own competitiveness in the name of curbing emissions.

Jobs: China's Insuperable Barrier. Behind Chinese policies on competitiveness—indeed behind almost everything involving the PRC—is the Communist Party's top priority for 20 years and counting: jobs. The well-documented demographic surge that precipitated the one-child policy has put a generation's worth of pressure on the party to create

jobs and avoid socio-political instability.⁷ This is the main reason the Chinese development pattern differs from its East Asian predecessors: Beijing has been much more open to foreign investment because the PRC's primary concern has been employment generation—even more than economic nationalism.

This is why China has allowed the environmental devastation already seen⁸ and why, despite its general view that climate change is dangerous, Beijing will accept nothing that even threatens to seriously inhibit employment. In his address to Congress, President Obama cited China's new energy program as the largest in the world.⁹ On some counts, this may be accurate. It absolutely does not, however, indicate a willingness to genuinely move away from high-emissions energy production.

The horrific health damage done by air pollution has been clear in the PRC for more than a decade.¹⁰ Coal production was declining at the end of the 1990s, while its effects were being documented. Since then, however, coal output has nearly tripled,

1. Mark Landler, "Clinton Paints China Policy with a Green Hue," *The New York Times*, February 21, 2009, at <http://www.nytimes.com/2009/02/22/world/asia/22diplo.html?partner=rss&emc=rss> (March 4, 2009).
2. "U.S. Urged to Lead China into Carbon Emission Cuts," Reuters, February 27, 2009, at <http://www.reuters.com/article/environmentNews/idUSTRE51Q4C020090227?feedType=RSS&feedName=environmentNews> (March 4, 2009).
3. See Peter Walker, Julian Borger, and agencies, "China May Veto Attempt to Arrest Sudanese President on Genocide Charges," *The Guardian*, July 15, 2008, at <http://www.guardian.co.uk/world/2008/jul/15/sudan.africanunion> (March 4, 2009).
4. Joshua Kurlantzick, *Charm Offensive: How China's Soft Power Is Transforming the World* (New Haven, Conn.: Yale University Press, 2007).
5. From 1992 to 1998, foreign direct investment into China increased tenfold, sparked initially by a winding down of Tiananmen repression, then by a declaration of intent to join the WTO as soon as possible and detailed negotiations with the U.S. See Ken Davies, "China's FDI Policies," seminar at the Organization for Economic Co-operation and Development, Washington, D.C., December 2, 2003, at http://www.oecdwash.org/PDFFILES/china_fdi_update.pdf (March 4, 2009).
6. This is the correct area of application for such regulations: firms of all nationalities operating within China or the U.S. rather than Chinese or American firms, which may be operating elsewhere.
7. Niu Yi Qiao, "China: Demographic Transition," Barcelona Field Studies Centre, February 27, 2005, at <http://geographyfieldwork.com/ChinaDemographicTransition.htm> (March 4, 2009); Wang Zhenghua, "China Faces Uphill Task on Job Creation in 2006," *China Daily*, February 20, 2006, at http://www.chinadaily.com.cn/english/doc/2006-02/20/content_521725.htm (March 4, 2009).
8. Derek Scissors, "Industry v. Environment: China May Choke on Its Own Growth," Heritage Foundation WebMemo No. 2039, August 29, 2008, at <http://www.heritage.org/Research/AsiaandthePacific/wm2039.cfm>.
9. President Barack Obama, "Remarks of President Barack Obama—As Prepared for Delivery Address to Joint Session of Congress," Greenstocks, February 25, 2009, at <http://greenstockscentral.com/renewable-energy-portion-of-obama-speech-to-congress-1322.html> (renewable energy section of speech only) (March 5, 2009).
10. The World Bank, *Clear Water Blue Skies: China's Environment in the New Century* (Washington D.C.: World Bank Publications, 1997).

and the reliance on coal in electricity and broad energy supply has increased despite strong oil demand and touting of alternative energy.¹¹

The party has been unwilling to protect the environment and safeguard the health of its citizens in the face of possible job losses even in recent, sustained periods of double-digit growth. It certainly will not do so in the context of record job losses now.¹²

Until the U.S. is willing and able to offer concrete assurance of “green” jobs for China in numbers sufficient to offset those lost in steel, cement, and other industries, bilateral negotiations on this subject will for the next several years produce only hot air. When America has so many other matters to discuss with the Chinese—including those that will be sharply disputed—introducing yet more grounds for confrontation is a dubious risk.

Where Real Environmental Progress Is Possible. The wiser—and only effective—option for the U.S. is to shift the emphasis from the here and now to the middle of next decade. That is the time when substantial evidence may appear that the demographic wave is receding.¹³ From around 2013, the party will find it increasingly easy to maintain high employment. Eventually, spot labor shortages will even appear, making eliminating overcapacity in heavy industry an appealing goal rather than something to pay lip service to while investing wildly.

When that happens, the PRC will be far more willing to sacrifice jobs for the environment.

That is not to say there is nothing important to do in the meantime. At the moment, China’s greatest ecological challenge is not air but water—which includes poor sanitation (despite rising affluence) and poses a severe long-term threat to the food supply.¹⁴

Unlike restricting carbon emissions, cleaner water does not have competitiveness implications that translate to fewer jobs. Given the intense need for water in manufacturing, better water supply—both directly in terms of water treatment and indirectly in terms of feasible industrial output—actually translates to continued competitiveness and more jobs.¹⁵ American assistance on carbon emissions is seen by the party almost entirely through the lens of capturing the job growth prospects of environmental technology. While this perspective will be a factor for water issues, immediate benefits of water-saving and water-cleaning technology for employment in China will make bargaining much more fruitful.

The environment can certainly be part of broader Sino–American cooperation, but such discussions must be focused on the longer term and not on carbon emissions.

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11. China Monthly Statistics, National Bureau of Statistics, Volumes 85–204, 1999–2008.

12. CNN, “China’s Job Losses Send 20M Migrants Home,” February 2, 2009, at <http://www.cnn.com/2009/WORLD/asiapcf/02/02/china.jobs> (March 4, 2009).

13. China Herald, “China Faces Labor Shortage by 2009—CASS,” May 11, 2007, at <http://www.chinaherald.net/2007/05/china-faces-labor-shortage-by-2009-cass.html> (March 4, 2009).

14. Debora MacKenzie, “Melting Glaciers Will Trigger Food Shortages,” *New Scientist Environment*, March 20, 2008, at <http://environment.newscientist.com/article.ns?id=dn13519> (August 25, 2008).

15. Garance Burke, “Report: Companies Should Disclose Water Use,” Associated Press, February 26, 2009, at <http://www.msnbc.msn.com/id/29413923> (March 4, 2009).