



## EU-China Cooperation in the Field of Sustainable Development: Challenges and Opportunities

Ágnes Szunomár

### *Introduction*

The Peoples Republic of China (PRC) is now a dominant actor of the world economy, global security and politics, and has begun to consciously influence the international order. But is China prepared enough in all areas? While it can provide adequate answers to many questions related to its own region, it does not seem able to respond appropriately to such global issues like poverty, climate change, the disarmament of weapons of mass destruction, or human rights. With whom should Beijing then cooperate? What other country can stand in for China on these global issues?

The European Union and the People's Republic of China have recognized the potential for cooperation in time. The quality and volume of contacts has increased to such an extent that, in 2003, China became a strategic partner of the EU. By now, China has become the EU's 2nd biggest trading partner behind the USA and the EU's biggest source of imports by far. And the EU is China's biggest trading partner as well. While important differences still exist in EU-China relations, the ties between the two are likely to expand and deepen in nearly all areas into a more mature and realistic relationship. There are some issue areas, such as trade relations, arms embargos or human rights which have dominated this process and made the development of the relationship more complicated in recent years. But in contrast, the issue of sustainable development provides a good foundation and many opportunities for future cooperation. The EU and China find a greater sense of common ground in this field: while the EU has the necessary and transferable experience, China is open to accepting and implementing it.

After taking a brief look at Chinese progress in environmental protection, this report aims to present the development of Chinese-European cooperation in

the field of sustainability,<sup>1</sup> highlighting the challenges and opportunities ahead. The main thesis is to show that the world's largest single market and the world's fastest-growing economy can work together more effectively to ensure sustainable development.

*China's path to environmental sustainability – a long way to go*

One of today's key global issues is to ensure sustainable development, while climate change has become one of the most important challenges to the world in the 21st century. Demand for global resources is increasing, as demand levels in emerging economies are starting to converge with those of advanced economies. The world is therefore confronted with faster resource exhaustion, climate change, rising prices, increasing economic rivalry and political tensions, as well as ecological damage. Under these conditions, as the largest developing and rapidly industrializing country, China will continue to promote industrial development and economic growth, potentially at the expense of its own environment.

Nevertheless, there are several environmental problems in China: industrialization, high population density and the huge and constantly rising number of automobiles lead to massive air pollution in the cities of the Eastern coast. As a result, an average Chinese city reaches pollution levels two or three times higher than European capitals. And many Chinese lakes and river basins are also polluted. Due to environmental degradation, Chinese people suffer from numerous serious diseases. Of course China is still considered a developing country, and most developing countries struggle with mortality caused by infectious and communicable diseases. But China leads the world in chronic heart and lung diseases as well.

However it is not a Chinese domestic problem anymore, but rather a global one as China has been

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<sup>1</sup> In this paper by sustainable development I mean primarily ecological sustainability and – due to space limitations – do not deal with its socio-political and economic aspects.

the top CO<sub>2</sub> emitter since approximately 2006. Much of the 5.9% global increase in carbon emissions from fossil-fuel combustion from 2009 to 2010 originates from the People's Republic of China, where emissions rose 10% to 2.247 Tg-C. Even in 2009, when emissions declined in almost every European country as a result of the economic recession, Chinese emissions increased, though at only 5%. The 2010 Environmental Sustainability Index (ESI) evaluates a country's potential to avoid major environmental deterioration, ranks countries based on 25 performance indicators tracked across ten policy categories covering both environmental public health and ecosystem vitality. China is ranked 121st out of 163 countries (the 2005 ESI ranked China 133rd out of 146).

Acknowledging these the risks, Chinese policymakers formulated a national policy on environmental protection in the 1970s. Since then, state and regional lawmakers have issued more than 2000 laws in the area of environmental protection. However, it is true that, in the first decades, the environmental struggle took place more at the level of rhetoric. As Goffman highlights, a top-down, authoritarian structure has great advantages when a country decides to act on issues requiring immediate actions, as did China with regard to controlling rapid population growth. On the other hand – he adds – such governments may have little incentive to deal with environmental problems. Indeed, they may prefer to disregard or hide them. An open system like the EU or the United States, by contrast, will allow for a vibrant network of environmental groups that perform a monitoring function.

But China's attitude in the field of sustainability has changed a lot and it has demonstrated a heightened awareness of environmental problems in recent years as the country entered the club of major powers. In 2007, the Chinese Government established the National Leading Group on Climate Change, headed by Prime Minister Wen Jiabao. In the same year, China introduced its national climate change programme, the first ever by a developing country. With this policy initiative, the government committed itself to adopting measures ranging from laws, to economic, administrative and technological programmes in order to reduce greenhouse gas emissions and promote a flexible approach to climate change. Recently, the National People's Congress approved the country's 12th Five-Year Plan in March 2011, identifying a proactive approach to combating climate change as a key element. According to the plan, China will reduce energy consumption per unit of gross domestic product (GDP) by 16 per cent and lower CO<sub>2</sub> emissions per unit of GDP by 17 per cent in the next five years. In fact, this step is more than necessary, as according to the International Energy Agency (IEA), China overtook the United States in

2007 as the world's largest CO<sub>2</sub> emitter.<sup>2</sup> The increase in China's emissions has been especially large in recent years (16% in 2003, 19% in 2004, 11% in both 2005 and 2006, and 8% in 2007 and 2008). However, due to the world economic crisis, the rate of growth slowed to 5% in 2009.

#### *EU-China cooperation – an unfolding strategic partnership*

In the first years of the new Millennium the EU-Chinese relationship has witnessed the largest growth ever. Economic ties have reached a new level while the political relationship has also improved and cultural and social exchanges have expanded significantly. The European Security Strategy, published in June 2003 with the aim of strengthening the EU's Common Foreign and Security Policy (CFSP), characterized China as one of its main strategic partners. This was a clear recognition of the fact that China had successfully developed recently: dynamic economic growth, accession to the WTO and higher profile activity on international issues. The new generation of Chinese leadership had demonstrated its commitment to the EU and made it clear that a new great power was about to be born with whom the EU should cooperate.

In the years following 2003, cooperation continued to broaden and included collaboration in the fields of climate change, regional cooperation, energy and transport strategy, agriculture and food security. 2005 marked the 30th anniversary of diplomatic relations between the European Union and the People's Republic of China. They had good reason to celebrate because by March 2004 the EU had become China's largest trading partner and China had become the EU's second largest trading partner. On several occasions, Chinese president Hu Jintao visited several European countries. And several heads of European states and governments reciprocated this effort.

In late 2006, the European Commission agreed on an ambitious new agenda „Closer partners, growing responsibilities“, for EU-China relations for the coming period. This was accompanied by a trade policy paper „Competition and partnership“, which set out in more detail the challenges of trade and investment relations. The new strategy attempted to respond to China's emergence as a global economic and political power. It set out a comprehensive approach, while identifying joint efforts and offering joint solutions for today's global challenges. The European Commission expressed the need for the development of a strategic, mutually beneficial and enduring relationship with China, reportedly one of the EU's top foreign policy priorities for this century.

The EU also developed an „EU-China Strategy Paper“ for the period of 2007-2013. While China is a

<sup>2</sup> In cumulative and per capita terms the United States remains the largest emitter.

developing country in terms of traditional indicators, it is also a significant player on the world stage in economic and political terms. In recognition of this duality, the strategy provides support for China's reform programme in areas covered by sectoral dialogues, assists China in tackling global concerns and challenges over the environment, energy and climate change, and also supports China's human resource development.<sup>3</sup>

The PRC has become an important partner of the European Union in all areas, while the EU is also becoming increasingly important to China. Although occasional obstacles make it difficult to develop closer bilateral relations, EU-China relations seem to offer more and more opportunities for both sides and require more consideration and responsibility.

#### *The EU and China for sustainability – achievements and challenges*

The European Union has recognized that China will play a central role in meeting the challenge of sustainable development. On issues like energy, environment and climate change, the EU and China should cooperate closely and effectively, emphasizing that responding to climate change is the main task to achieve global sustainable development, both for today and for future generations.

Indeed, sustainable development has the greatest opportunities for cooperation between the EU and China, as the EU has the necessary and transferable experience in this field while China is open to accepting and implementing it. However, it should also be noted that China has become a "manufacturing hub" for western countries, including the EU. And Europe – among others – has exported its energy demand and pollution to China. This also places pressure on Europe to help improve the Chinese environment and assist with sustainable development.

The intensive cooperation of recent years shows the EU's recognition of China's development model, namely the PRC's right to development. In other words, the EU has realized that China cannot be blamed for environmental pollution resulting from economic development. Rather it has to become acquainted with more efficient technologies. The EU has also recognized of the complexity of this issue, as systematic solutions are required due to the complexity of the global climate system as well as its relation to broad social and economic issues. According to the Commission's Communication "EU-China: closer partners, growing responsibilities" of 2006, "on issues such as energy, the environment and climate change, respect for international social standards, development assistance, as well as wider macroeconomic issues, the EU and China should ensure close international co-operation." In order to foster that co-

operation, both sides should "ensure secure and sustainable energy supplies" and "combat climate change and improve the environment".

As the EU Strategy Paper for China for the period of 2007–2013 states, "policymakers in China increasingly see environmental protection as a major challenge, and environmental developments in China frequently have an impact at global level. There is a genuine wish among policymakers in China to learn from EU experience and, over the last decade, contacts and cooperation on environmental and energy issues between the Commission and China have increased substantially through established ministerial-level dialogues, through working group contacts and through the EU-China cooperation programme". The main dialogues focus on the issues of sustainable development, climate change and the relationship between environment and energy. But the Strategy Paper expanded this in several directions, including sustainable production and consumption, air pollution control, natural resources and biodiversity conservation.

Based on the above, the EU has put considerable effort into dialogue with China and these efforts have already begun to bear fruit: climate change has been established as a key topic in their relationship and the EU has helped transform China's domestic policy in this area. China now recognizes the threat of climate change and has begun to reduce the carbon and energy dependence of its economy. The challenge now is to combine the transition to a low-carbon economy with measures designed to protect economic growth in times of global economic crisis. As an additional result of the EU's commitment to the sustainability issue, China feels more secure, because the EU's engagement on climate change supports rather than hinders its economic development.

The energy issue closely relates to the issue of climate change and both China and the EU face common challenges in the field of energy security. Both are expected to import 80% of their oil supply by 2030. The European Union and China together account for around 30% of global energy consumption and 30% of global emissions. But while the EU member states are beginning to reduce emissions,<sup>4</sup> China has increased its per capita emissions over two and a half times in the last twenty years. In 2009, the country generated 24 % of world CO<sub>2</sub> emissions. However, China's per capita carbon emissions level is about 1/3<sup>rd</sup> the EU average and about 1/5<sup>th</sup> the US average. According to the press release of the most recent issue of the World Energy Outlook it will match the OECD average in 2035.

<sup>3</sup> Indicative funding for the seven-year (2007–2013) period is 224 million EUR.

<sup>4</sup> The EU should also have their own challenges in this field as the Old Member States have had more difficulty reducing emissions while the New Member states have made significant progress.

Both China's energy demand and energy sector have changed a lot over the past decades, thanks to tremendous economic growth. But its main domestic energy resource is still coal, with a small reserve of oil and natural gas, as well as hydropower resources. Currently renewable energy accounts for less than 10% of China's energy mix. The Chinese government has set a target to increase the share of hydropower, wind, solar power and other renewable resources to 15% or even 20% by 2020. As a result, China has also sought cooperation with the European Union in order to have access to European energy resources, technology and investment. However, the EU's influence has been limited in this field as investment depends on the intention of European governments or companies. The European Union's major task is to get China to improve its energy efficiency and to become more open about measures to safeguard energy security.

In the Chatham House Report "Changing Climates – Interdependencies on Energy and Climate Security for China and Europe", the authors propose some near-term opportunities for how the EU and China should work together on potential solutions to combat climate change. First, they recommend the building of "low-carbon economic zones" which can serve as pioneer demonstrations of the transition to an efficient, low-carbon economy. The second proposal deals with the setting of "world-class standards for energy-efficient goods", namely global standards for energy efficiency. As both the EU and China will continue to depend on coal in the future, the third recommendation is about the possibility of "making coal more sustainable". Increasing the life-cycle efficiency of coal, reducing its sustainable development impact, and strengthening cooperation on carbon capture and storage are likewise parts of the proposed program. According to the last proposal, China and the EU should establish an "ultra-efficiency building research platform", involving industry, research institutes and government in order to make rapid progress in new materials, construction techniques, and standards.

Finally, it should be added, that while the EU is willing to help, it also has a number of interests in China. Some experts highlight that the EU sees the struggle for sustainable development as a source of soft power, namely European technology and business practices help the European Union to acquire soft power in the form of international recognition. It is self-evident, that a sustainable and prosperous China will provide a bigger market for European products and will reduce the global consequences of industrial production. Nevertheless, the world's largest single market and the world's fastest-growing economy can work together to lower the costs of climate-friendly products and services globally.

## Conclusions

China has come to realize that it has overstepped environmental boundaries and has taken at least some steps toward a new path to sustainability. The country has become the world leader in producing essential new technologies such as compact fluorescent light bulbs as well as solar water heaters that have been installed in millions of buildings in China.

The People's Republic of China is still a developing country, even if it is an emerging superpower at the same time. So it is a great challenge for Europe to understand and accept the rise of China. Their relations have a structuring role: while the EU offers an effective standard of cooperation between states, China provides a model for developing countries. As two dominant global players, China and the EU also have a decisive role to play in the shaping of a new global pattern of production and consumption. More precisely, the European Union and its institutions could be the major players in encouraging China to become an active and responsible partner. As outlined above, the EU and China find a greater sense of common ground on sustainable development, energy and climate change, because these are the areas where both sides have placed important priorities, have the similar objectives and are open to cooperation.

Meanwhile, the EU and China have to do their own work in the field of sustainability (the EU 2020 Strategy and the Chinese 12th Five Year Plan). They could also win by working together: exchanging experiences and building partnerships would indeed lead to better results at home and at the global level. By working together, China and Europe could become the de facto engines of global eco-transformation. While some scholars suggest economic openness shifts responsibility from policymakers to enterprises, the European Union and its institutions are still the major players in encouraging China to become an active and responsible partner.

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