

# China's Approach to Global Economic & Environmental Governance:

## G20, Climate Policy, and GMO Regulation in a Larger Perspective

**Yves Tiberghien** (肖逸夫)

UBC

[yves.tiberghien@ubc.ca](mailto:yves.tiberghien@ubc.ca)

Director of the Institute of Asian Research

Executive Director of the UBC China Council

Associate Professor of Political Science

Senior Fellow, Global Summitry Project, Munk School

Presentation at the Indian Council for Research on International  
Economic Relations (ICRIER)

New Delhi

February 17, 2014

# A] Critical Juncture in the 2010s? Systemic Risk and Unstable Globalization

- Global interdependence (Spence 2011) and connectivity (Goldin 2013) reaching their **institutional limits**. Global markets are “weakly embedded” (Rodrik 2011b:xvi) and their legitimacy is eroding.
- Growing occurrence of **systemic risk**: (risks to the entire global economy and ecology). Climate Change will start affecting domestic systems after 2020.
- **Necessity of additional global public good provision.**
- UN system a useful global forum and ideational hub; but not effective for global economic governance

# Michael Spence (2011) – Nobel Prize Winner in Economics

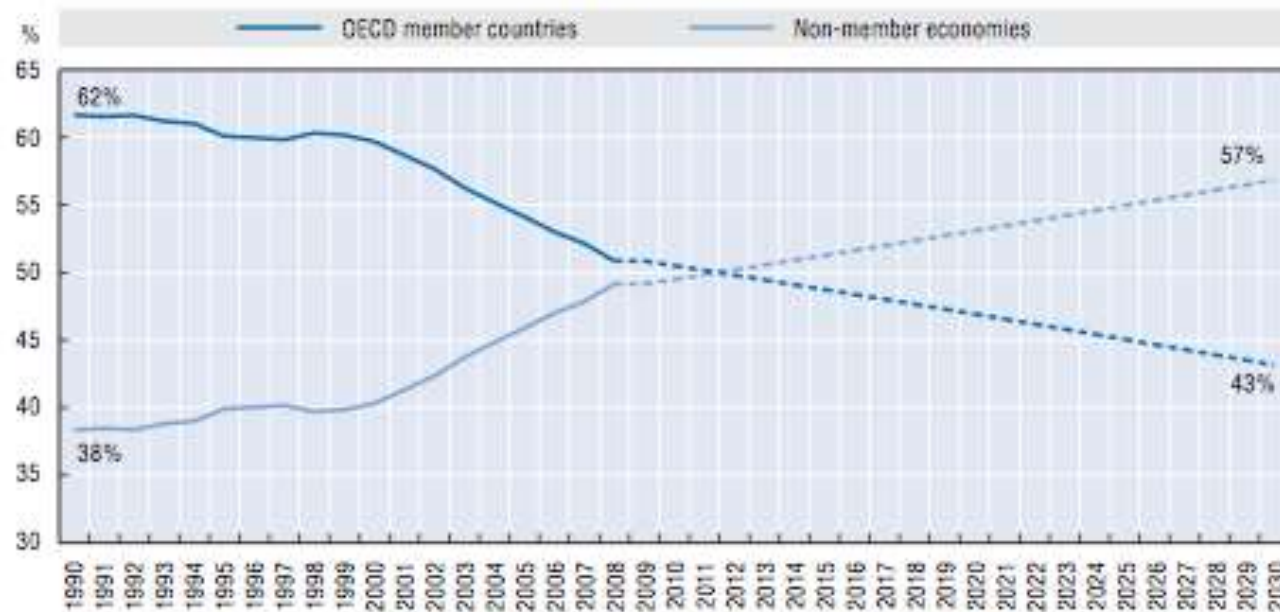
- The scope and depth of the interdependencies of the global economy have run well ahead of global governance structure (...) This mismatch between governance and the market creates, at the very least, tensions (...)
- Economic integration has its limits without a parallel process of building effective and legitimate supranational political institutions (...) The global economy is at a critical juncture (Spence 2011: 244-245, 259, Economic Nobel Prize winner).



## B] A Moment of Great Power Transition

Figure 0.6. **Share of the global economy in purchasing power parity terms, 1990-2030**

% of global GDP, PPP basis



Note: These data apply Maddison's long-term growth projections to his historical PPP-based estimates for 29 OECD

# New Balance of Power: 1997 vs 2009



© Original Artist  
Reproduction rights obtainable from  
[www.CartoonStock.com](http://www.CartoonStock.com)



**“I’ve seen the future...and it’s made in China.”**

# The Inexorable Tilt (source: SCMP)





# Hence Key Questions

- Under what conditions can systemically important established and emerging powers successfully invest in a cooperative effort toward global governance?
- What are China's, India's, Indonesia's, and Brazil's preferences toward global economic and environmental governance? And what shapes these preferences?
- SUBSIDIARY QUESTION: is this a salient issue in India's election campaign?

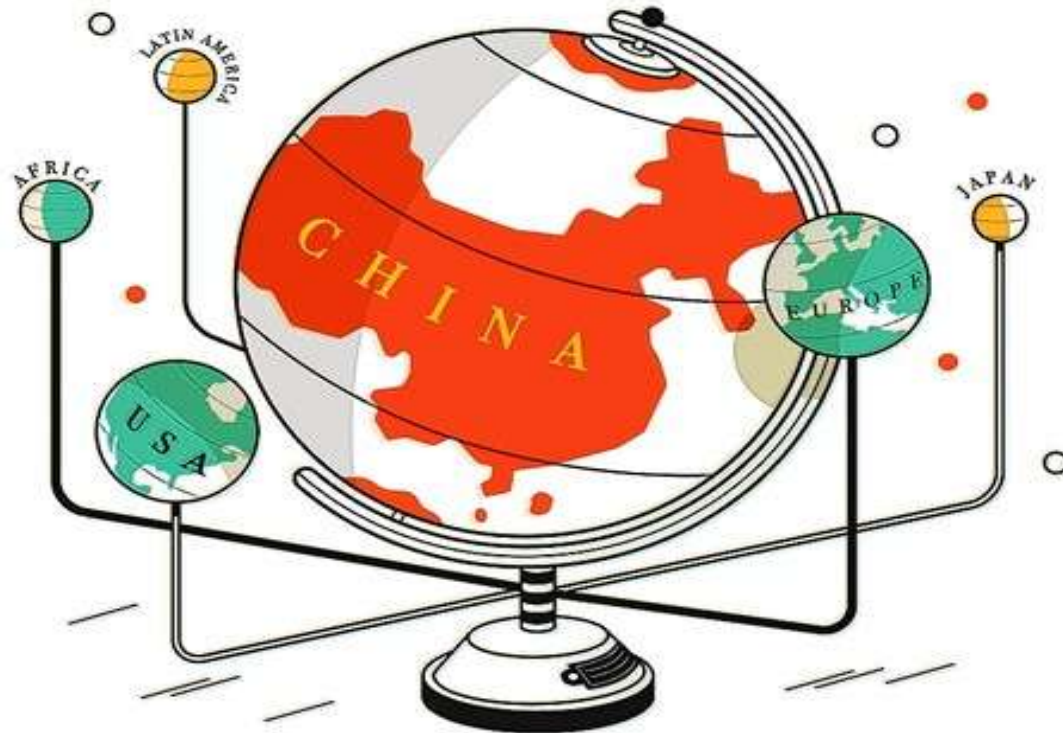
# Kishore Mahbubani (2013): *The Great Convergence* (5)

- “To strengthen institutions and processes of global governance, we clearly have to see a willingness on the part of different nations to make the necessary sacrifices to achieve global compromise and consensus (...)
- We are living in an extraordinary period with massive changes taking place on several fronts. And all of these changes complicate the efforts to strengthen global governance.”

# C] Chinese Rise and Chinese Puzzles

- Why so little overall proactivity in advancing global governance?
- What explains the diversity of China's positions toward global governance?
  - stabilization of existing system,
  - stone-walling on a range of issues,
  - coalition-building, forum-shopping,
  - and limited innovation?

# Context- one future of the world (WSJ, Niall Ferguson)



# China's Response (Global Times)



# China vs Environment & Climate: Great Structural Challenges



# Arguments

- 1. Globalization stands at a critical juncture and requires upgrades in global governance to deal with systemic risk. Innovation and entrepreneurship are needed.
- 2. Established and emerging powers lack thick human networks and institutional facilitators. The G20 has emerged as one key (albeit insufficient) laboratory.
- 3. So far, China and other large emerging powers are acting as systemic stabilizers, not yet as global governance innovators (with exceptions). Established powers are mired in domestic political constraints.

# Presentation Outline

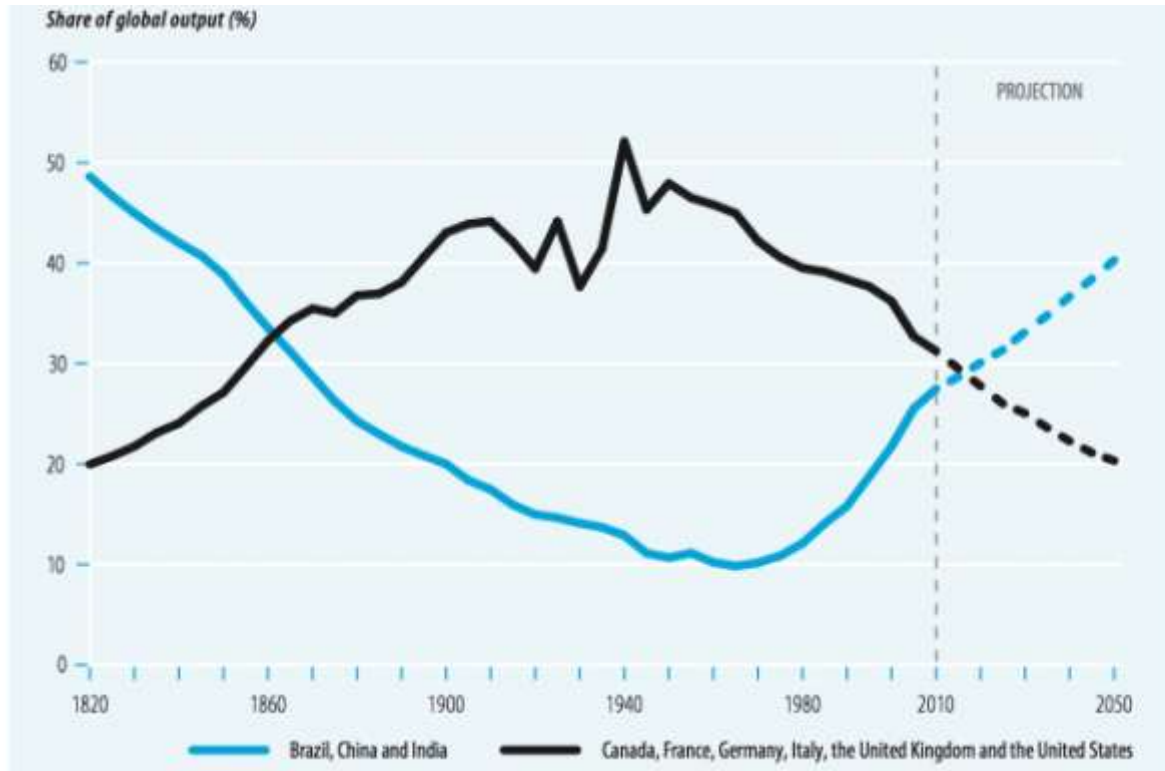
- 1. Broad Context: Power Transition and Need for Increased Global Governance
- 2. China's Approach to Global governance: systemic stabilization, limited innovation, and diversity
- 3. G20 Engagement: Middle Road Stabilization and Trojan Horse
- 4. Climate: Domestic reforms and global hesitations
- 5. GMO Regulation: global coalition-building



# 1. Power Transition



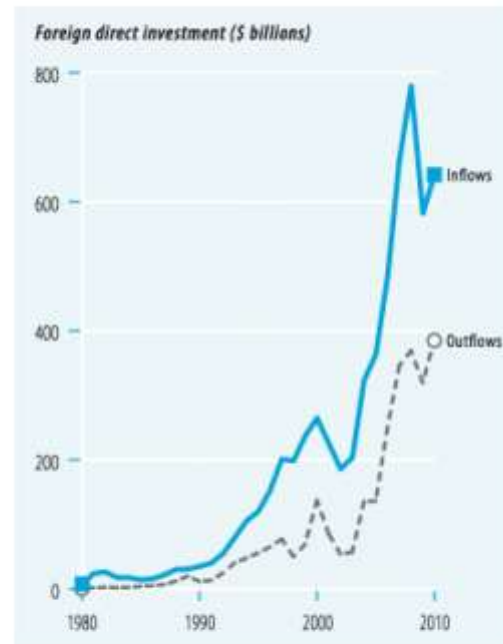
# UNDP 2013 HDR – G6 vs E3



# One Indicator: New FDI Flows

FIGURE 2.2

Foreign direct investment flows to and from the South have veered sharply upward since the 1990s



Note: Data are for developing and transitional economies as defined by the United Nations Conference on Trade and Development. Data are converted to US dollars at current exchange rates.

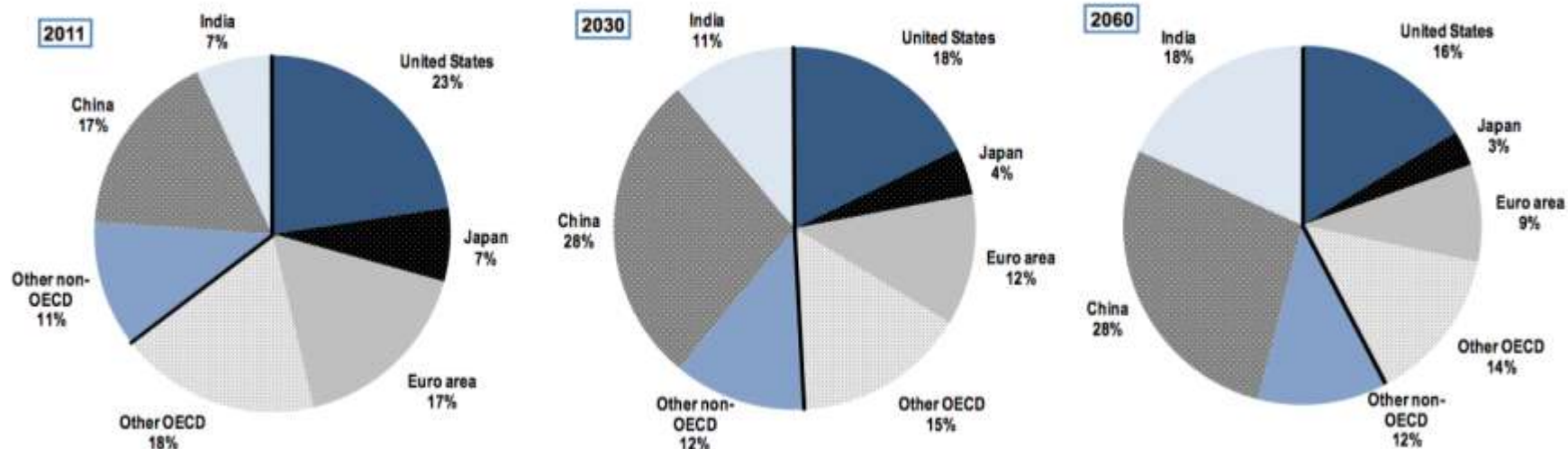
Source: HDRO calculations based on UNCTAD (2011a).

# Globalization Facilitates Global Rebalancing of Power

(OECD Nov 2012 Global Growth Report)

Figure 10. There will be major changes in the composition of global GDP<sup>1</sup>

Percentage of global GDP in 2005 PPPs

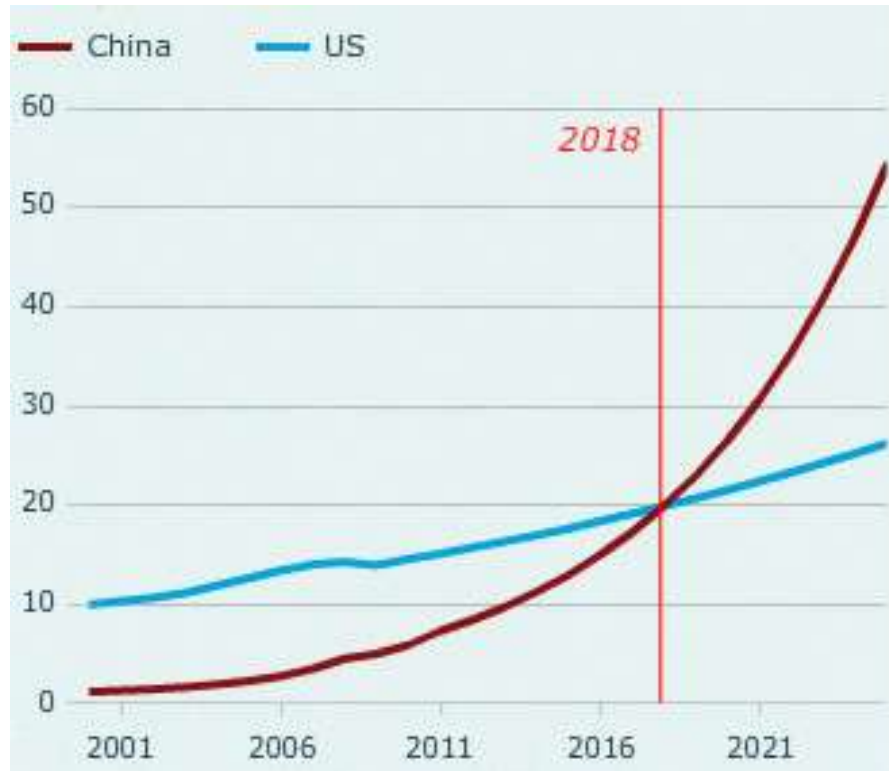


1. Global GDP is taken as sum of GDP for 34 OECD and 8 non-OECD G20 countries.

Source: Long-term Growth Scenarios, OECD Economics Department Working Paper No. 1000, *forthcoming*.

# When China overtakes the US

(*the Economist*, Dec 2011)



	China	US
Real GDP growth:	7.75	2.5
Inflation <sup>†</sup> :	4	1.5
Yuan appreciation <sup>‡</sup> :	3	

**China overtakes US  
in 2018**

Enter values between -10 and +10;  
maximum two decimal places. Press Enter  
or tab to another field to update chart.

# Pew Survey, Aug 2012 – Average of 14 core nations

## Who is World's Leading Economic Power?



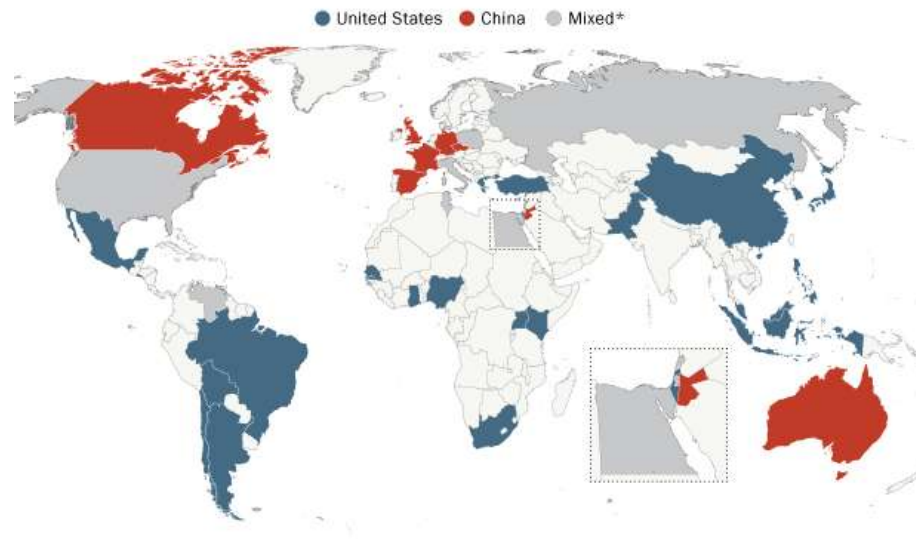
Median % naming China and the U.S. as the world's leading economic power across 14 nations surveyed each year from 2008 to 2012.

PEW RESEARCH CENTER Q29.

# Who is leading the world (Source: Pew Research Center, September 2013)

## World's Leading Economic Power: United States or China?

Majority or plurality name U.S./China as world's leading economic power



\*Mixed countries are nations in which there is not a statistically significant majority or plurality naming either the U.S. or China as the top economic power.

PEW RESEARCH CENTER

# Pew Survey 2011 – a Nervous Time

## Will China Replace U.S. as World's Leading Superpower?

	Has already replaced U.S. %	Will eventually replace U.S. %	Total has or will replace U.S. %	Will never replace U.S. %
U.S.	12	34	46	45
France	23	49	72	28
Spain	14	53	67	30
Britain	11	54	65	26
Germany	11	50	61	34
Poland	21	26	47	31
Russia	15	30	45	30
Lithuania	11	29	40	40
Ukraine	14	23	37	36
Turkey	15	21	36	41
Palest. ter.	17	37	54	38
Jordan	17	30	47	45
Israel	15	32	47	44
Lebanon	15	24	39	54
China	6	57	63	17
Pakistan	10	47	57	10
Japan	12	25	37	60
Indonesia	8	25	33	46
India	13	19	32	17
Mexico	19	34	53	31
Brazil	10	27	37	47
Kenya	7	37	44	43

Not asked in Egypt.

PEW RESEARCH CENTER Q28.



# Key Point: A Time Window to Build a Partnership

- The Established Power- Emerging Power Axis is the key one within the G20 for the future of globalization
- BRICS Countries have been winners of the decade since 2000 and have a large stake in maintaining confidence in globalization.
- At the same time, they are seeking adjustments in the governance of Bretton Woods institutions and a seat at the table. They also have long-held links with developing countries.
- As long as G7 countries are showing willingness to engage in gradually reforms of IFIS, cooperation will remain fluid and positive. If G7 countries obstruct change, the game could change.

# Factors for Progress in Global Governance

- 1. Institutional Innovation: novel platforms that allow for network formation, fluid bargaining, cross-issue linkages (such as the G20).
- 2. Creation of new norms, ideas, and policy projects by well-connected entrepreneurial actors. Individual entrepreneurship is as the root of any movement toward global coordination.

## 2. China's Diverse Approach to Global Governance



© Katherine Feng/Minden/ZoLand

# Specific Arguments – China's Diverse Responses to Global Gov.

- Overall approach: dynamic learning, socialization, space for entrepreneurial actions within a fragmented governance structure. But specific coalitions and processes shape the outcome differently in each issue area.
- 1. Differential Socialization/Learning in the International System: China more likely to engage issue areas where a sense of community and justice-based values exist.
- 2. Role of social and academic entrepreneurs in shaping opinion and gaining elite support relative to SQ interest groups.
- 3. Various degrees of public participation and politicization : more participation in policy-making puts constraints on elite bargains with large powers.

# 18<sup>th</sup> Party Congress Report

- “We have promoted reform in global governance, enhanced world peace and development, secured more representation and a greater say for China in international affairs, and created favorable international conditions for China's reform and development.”

# Argument 1: Learning and Emphasis on Systemic Stability

- Phase of gradual capacity-building
- Lag between perceived power outside and global governance capacity
- Major steps toward buttressing the overall global liberal order (management of forex reserves, role within BRICS at Los Cabos, overall support of G20, etc..)
- Continued sense of vulnerability toward the US

# Shanghai Institute of International Studies Director Yang Jiemian (March 23, 2013 Shanghai)

- “Mankind should never give up creating shared or common values. For example, in the face of global issues like climate change, we can build up our common understanding and values toward it. Yes, on sovereignty and non-interference, we can argue. But we are in the same boat for global issues. “

# Argument 2: Fragmented / Diverse Approach

- Very broad spectrum of Chinese behavior
- Elements of systemic bandwagoning
- Elements of stone-walling / defensiveness
- Elements of competitive behavior / assertiveness
- Elements of constructive engagement with some powers (diverse forums)
- Multi-level actions: bilateral, regional, multipolar
- Multiple leaders and voices involved
- Limited entrepreneurial role yet



# Diversity of Engagement

**Table 1. Policy Choices with Respect to Key Dimensions of Global Governance:  
Case of China**

Focus	Behavior	Reactive	Active
Multilateral		<b>1. Bandwagoning</b> [FDI Regime, WTO agreement 2002, TRIPS, rule of law, most management of foreign reserves]	<b>2. Balancing</b> [Biosafety, Biodiversity, partial on Climate Change (CDM), ]
Unilateral		<b>3. Stonewalling</b> [Capital Account, Energy policy, Internet governance, WTO Doha 2008, global food policy]	<b>4. Innovating</b> [“Beijing Consensus” on Development, Sovereign Wealth Funds, National Champions and some corporate governance]

# Causal Arguments for Diversity

- Fragmented governance structure and fluid coalition-building – lots of internal competition
- Gradual and differential socialization – openness
- Multiple sources of entrepreneurial change: civil society, business, academic, bureaucratic
- Powerful vested interests
- Growing and volatile impact of public participation (netizens, weibo) with differential penetration

### 3. G20 Engagement: Socialization and Systemic Stabilization

- Strong Chinese interest in G20
- Positive Chinese involvement in MAP, management of reserves, support for open trading system, debates on K controls and Tobin tax (examples).
- China as middle of spectrum on many issues (balancer?)
- Lack of active leadership and coalition-building
- Multiple parallel roles

# Overall G20 Lineup: Balanced

Established Powers	Emerging Powers
USA	China
Japan	India
Germany	Brazil
UK	South Korea?
France	Mexico
EU	Saudi Arabia
Russia?	South Africa
Canada	Turkey
Australia	Indonesia
Italy	Argentina

# Areas of Progress vs Tensions between Powers in G20

Areas of Progress	Areas of Failure	Gray Areas / Partial
Mutual Assessment Process (cf China) + IMF monitoring	International Monetary System (US/UK/JP vs EU and BRICS)	G20 (Seoul Development Consensus)
FSB creation as new financial institutional hub	Tobin Tax (US/UK/CAN vs EU, China shifting, Brazil – JP on fence)	OTC Derivatives – framework within FSB, but soft
IMF resource increase	Climate – not brought into G20 yet	World Trade: Bali outcome, but TPP vs RCEP and others
Basel banking ratios?	G20 institutionalization (US/UK/Can/JP vs EU; BRICS on the fence)	Capital Control – Cannes Roadmap (US vs EU vs Brazil)

# Selected G20 Topics/ YT Index

G20 Topics	China	Japan	Korea
Trade	1	1	1
G20 institutionalization	0.6	0	0.5
Financial Regulations	0.6	0.3	0.5
Voice in IFIS	1	0	1
International Monetary System \$	1	0	0
Imbalances-RMB	0.3	1	0.5
Development	1	0.2	1
Climate	0.3	1	0.3

# Intense Times at the G20



# China's Tactical Priorities

- 1. Stability of global trading system
- 2. Energy security and commodity prices
- 3. Relative stability of int'l monetary system (avoid Japan of the 1980s)
- 4. Gradual opening of IMS and lower dependence on \$
- 5. Voice in international institutions
- 6. LT interest in more stable K flows



# Wang Yang at the Center



# Cannes Commitments (2011)

- c) China will rebalance demand towards domestic consumption by implementing measures to strengthen social safety nets, increase household income and transform the economic growth pattern. These actions will be reinforced by ongoing measures to promote greater exchange rate flexibility to better reflect underlying economic fundamentals, and gradually reduce the pace of accumulation of foreign reserves..
- 3b/ promote market-based interest rate reform in an orderly manner and gradually achieve RMB capital account convertibility as stated in its current 5-year plan (China);

# China and RMB – Los Cabos 2012

- “We recognize the important decisions to increase the fluctuation bands for the exchange rates in China and Russia.”
- “China is building on its commitment to gradually reduce the pace of reserve accumulation, and to allow market forces to play a larger role in determining movements of the RMB and to increase the transparency of its exchange rate policy.”
- “We welcome China’s commitment to continue exchange rate regime reform.”

## 4. Stonewalling: Copenhagen Climate Change Conference



# Paradoxes of China's Climate Change Position

- On the one hand, China has taken strong positions in Copenhagen against tight commitments, has focused on coalition-building and issues of justice and principle.
  - China represents 29% of global emissions in 2012.
- On the other hand, China supports a global UN framework, acknowledges climate change facts, and is taking strong domestic measures.
  - Chinese emissions only rose by 3% in 2013.
  - Chinese energy efficiency is rising fast

# Causes of Chinese Behavior

## Positive Forces

---

- Energy security concerns
- China reaching hard ecological and resource constraints
- Shifting public opinion
- Rise of environmental civil movements
- Growing global linkages

## Constraints

---

- Sheer challenges to policy capacity: need to change growth model and growth speed.
- Political obstacles: need to change evaluation of local officials
- Coal – how to replace
- Cars – pent up expectations from the new middle class
- Lack of global institution to nudge the transition

# The Rise of the BASIC axis





# The underlying G2 axis





# National Holiday 2013: Smog vs State



# One View of China



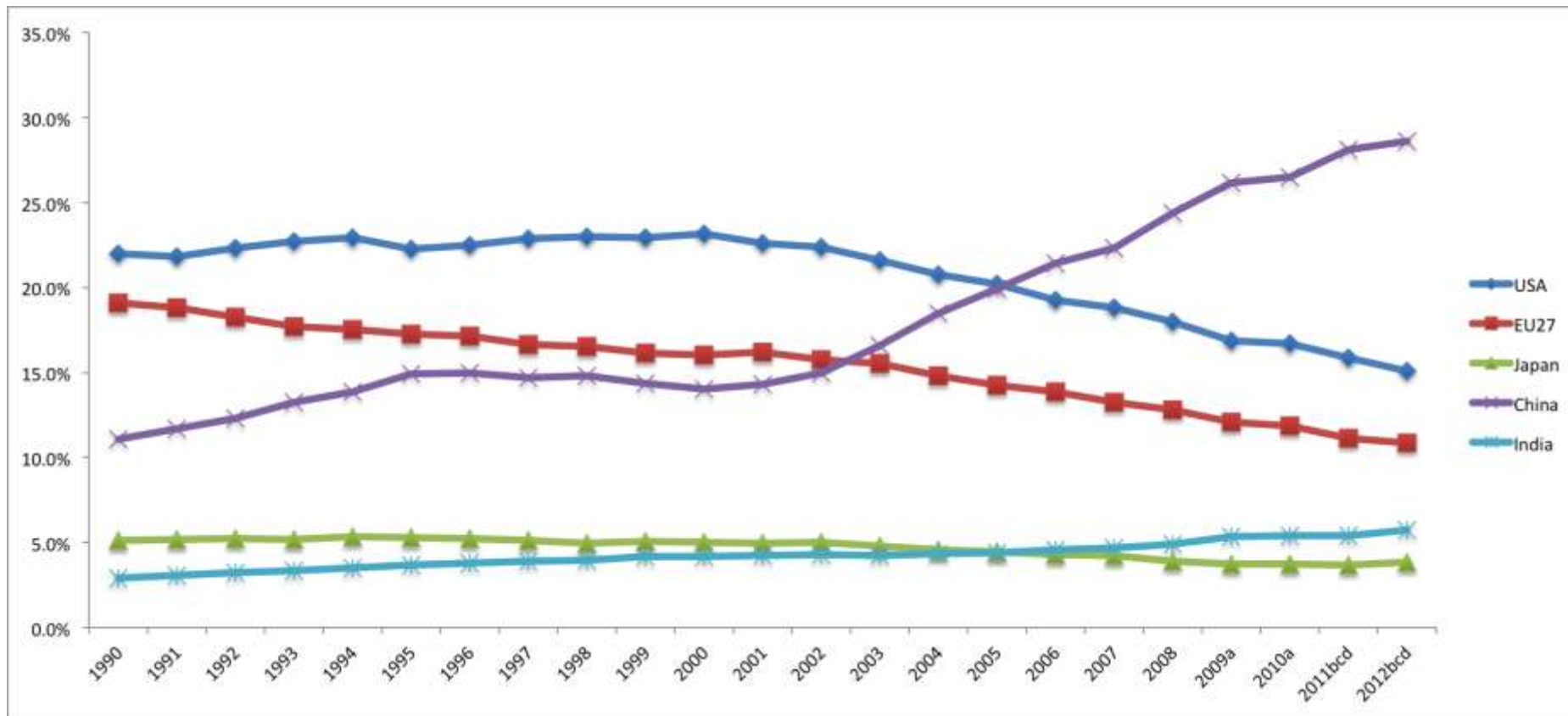
# A Booming Country Addicted to Coal



# And new cars leading to the famous Beijing haze



# The Picture in 2013: % of Global CO2 Emissions

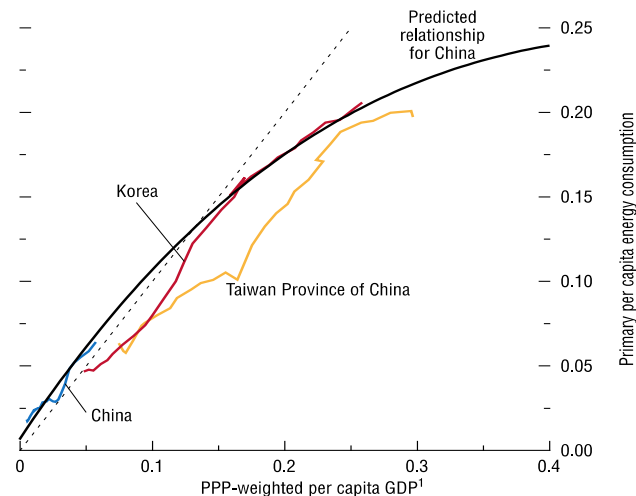


# IMF-WEO April 2011- Predicted Energy Curve, China

**Figure 3.4. Primary Energy Consumption**

*(Hundred thousands of 2005 U.S. dollars on x-axis; billions of British thermal units on y-axis)*

There has been a broadly one-to-one relationship between growth in per capita energy consumption and income in emerging market economies. China's energy demand has so far closely followed this pattern.



Sources: IMF, *International Financial Statistics*; International Energy Agency; World Bank, *World Development Indicators*; and IMF staff calculations.

<sup>1</sup>PPP = purchasing power parity.



Yet, there is another China (here,  
Jiangsu solar panels)



China is now the world's leader in wind turbines (NYT)





# Growing People's Power (physical and weibo)



# Qidong- Environment Protest against Oji Paper 2012



## 5. Balancing: China and GMO Regulation / Biosafety Protocol





# The Chinese GMO Puzzle

- China is increasingly seen as the crucial battlefield in the global conflict over GMOs.
- China has a strong technological and economic interest in developing GMOs (second research base in world, over 100 crops tested, food security issues...)
- China does not have the free civil society and democratic institutions that channel public voice and have led the EU or Japan to take strong regulatory stances.
- Yet, China has adopted a strong precautionary regulatory position, including mandatory labeling.
- Why?

# Strong EU-like Regulations

- 2001 State Council Law imposing strict food safety assessment and mandatory labeling with 0% threshold
- Limited labeling coverage: soy, corn, canola, cotton, tomato
- Process-based labeling (strong than Japan), but only primary process
- 2005 ratification of Cartagena biosafety protocol (faster than Korea)
- 2009-2013: decision to grow GM rice and GM corn repeatedly delayed, despite initial ministerial approval

# Hypothesis for Chinese Governance Outcome:

- Not an interest group / protectionism story - economic argument not operational
- Representation without Institutions
- China shows significant incorporation of public voice (public good formation), due to several access points
- Outcome is surprisingly more like EU and Japan than the US

# Representation Without Institutions

- An interactive process where the interests of the state (pursuit of legitimate governance) and those of new coalitions between grassroots activists and policy entrepreneurs (academics) can meet and lead to participatory governance.
- Facilitated by inter-ministerial gaps (fragmented authoritarianism)

# Public Opinion of Consumers

- Greenpeace survey on urban consumers
- 65% of the consumers shows a preference for non-GE in all the four categories that are included in the question (soy oil, rice, other food products of a plant origin, food products from an animal origin), specifically:
  - 79% choose non-GE soy oil over GE soy oil
  - 77% choose non-GE rice over GE rice
  - 85% choose non-GE food from an animal origin over their GE counterparts
- 80% of the consumers oppose the use of GE ingredients in baby food



# Balance of Power over GMOs

## PRO:

- Biotech Scientists (eg Zhuang Cifa)
- MOST
- Entrepreneurs with Corporate Links
- MOA-some
- Trade Interests
- Local Govts: Hubei

## CON:

- NGOs-Greenpeace
- Media / public web
- Consumers
- Some organic farmers (Yunnan..)
- Ecological Scientists (Xue Dayuan)
- SEPA/MOEP - Precaution

# A surprisingly open and intense debate in China



# Conclusion

- The relation between established powers and emerging powers is the key axis within the G20 for the long-term – there is still a positive window for cooperation, but of limited time.
- The positions of BRICS Countries (China in particular) remain fluid and diverse, although they are going through a fast learning curve.
- In the G20 game, China/India appear as a median players – seeking both to buttress the existing global economic system (trade, finance) while increasing voice for emerging powers.
- There is growing interest, significant capacity building, and a case by case voice from China. Yet so far only soft coalition building.