Understanding China’s Strategic Engagement on Climate Change:
An Economic Nationalist Perspective

Written by

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University of Victoria Bachelor of Arts degree (2008)

A thesis submitted in order to complete the requirements for a
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Abstract

Maintaining rapid economic growth and protecting national sovereignty have been immovable national aims expressed in Chinese foreign policy behaviour since economic reforms were introduced in the late 1970s. Climate change, for its part, is a global concern and monetarily expensive issue which necessitates collective action. At face value, encouraging economic expansion and guarding national sovereignty could easily be viewed as conditions which oppose national actions to mitigate climate change and its potential effects. However in recent years, China has adopted a positive foreign policy tone expressing interest in mitigating climate change through the multilateral United Nations (UN) climate regime. Hence, China is a curious and perhaps contradictory participant in the UNFCCC regime’s institutions.

This thesis seeks to answer the following research question: “Why is Chinese foreign policy able to balance supporting national economic development objectives and protect its sovereignty while also increasing UNFCCC multilateral cooperation to abate climate change?” In the course of answering this question, China’s foreign policy motivations in the climate regime are scrutinized using economic nationalism. Briefly, economic nationalism is applied here as an economically oriented ideological construct which incorporates sovereignty and national interests together with diverse economic policies, including interdependence.

Supporting this thesis’ research is the three-fold argument which remarks that: First, China’s multilateral climate change engagement is consistent with established foreign policy goals to sustain national economic development and preserve national sovereignty. Second, China has redefined its foreign policy to accommodate the ideological construct of economic nationalism, embodied in the course of its international economic and image-status benefits. Third, as a consequence, comprehending Chinese climate foreign policy consistency will contribute to improving general knowledge and understanding of the climate regime and the
methods it uses to encourage developing countries to increase their respective participation in mitigating climate change.

This thesis studies China’s strategic cooperation with the climate regime using three climate-related cases, as well as a contrast case which compares contemporary climate mitigation with the abatement of ozone depleting substances (ODS), a precursor environmental issue to climate change. The four cases include: the Global Environment Facility (GEF), the Multilateral Fund (MLF), the Clean Development Mechanism (CDM), and the Group of 77 (G77). On the first, the GEF is the climate regime’s original redistributive funding mechanism and China receives the largest quantity of GEF funding. Moreover, China’s experience with the GEF on climate change is contrasted with its earlier experience in combating ODS using the MLF financial redistributive mechanism. Second, the CDM is the foremost financial redistributive mechanism to pay for climate mitigation and clean development projects in developing countries. China, for its part, is host for the largest share CDM projects and the economically valuable GHG Certified Emission Reductions (CERs) they issue. Third, China is the de facto leader for developing countries in climate negotiations through the G77 negotiating bloc.

The conclusions reached show that while China’s tone has changed through increased openness and participation, fundamentally, Chinese climate policy is based upon maintaining the continuity of its national interests. Modern economic nationalist ideology has deepened China’s foreign policy engagement on climate change by reconceptualising the global environmental issue as an economic development and image-status growth opportunity. Essentially, for China which is a country that prides itself on high rates of economic growth and whose foreign policy staunchly defends its national sovereignty, embracing forces of globalization through the act of multilaterally engaging on climate change is by no means a contradiction and is rather fully consistent with supporting its longstanding foreign policy objectives.
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List of Acronyms

Bali Action Plan (BAP)
Carbon Dioxide (CO₂)
Certified Emissions Reduction (CER)
Clean Development Mechanism (CDM)
Foreign Direct Investment (FDI)
Global Environment Facility (GEF)
Greenhouse Gas (GHG)
Gross Domestic Product (GDP)
Group of 77 (G77)
Intergovernmental Panel on Climate Change (IPCC)
Memorandum of Understanding (MoU)
Ministry of Foreign Affairs (MFA)
Montreal Protocol on Substances That Deplete the Ozone Layer (Montreal Protocol)
Multilateral Environmental Agreement (MEA)
Multilateral Fund (MLF)
National Development and Reform Committee (NDRC)
Overseas Development Assistance (ODA)
United Nations (UN)
United Nations Conference on Environment and Development (UNCED) or Rio Earth Summit
United Nations Conference on the Human Environment (UNCHE)
United Nations Conference on Trade and Development (UNCTAD)
United Nations Framework Convention on Climate Change (UNFCCC)
World Wildlife Foundation (WWF)
Chapter 1: Introduction
At various times during its history, the central government of the People’s Republic of China (hereafter referred to as China) has viewed engaging with states and organizations in the international system as constraining and hostile to its national sovereignty. However, in the late 1970s post-Mao era, increasingly powerful reform-oriented national Chinese authorities saw an opportunity for China to modernize and take its place as a great power in international society. Subsequently, reform-oriented messages like “to be a great power is to be a player in international society,”¹ were progressively associated with China’s national development by those who believed that China could spur modernization and play an influential role in the international system. With a focus on the national level of the Chinese nation-state, whose unique decision-making and power structure emanates from Beijing, closed borders and a protective economy increasingly came to be identified as insufficient to realize national modernization. Accordingly, as liberal market reforms were introduced, incrementally, the Chinese economy has been aligned with an ever more interdependent global economy. In the three decades since the beginning of reforms, China’s growing international immersion has attracted significant foreign economic investment into China, prompting the country’s emergence as a global economic power.

Globalization trends, however, go beyond economic forces as they also entail breaking down non-economic² borders between nation-states. Though China’s central authorities have accepted the internationalisation of much of the economy, they have remained wary and frequently opposed multilateral agreements and engagements for fear they may infringe on national decision-making. While promoting China’s rapid economic growth has become a national goal, internationalisation appears to challenge two of the state’s privileged and staunchly guarded national priorities of independent foreign policy-making and national sovereignty.³

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2 Examples of the non-economic borders equated to in this thesis may include: national cultural, ethnic, geographic, linguistic, political, and social borders. It should also be noted that this is not an exhaustive list.
In the late 1980s, a decade after China’s economy began its opening, the particular “beyond [state] borders” environmental collective action threat of human-induced climate change, which contributes to producing global warming, emerged on the world stage. In 1992, United Nations (UN) member states elevated climate change from an issue of national importance to one codified as having international repercussions by signing the UN Framework Convention on Climate Change (UNFCCC), a Multilateral Environmental Agreement (MEA) which created the UNFCCC international climate regime. Due to its interdependent nature and scale, Lyn Jaggard describes climate change as the greatest example of the forces of globalization.

Taking actions to mitigate climate change may pose significant economic burdens and costs on individual nation-states. Additionally, engaging multilaterally on the environment and signing MEAs also risks imposing international regulations challenging nation-state sovereignty. On sovereignty, Wang Tieya explains that:

Sovereignty is the basic attribute of statehood, implying both self-government – that is, external independence and international autonomy – and equality, that is, the non-existence of ruler-subject relationships between states.

Since the beginning of its late 1970s economic reform era, maintaining rapid economic growth and protecting sovereignty have been constants in China’s national aims and foreign policy behaviour. However, in recent years China has adopted a positive foreign policy tone, and has progressively become more visible and vocal in its support for multilaterally addressing climate change through the UNFCCC. Hence, China is a curious and perhaps contradictory participant in UNFCCC regime negotiations and structures. Accordingly, the following research question requires careful consideration: “Why is Chinese foreign policy able to balance supporting..."
national economic development objectives and protecting its sovereignty through increasing UNFCCC multilateral cooperation to abate climate change?"

Improving our understanding of the nature of the Chinese nation-state’s international climate change engagement is vital for four reasons in particular:\(^8\): First, China is the largest global emitter of greenhouse gas (GHG) emissions. Second, China is the de facto leader for developing, \(^9\) or non-industrialized, countries in UNFCCC negotiations. Third, as a result of the first two reasons, Chinese climate policies catalyze developed (industrialized) and developing countries to make GHG mitigation commitments, and essentially dictates the efficacy of the methods and tools that industrialized countries and the international climate regime have at their disposals to engage with developing countries to avoid the worst effects of climate change.\(^10\)

Fourth, a better understanding of the nature of China’s\(^11\) cooperation with the UNFCCC enlightens as to the consistency of the state’s foreign policy priorities of rapid economic development and protecting sovereignty, as well as to the state’s ability to adapt a particular issue like climate change into fulfilling these national goals.

The UNFCCC advocates capping global warming during the next Century to two degrees Celcius, and Article 2 of the convention requires stabilizing GHGs: “within a time frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.”\(^12\) Considering that China is the largest producer of GHGs and plays a highly influential role leading developing countries in UNFCCC mitigation negotiations - at stake is that without China’s interest and participation in mitigation, there is little chance of developed and developing countries tangibly reaching any agreement to avoid the worst potential effects from climactic change. The potential global effects may include, but are not exclusive to: species

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\(^8\) This thesis does not impose any exclusivity in the reasons described for studying the importance of Chinese multilateral foreign policy engagement on climate change. Simply, the reasons listed in the paper fit well with the purposes being pursued.

\(^9\) There are a number of ways to differentiate between particular member states to the UNFCCC. Commonly, developed countries are also described as Northern or industrialized (Annex-I) parties to the 1997 Kyoto Protocol. Developing countries are also known as the Global South or non-industrialized (non-Annex-I) parties to Kyoto. All of these titles will be used throughout this paper and should be considered as interchangeable within their developed and developing country spheres.

\(^10\) My analysis of China’s climate change foreign policy does not touch upon the science of climate change itself. However, it should be noted that when I remark upon abating or mitigating climate change, I am referring to the human production of GHGs causing anthropogenic climate change, and not naturally occurring climate change.

\(^11\) It can be clarified that while provincial governments and local authorities in China have significant decision-making powers, unless otherwise specified, this thesis focuses on, and treats China as run from the centralized governing structures in Beijing.

extinction, increased drought diminishing food and potable water resources, forced migration, intensified and violent weather patterns, and other negative health impacts.\textsuperscript{13}

China’s interactions in the international system have expanded significantly in the reform era however its multilateral participation in UNFCCC negotiations and structures demonstrates the consistency, rather than fundamental change, of its economic and sovereignty-driven foreign policy motivations. Deng Yong and Thomas Moore believe that a more accommodating Chinese foreign policy has increasingly accepted economic globalization and shows an eagerness to participate in international institutions in order to strengthen economic growth.\textsuperscript{14} Additionally, they believe that China’s positive international participation reflects a genuine change in values since reform, transforming national interests “over time through the experience of participating in multilateral cooperation.”\textsuperscript{15} This thesis supports Yong and Moore’s former proposal that China’s international engagement is economically motivated, though rejects the latter in favour of David Kerr’s postulation that: “International assessments of China’s economic transformation are suffering from an unhealthy outbreak of political liberalism.”\textsuperscript{16}

Jeremy T. Paltiel aptly writes of Chinese sovereignty as a crystallizing lens through which a narrative reconstruction of the “self” is projected on an international “other.” Furthermore, he remarks upon the Chinese preoccupation with sovereignty which serves as both a badge of difference and a passport to global citizenship and participation which inevitably entails both international friction and cooperation.\textsuperscript{17} In answering the research question guiding this thesis, it should be emphasized that the Chinese nation-state’s specific patterns and mechanisms of engagement with the UNFCCC show that there is a specific economic inclination to its participation, and that there is neither a balancing act required nor a contradiction in terms taking place. The central government in China has co-opted international engagement into its reform era economic expansionist and sovereignty-driven foreign policy discourse.


\textsuperscript{17} Paltiel, The Empire’s New Clothes, 2, 24.
Contemporarily, China plays a high-profile role in international negotiations to mitigate climate change, and its interactions grow ever more significant and visible so long as it extracts unilateral gains from its participation. The argument pursued professes that China’s climate change foreign policy has reconceptualised, though not fundamentally altered, its outlook on multilateralism in order to find a niche for engagement. China is accordingly committed to embracing multilateralism, or the impression of, in order to expand a unilateralist-driven foreign policy agenda. In the course of engaging in the international system with liberal economic globalizing forces, China is using an apparent environmentally integrating issue like climate change to further national goals for economic expansion, sovereignty and independent foreign policy decision-making.

Paltiel remarks that China’s use of sovereignty signals to the international community its acceptance of the fundamental norms governing international relations, yet simultaneously denies the applicability of those universal norms.\(^{18}\) The modern ideological construct of economic nationalism is an important instrument to demonstrate how Chinese foreign policy behaviour may oscillate between sovereign-centric otherness and integrative participation in the international system.\(^{19}\) Furthermore, an economic nationalist lens can be effectively applied to understand China’s positive tone towards UNFCCC engagement. However, participation does not entail internalizing climate change as a threat requiring urgent mitigation but rather seeks to preserve traditional foreign policy and national goals to augment national economic development and protect sovereignty.

The subsequent three-fold argument underpinning this thesis is pursued as follows: First, despite the fact that it engages multilaterally on climate change, Chinese foreign policy is consistent with its traditional narrative determined to augment national economic development and defend national sovereignty. Second, China’s apparent contradictory climate foreign policy has been redefined according to the ideological construct of economic nationalism,\(^{20}\) which is actualized in China as national economic which is additionally enhanced through the acquisition of international image-status benefits. Third, and subsequently, China’s consistent and

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19 Economic nationalism is a term which has no agreed upon standard use. Accordingly, scholars have interpreted the term differently, and particularly at various points in history. As it relates to China for this thesis, economic nationalism is referred to and closely associated with the post-Mao reform era China.
20 This is not meant to imply that there are not other theories that apply to comprehending the motivations behind Chinese foreign policy. However, in this case as it relates to climate change, economic nationalism appears to most effectively bridge any divide between maintaining a sovereignty discourse, pursuing national objectives internationally, and cooperating multilaterally.
established based foreign policy behaviour on climate change will be useful in order to understand the complexities of the climate regime and how it may motivate developing countries to increase their engagements in future.

**Chinese foreign policy: Where economic nationalism meets climate change**

From the authorities and decision-making structures in Beijing, China has approached the contemporary era of globalization as a competition between nation-states. Moreover, mitigating climate change is considered to entail constraints upon Chinese sovereignty and, as a result, participating in UNFCCC negotiations may be antithetical to China’s independent national development and sovereignty goals. However, and perhaps surprisingly, for the past three decades China has been increasingly enthusiastic about multilateralism and has joined a growing number of international organizations, including the UNFCCC regime. The climate change issue, however, fits into what David Kerr describes as a Chinese particularistic international engagement for which “it might also be argued that China is ‘nationalising’ globalization: pursuing a policy of selective and strategic integration that bends globalization to China’s long-term nation-building goals.” Economic nationalism is an appropriate ideological mechanism aiding to comprehend the foreign policy choices the sovereign-centric central government in China faces in the course of participating on a multilateral and globalizing issue like climate change.

Zhu Feng writes that whereas China challenged the international order in the past, “Under the current international system and norms, China can ensure its own national interests.” Similarly, Guo Xuetang remarks that China has strengthened its national profile and accelerated its integration with the world seeking “…a spirit of internationalism (responsibility towards international society) to melt away the suspicion toward China.” Economic nationalism induces behavioural changes in Chinese foreign policy, opening it to multilateral engagement permitting the pursuit of economic development while strengthening the nation-state’s sovereignty. In the

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21 Paltiel, The Empire’s New Clothes, 80.
22 Kerr, “Has China abandoned self-reliance?” 78.
context of China’s climate change multilateralism, economic nationalism offers the UNFCCC as an instrumental space wherein Chinese authorities multilaterally seek to achieve national goals.

Especially in recent years, China has shown itself increasingly willing to engage with the UNFCCC. This has not always been the case since the UNFCCC’s inception with outsiders describing China’s negotiation stance as reluctant and obstructionist. However, many of its contemporary declaratory policies have been encouraging and viewed more positively. Notably, several prominent pronouncements were issued as China prepared its position for the 7-18 December 2009 UNFCCC Copenhagen negotiations. 22 September 2009, Chinese President Hu Jintao spoke at the single-day UN summit on climate change promising a “notable” decrease in China’s carbon intensity per unit of economic (GDP) output by 2020. As well, he stated that: “Out of a sense of responsibility to its own people and people across the world, China fully appreciates the importance and urgency of addressing climate change.” In the weeks leading up to Copenhagen, Premier Wen Jiabao also agreed to attend the summit in person. Chinese Foreign Ministry spokesman Gang Qin added that “Wen's presence at the meeting fully embodies the Chinese government’s great attention to the issue and its political willingness to address the issue with international cooperation.”

Speaking to this thesis’ contemporary application of the diverse term economic nationalism, Eric Helleiner writes that it is “best defined by its nationalist ontology instead of its specific policy prescriptions.” Rawi Abdelal describes economic nationalism as an economic policy that follows the national purpose and direction – which may vary. Chinese authorities have reconceptualised multilateral climate mitigation into a national interest, and economic nationalism has effectively removed constraints discouraging the multilateral cooperation of the Chinese nation-state. Using economic nationalism, China seeks to protect its sovereignty and co-opts climate change as an issue to acquire international investment, as well as improve its global image, both contributing to fostering improved conditions for its economic development.

Three important factors have combined to facilitate the conditions for China’s actualization of economic nationalist multilateralism in climate foreign policy-making. First, post-Mao reforms saw Chinese self-identification with sovereign-centrism blur incorporating an emphasis on being seen internationally as a responsible major power. Second, in 1992 when the UNFCCC was formed, mitigating climate change was considered a disproportionate economic burden for developing countries. But in 1997, with the introduction of the Kyoto Protocol which sought to legally bind international efforts to limit temperature rise to two degrees Celsius, clauses were included to incentivize climate mitigation in non-industrialised countries using industrialized countries investments and market-mechanisms to spur development projects. Third, in 1998 the Chinese leadership moved the climate issue from being viewed as a largely scientific concern under the State Meteorological Administration to a primarily political, economic, and development issue under the National Development and Reform Committee (NDRC) and Ministry of Foreign Affairs (MFA). The UNFCCCs incentivized GHG abatement was increasingly viewed pragmatically by Chinese authorities’ intent on maximizing China’s interstate interactions for the purposes of cultivating foreign direct investments (FDI) in development projects and building China’s positive international image and reputation. Climate issue participation has become fully consistent with Chinese development priorities and image concerns which in turn encourage China to be overtly proactive in promoting a Chinese national development strategy that is conscious of climate change and reducing GHG emissions.

Applying the ideology-laden framework of economic nationalism to Chinese climate engagement usefully illustrates the traditional and narrow nature of China’s climate change cooperation. Economic nationalism has made China more amenable to cooperate multilaterally, however this is limited to overt economic and associated status incentives for doing so. Essentially, economic nationalism has not fundamentally altered China’s established foreign policy aims favouring the development of the nation-state through the acquisition of international investment and now technology transfer. Through the added acquisition of status and a positive international image, authorities in Beijing improve the outward view of China as an effective

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partner and therefore a positive destination for development funding and investment. Essentially, Chinese goal-oriented behaviour is merely being actualized with multilateral climate participation in order to obtain developing country benefits which are described by British Prime Minister Gordon Brown as the only mechanisms that “make the economic opportunities of a climate friendly policy real and tangible.”

Chinese climate participation is directly linked to the types of economic development and by association status-image benefits that contribute to national economic development. This in turn, is tied to its self-perception as a great power returning to its former glory. Wu Guoguang and Helen Lansdowne’s general assessment of China’s international participation since the late 1970s economic reform aptly applies: “China has constantly sought material and technological benefits through its participation in international organizations...” Economic nationalism serves to reinforce China’s narrow engagement which does not see the issue of climate change as a threat in and of itself. National goals including economic development which will alleviate poverty in China continues to be considered as inherently contentious with developing in a sustainable and environmentally conscious fashion. Accordingly, China’s narrow view and use of international cooperation has been criticized by some scholars wishing to see China treat climate change as an urgent threat rather than a means to benefit its economy and international image. M.T. Hatch writes of China’s limited willingness to engage saying that “China’s answer to climate change has been very limited nationally as well as internationally,” and that “most of the important and influential Chinese actors in this process prioritize economic development.”

Yuka Kobayashi describes China’s climate change foreign policy as highly opportunistic:

The climate change issue came under focus at the same time China

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needed to regain its international funds and technology transfer. It was an ideal tool, since due to its population and sheer size, together with the [Group of 77] G77 and China coalition, which reinforced the international sense that China was an important country to get international funds against climate change.\textsuperscript{35}

Qin Tianbao adds that before Kyoto’s ratification in 2005: “To a certain degree, China was like a stander-by and its policy and legal response to climate change was passive, reactive and somewhat of a by product.” Since that time however, “China has reoriented itself into being a stakeholder and has taken many more active, positive and specific actions to control climate change.”\textsuperscript{36} In answering why China is able to balance customary nation-state centrism and multilateral climate engagement, economic nationalism clarifies that participative climate action remains focused on accruing economic development and a positive status which augments its present, but predominantly future economic attractiveness, rather than mitigating the effects of the issue of climate change itself.

\textbf{Why these cases?}

Three of the case studies focus directly on China’s extensive economic nationalist motivated foreign policy behaviour relating to climate change. These cases discuss China’s relationship and engagement with three institutions associated to the climate regime. The outlier related MLF case is included as a comparison from which to contrast Chinese behaviour across global environmental issues. In order, the cases include: First, the UNFCCCs Global Environmental Facility (GEF), the climate regime’s original direct funding mechanism for developing states. Second, the Multilateral Fund (MLF), which was created to fund the abatement of ozone layer depletion and which will be analysed in contrast with the GEF. Third, the UNFCCCs Clean Development Mechanism (CDM), the most significant distributive funding mechanisms for developing states wherein industrialised countries invest in GHG mitigation projects in non-industrialised states. Fourth, China’s leadership and influence in the Group of 77 (G77), the representative body for developing countries in UNFCCC negotiations.

With regards to the GEF, the UNFCCCs original economic and technological redistributive instrument, China has been the largest benefactor amongst developing countries


from international investment in climate friendly energy and development projects which have also involved the transfer of new and clean technologies. China’s GEF economic enticement experience with climate change is contrasted with its MLF experience in fighting ozone depleting substances (ODS) during the mid-1980s until present-day. The MLF is considered as a successful template for addressing environmental issues using economic incentives.

According to Anuradha Sen, the most important goals of the CDM are: to assist developing countries, or non-Annex I Parties, in achieving sustainable development and to aid industrialized countries, or Annex I Parties, to meet their CO₂ emission reduction targets. China’s reasons for significant uptake and participation in the CDM are due to the economic nationalist enticements delivered. The CDM is the climate regime’s most considerable financial and technological redistributive instrument and arguably China’s most visible and important form of climate engagement. Uptake of CDM projects involves industrialised countries investing in GHG mitigation projects in non-industrialised nations. China continues to lead developing countries in accruing climate mitigation projects which also frequently have the additional benefit of the transfer of clean technology to China. Due to the scale of its participation in clean development projects through the CDM, China has acquired the most investment, the largest GHG reductions, and also growing power to determine CDM CO₂ pricing.

The G77 is the developing countries key UN and international negotiation body and represents more than 130 developing countries in UNFCCC negotiations. Leadership in the G77 offers China tremendous status, positive international image and influence. As the de facto leader and authority for developing countries in climate negotiations, China’s benefits are three-fold: It is able to pressure industrialised countries towards incorporating developing country perspectives into climate agreements; China’s positive image within the G77 ensures that during international negotiations, China cannot be singled out; and a positive image as a reliable participant, China directly improves its potential to attract foreign investment. Without China’s participation, global reductions in GHGs would be meaningless.

37 Throughout this paper, developing states, non-industrialised states, and non-Annex I Parties all refer to countries which are not considered to be “developed or having reached a particular level of industrialisation.”
Organization of the thesis

Conducting an analysis using these case studies was decided for the following three reasons: First, the case studies chosen provide concrete examples of China’s growing foreign policy participation with global environmental issues and particularly the climate regime. Second, they test the ideational construct of economic nationalism as an explanatory model for why China participates in the international climate regime without fundamentally changing its beliefs and goals on the importance of protecting national sovereignty. Third, in order for the climate regime to survive in the future, it must learn how to ameliorate the incentives that will encourage developing countries such as China to mitigate their GHGs. Therefore, it is necessary to understand why China’s central authorities have positively altered their behaviour with regards to abating the threat of climate change.

Following this introductory chapter is the thesis’ second chapter which discusses economic nationalism in more depth and with a focus on how this ideology is being actualized in the context of the various engagement case studies. In order, chapters three, four, and five, are respectively accorded to individually discussing the GEF-MLF contrast, the CDM distributive funding mechanisms, and the G77 negotiating organisation. The three cases under scrutiny have been chosen for their perceived importance and visibility in international efforts to abate climate change. Furthermore, China’s membership and participation therein is vital to that climate change mechanism or organization’s effectiveness, legitimacy and existence. In addition, China is highly active as a member and participant in these climate institutions which each entail significant economic nationalist incentives to China through direct economic development and/or associated future investment potential through positive status and image as a leader and active participant. Taken together, the four cases of multilateral engagement and participation will illustrate why economic nationalism is increasing China’s multilateral involvement in global efforts to abate environmental challenges, and specifically climate change, while also maintaining a focus on promoting national economic development and sovereignty.
Chapter 2: Conceiving and framing China's climate engagement using economic nationalism
Recognizing that the scholarship on the subject of nationalism is both diverse and extensive, this thesis defines and treats the subject as any behaviour designed to restore, maintain, or advance public images of the nation.\(^{39}\) Moreover, it is also considered as a unifying cultural and historical concept geographically binding peoples to specific territories and leading to the creation of sovereign nation-states. In China, nationalism is a highly important determinant of its international relations. Peter Hays Gries expands on this statement writing that nationalism “may well be the most important determinant of Chinese foreign policy.”\(^{40}\) Globalization, in contrast to nationalism, encourages international interdependence and multilateral relations which may encroach upon the sovereignty of individual nation-states contributing to “the decline or even end of the nation-state...”\(^{41}\)

China has historically opposed international community “joining” due to past national humiliations at the hands of imperialists who violated its borders and exploited and plundered its resources. Contemporarily China has forcefully protected its national sovereignty and the independence of its foreign policy. However, in the reform era, globalization has encouraged China’s economic development through the use of multilateral international relations. The key to comprehending China’s apparent contradictory behaviour as an ardent defender of national sovereignty, while also integrating multilateralism into its foreign policy, is the operationalization of the ideational construct of economic nationalism.


\(^{40}\) Peter Hays Gries, “Nationalism and Chinese Foreign Policy,” in *China Rising*, 105.

Like nationalism, the scholarship on the subject of economic nationalism is characterised by its variety and uniqueness. The diversity in conceptions and by definition also appears grounded in time and marked by its era of application and conceptualization. Defined for its contemporary use in this thesis, economic nationalism is considered as a distinctive component of nationalism, and supports core values which are based upon encouraging “national unity, autonomy and the augmentation of national power.” Actualized according to its modern scholastic contribution to international relations, economic nationalism (re)frames global interdependence not as a challenge to the nation-state, but as a tool which may be used to reinforce established national identities and the means through which these are supported. In China, economic nationalism is ideologically consistent with national goals to modernize, bolster its economic development, and to protect its sovereignty.

Typically opposed to international participation, China’s early response to the global climate regime was characterised by disregard and defiance. While obstruction has not disappeared completely, Chinese economic nationalism is actualized to explain the positive change in Chinese declaratory policies which have increasingly shown interest in multilateral


climate mitigation. Using an economic nationalist lens to assess China’s UNFCCC multilateralism, its particular form of engagement avoids climate abatement as a cause in and of itself and focuses instead on maximizing material growth. Pan Zhongqi expands on this assertion writing that a state can benefit from engaging with the world order in two major respects:

Specifically, material growth and social growth. Material growth discusses national material power and strength, while social growth is the progress of state socialization (normative internalization) in international society, i.e., the progress in accepting and internalizing the international norms.45

Economic nationalism encourages deepened Chinese participation on the issue of climate change, while also allowing China to avoid internalizing climate change as a threat. China’s tone has changed through increased participation, but fundamentally, Chinese climate foreign policy is about the continuity of advancing established Chinese national interests. This chapter of the thesis is divided into three sections: First, it provides a conceptual definition for economic nationalism. Second, it examines the emergence of a socialising nationalism in China founded upon national economic development. Third, it uses economic nationalist to interpret China’s foreign policy engagement with the UNFCCC regime according to its constituent national motivating incentives.

**Defining economic nationalism**

Keeping in mind the qualification that economic nationalism scholarship is diverse and varies over time and space, it is used in this thesis to both affirm the significance of the nation-state in the international system, and to operationalize economic policies as nationalist instruments or mechanisms. George Crane writes: “economic nationalism suggests that production; exchange, consumption, and accumulation can strengthen the national community…”46 Eric Helleiner notes that it can essentially be “everything,” but crucially is defined by a nationalist discourse that is “associated with core nationalist values such as a commitment to national sovereignty.”47 He asserts that as an ideological construct, despite its ambiguous support for diverse economic policies, economic nationalism may be interpreted as

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45 Pan, “China’s Changing Image of and Engagement in World Order,” 44.
the “face of national identity.” Conceptually, economic nationalism presumes the relevance of sovereign nation-states pursuing national goals in an interdependent international order.

Patricia M. Goff remarks that traditionally, economic nationalism evokes conceptions of autarkic practices ranging from protectionism including tariff restrictions on foreign investment and limits to foreign ownership. “At bottom,” she writes that economic nationalism may be interpreted as opposed to economic liberalism.48

In contrast, Pickel rejects economic nationalism as an “anachronistic economic doctrine” and too narrow in the age of globalization.49 Rather, he conceives of economic nationalism as diverse due to the fact that it cannot be assessed merely as an economic doctrine since it “responds to problems situated in particular historical, political, cultural and social contexts.”50 Goff (re)asserts that modern economic nationalism preserves or promotes “a set of shared understandings, cultural values, or social practices...held dear by a significant portion of a national citizenry.”51 Writing in 1987, Robert Gilpin asserts that at its heart, economic nationalisms “central idea is that economic activities are and should be subordinate to the goal of state-building and the interests of the state.”52 In 2001, he added that it “recognizes the anarchic nature of international affairs, the primacy of the state and its interests in international affairs, and the importance of power in interstate relations.”53 Modern economic nationalism, accordingly, should be understood as a complex mechanism seeking to augment national identity and nation-state power, as well as to pursue national objectives using diverse economic tools in the international arena.

In order to better comprehend and specify our conception of economic nationalism, it is useful to relate this concept to nationalism, also a broad concept. Michal Alan Brittingham describes nationalism as emerging from synergies between cultural and historical identities separating selves from others.54 Though not exclusive, in the course of mobilizing national

50 Pickel, “Explaining, and explaining with, economic nationalism;” 111.
51 Goff, “It’s Got to be Sheep’s Milk or Nothing,” 183-4.
identities, individual nationalisms may become associated with particular sovereign territories and may be distinguished according to individual national behaviours, images and roles. Stephen Shulman cites Martin Roessingh who notes that:

Nationalism is ultimately a territorial ideology which is internally unifying and externally divisive; looking inward nationalism seeks to unify the nation and its constituent territory, and looking outward it tends to divide one nation and territory from another.\(^5^5\)

Pickel describes nationalism as context driven: “the ensemble of discourse and actors in an historically – politically, territorially, culturally, economically – defined space associated with and organized around an – existing, newly established, or disintegrating – state.”\(^5^6\) Additionally for Pickel, the nation is bound to economic, political and social regimes, and while these may change, the nation remains - “in the minds of its members and in the minds of outsiders.”

National identity is associated with the state and is strengthened by states pursuing various national objectives in particular contexts.

John Breuilly writes that nationalists have three primary beliefs: “the nation exists, the interests of the nation must be primary, and the nation must be as independent as possible.”\(^5^7\)

Benedict Anderson discusses national identity as imagined, or constructed primarily from representations of “ethnicity, race, language, political-historical experience...” Such depictions, however, fail to adequately take account for any sense that economic life which “might also be imagined and constitute an important aspect of national identity.”\(^5^8\) National identity and economic policy are interrelated and inherently systems shaping with national economic wealth acting as an important determinant of the nature and integrative strength of specific nationalisms.

Economic nationalism emerges as an effective national economic instrument which focuses on expanding national identity and visceral unity through economic policies. Pickel usefully remarks that as a facet of nationalism, economic nationalism can be understood “...as those aspects of nationalism that pertain to ‘the nation’s economy.’”\(^5^9\) Ernst Renan credits economic accomplishment with national integration turning material to spiritual concerns:


\(^{56}\) Pickel, “Explaining, and explaining with, economic nationalism,” 118.


\(^{59}\) Pickel, “Explaining, and explaining with, economic nationalism,” 105-6.
[a] heroic past, great men, glory...this is the social capital upon which one bases a national idea. To have common glories in the past and to have a common will in the present; to have performed great deeds together, to wish to perform still more—these are the essential for being a people.\textsuperscript{60}

Harry Johnson takes an expansive view of economic nationalism writing that, “[n]ationalist economic policy will tend to foster activities selected for their symbolic value in terms of concepts of national identity and the economic content of nationhood.”\textsuperscript{61} He adds describing nationalist satisfaction as “psychic income,” which nations are often willing to weigh and trade for material income.\textsuperscript{62} Economic nationalisms’ use of economic policies to pursue the national goals may form a social “embeddedness” and a unique opportunity to continually re-legitimize the nation’s political and cultural base.\textsuperscript{63}

Helleiner writes that economic nationalism is a malleable ideology that can be associated with any kind of economic policy.\textsuperscript{64} Like with nationalism, he adds that: “Scholarly work on economic nationalism has been faulted for not paying enough attention to the national factor. Bringing it back in would allow for the endorsement of a wide range of policy projects including liberal economic ones.”\textsuperscript{65} Stephen Shulman disentangles nationalist tendencies from economic nationalism recommending that instead of identifying nationalists as those who support:

a particular foreign economy policy, scholars should independently define nationalists, and then examine their foreign policy preferences both theoretically and empirically in the realm of international economic integration.\textsuperscript{66}

Contemporarily, he adds that many nationalists view liberal policies positively as attracting global corporations and investments and improving the competitiveness of national industries.

Nationalism is an ideational mechanism that seeks to foster positive images supporting national identity and unity. In spite of globalization forces and increasing internationalism, economic nationalism presupposes the importance of the nation-state in its interactions with the


\textsuperscript{63} Pickel, “Explaining, and explaining with, economic nationalism,” 118.

\textsuperscript{64} Helleiner, “Economic Nationalism as a Challenge to Economic Liberalism?” 326.

\textsuperscript{65} Helleiner, “Economic Nationalism as a Challenge to Economic Liberalism?” 307-8.

\textsuperscript{66} Shulman, “Nationalist Sources of International Economic Integration,” 368.
international system, and infers that the nation-state and global economic change are not in contradiction. Rather, economic nationalism may be internalised simply as prioritizing national “goals” rather than the “means” by which to achieve them. Economic nationalism’s ideological flexibility proposes that economic growth strengthens national identity and that economic policies may be utilised in multilateral relations to achieve national goals.

**Nationalising China’s economic growth and the conditions for economic nationalism**

The conditions for the rise of economic nationalism in Chinese foreign policy originates through a combination of a deeply rooted sense of historical imperialist injustice and qiangguomeng (the dream of a strong China), as well as the strength of a nationalist economic development discourse promulgated by the Chinese Communist Party (CCP) and accepted by the Chinese people in the late-1970s following Mao.

Modern Chinese nationalism is influenced “in reaction to the suffering the country experienced at the hands of foreign powers,” and accordingly, China seeks to regain its status as a respected major power. China perceives international respect and influence as coming from China’s economic growth and development relative to other states. Shulman affirms that: “In the modern age, the worth of a nation and its culture is measured in large part by their economic accomplishments. Economic achievements symbolize the glory and quality of a nation and its culture.” China’s national goals are increasingly pursued internationally through an expansionist economic agenda. Crane links economics with national growth noting that: “Nationalism may create national identity, but industrialisation, in the first instance, produces nationalism.” He adds that the “economic content of nationhood,” suggests that an instrumental relationship exists between the economy and nation. He identifies three ways in which national narratives are rendered in economic terms fostering ideological economic nationalist principles:

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67 Goff, “It’s Got to be Sheep’s Milk or Nothing,” 186.
70 Shulman, “Nationalist Sources of International Economic Integration,” 373.
economic historical experiences of suffering that are made into powerful signs of collective identity; economic accomplishments that can serve as emblems of shared glory; and assertions of an organic societal unity rooted in a common economic life.\(^73\)

Ernst Gellner writes that “economy” and “nation” are discrete, though interactive, realms. He asserts that economic forces, “give rise to the nation and the nation ultimately serves a broader economic purpose: the reproduction of industrial society.”\(^74\) In effect, the nation strategically uses economic policies in order to strengthen national identity.

The economic dimensions of fostering Chinese national unity have also arisen, according to Allen Carlson, because China’s authorities are interested in maintaining strong rule at home:

> At a fundamental level, they agree that doing so requires an ongoing promotion of the country’s development, and garnering support and legitimacy for such policy requires them to maintain a singular, monolithic narrative about the centrality of the party to the saving of the Chinese nation.\(^75\)

To boost its failing legitimacy post-Mao, the CCP opted to use nationalism to unite people under the authority of the CCP-state. Deng, followed by successors Jiang Zemin and Hu Jintao, used nationalism, which remained “a most reliable claim to the Chinese people's loyalty and the only important value shared by both the regime and its critics.”\(^76\) Brittingham adds that national identity embodies the political expression of nationalism.\(^77\) In order to reinforce the domestic role of the CCP, strengthening national identity would consist of moving from past humiliations into using economic development as a driving force for China’s modernization.\(^78\)

Pickel remarks that as communist ideologies lost popularity, postcommunist societies endured a “rebranding” under globalization.\(^79\) Deng Xiaoping decried Chinese weakness and articulated: “a ‘reformed’ China, one that gains from openness to global economic forces, from technologically sophisticated industry, and from rising standards of living.”\(^80\) In China, economic nationalist ideology combines sovereignty and interdependent economic growth to pragmatically participate internationally. During communist ideology’s decline and failure to “advance any

\(^{73}\) Crane “Imagining the economic nation,” 215.


\(^{76}\) Zhao, “Ideational Sources of China’s International Behavior,” 9.

\(^{77}\) Brittingham, “The ‘Role’ of Nationalism in Chinese Foreign Policy,” 150.

\(^{78}\) Zhao, “Ideational Sources of China’s International Behavior,” 10.

\(^{79}\) Pickel, Introduction to “False Oppositions,” 2.

\(^{80}\) Crane, “Economic Nationalism,” 73.
new ideology as an integrative force”\textsuperscript{81} in the post-Mao period, China’s leadership adopted economic nationalism which sought to strengthen national unity through economic development. In so doing, economic development was to be pursued in previously unthought-of places, the international arena. Kent writes that the convergence between China’s new goals to expand its economy, along with globalization as the means with which to achieve them, served to strengthen Chinese power. Furthermore, Chinese culture simultaneously acted as a barrier to protect Chinese society from many non-economic integrationist influences inherent to globalizing forces.\textsuperscript{82}

Helleiner states that regardless of economic policies which may vary - as an ideology, economic nationalism “presupposes the importance/strength of the national discourse first and foremost.”\textsuperscript{83} Brian McVeigh describes capitalist economies as, quasi-religious and almost mystical in nature.\textsuperscript{84} Considering that nationalist goals of unity, identity, and autonomy are pursued with economic policies, China’s economy has become a nationalist rallying point and driving force for China's development and international relations. Crane agrees linking Chinese economic success and national identity which “inspires a sense of common glory.”\textsuperscript{85}

Chen Zhimin believes that the CCP’s nationalist turn entailed adopting three key goals: economic development, national unity through independence, and greater international status. Of these, he remarks that economic development is vital to realize all other national missions.\textsuperscript{86} At the end of the 1970s, Deng took advantage of a “crisis of faith”\textsuperscript{87} in communist doctrine to describe China as ‘backward,’ economically destitute, vulnerable to foreign manipulation, and inconsistent with its ancient civilization’s glory.\textsuperscript{88} Chen writes that at the Third Plenum of the Eleventh Chinese People’s Congress in December 1978 was a watershed for ushering in economic modernization and the improvement of the Chinese people’s living standards as "central tasks" of the government.\textsuperscript{89} China’s backwardness was blamed on its closed-door policy

\textsuperscript{81} Zhao, “Ideational Sources of China’s International Behavior,” 8.
\textsuperscript{82} Kent, “China’s Changing Attitude to the Norms of International Law and its Global Impact,” 60.
\textsuperscript{83} Helleiner, “Economic Nationalism as a Challenge to Economic Liberalism?” 310.
\textsuperscript{84} Brian J. McVeigh, Nationalisms of Japan: Managing and Mystifying Identity (Lanham, Maryland; New York: Rowman and Littlefield Publishers Inc., 2006), 99.
\textsuperscript{85} Crane, “Imagining the economic nation: Globalisation in China,” 216.
\textsuperscript{87} Sun, The Chinese Reassessment of Socialism, In Crane, “Economic Nationalism,” 73.
\textsuperscript{89} Zhimin, “Nationalism, Internationalism and Chinese Foreign Policy,” 46.
which hindered China’s development and opening the economy would lead to a return to greatness. National-identity and unity would coalesce around surpassing “the productivity growth of leading economies” and return China to its position as “the largest economy in the world.” Domestic socio-economic development became the primary goal of the state, and economic nationalist ideology helped marry the economy and prosperity of the nation-state.

Zhao Suisheng believes that in the wake of Deng’s market reforms, nationalism as a coalescing agent appeared at the same time that pragmatism was becoming accepted in China as the dominant line of thinking. He defines pragmatism as behaviour “disciplined by neither a set of values nor established principles.” Deng’s vivid use of metaphors, such as his “cat theory,” exhibits pragmatic thought in China’s pursuit of modernization: “a cat, whether it is white or black, is a good one as long as it is able to catch mice.” Economic nationalism uses pragmatic principles to pursue national interests with varying economic policies. Abdelal effectively notes that, “national purposes vary...and so must economic nationalism.” Pragmatism, feeding from economic nationalist objectives of strengthening the nation, emboldened Chinese authorities to welcome specific multilateral engagements without fearing the loss of sovereignty. Slogans like “building socialism with Chinese characteristics,” were used in order to justify such action.

At the end of the 1970s, maintaining economic growth necessitated the Chinese state to pragmatically accept increasing international interdependence. Karine Matthews and Matthew Paterson write that: “The nature of state responsibility for the economy is usually taken to mean that states promote economic growth.” By linking national identity to economic development, the Chinese state increasingly had to look for additional ways to secure continued economic growth. In order to “maintain economic growth within the territory they claim to control,” Chinese authorities are cognizant that they must coordinate macroeconomic policies to restructure and internationalize the state. Such an economic growth model embodies economic

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91 Kerr, “Has China abandoned self-reliance?” 84.
93 Zhao, “Ideational Sources of China’s International Behavior,” 9.
95 Zhao, “Ideational Sources of China’s International Behavior,” 9.
97 Crane, “Imagining the economic nation,” 219.
nationalist ideology since it is primarily concerned with promoting the shared achievements of the Chinese nation, however such success encourages using diverse policy tools, including attracting foreign investments and linking with export markets.

In China, national identity and personal successes are integrated around the economy. Ann Anagnost states that the rapid economic growth is premised on the “deployment of the ‘latent’ potential” of harnessing collective self-interest in the market economy. It has become commonplace that China’s economic, national and individual social fortunes run hand in hand. Deng and others expounded socially-integrative slogans such as to “get rich is glorious” (zifuguangrong) to unite individual Chinese around a shared national identity. Such statements have been highly effective in nationalizing China’s economic development. Anagnost describes the normative Chinese citizen as having internalized economic prosperity and is “endowed with high cultural capital and the power to consume.”

In this renewal of a social Darwinian ‘struggle of the fittest’, the competition for recognition of individuals in terms of their ‘quality’ (suzhi) is directly connected to a concern for ‘overall national strength’ (zonghe guoli) at the level of global competition among nation-states.

Leonard Tivey comments that: “For the nationalist, economic development is a matter of pride and of patriotic duty. Prosperity, and even more, signs of prosperity are marks of collective achievement.” Abdelal remarks that nationalism has four primary effects on governments’ foreign economic policies:

It endows economic policy with fundamental social purpose, related to protecting and cultivating the nation; it engenders the economic sacrifice necessary to achieve societal goals; it lengthens the time horizons of a national community; and, most significantly, it specifies a direction for policy, away from the group that a nation conceives of as “other” and, often, toward another cultural space.

Anagnost adds: “For many Chinese the growth of a middle class is a national project that signifies China’s membership in the developed world.” Internally, the strength of the Chinese

100 Anagnost, “From 'Class' to 'Social Strata,'” 499.
103 Abdelal,“Nationalism and International Political Economy in Eurasia,” 21.
104 Anagnost, “From 'Class' to 'Social Strata,'” 499.
economy is unifying fostering an economically driven Chinese identity and nationalism. Externally, she identifies Chinese authorities’ urgency for actualizing “rapid economic growth,” and notably as seeking to “...ensure that China not become subject to the ‘beck and call’ of stronger nations.”\(^\text{105}\) Shulman notes that “Economic prosperity in turn enhances the respect and prestige the nation enjoys among its own members and other nations,” an important aspect of national identity.\(^\text{106}\)

Economic development in China, accordingly, evolves from an economic nationalist model which overcame communism’s 1970s crisis by opening the economy to international engagement as a crucial means to usher economic modernization and grow national unity and strength. Chinese economic nationalism promotes economic integration, interdependence and rapid international growth while preserving the primary role and sovereignty of the nation-state.

**China’s climate engagement: Change, continuity and economic nationalist incentives**

Chinese authorities view climate change as a shared threat to life on the planet, but more importantly as a specific challenge to its national foreign policy-making. As the largest developing country, Chinese authorities are advancing the livelihoods of nearly a quarter of the world’s population. Maintaining the pace of rapid economic development is crucial for this and mitigating GHGs are, “... not considered to be a primary priority of China’s decision makers.”\(^\text{107}\) Reducing GHGs may slow China’s economic growth possibly constraining the state’s ability to improve people’s livelihoods. In spite of trying to avoid encroachments upon its sovereignty, sustain rapid economic growth, and oppose capping developing countries’ GHG emissions, China has somewhat eased its obstructionism and foot-dragging in climate negotiations.

Economic nationalist ideology is a useful guide for understanding China’s incentives to cooperate with the UNFCCC. China’s engagement is illustrated according to the economic and status benefits it receives as the primary destination for Clean Development Mechanism (CDM) and Global Environmental Facility (GEF) projects and funding, as well as the positive image and status China gains from associating with the Group of 77 (G77) nations in climate negotiations.

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\(^\text{106}\) Shulman, “Nationalist Sources of International Economic Integration,” 373.

Since the UNFCCCs inception, China’s position has been that developed countries over-exploitation of planetary resources has been the greatest contribution to climate and environmental degradation. Therefore, developed countries should pay developing countries to cope with the effects of climate change through financial and technological transfers.\footnote{“Beijing Ministerial Declaration on Environment and Development” (Beijing: SSTC, 1991), 1-3, In Elizabeth Economy, “Chinese policy-making and global climate change: two-front diplomacy and the international community,” in The internationalization of environmental protection, ed. Miranda A. Schreurs and Elizabeth Economy (Cambridge: Cambridge University Press, 1997), 33.} Contemporarily, China’s climate declaratory policy appears to have evolved into a composite of long-established stances and nuanced considerations.

At the World Summit on Sustainable Development in Johannesburg in 2002, the same year China agreed to the non-binding Kyoto Protocol, former Premier Zhu Rongji stated that: “As the world's largest developing country and a major player in environment protection...We are deeply aware of the responsibilities on our shoulders.”\footnote{Ann Kent, Beyond Compliance: China, International Organizations, and Global Security (Stanford, California: Stanford University Press, 2007), 144.} In 2007 at the Asia Pacific Economic Forum, President Hu Jintao noted that China seeks to tackle the root causes of climate change through adopting sustainable development practices, optimized energy infrastructure, and moving to a low-carbon, resources-conserving and environment-friendly society.\footnote{“Hu Jintao expounds China's stance on climate change at APEC meeting.” ChinaView.cn, 8 September 2007. http://news.xinhuanet.com/english/2007-09/08/content_6687377.htm [Last Visited: 30 December 2009].}

change, and make sacrifices to protect the climate and environment, however, we will absolutely not take on the same level of responsibility of developed countries."\textsuperscript{112}

In order to maintain national goals of economic growth and modernization and development, China’s primary foreign policy objectives have been re-(de)fined, though not fundamentally altered, to ensure a stable and favourable international environment for its domestic development.\textsuperscript{113} China’s aversion to strong and binding climate commitments fits well within what Kerr refers to as China’s “conditional accommodation.”\textsuperscript{114} Fittingly, China, the largest global GHG emitter, acknowledges it will share the climate mitigation burden, but continues to refuse hard caps to its GHGs. Less than two weeks prior to the opening of the Copenhagen summit, 26 November 2009, China’s State Council made a voluntary “…major contribution to the global effort in tackling climate change,” pledging that by 2020, the country would reduce its CO\textsubscript{2} emissions\textsuperscript{115} per unit of gross domestic product (GDP) by 40 to 45 percent compared to 2005 levels.\textsuperscript{116}

China’s pledge was welcomed by scientists and politicians around the world since it was the first time China formally quantified its commitments to reduce GHGs. In contrast, however, China’s pledge also elicited international skepticism considering that due to the expected and continuing growth of China’s economy, reducing carbon intensity is much less stringent than formally capping GHG emissions. Energy and climate specialists like the Council on Foreign Relations’ Michael Levi, was unconvinced citing UN International Energy Agency, U.S. Department of Energy, and Chinese government reports all suggesting that China was already on track to achieve such GHG intensity reductions prior to the formal GDP-intensity reduction pledge.\textsuperscript{117} At the opening of the Copenhagen Summit, China’s Minister for Science and Technology, though not officially speaking for the government, remarked that China’s carbon emissions would likely peak “the sooner the better” between 2030 and 2040.\textsuperscript{118} Intentions and

\begin{itemize}
\item Qin, “China’s New Diplomacy and the International Environment,” 18.
\item Kerr, "‘Has China abandoned self-reliance?’” 87, 100.
\item CO\textsubscript{2} is perhaps the most common, and perhaps the most important greenhouse gas (GHG) requiring abatement.
\end{itemize}
not formal commitments to visibly reduce GHGs do not fulfill the UNFCCCs goal to limit the worst effects of climate change by limiting global warming to two degrees Celsius. Rather, China’s continuity-based climate foreign policy strategy persists bolstered by participatory declarations and non-binding pledges, and commitments to guard Chinese sovereignty and economic growth.

Chinese climate policy is marked by significant continuity with traditional foreign policy objectives. Chinese foreign policy consistency was emphasized at Deng’s funeral in 1992 where then Premier Jiang Zemin’s eulogy discussed China’s development as inseparable from the international system, but also inspired by Maoist self-reliance. Kerr separates China’s traditional goals into two categories: “first, developing the material and intellectual quality of the life of the people; second, building the comprehensive power of the nation...” He adds that these goals bear a remarkable resemblance to the socialist era and states that China has changed its “social practices in line with experience and historical trends but has remained largely consistent in its objectives.” Given this policy constancy, Kerr believes that assessments of China’s economic change suffer from “an unhealthy outbreak of political liberalism.” Shulman notes that globalization merely changes the techniques that nationalists use to achieve the same ends of bolstering power, prestige, or the prosperity of the nation. Change in Chinese foreign policy has not occurred as international engagement, and the Copenhagen Summit is an example, merely exhibits economic nationalist accommodation of the international system and the transposition of consistent national objectives across time.

China’s negotiation stance at the Copenhagen Conference exemplifies climate foreign policy consistency. In Copenhagen, Prime Minister Wen Jiabao said China would “do its share regardless of the outcome of international negotiations,” and that “China’s measures are a sign of responsibility to the Chinese people and the whole of humanity. He added also that China will honour “words with real action. We commit to meet and even exceed our target [of 40 to 45 percent energy intensity reductions per unit of GDP].” However, positive affirmations were accompanied by hostility towards any form of emission reduction transparency and international

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120 Kerr, “Has China abandoned self-reliance?” 95.
verification to ensure countries meet their stated commitments. Throughout, China fervently opposed international monitoring as an affront to national sovereignty halting negotiations on several occasions. Accordingly, British Climate Change Minister Ed Miliband accused China of hijacking negotiations contributing to the Summit’s weak non-binding agreement.

Chinese authorities consider climate engagement according to the costs of taking action versus non-action, as well as the benefits accrued through cooperation. While China has slowed the pace of negotiations, and refuses to be bound by hard emission reductions, but economic nationalist principles compel China’s engagement with the climate regime in other ways since its national interests for economic and national development will be supported. Climate change is a good example of how Chinese international relations have evolved to incorporate international cooperation and multilateralism into foreign policy pursuits. Pickel writes that economic nationalism “should be understood simultaneously as political action in a specific historical context.” Derek Hall states that when economic nationalism is understood in terms of goals or motivations, the contradiction of strengthening national interests - such as sovereignty and national identity through increasing interdependence and liberalisation - for economic nationalist reasons is resolved. Applying an economic nationalist lens helps us to understand how China legitimizes its negotiations, declarations, and why participation brings success to China in achieving its national objectives.

Elizabeth Economy argues that environmental policy in China “has sought to further several goals: protect Chinese sovereignty, acquire foreign aid and technical assistance, and promote China's economic development.” Yu Hongyuan, for his part, asserts that Chinese bureaucrats tend to view the prevention of global warming as a means to sustain and increase China’s rapid economic development. John P. Burns states that there are three interests based

129 Though global warming and climate change may be interpreted to imply different meanings, throughout this paper, I use the two terms interchangeably to refer to human-influenced climactic change caused in large part from GHG emissions.
incentives for China’s policy coordination: “fiscal pressures, economic globalization, and economic development.” Yuka Kobayashi adds that “Chinese officials have taken developing environmental industries, advancing sustainable development, and gaining aid and technology transfer as China’s objectives in the environmental policy.”

David Victor speaks to the strategic nature of China’s climate engagement citing one observer who states that “only when outsiders (e.g., the GEF [Global Environment Facility]) have paid the incremental costs has China been willing to implement global warming projects.”

China’s expansionist engagement with the UNFCCC can be broken down according to its constituent parts, highlighted through the three cases of CDM, GEF and the G77. These three instruments of participation break from sovereignty-focused state negotiations and show why China international engagement is able to maintain national values and traditional foreign policy goals of economic development and augmenting international status. Jeon Hyung-Kwon and Yoon Seong-Suk note that because developed countries use negotiations to try and cap the emissions of developing states, unilateral material gains are helping to ensure that China remains at the Kyoto negotiation table. While it is necessary for developed countries to modify their behaviours, less affluent countries must also be provided with sufficient incentives to induce a modification of their behaviour as well.

In China, economic nationalist cooperation on climate is providing opportunities for China to pursue economic benefits without prioritizing concerns for the climate issue itself. E.S. Steinfeld summarizes China’s extensive participation in the global economy as disguised shallow GDP-focused integration. Carmen Richerzhagen and Imme Scholz point out that:

Most climate-related strategies and measures are based on the desire to maintain economic growth, e.g., measures to increase energy efficiency, to ease dependence on external energy sources, to secure energy provision, and to reduce urban pollution and related damage to human health. In most cases, reduction of GHG emissions is a desirable byproduct...

Climate change has been reframed and Chinese thinking has shifted towards concrete UNFCCC engagements highlighted in the cases of CDM, GEF and G77. Each of these instruments of participation maintains national values and traditional foreign policy goals, which include economic development and augmenting international status with international appreciation.

The UNFCCCs CDM and GEF funding instruments represent a win-win for economic development and national identity. Implemented at local and regional levels, sub-national authorities seek to attract climate investment and projects in order to grow the GDP of their region thusly improving their individual career prospects. Gregory Fuller writes that much like the ancient warlords, “[e]conomic growth has become the path to career glory for city mayors.” Zhao asserts that “Chinese people would use any means to become rich and Chinese leaders would adopt any approach that would help the quest for power and wealth.” Anagnost adds that for individuals, social positioning has become culturally popular with many Chinese tracking their progress to middle class status.

In addition to the economic gains from conceptualizing climate change as an economic nationalist concern, China is compelled to acquire international status. China’s concern for status stems from its aspiration “to recover the grandeur and power that marked its thousand-year history” and the wish to turn its self-identification as “a responsible great nation” into international credibility measured “in part by participation in [global] institutions.” China takes its image very seriously and climate change is a way to improve its international standing.

Tivey argues that a “nation should feel self-confident: it needs prestige and success, and to be respected by others. It needs to stand well in the world.” Michael H. Hunt writes that China’s imperial past defines its future “as a standard (or perhaps more accurately a national

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137 Richerzhagen and Scholz, “China’s capacities for mitigating climate change,” 20.
139 Anagnost, “From Class to Social Strata,” 499.
myth) of cultural achievement and international power and influence to live up to.” Chinese foreign policy is endowed with what Allen Whiting calls a “preconceived stereotype” or self-image and accordingly, in seeking to regain its status as a respected major power, “Beijing cannot set its foreign-policy sights too low.” Julia Lovell notes that China’s quest for status is a dichotomy of both, “A sense of entitlement to Western-based international plaudits” and “an anxious need for that belief to be affirmed by the West.” Whatever the issue, Chinese foreign policy seeks affirmation from external partners and cultivates China’s image as a great and responsible power.

Michel Oksenberg and Elizabeth Economy write that China’s participation in international regimes stems from its “concern about its international image, and how it wants to be viewed as a cooperative and responsible actor.” Jonathan Mercer remarks that states seek to construct positive reputations for predicting future behaviour, and Robert Keohane adds that: “to a government that values its ability to make future agreements, reputation is a crucial resource.” China’s economic development hinges upon sustaining positive international relations in order to encourage international investments and therefore improving its international image is highly important for continued modernization. Pan describes the world order and the structure of the international system as, “a set of international norms that sustains it are two major components of a world order. A state’s image of world order is an important intermediary through which a state interacts with world order.” Since China is increasingly benefitting from its engagement in world order, China has become a promoter of world order while also “cultivating a new international image [for itself] as a responsible, constructive and expectable nation.”

146 Goldstein, “Parsing China’s Rise,” 78.
Being the largest national GHG emitter, China conveys a negative external image with regards to abating climate change. Deng Yong states that generally China seeks to counter negative representations “through a commitment to building a cooperative, responsible image in international society.” With increased multilateral climate participation, China is presenting itself as a cooperative and responsible climate steward. Ida Bjørkum notes that a positive image importantly is leading to a more proactive China on climate change, “seeing as China tends to be very sensitive to criticism...One can at least assume that China will minimize negative image costs.” Liah Greenfeld writes that: “National identity is, fundamentally, a matter of dignity. It gives people reasons to be proud.” China has a stake in projecting a positive external climate image due to the positive status gains it acquires in cultivating such an image. China’s relationship with the G77 is an example of its growing international influence which entails significant additionally gains due to fellow developing country support.

On a transnational issue like climate change, multilateralism allows actors like China to seek core interests of economic and positive self-images in tandem. Chinese national goals have not been altered in the course of participating on climate change; however its international relations have evolved to incorporate international cooperation into results-driven foreign policies. Economic nationalism proves effective at promoting ambitious Chinese economic development and a reputation as a responsible international actor. Though China will negotiate, make declarations, and even sign agreements on participation, economic nationalism exemplifies continuity in pursuing Chinese national interests. Crane elaborates on China’s pragmatism in preserving its national interest stating that: “we should expect specific policy prescriptions of economic nationalists to vary with representations of the economic nation...” In spite of climate change as a threat in and of itself, China participates in the UNFCCC for very narrow economic and image purposes, while also retaining a longstanding drive to protect its sovereignty.

154 Bjørkum, China in the International Politics of Climate Change, 19.
156 Crane, “Economic Nationalism,” 74.
Chapter 3: China’s consistent benefits from the Global Environmental Facility and the ozone regime’s Multilateral Fund
The nature of multilateral environmental agreements (MEAs) is such that their success hinges on inducing multiparty international cooperation. Due to the unequal distribution of means and resources across countries, direct financial assistance has served as a necessary tool to encourage collaboration to address global environmental problems in multilateral environmental regimes. Krasner writes that international regimes are composed of “principles, norms, rules, and policy making procedures around which actor’s expectations converge in a given issue-area.” Laurence Boisson de Chazournes describes the “provision of assistance to developing countries to secure their commitment with objectives and provisions of MEAs,” as a familiar feature used by industrialised countries seeking to attract developing country support.158

International community efforts to encourage the participation of countries like China on climate change have heavily favoured the use of financial incentives. This is based, at least in part, on the successful economic incentivization of another environmental concern which gained widespread attention earlier in the 1980s. The degradation and depletion of the ozone layer emerged as a severe environmental and health issue in the 1980s and by mid-decade became a concern important enough to warrant swift global action. Accordingly, the international community fashioned the Montreal Protocol on Substances That Deplete the Ozone Layer (Montreal Protocol) to address the global ozone threat. China’s foreign policy stance towards multilateral environmentalism has exhibited significant suspicion for international cooperative efforts. However, with an economic nationalist focus for encouraging national development, MEAs have been useful to reorient Chinese conceptions and also to leverage Chinese cooperation at a price. In the early 1990s the ozone regime, accordingly, created Multilateral Fund (MLF) in order to financially compensate developing state party’s cooperation in the Montreal Protocol.

While economic, political and scientific consensus believes that climate is the much more complicated environmental issue to solve; Jimin Zhao and Leonard Ortolano assert that ozone depletion may provide important insights into China’s response to other global environmental

problems. Former Chinese State Environmental Protection Administration Director Qu Geping describes the similarities in the global warming and ozone regimes with:

Compared to efforts in other areas, such as the prevention of global warming and the protection of biodiversity, the effort to protect the ozone layer is much less broad in scope, complexity and degree of difficulty. However, it does provide us with some invaluable experience that could be applied in tackling other global environmental [problems] we are facing right now.\footnote{Jimin Zhao and Leonard Ortolano, “The Chinese Government’s Role in Implementing Multilateral Environmental Agreements: The Case of the Montreal Protocol,” \textit{The China Quarterly} 175 (September 2003): 709.}

Shortly prior to the MEA on climate change, and the resulting creation of the UNFCCC, industrialized countries sought to engage with developing countries on the global environmental impacts of their development with through the Global Environment Facility (GEF). Not wholly supported by developed countries, and largely opposed by developing countries, the prevalence and rising global concern for environmental challenges led to the GEF becoming the UNs primary financial (re)distributive mechanism to entice developing countries to adapt their development along sustainable and environmentally conscious lines. When the climate regime formed in 1992, the GEF became the primary direct financial transfer instrument of the UNFCCC. Since the GEFs inception, China has received the greatest amount of total GEF funding, and in particular the funding directed towards climate mitigation projects, which has entailed important economic nationalist benefits for China’s national development and global prestige. According to Yu, the GEF is:

\begin{quote}
The world’s unique multilateral environmental funding source, the only multilateral financial mechanism, and the financial implementing agency for climate change built into the UNFCCC. The GEF provides financial support for projects related to the climate change, and provides grant and finance to developing countries to improve their capabilities to protect global warming.\footnote{UNEP, \textit{Country Programme: China. Report to the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol}. UNEP/OzL. Pro. 5/12, In Kent, \textit{Beyond Compliance}, 162.}
\end{quote}

With particular emphasis on its climate engagement, China has taken full advantage of GEF funding which remains a core UNFCCC vehicle to stimulate energy efficiency and low-carbon technology in the developing world.

The raison d’être of for these MEAs and their associated environmental regimes is the need to stimulate developing countries motivation to participate in environmental protection. The

MLF and GEF distributive funding instruments are contrasted here in order to highlight the similar fashion in which they have used economic incentives to entice China’s sustained participation over time and across environmental concerns.\(^{162}\) The two-fold argument that follows premises that: First, ozone’s MLF and climate’s GEF have similarly been effective in encouraging China’s engagement due to their success in stimulating China’s economic nationalist impulsion to foster national development. Second, resultant from China’s engagement with the ozone regime’s MLF and the UNFCCC’s use of the GEF is that China’s contemporary economic nationalist foreign policy is evidenced as inherently continuity-based exhibiting significant consistency in spite of multilateral engagement and sovereignty protection tensions.

The discussion that follows is organized in a three-fold fashion: First, it begins by elaborating on the history of the ozone regime and China’s early reluctant support helping to spur the creation of the MLF. Second, it discusses the development of the GEF and the importance of this instrument in motivating China’s participation in the climate regime. Third, it expands on the mainly financially-based economic incentives China receives from its participation in the MLF and GEF and analyses its economic nationalist cooperation across the two environmental funding mechanisms emphasizing China’s continuity-based climate change foreign policy.

**Multilateral Fund incentives for the ozone regime, and climate parallels**

The Montreal Protocol, which entered into force 1 January 1989, emerged from the 22 March 1985 Vienna Convention which had linked severe damage to the ozone layer with ozone-depleting substances (ODS).\(^{163}\) Like climate change, the degradation of the ozone layer is a collective action problem that cannot be solved by any single country limiting (or eliminating) its production of ODS.\(^{164}\) Zhao describes the Montreal Protocol, which has involved participation of an exceptionally large number of developing countries, as the most successful international environmental agreement.\(^{165}\) From the inception of the ozone regime, China’s participation, like that for the issue of climate change and GHG abatement, was identified by the international

\(^{162}\) It should be noted that there is crossover between the GEF and MLF since the GEF has funded projects to mitigate against ozone depletion; however, this chapter discusses the GEF only in the context of funding climate mitigation projects and therefore the two instruments are addressed in this chapter as mutually exclusive.

\(^{163}\) Kent, *Beyond Compliance*, 154.

\(^{164}\) It is worth remarking upon that ODS refers to a variety of chemicals and gases and included are CFC’s.

\(^{165}\) Jimin Zhao, “Implementing International Environmental Treaties in Developing Countries: China’s Compliance with the Montreal Protocol,” *Global Environmental Politics* 5, no. 1 (February 2005): 58.
community as vital and necessary for the success of the Montreal Protocol and the phasing out of ODS, and has been encouraged specifically through the MLFs stimulation of China’s economic nationalist interests.

According to Zhao, China had been an active participant in negotiating the Montreal Protocol, but had “refused to sign the 1987 protocol because the government regarded the Protocol as failing to provide adequate financial and technical assistance.” In the same vein, during the first meeting of the parties to the protocol in Helsinki in 1989, Chinese delegates proposed the establishment of an “International Fund for the Ozone Layer” and suggested that “developed countries should assist developing countries to gain access to new ODS reduction technologies.” China and India, as they have done in international climate negotiations, also argued that developing countries could not afford the costs of CFC abatement suggesting that financial aid and technology transfer would be necessary for the participation of developing countries. China’s proposal was based on figures showing that, “in 1986, developed countries, which comprised 23 percent of world population, produced and consumed 84 percent of the ODS, whereas developing countries, with 77 percent of the population, only consumed 16 percent of the ODS.”

Zhao notes that “The Montreal Protocol stipulates control measures and schedules for countries to phase out production and consumption of chemicals that destroy the ozone layer.” By 2010, these chemicals, many of which are used in the production of “refrigerators, foams, mobile air conditioning, aerosol sprays, and tobacco,” must be phased out of production processes. In China’s case, many of these chemicals are used in products that are spurring China’s economic development engine. Because environmental concerns at the time, and persisting today, are not considered as priorities for action, we should wonder what motivated China’s participation in the Montreal Protocol. Supporters of the Montreal Protocol grappled with the challenge of stimulating the interest of non-industrialized states to change their production habits and cut their emission of ODS.

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167 State Environmental Protection Administration. Renlei Gongtong de Zeren – Baohu Chouyangceng [Human’s common responsibility - Protect the ozone layer] (Beijing, China: Chemical Industry Publisher, 1996), In Zhao, “The Multilateral Fund and China's Compliance With the Montreal Protocol,” 335.
170 Zhao, “Implementing International Environmental Treaties in Developing Countries,” 59.
Contingent to the Montreal Protocol’s success has been the MLF, “the first financial mechanism to be borne from an international treaty,”\(^{171}\) which was established in 1990 to financially and technically assist developing countries to meet their Montreal Protocol commitments. For Zhao, the MLF is currently “the most prominent example of an international financial assistance mechanism to support compliance with an international environmental agreement.”\(^{172}\) China, seeing a national development opportunity, used its disproportionate size as a producer of ODS to play a pivotal leadership role amongst developing states negotiating the terms of the MLF, and consequently the level of participation developing states would undertake as members of the ozone regime. Ann Kent recalls the importance of China’s engagement remarking that:

> Had China not acceded to a treaty it would have been ‘quite likely that in the long term all the efforts made in protecting the ozone layer would have been in vain, as the use of CFCs in these two countries [China and India] with their immense populations would have surpassed the use of CFCs by all parties of the Montreal Protocol put together.’\(^ {173}\)

In order to successfully realize the Montreal Protocol, non-industrialized states required financial assistance as well as access to new and cleaner technologies from industrialized states. However, wealthier states were not prepared to deliver economic and technological benefits without seeing visible change in production methods in developing states. The MLF therefore linked access to funds with satisfying individual procedural commitments, and according to Zhao, established the “primary driving force for the Chinese government’s procedural compliance and continuous improvement of its implementation strategies.”\(^ {174}\)

MLF financial and technical assistance is provided in the form of grants or concessional loans and is delivered primarily through four “implementing agencies” which include: the UNs Environment Programme (UNEP), the UNs Development Programme (UNDP), the UNs Industrial Development Organization (UNIDO), and the World Bank.\(^ {175}\) Encouraging developing countries to participate made obtaining funding and “the best available and environmentally safe


technologies,” contingent upon “continuous evidence of progress” in abating the production of ODS. Specifically, over-reporting ODS levels or failing to show progress means a direct loss of funding and under-reporting means failure to qualify for funds. This structure encouraged Chinese officials to push for the early phaseout of ODS before Montreal Protocol deadlines both due to cost concerns, as well as a fear that developed countries would stop providing funds if developing countries started to lose interest in ODS mitigation. Developing countries were given a grace period prior to having to reduce their ODS production, however responding to international export market demand was a very important factor in expediting China’s production process shift as it became profitable to produce cleaner products. China failed to meet its 1996 voluntary ODS consumption and production targets, which according to Zhao was “partly the result of the eagerness of Chinese officials to obtain as much MLF funds as possible.” By 1998, however, China was ahead of schedule for meeting its CFC and halon emission levels.

Norman et al. remark that the success of the Montreal Protocol is “most clearly evident in the massive reductions in ODS use worldwide since 1986,” and most notably in developed (depicted as Article 5(1) countries in Figure 1).

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176 Zhao, “Implementing International Environmental Treaties in Developing Countries,” 72.
177 Zhao, “Implementing International Environmental Treaties in Developing Countries,” 66.
178 Zhao, “Implementing International Environmental Treaties in Developing Countries,” 61.
180 Zhao, “Implementing International Environmental Treaties in Developing Countries,” 66.
While the structure of the MLF was built to mitigate damage to the ozone layer, and therefore may not be easily imitated or applied to other issues, the MLF usefully points to successful collaboration between developed and developing countries to address a particular environmental concern. Through the provision of financial incentives and the transfer of new and clean technologies, China, and particularly its economic nationalist foreign policy motivations, were driven to overcome concerns for protecting its sovereignty and avoiding foreign encroachment and came to take on a leadership role negotiating the MLF and embracing this instrument as a means to further its national economic development. Zhao makes the policy prescription for developed countries that they should consider financial incentives an essential means to encourage developing state engagement in MEAs promoting clean development.  

**Paying to protect the climate: The emergence of the Global Environment Facility**

In the 1980s, as environmental concerns grew in importance, the international community decided to create a redistributive funding mechanism which would motivate developing states to consider the environmental impacts of their particular national economic growth and development pathways. The GEF was therefore fashioned as a bargain between the global North and South wherein industrialised countries would provide funds to non-industrialised countries

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in order to turn projects with national benefits into projects with global environmental benefits. Since 1991, the GEF has become a key institution entrusted as the financial mechanism to entice the participation from the South across a number of environmental regimes, including: the UNFCCC, the UN Convention on Biological Diversity, The Stockholm Convention on Persistent Organic Pollutants, the UN Convention to Combat Desertification, and also in partnership with the Montreal Protocol the GEF has funded projects enabling the Russian Federation and nations in the former Eastern Europe and Central Asia to phase out their production of ODS. This section discusses the GEF in the context of this body’s function as the direct (multilateral) funding mechanism to support developing countries’ efforts to limit their production of GHGs.

The following paragraphs emphasize the history of the GEF with a particular emphasis on the North-South discord that has marked this instrument created to foster cooperation.

Chazournes writes that “the establishment of the GEF originates in 1989, when, at the annual meeting of the Board of Governors of the World Bank and the International Monetary Fund, the French Prime Minister” (with German support), suggested establishing a “fund of voluntary grants devoted to the global environment.” Clémenton is explicit describing the GEF as born, “mainly out of a concern by some donor governments’ finance ministries about the proliferation of environmental funds modeled after the Montreal Protocol Ozone Fund” and the significant power conferred to southern partners. Given the importance of developing countries participation in reducing ODS, the MLF had provided developing countries a great deal of power in negotiations. Developed countries were not eager to lose such control again, though at the time of the GEFs creation, it was still another year before the UNFCCC would appear to address climate change as a global threat. In October 1991, the GEF was established as a US$1 billion pilot program mainly controlled by developed countries and run out of the World Bank. The GEFs original purpose was to provide funding which would cover the incremental costs which exceed national environmental protection policies and that are conducted in the absence of global environmental concerns.

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188 Resolution No. 91 – 5, n. 7 above, Annex C, which established the GEF in its 3-year pilot phase, In Boisson de Chazournes, “The Global Environment Facility (GEF),” 195.
During the lead-up to the 1992 Rio Earth Summit and negotiations for the UNFCCC regime, China and other developing states wanted a stand-alone “Green Fund” to dispense restitution for Northern exploitation of worldwide resources. Additionally, they advocated for the creation of such a fund in order to pre-empt Northern proposals to control the dispensation of funding. Northern governments entrenched their position opposing restitution and the creation of another separate environmental fund. Rather, in Rio’s context, industrialized countries supported using the GEF as the financial dispensatory mechanism since it was closely associated with the World Bank over which industrialized countries had disproportionate influence. Rutledge asserts that the Rio Earth Summit profoundly affected the GEF which emerged as a complex mix of industrialised countries motivations to address potentially significant global environmental threats, a demonstration of environmental leadership to domestic environmental parties, the wish to pre-empt “efforts by developing countries to seize control of the international environmental agenda, and the Northern motivation to please domestic opinion with a successful convention signed at Rio.

At Rio, the difficult negotiations between North and South resulted in a compromise with the GEF emerging as the UNs key environmental, and particularly climate change, funding mechanism to be jointly-run by three Implementing Agencies: the UNEP, UNDP and the World Bank. While the World Bank would play a highly visible role in distributing GEF funds, the sovereign rights of developing countries to exploit their resources would be protected. Young believes that many developing countries joined the GEF hoping “that they could shape the developing fund better from the inside than out.”

Too frequently the cause of dissension rather than cooperation, in 1994 the GEF was restructured as a permanent and separate institution outside of the control of the World Bank, consequently negating overt industrialized countries influence according equal representation

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191 Rutledge, “Power and Legitimacy,” 2.
and voice to both the North and South. The GEFs formal founding document, adopted in March 1994, states that the GEF:

- Shall operate, on the basis of collaboration and partnership among the Implementing Agencies, as a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits...

From the GEFs restructuring, developing countries sought to ensure that donor country funding would be in addition to funds already provided in development assistance and not simply the reallocation of agreed upon funding.195

Currently, the GEF is the single largest source of grant-financing for programs and projects in developing countries defined as “generating primarily global environmental benefits.”196 Since its inception, the GEF has proven successful encouraging North-South cooperation and also showing that financial support can be exchanged for developing country support for international environmental agreements, and for our purposes, the climate convention and regime. In what develop follows, China’s relationship with environmental regimes will be elaborated upon placing particular emphasis on China’s economic nationalist inspired foreign policy which has been apt to exchange environmental cooperation for primarily present and future financial and technological, but also associated status, image and prestige benefits.

**Stimulating China’s economic nationalist interest in environmental regimes: Parallels in incentivizing climate and ozone regime benefits**

Both the climate and ozone environmental regimes are oriented around their respective financial redistributive mechanisms, the MLF and the GEF. Without engaging with the particular environmental issues that necessitated the formation of the individual regimes, China’s foreign policy cooperation focuses on the regime’s financial mechanisms and is wholly based upon the acquisition of economic nationalist benefits and incentives. Reducing ODS around from China and around the world has been successful proving the effectiveness of the MLFs incentivization structure. Zhao asserts that China’s willingness to ratify the Montreal Protocol, and its eventual

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successful compliance, as hinged “critically on the provision of financial assistance.”\textsuperscript{197} Furthermore, he describes the MLF as the “dominant incentive” and driving force behind China’s results-driven participation where more than US$ 855 million in funding assistance was dispensed with associated verifiable ODS reductions.\textsuperscript{198} With regards to the GEF, since it was created, China has consistently been the largest recipient of funding direct funding, US$ 751.5 million, which has been used to leverage an additional US$ 6.9 billion in cofinancing. Climate change also happens to be the GEFs environmental issue receiving the largest direct investment US$ 444 million and by association the issue most capable of attracting additional private investments. Both the GEF and MLF are similar in their intent to deliver environmental benefits, but more importantly for our purpose is the similar incentivization that comes with the environmental protection delivered in these regimes and which speaks to China’s distinctive economic nationalist interests. Through participating in the redistributive instruments of the two environmental regimes, China’s continuity-based economic nationalist foreign policy interests are evident over time and across environmental concerns.

Chukwumerije Okereke writes that large developing countries, namely China and India, had enormous leverage on this issue, and clearly had the “ability to exacerbate the problem while remaining relatively less threatened by the dangers.”\textsuperscript{199} Accordingly, China’s bargaining position was highly favourable to extract significant benefits from the Montreal Protocol. Developed countries recognized that despite the economic burdens they would have to endure to assist developing countries, this was necessary since China’s accession, “was an essential step in the process of implementing the Montreal Protocol.”\textsuperscript{200}

The economic nationalist incentives have provided abundant and necessary reasons to cultivate a Chinese foreign policy stance that is open to multilateral participation. The Montreal Protocol had the potential to slow the growth of many industries at an important time during China’s economic development. However according to Zhao and Ortolano, joining the Montreal Protocol accomplished several important national objectives for China, including: displaying national concern for a global environmental problem; showing that China could be a cooperative international actor therefore helping it retain a leading voice in the developing world; helping

\textsuperscript{197} Zhao, “The Multilateral Fund and China's Compliance With the Montreal Protocol,” 333.

\textsuperscript{198} Zhao and Ortolano, “The Chinese Government’s Role in Implementing Multilateral Environmental Agreements,” 714.

\textsuperscript{199} Chukwumerije Okereke, “Equity Norms in Global Environmental Governance,” \textit{Global Environmental Politics} 8, no. 3 (August 2008): 37.

\textsuperscript{200} UNEP/OzL. Pro.3/11, 14, In Kent, \textit{Beyond Compliance}, 158.
China keep up with international technology advancements; providing access to financial and technical assistance; and fostering relations growing China’s export markets.\textsuperscript{201}

As of July 2009, 49 industrialized countries have contributed close to US$ 3 billion supporting more than 6,000 projects in 148 countries.\textsuperscript{202} Figure 2 illustrates the MLFs total funding allocations to all developing countries as well as China in particular, separated according to replenishment period. China has received a decisive portion of all funding with US$ 855 million through 2009.\textsuperscript{203}

\textbf{Figure 2: Total funding (in US$ million) allocated to developing countries and China through the Multilateral Fund by replenishment period}

![Figure 2: Total funding (in US$ million) allocated to developing countries and China through the Multilateral Fund by replenishment period](image)

\textit{Source: Information for total dollar amounts allocated to developing countries was taken from the Web site of the Multilateral Fund for the Implementation of the Montreal Protocol, See: http://www.multilateralfund.org/ [Last visited: 1 November 2009]. Information for total dollar amounts allocated to China was taken from email correspondence with MLF staff December 2009.}

China’s economic nationalist motivations extend beyond financial benefits and relate to cultivating a visible leadership role amongst developing counties in international forums. With a means to augment its international status and influence, Chinese authorities have tempered their


\textsuperscript{203} Information for total dollar amounts allocated to developing countries was taken from the Web site of the Multilateral Fund for the Implementation of the Montreal Protocol, See: http://www.multilateralfund.org/ [Last visited: 1 November 2009]. Information for total dollar amounts allocated to China was taken from email correspondence with MLF staff December 2009.
wishes to protect Chinese sovereignty since the Montreal Protocol demonstrates that China is a cooperative and responsible international actor.\footnote{Michel Oksenberg and Elizabeth Economy, “Introduction: China Joins the World,” in China Joins the World: Progress and Prospects, ed. Elizabeth Economy and Michel Oksenberg (New York: Council on Foreign Relations, 1999), 5, In Zhao, “Implementing International Environmental Treaties in Developing Countries,” 66, 72.} In March 2003, the World Bank presented Environment Minister Xie Zhenhua with its annual Green Award for his “outstanding leadership in protecting the ozone layer.” Also, in September 2003, “China was recognized by the Ozone Secretariat as an outstanding National Ozone Unit because of the country’s progress in meeting compliance targets.”\footnote{China Daily, 15 March and 22 April, 2003, In Zhao, “Implementing International Environmental Treaties in Developing Countries,” 63.} In this vein, Richard Benedick, a principal architect and the chief US negotiator for the Montreal Protocol has written that: “China has also been from the beginning one of the most cooperative and conscientious parties to the Montreal Protocol, notwithstanding the needs of its large and rapidly expanding economy.”\footnote{Richard E. Benedick, Ozone Diplomacy: New Directions in Safeguarding the Planet, enlarged edition (Cambridge, MA: Harvard University Press, 1998), 264, In Zhao and Ortolano, “The Chinese Government’s Role in Implementing Multilateral Environmental Agreements,” 716.}

China, disproportionately more than any other developing country, has profited from its engagement in the GEF. Purposefully directing GEF funding towards climate change initiatives, many Chinese bureaucrats believe the capacity to avert the worst affects of climate change rest with the state’s ability to sustain rapid economic development. Their thinking follows that as the economy grows so too does China’s ability to protect the environment.\footnote{Interviews with Zhang Jiayuan, Huang Jing and Zhou Hailin, China Ministry of Science and Technology, 15-22 April 2003, In Yu, “Global Environment Regime and Climate Policy Coordination in China,” 68.} China’s interest accordingly, is generated from the visible economic nationalist benefits China receives, which include: external financial and technical assistance, the transfer of advanced and environmentally friendly technologies, and significant foreign investments.\footnote{Zhang Zhihong, “The forces behind China’s climate change policy: interests, sovereignty, and prestige,” in Global Warming and East Asia: The Domestic and International Politics of Climate Change, ed. Paul G. Harris (New York: Routledge, 2003), 72-75, 82.} Hence, GEF benefits entail both the state’s ability to provide climate protection and also encourage China’s economic development.

China’s Ministry of Foreign Affairs (MOF) plays a key role in developing China’s multilateral climate engagement as well as in preparing GEF project applications. Through the collaboration of several Chinese bureaucracies, an extensive infrastructure (Figure 3) has been developed in order to promote China as a host country for GEF projects.\footnote{Yu, “Global Environment Regime and Climate Policy Coordination in China,” 72.} China has been keen to use its significant GEF infrastructure and negotiating power to garner the largest sums of GEF...
project funding, which have mainly come from public sources and which have thrived in leveraging many times their initial outlays in private funding, but also to encourage the transfer of Northern technology and technical capacity assistance.

Formally, GEF investments are intended for projects providing global benefits and do not have the explicit intention of generating financial profits to the host countries. Heggelund et al. remark that of the three GEF implementing agencies (the UNEP, UNDP and World Bank), World Bank climate change projects more easily attract funding, cofinancing\(^{210}\), and are more frequently accepted and successfully implemented. China has kept this in mind determining to pursue World Bank supported projects aimed primarily at combating climate change, rather than the UNEP which focuses mostly on biodiversity, and the UNDP which focuses on both. Concretely, Heggelund et al. note that the amount of money invested in nine World Bank climate change projects in China in 2003 was over six times that of the two biodiversity projects (US$ 224 million compared with US$ 33.9 million).\(^{211}\) Ying adds that in the course of China’s efforts to accrue World Bank climate projects, many local leaders believe biodiversity, the GEFs second most funded issue area, has no relevance to people’s daily lives, and more importantly does not increase economic development.\(^{212}\)

In September 2005, the GEF Council decided to reorganize its funding allocations via the Resource Allocation Framework (RAF). The specific purpose was to allocate funds to projects


\(^{211}\)Heggelund, Andresen and Ying, “Performance of the Global Environmental Facility (GEF) in China,” 333.

\(^{212}\)Heggelund, Andresen and Ying, “Performance of the Global Environmental Facility (GEF) in China,” 339.
and countries that deliver the most environmental benefits and overall project performance. According to the GEF website:

The GEF Benefits Index measures the potential of a country to generate global environmental benefits while the GEF Performance Index measures a country’s capacity, policies and practices relevant to successful implementation of GEF programs and projects.\(^{213}\)

Such a framework is to China’s advantage in particular given that its economic nationalist ideological base has focused on capacity-building to attract projects that are results-driven and which provide multiple benefits to the host country through funding and cofinancing, technical assistance, hardware upgrades and environmentally-friendly technology.\(^{214}\)

In correspondence with GEF staff, cofinancing for GEF projects was described as coming from a variety of sources with each project having a mix of sources, which may be: country governments, private sector, and GEF implementing agencies.\(^{215}\) Cofinancing can be delivered via grant, in-kind, or the form of loans. Clémençon has noted that measuring GEF project success is “particularly difficult because any actual reduction in carbon brought about by a particular project is tiny compared to overall world emissions.” Thusly, and with an emphasis on China, “GEF interventions can only be said to be effective if they lead to replication and help leverage more funds or if the capacity of a particular country is significantly enhanced to develop and implement effective climate policies.”\(^{216}\) Furthermore, however, GEF grants can serve to leverage additional funding sources. The 2004 GEF report *Instrument for the establishment of the restructured global environment facility* states that the instrument has been successful in leveraging three times as much in cofinancing as it provides in grant financing, and with recipient governments and multilateral banks providing more than 50 percent and the private sector providing 20 percent.

On China’s relationship with the GEF, Yu writes that China has “…received a disproportionately large share of the resources dispersed by the GEF…”\(^{217}\) Figure 4 breaks up the total GEF funding and cofinancing (for all environmental areas) and China’s specific allocations in bold (without cofinancing) according to GEFs pilot phase and four subsequent replenishment

\(^{215}\) Information obtained via electronic correspondence with GEF Associates October 2009.
\(^{217}\) Yu, “Global Environment Regime and Climate Policy Coordination in China,” 68.
periods. Over the course of the GEFs existence, China has received the largest share of funding among eligible non-industrialised countries, which since 1991 amounts to US$ 751.5 million not including cofinancing, and of which approximately US$ 444 million, nearly 60 percent, has been directed towards climate change activities. China’s exceptional ability to grow its initial allocations is evident when we consider that since 1991, it has acquired 9 times its initial outlays through the allocation of an additional US$ 6.9 billion in cofinancing, of which approximately US$ 4.1 billion has been spent on climate change activities. Perhaps China’s most notable fundraising accomplishment during GEFs existence has occurred during the fourth GEF replenishment starting in 2006 where China has taken its initial US$ 212 million and multiplied it more than 15 times through cofinancing producing an additional outlay of US$ 3.2 billion. As Figure 4 shows, China has received more cofinancing through the fourth replenishment than the entire GEF is providing in direct transfers to all other developing states for this period.

**Figure 4: Total GEF funding and cofinancing (for all areas), and China’s specific funding allocations (without cofinancing), by replenishment period and in US$ million**

Yu conducted in-depth interviews (one preparatory interview followed by full-interview) with diplomatic agents, professionals and decision-makers in Beijing “who participate in the

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218 Information obtained via electronic correspondence with GEF Associates October 2009.
activities related to the Global Environment Facility.” His findings are particularly applicable for our purposes as they speak to the economic nationalist nature of China’s foreign policy interventions and involvement in the climate regime. The results depicted in Figure 5 are the answers from a questionnaires distributed to 40 experts and officials related to Chinese climate change policymaking and the GEF. Of this cohort, 32 people (or 80 percent) answered that GEF funds play a positive role, and, 15 people describe this role as large or very large.

**Figure 5: Questionnaire on the role of the Global Environment Facility in China**

![Bar chart showing responses to the role of the Global Environment Facility in China.]

Figure 6 shows the results from a questionnaires distributed to 43 officials and experts, asking the question “what brings China the most benefits after China ratifies the Kyoto Protocol?” Of these, 27 people (or nearly 63 percent) answered that it is “the improvement of international reputations,” and others chose the funds, technology transfer and energy industry renovation, each of these a benefit provided through the GEF.

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219 The respondents came from more than 20 bureaucracies and institutions, and include: State Development and Reform Commission, Ministry of Foreign Affairs, Ministry of Science and Technology, State Economic and Trade Commission, China Meteorological Administration, Ministry of Finance, State Environmental Protection Administration, Ministry of Agriculture, Ministry of Communications, Ministry of Water Resources, Ministry of Construction, State Forestry Administration, State Oceanic Administration, Chinese Academy of Sciences, Chinese Academy of Social science, Tsinghua University, Peking University, Remin University, Chinese Energy Institute, and Chinese Agriculture University. The interviews took place in Beijing from February to April, 2003. In Yu, “Global Environment Regime and Climate Policy Coordination in China,” 64.

220 Yu, “Global Environment Regime and Climate Policy Coordination in China,” 69.
Figure 6: “What benefited China the most after China ratified the Kyoto Protocol?”

The results from these graphs support Yu’s contention that China’s climate policy functions to fulfill its own interests. This may not be too surprising; however these results are useful in that they describe the incentives motivating China’s participation and also speak to China’s willingness to respond and to work with the GEF and the climate regime in general.

**Final remarks on the contrast of the China-Global Environment Facility and -Multilateral Fund relationships**

This dual-case study contrasting China’s experience with the MLF and GEF has attempted to show both the utility in incentivizing China’s participation in environmental regimes, as well as the nature of China’s economic nationalist foreign policy commitment across regimes characterized by continuity and not change. China has effectively adapted its foreign policy from a sovereign centrism to multilateral engagement in the hopes of attaining significant economic nationalist benefits, described and evidenced as financial and associated status and image benefits. As regards climate change, the GEF is a primary example of how the international community can promote the participation of developing countries in mitigating their production of GHGs. In contrasting the MLF and GEF, China’s participation has been
identified as adaptable and also motivated by ideational continuity in its economic nationalist inspired foreign policy. Through China’s participation in the GEF, China is acquiring significant economic nationalist benefits without having to consider the full breadth of the issue or threat posed by the issue of climate change itself. This systematic engagement is both emblematic of a willingness on the part of the Chinese leadership to engage with the international community on a global challenge that can only be solved through multilateral efforts, but also to do so for the purpose of benefitting the Chinese nation-state even in the context of global climate change.
Chapter 4: Actualizing Chinese climate engagement with the Clean Development Mechanism
The UNFCC’s 1997 Kyoto Climate Summit and subsequent agreement the Kyoto Protocol formally, set binding reduction targets for developed or industrialized state signatory parties to reduce their GHG emissions an average of 5.2 percent from 1990 levels over the 2008-2012 period. The Clean Development Mechanism (CDM), which began registering projects in 2004, is a voluntary individual project-based market mechanism established under Article 12 of the Kyoto Protocol. Kyoto ratifying Annex-I industrialized parties are granted “flexibility” in meeting their GHG reduction commitments while non-industrialized state-hosts to projects are intended to benefit from the CDMs additional development function. Article 12 states that emission reductions from CDM projects are intended to lead to: “[r]eal, measurable and long-term benefits related to the mitigation of climate change” and must be “additional to any that would occur in the absence of the certified project activity.” Furthermore:

The purpose of the clean development mechanism shall be to assist Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments...

Sukumar Ganapati and Liu Liguang write that substantively, CDM projects must fulfill two criteria: additionality and sustainable development. For these authors, additionality refers to emission reductions additional to what would occur in the absence of the certified project calculated with reference to a defined baseline. As well, CDM projects should fundamentally assist host developing countries to achieve their individual sustainable development objectives.

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221 Developed and Industrialized state-parties of the Kyoto Protocol are also referred to as Annex-I countries and at the time of Kyoto was a group made up of industrialized Organisation for Economic Co-operation and Development (OECD) member countries in 1992, and countries with economies in transition (EIT parties) which includes Russia, Baltic States, and number Central and Eastern European States. In all, 37 industrialized party-states as well as the precursor representative political body to the European Union, the European Community signed the Kyoto Protocol codifying their emission reductions. See: UNFCCC, Kyoto Protocol to the United Nations Framework Convention on Climate Change, http://unfccc.int/resource/docs/convkp/kpeng.pdf [Last Visited: 8 January 2010].

222 The Kyoto Protocol is in fact composed of three market-based mechanisms providing additional means (beyond national measures) to meet GHG emission reduction commitments. The three market mechanisms include: the CDM, Joint Implementation (JI), and Emissions trading (also known as the carbon market). See: UNFCCC, Kyoto Protocol.


224 UNFCCC, Kyoto Protocol to the United Nations Framework Convention on Climate Change.

According to Matthews and Paterson, the CDM is appealing and “can be seen as a new site of capital accumulation, legitimized by an ecological modernization discourse.”\textsuperscript{226} For private and public actors from Annex-I countries using the CDM investing in particular energy efficiency or clean development projects abroad, they earn certified emission reduction (CER) credits, each equivalent to one tonne of CO\textsubscript{2}, which are priced and may be traded and sold in the global carbon market. As a market mechanism, industrialized countries seek to fund the most cost-efficient way to mitigate their GHGs and accordingly fund CDM projects oriented towards providing the lowest mitigation cost options which are measured by carbon value. Private actors in particular have two incentives for participating in the CDM: to comply with their national emissions targets and/or to profit from the sale of CERs.\textsuperscript{227} Non-Annex-I governments specify project eligibility criteria and facilitate implementation therefore providing them with the opportunity to pursue projects meeting their national objectives. As a result, individual developing country governments determine what types of projects they wish to pursue. Specifically this may lead particular countries to seek projects that predominantly provide the largest economic investments, projects meant to augment sustainable development, or both. In general, for the 184 developed and developing states which have ratified the Kyoto Protocol, CDM projects contribute in stimulating investments in clean and environmentally friendly technologies, help to make emission reductions for both developed and developing countries more cost-effective, and also positively contribute to the sustainable development of non-Annex-I developing countries.

Why does China participate in the CDM? China’s economic nationalist engagement is primarily driven by the economic gains China is receiving now and its potential gains in the future. In 2007, the primary CDM market was worth nearly US$7.5 billion and was worth more than US$6.5 billion in 2008.\textsuperscript{228} Beyond the initial foreign public and private investments, CDM funds have the potential to leverage significantly more funds from private sector investors. China is well aware of the CDMs economic potential and is also focused on attracting projects with


\textsuperscript{227} Paulsson, “A review of the CDM literature,” 70.

sustainable development benefits and projects involving the transfer and acquisition of cleaner technologies. Since China became highly interested in the CDM in 2005, it has dominated the market attracting by far the largest share of registered projects (36.08 percent), and is presently issuing nearly half of all annual CERs (47.67 percent) with the expectation that CER issuance will rise to nearly 60 percent by 2012 (59.20 percent). In addition to the predominant economic motivations for CDM cooperation, China grows its international status through its highly visible participation and its increasing integration with CDM structures has strengthened China’s sovereignty through unique CDM rules which: requires that only enterprises or holding companies with a 51 percent Chinese-ownership share may implement CDM projects in China, accords the state primary responsibility for CER price setting and the right of refusal if the prices fall too low, levies differential taxes for particular GHG abatement and renewable energy projects.

Contextualizing China’s CDM cooperation as driven by economic nationalism exemplifies the economic motivations stimulating China’s opportunistic participation in mitigating climate change through the UNFCCC regime. This section elaborates on China’s CDM relationship in the following three-fold fashion: First, it discusses China’s skepticism and early lack of interest in the CDM. Second, it enlightens as to China’s motives for moving away from skepticism to rapid deployment and market domination of the CDM which specifies why China has come to support the CDM. Third, it elaborates on the particular economic nationalist incentives China receives from its participation in the CDM.

**China’s early scepticism towards the Clean Development Mechanism**

According to Joanna I. Lewis, the Chinese government has historically approached the CDM “somewhat more cautiously” than other state parties in the climate regime. During early negotiations and for a number of years thereafter, China did not support the CDM fearing infringements upon its sovereignty and also believing that developed states were advocating for flexible mechanisms as a way to shirk their Kyoto GHG reduction commitments by investing in cheaper GHG reductions in non-Annex-I developing states. The full breadth of the CDMs

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229 UNFCCC CDM. Registered project activities by host party. 1 February 2010. [http://cdm.unfccc.int/Statistics/Registration/NumOfRegisteredProjByHostPartiesPieChart.html](http://cdm.unfccc.int/Statistics/Registration/NumOfRegisteredProjByHostPartiesPieChart.html) [Last Visited: 2 February 2010].

230 UNFCCC CDM. CERs issued by host party. 1 February 2010. [http://cdm.unfccc.int/Statistics/Issuance/CERsIssuedByHostPartyPieChart.html](http://cdm.unfccc.int/Statistics/Issuance/CERsIssuedByHostPartyPieChart.html) [Last Visited: 2 February 2010].

231 UNFCCC CDM. Expected average annual CERs from registered projects by host country. 1 February 2010. [http://cdm.unfccc.int/Statistics/Registration/AmountOfReductRegisteredProjPieChart.html](http://cdm.unfccc.int/Statistics/Registration/AmountOfReductRegisteredProjPieChart.html) [Last Visited: 2 February 2010].

investment potential was also largely uncertain or unknown. Additionally, CER prices had yet to be determined, and China feared foreign exploitation of ownership rights to emissions credits. Furthermore, other potential benefits were poorly understood including uncertainties about potential CDM investments in sustainable development, the growth in low-carbon and clean domestic industries and technologies, and developed country expertise and technology transfer from outsourcing emissions reductions.

China, as a non-Annex-I developing country, had signed onto the non-binding Kyoto Accord in 1997, but in the early 2000s, it had still failed to ratify the climate change Treaty. Formally ratifying Kyoto would officially bind Chinese sovereignty to accepting responsibility to reduce its GHGs and lead to growing international pressure for China to play a more visible role in doing so. Additionally, Chinese uncertainty over ratifying Kyoto prolonged its establishment of the institutional infrastructure required to participate in flexible mechanisms. The CDM required a designated national authority to oversee national projects in participant countries and China’s draw-out reticence slowed its creation of a designated national authority until June 2004. Even then, the State Council did not adopt proper rules for the management of CDM projects until October 2005.

Yu writes that between the Kyoto negotiations in 1997 until 2000, China had shown a “no voice” (Bu Biao Tai) attitude towards the CDM. During this period, one high-level example of this was a visit by Chinese Premier Zhu Rongji to the US where Chinese climate change officials advised the Premier not to comment on the CDM. CDM projects are intended to result in “real, measurable, and long-term benefits related to the mitigation of climate change.” However during Kyoto Protocol negotiations, reducing GHG emissions was still being discussed in the context of the significant economic costs and environmental benefits. For China, reducing GHGs likely meant international infringement upon its sovereignty, but also burdening its economic development in order to pay for protecting the environment.

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235 Lewis, “China’s Strategic Priorities in International Climate Negotiations,” 163-4.
236 Yu, “Knowledge and Climate Change Policy Coordination in China,” 68.
In general, Kyoto’s flexible mechanisms were being sold to developing countries like China as an environmental benefit. However, this was not proving to elicit the type of support that would lead to significant uptake. Whereas discussing flexible mechanisms used to predominantly emphasise their associated environmental benefits, attention evolved into highlighting flexible mechanisms as business opportunities. Non-governmental organizations and governments turned their efforts towards promoting flexible mechanisms to private sector actors as a way to stimulate their overseas operations and investment opportunities. Matthews and Paterson discussed this transition by looking at the publication Joint Implementation Quarterly, which comments on the development of two flexible mechanisms, Joint Implementation (JI) a flexible mechanism that allows industrialised Annex-I countries to make emissions reduction investments in fellow developed countries) and the CDM. They found that since its inception in 1995, coverage has shifted to focusing on the business opportunities that come with flexible mechanism projects. In a country profile on China, the CDMs potential is emphasized as a way for outside investors to access the Chinese market opening up the Chinese economy more generally.238

Ganapati and Liu write that the Chinese leadership muted “non-government agencies in setting the CDM agenda” in China in order to give the NDRC free-reign and overarching power to determine Chinese priorities in climate engagement.239 Focused on encouraging national economic development, the NDRC’s more prominent role in forming climate change policy since 1998 has no doubt contributed to China’s positive reframing of the CDM. Long a favoured destination for foreign direct investment (FDI) as well as overseas development assistance (ODA), Ellis et al. describe the flows of foreign investment from developed to developing states, as totalling between $50 and $60 billion in 2002 alone.240 Figure 7 illustrates China’s success in attracting large amounts of FDI and ODA in contrast to fellow developing states.241 For China, and the leadership role the NDRC has taken on climate change since 1998, accepting considerable amounts of public and private foreign investment have not led to significant infringements upon its sovereignty. Building on its success in acquiring FDI and ODA funds,

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238 Matthews and Paterson, “Boom or bust?” 68.
China therefore felt confident in reorienting its view of the climate regime and flexible mechanisms to consider engagement as a means to encourage national economic development thus fulfilling China’s economic nationalist objectives. Additionally, Ellis et al. believe that the establishment and use of a “CDM”-type mechanism in a favourable environment, has the potential to take initial public investment outlays and to leverage as much as 6-8 times that amount in private sector project investments.\textsuperscript{242} Accordingly, such a possibility makes the CDM exponentially more attractive to Chinese authorities concerned about being bound to reducing their GHG under a multilateral climate regime. the China’s ability to attract such vast amounts of foreign investment, coupled with the CDMS private sector leverage potential, has helped to make the CDM and its climate change mitigation objectives a profitable opportunity without fearing sovereignty restrictions.

\textit{Figure 7: Overseas Development Assistance and direct investment to selected developing countries (2002)}

The German Development Institute provides an additional, and more nuanced graphic (Figure 8), of global FDI destinations showing China’s success up to 2006 as compared to other regions.\textsuperscript{243}

\textsuperscript{242} Ellis et al., “CDM: Taking stock and looking forward,” 18.

Zhang Zhong Xiang has also considered China’s ability to attract foreign investment and foster enabling conditions which make China an attractive place to invest. In the context of abating GHGs, he has developed a model (Table 1) to assess the impact of various domestic and international abatement measures and how these may help state’s meet their GHG reduction commitments. As can be seen, states will invest less in their own domestic abatement when they are offered the opportunity to invest more cheaply outside of their borders. In this table, China is shown to play a potentially highly important role aiding industrialized states like the U.S., Japan and the European Union to more cost-effectively reduce their emissions.  

**Table 1: The share of domestic abatement actions in 2010 (%)**

<table>
<thead>
<tr>
<th></th>
<th>Annex I trading</th>
<th>Trading without China</th>
<th>Full global trading</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>65.6</td>
<td>40.5</td>
<td>26.2</td>
</tr>
<tr>
<td>Japan</td>
<td>32.2</td>
<td>15.3</td>
<td>7.8</td>
</tr>
<tr>
<td>EU</td>
<td>49.6</td>
<td>29.3</td>
<td>18.0</td>
</tr>
<tr>
<td>Other OECD</td>
<td>144.0</td>
<td>98.6</td>
<td>72.6</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>276.4</td>
<td>178.5</td>
<td>122.0</td>
</tr>
<tr>
<td>Annex I total</td>
<td>70.7</td>
<td>43.8</td>
<td>28.8</td>
</tr>
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</table>


Thierry Bréchet and Benoît Lussis describe the utility of flexible mechanisms in the case of Belgium where JI and CDM could potentially jointly make up 83 percent of the state’s CO₂ emissions.

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abatement efforts. They state that with flexible mechanisms, the macroeconomic cost of the Kyoto commitment for Belgium would represent only 0.03 percent of its expected GDP in 2010, and without these flexible mechanisms this cost could rise to 0.3 percent of GDP. The Belgian case shows a tenfold reduction in costs through using flexible mechanisms and offers developing countries like China the change to take advantage of a mutually beneficial economic situation. China’s economic nationalist impulses are leading it to firmly embrace the CDM as a means to attract investment and to develop quicker and also to draw status benefits through being viewed as a strong supporter of the climate regime.

In the course of expanding its infrastructure base and in enabling appropriate institutions to accommodate hosting CDM projects, China has also adopted unique national rules allowing it to extract additional benefits from CDM projects hosted in China. Chinese regulations require that only projects with Chinese funded enterprises or Chinese holding companies that maintain a 51 percent ownership stake may participate in Chinese CDM projects in order to prevent foreign firms from repatriating profits and hampering Chinese sovereignty by limiting foreigner roles in CDM projects to CER buyers and not distributors. In a similar vein, Joanna Lewis notes that in order to erect wind turbines in China, these turbines must meet a 70 percent local content requirement in order to discourage the sale of foreign wind turbines in China. Dechezleprêtre, Glachant and Ménière’s study of technology transfer in CDM projects states that the local content requirement are in fact less energy efficient than allowing more foreign content because “imported turbines have higher capacities on average than locally produced turbines (1.11 MW against 750 kW).” In addition, China differentially taxes particular types of projects in order to attract projects both more in line with its development objectives and sustainable development.

Another contributing factor influencing China’s turn from scepticism to uptake of CDM projects comes from the uncertainty around the climate regime post-2012 when the Kyoto period ends. Essentially, since a great deal remains unknown regarding the means to pursue climate change mitigation post-2012, China has decided to take advantage of foreign investments for

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clean development while it still can. During the Copenhagen Summit, while the U.S. agreed to contribute significant funding towards mitigation and adaptation to climate change in developing countries, Todd Stern, the chief U.S. climate negotiator, singled out China as no longer deserving special treatment as a developing country since it is also the world’s largest emitter of GHGs. "I don't envision public funds—certainly not from the United States—going to China," he said. "There is no way to solve this problem by giving the major developing countries a pass." China’s decision to accept the CDM and flexible mechanisms in general has occurred at least in part because these incentives may not exist, or China as the largest GHG emitter may not be eligible for such projects after Kyoto’s implementation period is finished in 2012 and a new agreement takes its place.

Scepticism to rapid deployment of Clean Development Mechanism projects

In the lead up to China’s Kyoto ratification, its opinion of the CDMs viability and legitimacy changed significantly. In climate negotiations at The Hague (in 2000) and in Marrakesh (in 2001), Chinese reluctance towards ratifying Kyoto and accepting its flexible mechanisms, and the CDM in particular, was overhauled and replaced with an encouraging attitude describing the CDM as a “win-win” and even calling for accelerating Kyoto’s implementation. This was part of China’s concept and image transformation on flexible mechanisms moving beyond scepticism to a pragmatic focus on maximizing the incentives China will acquire from hosting CDM projects. There is a discrepancy between the uptake of CDM projects for the purpose of mitigating climate change and their implementation for other reasons. In putting aside its fears over international encroachment, China’s has adopted economic nationalist pragmatism in order take full advantage of the CDM as a medium to spur economic development and sustainable modernization as well as to show its good faith in multilateral cooperation to mitigate the effects of global climate change.

China’s initial reluctance and slow uptake of the CDM has been dramatically overhauled and replaced by economic nationalist opportunism. At the beginning of 2006, China was still

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249 Ball, “Summit Is Seen as U.S. Versus China.”
only host to a mere 4.58 percent of CDM projects (Figure 9). However, in the years since, the situation has changed dramatically with China now holding a 37.44 percent share of 2,153 registered projects up to 20 April 2010 (Figure 10).

**Figure 9: Registered projects activities by host parties up to 2006**

- India (31.00%)
- Others (20.03%)
- Republic of Korea (2.08%)
- Malaysia (2.08%)
- Honduras (3.75%)
- China (4.58%)
- Chile (5.42%)
- Mexico (7.50%)
- Brazil (23.75%)

*Source: [http://cdm.unfccc.int](http://cdm.unfccc.int)*

**Figure 10: Registered project activities by host party up to 20 April 2010**

- India (23.18%)
- Others (16.35%)
- China (37.44%)
- Republic of Korea (1.76%)
- Philippines (1.90%)
- Indonesia (2.09%)
- Malaysia (3.76%)
- Mexico (5.57%)
- Brazil (7.84%)

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Both unrivalled and anticipated, China’s domination of the CDMs investment potential is most evident in its sale of CERs. Past studies from Zhang (1999, 2000, 2001, 2004a) effectively anticipated China’s market capitalization foreseeing China acquiring approximately 60 percent of the total CDM investment by 2010.\textsuperscript{254} Similarly, the World Bank (2004) determined that more than 50 percent of the CDM market would go to China by 2010.\textsuperscript{255} The results from these earlier prospective studies, and especially that of Zhang’s, are bolstered by official UNFCCC CDM statistics dated 1 February 2010 showing that China has already issued more than 48 percent of 401,442,669 total CERs (Figure 11)\textsuperscript{256} and holds a 59.63 percent market share of 355,582,219 expected global CERs from registered projects (Figure 12).\textsuperscript{257}

\textbf{Figure 11: Certified Emission Reductions issued by host party.}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure11.png}
\caption{CERs issued by host party. Total 401,442,669}
\end{figure}


\textsuperscript{257} UNFCCC CDM, Expected average annual CERs from registered projects by host country. 20 April 2010. http://cdm.unfccc.int/Statistics/Registration/AmountOfReductRegisteredProjPieChart.html [Last Visited: 20 April 2010].
China’s present engagement with the CDM makes it abundantly clear that it has been extremely effective at cultivating its image as a quality partner and profitable place to invest. The empirical evidence showing China’s number of projects (Figure 9) and impressive present (Figure 11) and expected future quantity of CER sales (Figure 12) in the CDM pipeline supports such a statement. However, the CDMs greatest impact is likely yet to come. Figure 10 has already shown that China holds nearly a 37.44 percent share of the 2,153 globally registered projects with the CDM. It is estimated that over the course of the Kyoto Protocol’s lifetime (to 2012), these 2,153 projects will produce approximately 1,760,000,000 CERs, and on an annual basis nearly 60 percent of 355,582,219 expected average annual CERs are likely to go to China (Figure 12). Furthermore in 2012, the expected pool of CDM projects will nearly double from 2,153 to 4,200, and that the approximate total of 1,760,000,000 CERs will to grow by 55 percent to 2,900,000,000 CERs – China, accordingly, in the immediate term is extremely well positioned to take full advantage of this growing pool of CDMs economic benefits.

259 UNFCCC CDM, CDM Statistics.
260 UNFCCC CDM, CDM Statistics.
The CDM has thrived in China in large part to the individual interest it has received from authorities across levels of government outside of Beijing. Generally, local governments take direction from the centre’s NDRC which prioritizes without fail China’s rapid economic development. Local governments began by following Beijing’s lead, and using economic nationalism, are acting quickly to maximise the acquisition of the rising amount of foreign investments offered by the CDM.

By September 2007, “27 provinces had established CDM promotion centers to help with the development of CDM projects,” and additionally at the prefecture and city level, interest has been growing for forming organizations to attract CDM investment and projects.\textsuperscript{261} Qi Ye et al. discuss the entrepreneurial spirit, rather than the objective to mitigate climate change, as the reason local governments are engaging in the CDM: “In conceptualization, local governments in China act very much like profit-seeking businesses and CDM provides a market for profit.”\textsuperscript{262} Furthermore, Beijing assesses the performance and career advancement prospects of its local leaders largely according to their success in fostering economic growth which “typically helps the political promotion of local government officials.” Because the CDM attracts significant investment, accords high-levels of status to both Beijing and local leaders, technology and expertise transfer, for Qi, “It is thus no wonder that local governments had no interest in taking serious actions to address rising greenhouse gas emissions.”\textsuperscript{263} Officials care about government revenue and “cultivating and maintaining the businesses that generate taxes, fees, and dividends are in the interest of local governments.”\textsuperscript{264} While climate change stands to negatively affect localities: “local governments show little direct concern about climate change, they are enthusiastic about the development of CDM projects. They believe these will bring financial benefits.”\textsuperscript{265} Zheng and Yan conducted a survey of 35 provincial officials from three government departments mainly involved in climate change policy and CDM project management.\textsuperscript{266} Results from this survey informed that:

- 10 percent of provincial decision makers understand key issues relating to climate change (e.g. the Kyoto Protocol and IPCC, CDM etc.);

\textsuperscript{262} Qi et al., “Translating a Global Issue Into Local Priority,” 394.
\textsuperscript{263} Qi et al., “Translating a Global Issue Into Local Priority,” 380.
\textsuperscript{264} Qi et al., “Translating a Global Issue Into Local Priority,” 390.
\textsuperscript{265} Qi et al., “Translating a Global Issue Into Local Priority,” 398.
• 40 percent knew the basics (e.g. main impacts of climate change, basic measures to reduce GHG emissions);
• 45 percent knew very little about climate change issues;
• 5 percent had never heard about climate change issues.

In addition, of those surveyed who were familiar with climate change issues, only 30 percent felt that climate change mitigation measures were local, as opposed to national concerns.

At the national and local levels, economic nationalism incentivizes authorities across China to increase their CDM engagement according to the benefits individual authorities in China will accrue. In the course of hosting the largest number of CDM projects, as well as in issuing the largest share of CERs, the CDM has been internalized across China as a way to prioritize national development and accrue international status.

**Chinese economic nationalism and the Clean Development Mechanism in practice**

Fundamental to capitalization on the CDM is the fact that China’s engagement is built around its economic nationalist ideology which conceptualizes climate change above all as a national economic development opportunity rather than as a global concern meriting immediate action. Article 12 of the Kyoto Protocol clearly notes that CDM projects should incorporate sustainable development. The lack of interest in sustainable development in China’s CDM engagement, however, helps to highlight the fact that immediate economic nationalist returns are the primary concern of China’s climate foreign policy. China’s CDM approach has purposefully focused on priority sectors and large projects with significant emission reductions. Such a strategy has been advantageous in influencing the CDM project market where hosting large projects reduces transaction costs ensuring China remains attractive to foreign investors.267 The CDM is the most significant aspect of China’s continuity-based climate change foreign policy aimed at cooperating with the climate regime in order to stimulate national development. Therefore, it is necessary to elaborate on how the CDM is actualized in practice, specifying on the visible economic importance the CDM plays in China as its market share grows, which also entails expanded power to determine the pricing of CERs. Furthermore, it is important to explore the types of projects China is undertaking, as well to elaborate on the ancillary technology transfer benefits China receives from hosting CDM projects.

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In 1987, the United Nation’s World Commission on Environment and Development (or the Bruntland report) defined sustainable development as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” While Kyoto’s Article 12 explicitly states that CDM projects are supposed to incorporate sustainability, amongst Chinese authorities, CDM engagement has thus far failed to generate significant support for projects due to their sustainable development benefits. Ganapati and Liu cite K. Olsen who conducted an extensive literature review of CDM research, concluding that “left to market forces, the CDM does not significantly contribute to sustainable development.” Schneider supports this opinion in a study of 93 randomly chosen CDM projects in which a majority of the approved projects used overworked consultants who lacked the requisite knowledge needed to approve these projects. Oftentimes, these consultants failed to follow instructions and spent a limited few hours evaluating each case. Schneider et al. conducted interviews with CDM project developers and fund managers concluding that:

They were most interested in projects whose CDMs contribution to commercial viability is high. Furthermore, they stated that international technology is most likely to be employed in such projects because differences in efficiency and reliability might yield large differences in revenues.

In another study, Barbara Haya remarks that 71 percent of approved Chinese CDM hydroelectric projects should not have been certified. With such examples in mind, sustainability is not a priority in CDM projects, and rather, China’s attention is drawn to immediate profitable returns. Jeon and Yoon write that as developed countries grow more vocal about imposing reductions on developing countries it is the “self-interested” or “unilateral” material gains from the CDM-type instruments that ensure China’s continued climate regime participation.

If unilateral opportunities to maximize material gains are closed off, coalition building among nations is unsuccessful, and the country is

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compelled to sign a follow-up treaty, then the state will choose the least constraining options. China would regard the binding commitment as a critical obstruction to its economic development.273

Estimating the amount of international investment that China has received in the course of its CDM engagement is difficult; however, what is known for certain is that the pool of investment continues its rapid rate of growth. In 2005, Ellis wrote that “the funding allocated to CDM/JI programmes to date amounts to more than US$1.9 billion.”274 Ellis et al. clarify that in early 2007, much of the investment in the CDM has been accorded through public or governmental funds. The same authors contend that the CDM may be uniquely well placed to use its public investments in order to leverage 6–8 times this amount in the private sector, as well as to support the transfer of low- or no-GHG emitting technology from developed to developing countries.275 Chinese authorities are increasingly becoming aware of the CDMs growth potential.

The World Bank’s 2009 report on the carbon market illustrates that the CDMs potential is coming to fruition with total value for CER transactions in the primary and secondary (resale) CDM market valuing nearly US$13 billion in 2007 for 7,433 projects and in spite of the economic downturn almost US$33 billion in 2008 for 6,519 projects.276 Assuming China’s high-level engagement with the CDM continues in the coming years, two studies explain the positive effects the CDM will play across the whole Chinese economy during the 2005-2030 period. One report, published by the International Energy Agency (IEA) estimates that CER revenues could make up 0.5 percent of Chinese GDP in 2030.277 As well, a 2004 macroeconomic National Strategy Study (NSS) of the World Bank determines this share to be even higher when accounting for all financial flows, technology transfer, and increased productivity in the machinery sector. The NSS study concluded that CDM on average will increase the annual GDP growth rate 0.022 percent over the period 2005–2030, which equals a total of 0.68 percent in GDP growth (Table 2) during the 2005 to 2030 period.278 With China’s high-rates of CDM

273 Hyung-Kwon and Yoon, “From International Linkages to Internal Divisions in China,” 866.
276 It should be remarked that the number of CDM projects for 2008 figure have been affected by the global economic slowdown and recession that began in the same year. See: Capoor and Ambrosi, State and Trends of the Carbon Market 2009, 31.
278 Clean development mechanism in China: Taking a proactive and sustainable approach. National Strategic Study. (The World Bank; Ministry of Science and Technology, People’s Republic of China; German Technical Cooperation Unit (GTZ); Federal Ministry of Economic Cooperation and Development, Swiss State Secretariat for Economic Affairs, 2004), 126.
participation, the IEA and NSS statistics may even be low estimates. Staggering sums of funding are already being invested in the CDM and CERs in general, and considering that this investment is “in addition” to the ODA funding China already receives - it is little wonder that China has become such an active climate change mitigation host market and partner.

Table 2: Clean Development Mechanism impact on China’s GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP base (B $)</th>
<th>GDP with CDM (B $)</th>
<th>Increase in GDP from CDM (B $)</th>
<th>% GDP increase due to CDM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>750.6</td>
<td>1109.2</td>
<td>4.7</td>
<td>0.033</td>
</tr>
<tr>
<td>2010</td>
<td>1965.5</td>
<td>3025.2</td>
<td>2929.0</td>
<td>0.52</td>
</tr>
</tbody>
</table>

Due to its increasingly well-developed CDM infrastructure and large share of projects and CERs issued, China wields significant influence on CER prices. Capoor and Ambrosi state that when CER prices became volatile and began to fall in late 2006, the NDRC informally pursued a policy to raise the minimum CER price to US$10.40-11.70.279 Included in China’s CDM regulations is that CERs are subject to government approval, and according to Zhu and Wu, this means “that the government can reject a project simply on the basis that it finds the CER sales price ‘unreasonably’ low.”280 The World Wildlife Fund published a report in mid-2008 noting at the end of 2007, CER prices in China were approximately 8 Euro/US$10. Coinciding with the 2007 Climate negotiations in Bali, Indonesia, the floor price was raised to an estimated 8.5 Euro.281 Currently, CER prices are suffering from economic slowdown, however, China was able to capitalize on record high prices recorded in the European Union in July 2008

(28.73 Euro) before dropping to a low of 7.96 Euro by 12 February 2009.\textsuperscript{282} As interest in the carbon economy as well as global economic recovery continues, China will continue to use its clout in order to attract larger projects involving considerable CERs to secure higher prices in the expanding CDM market.

A core facet of China’s climate foreign policy and CDM strategy focuses on attracting particular types of projects. Chinese authorities seek to attract large projects with significant CERs, and China’s unique CDM rules differentially tax particular types of projects according to China’s national development priorities. Table \textsuperscript{3} shows the approximate rate of return, by project type, that investors receive for investing in low-carbon projects through the CDM.\textsuperscript{283}

**Table 3: Impact of Clean Development Mechanism on project profitability (at $4/CER)**

<table>
<thead>
<tr>
<th>Project type</th>
<th>CDM impact on internal rate of return (IRR) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydro, wind, geothermal</td>
<td>0.5 – 3.5</td>
</tr>
<tr>
<td>Crop/forest residues</td>
<td>3 – 7</td>
</tr>
<tr>
<td>Municipal solid waste</td>
<td>5 – 60</td>
</tr>
<tr>
<td>HFC destruction</td>
<td>$500</td>
</tr>
</tbody>
</table>


Table \textsuperscript{4} shows that renewable energy sources such as wind provide a minor rate of investment return. Industrial gases, mitigated through the CDM however, such as HFC-23,\textsuperscript{284} provide significant profits.\textsuperscript{285} Though it is important to remove HFC-23 from industrial processes considering it is 11,700 times more potent a GHG than CO\textsubscript{2}, eliminating this gas is a one-time benefit as opposed to the lasting benefits provided by renewable energy production which will exist for years to come. The Chinese government has recognized the extreme profitability of mitigating HFC-23 placing a 65 percent levy on the sale of CERs emanating from this gas’ destruction.\textsuperscript{286} Schroeder remarks that “high revenues from a small number of HFC projects and low revenues from a large number of renewable energy projects signifies the major shortcoming

\textsuperscript{282} Capoor and Ambrosi, State and Trends of the Carbon Market 2009, 5.
\textsuperscript{283} United Nations Environment Program, Guidebook to Financing CDM Projects. (UNEP Risoe Center and EcoSecurities, 2007), In Schneider, Holzer and Hoffmann, “Understanding the CDMs contribution to technology transfer,” 2933.
\textsuperscript{284} HFC-23 is a refrigerant for air conditioners and is also used as feedstock for high performance plastics and in the manufacture of Teflon. This pollutant does not relate to power production or transportation.
\textsuperscript{285} Sovacool and Brown, “Scaling the policy response to climate change,” 325.
\textsuperscript{286} Zhu and Wu, “Business risks and opportunities from climate change in large developing countries – a case study focusing on China,” 302-3.
of the CDM,” because while it makes sense to eliminate gases like HFC-23, this will not move China, or other developing states to transition towards low carbon economies.\textsuperscript{287}

Illustrated in Table 4, the predominance of both large projects and least-cost carbon abatement, as well as the frequency of technology transfer among 71 projects registered to China as of 1 May 2007.\textsuperscript{288} More importantly however, it lists the amount of annual reductions expected from the various types of projects. HFC destruction is far and away the most carbon intensive CDM project type in China’s mix. While this model is not representative of all of China’s projects up to 2010, Dechezleprêtre et al. note that the 7 HFC projects listed represented 80 percent of China’s annual reductions and additionally, as opposed to all other projects.\textsuperscript{289} Attracting HFC destruction projects highlights the fact that economics fuels the uptake of CDM and Ganapati and Liu add that China’s emphasis on least-cost carbon credits\textsuperscript{290} delays implementing renewable energy projects “by not rewarding the multiple benefits they provide.”\textsuperscript{291}

**Table 4: Clean Development Mechanism main project types, size, and annual reductions in China - 1 May 2007**

<table>
<thead>
<tr>
<th>Type of Technology</th>
<th>Number of projects</th>
<th>Percentage of projects involving international technology transfer (%)</th>
<th>Average project size (annual tCO$_2$eq)</th>
<th>Total annual reductions (tCO$_2$eq)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind power</td>
<td>34</td>
<td>74</td>
<td>112</td>
<td>3807</td>
</tr>
<tr>
<td>Hydro power</td>
<td>13</td>
<td>0</td>
<td>104</td>
<td>1340</td>
</tr>
<tr>
<td>HFC decomposition</td>
<td>7</td>
<td>100</td>
<td>6743</td>
<td>192600</td>
</tr>
<tr>
<td>Biomass energy</td>
<td>5</td>
<td>20</td>
<td>160</td>
<td>802</td>
</tr>
<tr>
<td>Methane destruction</td>
<td>3</td>
<td>65</td>
<td>463</td>
<td>1387</td>
</tr>
<tr>
<td>Energy efficiency (industry)</td>
<td>3</td>
<td>65</td>
<td>804</td>
<td>2143</td>
</tr>
<tr>
<td>Landfill gas recovery</td>
<td>4</td>
<td>100</td>
<td>163</td>
<td>653</td>
</tr>
<tr>
<td>N$_2$O destruction</td>
<td>1</td>
<td>100</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>Reforestation</td>
<td>1</td>
<td>0</td>
<td>28</td>
<td>28</td>
</tr>
</tbody>
</table>


Furthermore, the World Wildlife Foundation (WWF) has produced a table detailing the average return on investment in Chinese RMB up to December 2007 (Table 5).\textsuperscript{292} As can be seen, HFC destruction is providing a significant quantity of CERs for CDM participating provinces. While the report remarks that HFC and N$_2$O projects, though offering the highest returns on investment...
and cheapest reduction costs, are gradually becoming scarcer in the CDM pipeline, they nonetheless represent an important signal as to why China has been so eager to wed itself to the UNFCCC regime and the CDM as a tool for economic development and GHG mitigation.

Table 5: Average return on investment and price (RMB) by Clean Development Mechanism project type

<table>
<thead>
<tr>
<th>Project Type</th>
<th>2012 CDM revenues/investment</th>
<th>Avq. CER price (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biogas</td>
<td>244%</td>
<td>80.0</td>
</tr>
<tr>
<td>Biomass Energy</td>
<td>27%</td>
<td>75.6</td>
</tr>
<tr>
<td>Coal bed/ mine methane</td>
<td>199%</td>
<td>71.9</td>
</tr>
<tr>
<td>EE own generation</td>
<td>28%</td>
<td>75.3</td>
</tr>
<tr>
<td>Fossil fuel switch</td>
<td>16%</td>
<td>85.0</td>
</tr>
<tr>
<td>HFCs</td>
<td>596%</td>
<td>75.0</td>
</tr>
<tr>
<td>Hydro</td>
<td>19%</td>
<td>76.4</td>
</tr>
<tr>
<td>Landfill gas</td>
<td>180%</td>
<td>61.7</td>
</tr>
<tr>
<td>N2O</td>
<td>1440%</td>
<td>83.3</td>
</tr>
<tr>
<td>Reforestation</td>
<td>7%</td>
<td>75.0</td>
</tr>
<tr>
<td>Wind</td>
<td>10%</td>
<td>77.5</td>
</tr>
</tbody>
</table>

Source: Ecolys Azure International

The NDRC provides a pie chart (Figure 13) describing CDM investment in China by type of project into 2007. In this graphic renewable energy investment slightly outpaces HFC destruction, though by just more than 0.5 percent. Figure 14 illustrates that of 766 CDM projects registered as of April 2008, a mere 27 percent of CERs were being generated by renewable energy sources since short-term projects like HFC-23 destruction are providing the majority of reductions.

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293 The Climate Group, China’s Clean Revolution (August 2008), 27.
294 Schroeder, “Utilizing the clean development mechanism for the deployment of renewable energies in China,” 238.
While the CDM was started in order to encourage developing countries to take voluntary action to abate GHG emissions, China is benefitting from the perverse CDM market signals where reducing emissions short-term projects such as HFC destruction slow urgent climate action in favour of economic development. For Benjamin K. Sovacool and Marilyn A. Brown, the CDM has in fact made HFC-23 abatement too profitable and far more valuable than its production in the first place. In fact, the authors state that: “Manufacturers of HFC-23, responding to the market demand for CERs, started producing it just to offset it.” Furthermore, researchers at Stanford University have calculated that:

As a result, payments to refrigerant manufacturers and carbon market investors by governments and compliance buyers for HFC-23 credits

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295 Sovacool and Brown, “Scaling the policy response to climate change,” 325.
has exceeded US$ 4.7 billion when the costs of merely abating HFC-23 would have been about $100 million—a major manipulation of the market.296

Turning to the additional benefits beyond attracting CDM projects that do not significantly contributing to climate abatement, China’s CDM strategy also entails acquiring projects that involve the free and low-cost transfer of low-carbon technology. In international negotiations and in China’s National Climate Change Programme, it has stressed Articles 4.3 and 4.7 of the UNFCCC which calls upon developed countries to transfer technology to developing countries.297 Technology transfer is an important consideration for China and serves as an important component of economic nationalist desire to participate in the climate regime. Antto Vihma writes that during the Bonn Climate Talks in June 2008 on the implementation of the Bali Action Plan (BAP), which was negotiated seven months prior, North–South bargaining began to sharpen over the issue of technology transfer. China, supported by the G77, was adamant and unequivocal in stating that as “requested by […] Article 4.5 and the BAP,” the transfer of technology is an area of climate negotiations in which “little has happened since 1994.”298 Technology transfer is not as obvious a facet of participation as hosting the largest number of CDM projects or issuing the most CERs, however, it is nonetheless an important incentive and certainly contributes to the additionality of CDM projects.

Industrialized countries have concerns for copyright protection and therefore been reluctant to meet their Kyoto technology transfer commitments to developing countries. Chinese authorities, mindful of this, have been proactive in seeking CDM projects which, according to the Government of China, should also “promote the transfer of environmentally sound technology to China.”299 Elizabeth Economy suggests that a main motivation for China’s international cooperation with climate is to gain “access to technical expertise, foreign aid, and information in order to further its goal of economic development.”300 Though technology transfer

300 Elizabeth Economy, “The Impact of International Regimes on Chinese Foreign Policy Making: Broadening Perspectives and Policies… But only to a Point,” in The Making of Chinese Foreign and Security Policy in the Era of
is not a specific requirement for all CDM projects, in 2007 Stephen Seres used the most recent data available and found that 64 percent of global expected CERs originate from projects involving technology transfer.\(^{301}\) In a 2007 study funded by the European Commission and conducted for China, Erik Haites et al. found that 55.1 percent of Chinese CDM projects are stated to involve the transfer of technology.\(^{302}\) Furthermore, Dechezleprêtre et al. (Table 6) looked at 644 CDM projects registered up to May 2007 in Brazil, China, India and Mexico, and similarly found that 59 percent of Chinese projects involved the transfer of technology.\(^{303}\)

Though quantifying the benefits of CDM technology transfer is difficult in monetary terms, China clearly benefits by growing its investment base and ensuring the additionality of these national economic development investments. Lewis describes China’s CDM proactivity as having become a vehicle to help stimulate investment in projects that mitigate GHGs and to aid in covering the incremental costs of introducing higher-efficiency and low-carbon technology.\(^{304}\)

**Table 6: International technology transfer by host country**

<table>
<thead>
<tr>
<th>Country</th>
<th>Total number of projects (N)</th>
<th>Number of projects involving technology transfer</th>
<th>Percentage of technology transfer (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Equipment only (E)</td>
<td>Knowledge only (K)</td>
</tr>
<tr>
<td>India</td>
<td>225</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Brazil</td>
<td>99</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>Mexico</td>
<td>78</td>
<td>4</td>
<td>45</td>
</tr>
<tr>
<td>China</td>
<td>71</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>473</td>
<td>33</td>
<td>74</td>
</tr>
</tbody>
</table>


Forsyth states that the transfer of technology can contribute to environmental “leap-frogging” in developing countries, putting the industrialization of these countries on a cleaner growth track.\(^{305}\) With the CDM pipeline’s largest number of projects, CERs, and with high rates of technology transfer, China is proving the profitability of incentivizing climate mitigation.

**Final remarks on the China-Clean Development Mechanism relationship**

China’s economic nationalist slant has had a tremendous influence in shaping China’s foreign policy objectives to abate climate change in the course of UNFCCC cooperation. This

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\(^{301}\) Stephen Seres, *Analysis of technology transfer in CDM Projects*, Prepared for UNFCCC Registration & Issuance Unit CDM/SDM (2007), In Schneider, Holzer and Hoffmann, “Understanding the CDMs contribution to technology transfer,” 12.

\(^{302}\) Haites, Duan and Seres, “Technology Transfer by CDM Projects,” 704.

\(^{303}\) Lewis, “China’s Strategic Priorities in International Climate Change Negotiations,” 165.

case study has demonstrated that economic nationalism orients China’s climate engagement towards a particular climate mitigation mechanism, the CDM, and therein to attract specific projects delivering significant economically-focused benefits for China. Predominantly oriented towards encouraging economic development, economic nationalism significantly contributes to a narrow Chinese focus on dealing with climate change largely as an incentive-laden national economic development opportunity. China has prioritized short-term profit rather than long-term climate change mitigation, however has accumulated the greatest number of CDM projects and issued the greatest quantity of CERs. Though on the one hand, China has shown itself to be highly interested in participating in multilaterally driven climate mitigation activities; on the other hand, this participation is guided by the economic nationalist need to promote the nation by supporting China’s national development priorities. In China, economic development is the driving force behind climate engagement and so long as climate change can offer development benefits, economic nationalist ideology dictates that China will remain a willing partner. Because Chinese authorities do not regard climate change as a priority, China is able to couch its positive climate participation for the sake of reducing its GHG emissions, in a rather focused endeavour to protect national sovereign interests that see internalizing climate mitigation and cooperation with the climate regime as a profit-making tool and not a threat.
Chapter 5: China’s climate multilateralism and the Group of 77
China’s particular engagement on climate change has been highly effective in realizing the present economic benefits from multilateral participation. However, in addition, China’s multilateral climate foreign policy also seeks to augment it’s potential in future as a destination for foreign investment. Consequently, China’s contemporary economic nationalist climate change foreign policy cannot be accurately understood without considering the importance of China’s relationship with the Group of 77 (G77) countries in the climate regime. Despite its name, the G77 is an organization and coalition of 134 developing countries that coordinates the viewpoints of its member state parties at the UN in order to augment the group’s influence in international negotiations.  

Lewis specifies the focus of the G77 remarking that it “provides a means for these [developing] countries to articulate and promote their collective economic interests and enhance their joint negotiating capacity on all major issues within the UN system.”  

Embracing an increasingly prominent role on climate change in recent years, nominally the G77 and China negotiate as a bloc for developing countries in the UNFCCC.  

Considered by many developing countries as a shrewd and well-prepared international negotiator, China is not a formal member of the G77. However, its close association allows China to serve as de facto leader for the organisation’s common interests. In climate negotiations, through siding with, and playing a leadership role in the G77, China has successfully been able to pursue its economic nationalist foreign policy interests on the issue of global climate change by couching its national interests as collective concerns and interests shared in the developing world. China views the G77 as an opportunity to pursue larger economic nationalist motivations with a focus on present economic development as well as to grow its positive international image, status and prestige, which augments China’s chances to acquire future economic development and growth. This section is organized into three parts: First, it looks at the creation of the G77 as a forum to articulate common developing country positions at a time when national environmental concerns were coming to be treated at the international level; Second, it describes the system shaping function of the G77-China relationship in the discourse of China’s purposeful cooperation on global environmental issues.


307 Lewis, “China’s Strategic Priorities in International Climate Change Negotiations,” 162.  

308 Gørild Heggelund, “China’s Climate Change Policy,” 177.
concerns, and in UNFCCC negotiations; Third, China’s economic nationalist interests for its growing G77 association will be elaborated upon focusing on the image status benefits, which improve future investment attractiveness, that it accrues from this relationship.

**The Group of 77, global environmental concerns, and China’s interests**

In the 1960s and 1970s, a number of important events increased China’s exposure to international multilateralism challenging the country’s autarkic view of the nation-state-centric international system. In the mid-1960s, believing their individual interests were not being treated equitably in the international system, developing countries organized en masse creating the coalition of the G77. Representing all developing countries and most prominent in UN organizations, the G77 provided its membership with a single voice in order to highlight the collective concerns of non-industrialised states. In the early 1970s, environmental issues began to be conceived as shared global concerns and outside of the capability of particular nation-states. At the UN organized environmental conference in Stockholm in 1972, environmental threats were effectively internationalised and at the same time developing states came together displaying a relatively unified voice under the banner of the G77 to ensure their common interests would be heard. By the end of that decade and with the start of the post-Mao period, intent to return China to the standing of a great power, Chinese leader Deng Xiaoping was opening China’s economy to outsiders pursuing national development through any means necessary. Since, China’s national sovereignty has not been treated so rigidly and in accordance with globalizing trends, its foreign policy has progressively been oriented to using its opening and participation in multilateral organizations like the G77 to pursue China’s national interests.

The G77 was established 15 June 1964 by 77 developing countries signatories to the “Joint Declaration of the Seventy-Seven Countries” issued at the end of the first session of the UN Conference on Trade and Development (UNCTAD) in Geneva. According to Williams, the G77 emerged for the purpose of furthering the economic interests of developing countries, originally with the intention to substantively discuss the creation of a “new international economic order.”

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310 The Group of 77, About the Group of 77, http://www.g77.org/doc/ [Last Visited: 2 November 2009].
UNCTAD, the G77 has come to authoritatively embody the voice of the “Developing World” on many issues in the UN system. Julius Nyerere, former President of Tanzania, has described the coalition as the “trade union of the poor.”  

F. Yamin and D. Depledge believe that the G77s focus on poverty as the group’s shared and defining characteristic has legitimated its membership’s advocacy for rights to development and respect of national sovereignty, in the international community.  

Several years after the G77 was created, the 1970s marked a dramatic change in the conceptualization of environmental concerns as formerly national problems were receiving mounting attention at the international level. Gørild Hegelund and Ellen Bruzelius Backer identify the 1972 UN Conference on the Human Environment (UNCHE) in Stockholm as China’s defining introduction to the treatment of environmental concerns at the international level. In 1971 leading up to Stockholm, developing countries met to organize their aspirations and demands from the Summit. Since, developing countries have exhibited a "remarkable degree of consistency" as regards environmental issues. The common stance agreed to in the early 1970s, insisting that responsibility for global environmental problems lies with industrialized countries, and perhaps most importantly that "these countries should shoulder the major share of the costs of environmental protection," which has been echoed repeatedly since. In Stockholm, developing countries agreed that ameliorating environmental protection should not hinder their development and demanded the transfer of technology “at no cost or reduced cost,” in order to avoid continued environmental degradation. Also at the UNCHE, China and the G77 were successful in negotiating the often-cited principle that developing countries have maintained in modern climate negotiations, that of North-South “common but differentiated responsibilities.”

Okereke identifies the common but differentiated responsibilities theme in Principles 12 and 23 of the Stockholm Declaration. Principle 12 notes that in future environmental policies regimes, the international community would “need to devote extra resources to assist the

economically disadvantaged states taking ‘into account the circumstances and particular requirements of developing countries.’” Additionally, Principle 23 recognizes that environmental standards adopted by developed countries may be inappropriate and of “unwarranted social cost” and therefore not applicable for developing countries.316 Ann Kent writes that in Stockholm, the Chinese delegation criticised the Final Declaration for failing to acknowledge that: “the major social root cause of environmental pollution is the policies of plunder; aggression and war pursued by imperialism, colonialism and neo-colonialism and in particular the superpowers.”317 As the Summit drew to a close, however, China ended up supporting the Declaration since its primary focus was to advance national development and the Draft Declaration noted that “in the developing countries most of the environmental problems were caused by underdevelopment.”

The Stockholm Conference had the long-term effect of ingraining in the minds of Chinese authorities that environmental degradation is the fault of developed states and that developing states like China should only participate if compensated with considerable national development incentives. Furthermore, Stockholm also acted as a learning opportunity for the Chinese representatives who saw the effectiveness of developing country environmental multilateralism under the auspices of the G77 in order to strengthen the arguments and voice of the collective.

In addition, internal changes in China at the end of the 1970s had a tremendous effect upon Chinese authorities’ opinions of multilateralism. China had entered the post-Mao period and under Deng’s leadership, he spearheaded the call for China’s opening up to foreign investment and increased global economic integration. In the course of adapting its foreign policy to attract foreign investment, Chinese authorities were forced to reorient their protection for national sovereignty becoming all the time more mindful of the need to improve and protect China’s national image amongst both the developed and developing worlds. Wang Hongying writes that as a result, the most important strategic national image in the post-Mao period has been that of China as an international co-operator:

Since the mid-1980s the Chinese government has gone out of its way to portray China as eager to cooperate with other countries in the world. This image has been part of China’s overall strategy to establish a friendly international environment for its modernization project.318

316 Okereke, “Equity Norms in Global Environmental Governance, Global Environmental Politics,” 32.
Justin S. Hempson-Jones writes that liberal patterns have been incorporated into Chinese foreign policies embodied in its acceptance of interdependence with: “an increase in cooperative behaviour and a more flexible position toward external interference in state sovereignty.”  

Especially in recent years, China has increased its willingness to engage and cooperate in multilateral forums. Top officials have done their part by promoting a multilateral and participatory image of China internationally. At the UN General Assembly in September 2004, Chinese Foreign Minister Li Zhaoxing affirmed China’s belief in multilateralism and the UN’s role in promoting multilateralism:

> Cooperation is an effective way to cope with common challenges facing mankind. To strengthen international cooperation, we must champion multilateralism. The UN is the centre of international multilateral mechanism and the key platform for making multilateralism work….The threats and challenges we face make it imperative to strengthen, rather than weaken, the role of the UN.

Additionally, Guo Xuetang from Tongji University remarks that:

> With the strengthening of China’s national profile, China has accelerated its integration with the world. China urgently needs a spirit of internationalism (responsibility towards international society) to melt away the suspicion toward China from the outside world, so as to enhance its trust towards China’s development.

It is necessary to remark that China’s multilateral foreign policy turn directly relates to the interplay of economic nationalist concerns to advance economic development and grow great power prominence through: national sovereignty, image, status and reputation influence. China, incentivized by the economic benefits of international engagement to foster a more cooperative image, has increasingly come to look more positively on multilateralism despite the difficulties this may pose for China’s sovereign national interests in foreign relations. Gilbert Rozman adds that “of all of the contenders in the [Chinese] quest for national identity in the 1990s, the notion of China as a great power (daguo) has gained a clear-cut victory.”

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320 Kent, Beyond Compliance, 144.
321 Guo Xuetang, “China's diplomacy needs ‘internationalism,’” In Gu, Humphrey and Messner, Global Governance and Developing Countries, 8.
it maintains there. Sheng Ding cites Joseph Nye in discussing the advantages of a respectable international image writing that:

If countries make their power legitimate in the eyes of others, they encounter less resistance to their wishes; if a country’s culture and ideology are attractive, others are more willing to follow; if a country can shape international rules that are consistent with its interests and values, its actions will more likely appear legitimate in the eyes of others; and if a country uses institutions and follows rules that encourage other nations to channel or limit their activities in ways it prefers, it will not need many costly ‘carrots’ and ‘stick.’

While China pursues its great-power status in the international arena, it does not wish to foster tension around its rise and therefore it has been willing to be more cooperative and less dogmatic regarding choosing what global issues to participate on. Closely aligning with the G77 has accorded China the image of a developing nation-state, quality destination for international investment, and leader and defender of the issues and concerns of the Global South.

**China’s purposeful multilateralism in the climate regime**

According to Wang, governments calculatingly engage in foreign policy behaviour according to projected images of themselves so as to lend credibility to their foreign policy pursuits. China conceives of itself as a respected and modernizing world power. China’s modernization is based upon its rapid economic development and in order to maintain this progress, China seeks to foster a positive international environment. China perceives its G77 association as well as international environmentalism, now most prominently embodied in the climate regime, as opportunities to strengthen China’s international profile which runs hand in hand with advancing its economic nationalist interests. China has taken advantage of its leadership role with the Global South as a way to express and depict Chinese economic nationalist interests as those shared amongst all developing countries. Climate change gave the G77 new meaning and China has taken advantage of the issue to cultivate both foreign investment and many allies that serve to protect China from criticism and being singled out amongst developing countries. Also, in so doing, China’s instrumental cooperation with the UNFCCC augments China’s profile with developing countries, and projects China as a powerful and responsible international actor.

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Globalization has integrated international cooperation, interdependence, and participation in to Chinese foreign policy thinking. Essentially, China “no longer stresses establishing a new international order; rather, it is joining the existing international order” as it “realizes more and more the importance of participating in international affairs, including international organizations.” Under the current international order, China is successfully pursuing key foreign policy objectives which seek to augment national economic development through its opening to the outside world.\(^{325}\)

Zhongqi Pan believes that the acquisition of influence from multilateral participation should not be overlooked: “China’s impact on world order, in both system-shaping and norm-construction, is dynamically changing with the development of China’s engagement in and benefit from world order.”\(^{326}\) Yu writes that in joining the UNFCCC, China has fostered the participation norm that China is a responsible member of the international community positively affecting its development and policy coordination.\(^{327}\) Climate change is a prominent example of Chinese foreign policy opportunism since as this issue rises in importance for both developed and developing states, China has augmented its visibility acting as the rallying state for developing countries in order to extract acknowledgment and resources from the North. Also, considering that China is now recognized as the largest global emitter of GHGs, its climate negotiation relationship with the Global South protects China from being singled out to take individual actions and make financial commitments to abating climate change.

In the early 1990s, with the UNs Conference on Environment and Development (UNCED) or Rio Earth Summit of 1992 on the horizon, China hardened its national position on global climate change. Jeon and Yoon write that in July 1990, at the 18\(^{th}\) meeting of the Environmental Protection Commission of China's State Council, a proclamation was issued “Guanyu Quanqiu Huanjing Wenti Zhongguode Yuanli yu Lichang [China's principles and positions on global environmental problems].”\(^{328}\) The Declaration placed responsibility and the onus to act on global environmental degradation with developed countries. As well, it recognized the rights of developing non-industrialised countries to develop, affirmed the sovereign equality


\(^{326}\) Pan, “China's Changing Image of and Engagement in World Order,” 56.

\(^{327}\) Yu, “Knowledge and Climate Change Policy Coordination in China,” 72.

\(^{328}\) Jeon and Yoon, "From International Linkages to Internal Divisions in China,” 850-1.
of all states, as well as the need for additional funding to be provided to developing countries. China, however, did not wish for developed countries to criticise its national position nor to distinguish China’s position from that of other developing states. Accordingly, in June 1991, China hosted a Ministerial Conference of Developing Countries on Environment and Development in Beijing. 41 developing countries came together to adopt a common developing countries’ perspective on development and the environment, known as the Beijing Declaration.

The contemporary G77 and China partnership was reborn during the lead-up to the UNs Earth Summit at a time when China faced both pressures and incentives to take action on climate change from abroad. At the Rio Summit, developing countries, through the voice of a united China-G77 unit, emerged as a relatively cohesive negotiating collective and a dominant presence to articulate the South’s interests in global environmental politics. Since, time has also allowed the G77 bloc to move beyond its origin as an ad-hoc grouping of 77 developing states into a quasi-permanent caucus of 134 members. Kasa et al. describe the raison d’etre of the G77 bluntly as sticking together as a bloc for the purpose of extracting money and security guarantees from other states in the UN system. China’s success prior to the Rio Summit in uniting developing countries around its positions and leadership was a major achievement solidifying China’s role at the centre of the G77, and “one of the principal climate change negotiation blocs.” In 1992, Article 3.1 in the text of the UNFCCC provided China with a phrase it has vigorously guarded in international climate negotiations: “common but differentiated responsibilities.” This assumes that state parties classified as developed are capable of supporting strong mitigation practices, while underdeveloped states are less capable of mitigating GHGs. China and the G77 have since clung to the underdeveloped moniker in order to avoid committing to mitigate GHG emissions.

China’s participation leads to increased international status and acceptance and a well thought out foreign policy can be extremely valuable in terms of achieving development goals. Global cooperation allows China to affect the global order and simultaneously, Bjørkum, Oksenberg and Economy argue that through increasing involvement with the climate regime,
China’s economic nationalist concerns for its international image will increase. Beyond participation, China takes pains to avoid any international denigration in order to project an image of a responsible global actor. On climate change, Yu writes that China’s particular sensitivity to condemnation within international regimes pressures China to improve its learning and responsibilities on the climate change issue.\textsuperscript{334} Hu interviewed Jing Huang from China’s Ministry of Science and Technology in March 2003 who stated that “a lot of international criticism led to massive pressure on China when sharing the concrete responsibilities listed in the UNFCCC.”\textsuperscript{335} Climate change as a threat may not be inspiring China to act; economic nationalist image-enhancing benefits however, are encouraging China to positively orient its foreign policy towards participating on climate change.

**The Group of 77 and climate change as instruments of economic nationalism**

Zhang remarks that the literature on Chinese cooperation suggests that China is both a pragmatic actor and practitioner of realpolitik. As such, China accepts the need to engage with the international system, and in the course of multilateral negotiations, China adopts policies and strategies for the purpose of maximizing its gains.\textsuperscript{336} On climate change, Jeon and Yoon write that: “Much of China’s activism in early periods has tended to aim at improving its image as a responsible major power in the international environmental area.”\textsuperscript{337} An image- and prestige-conscious and cooperative tone is part of China’s instrumental coalition-building strategy to use its G77 relationship as a way to turn international pressure to limit its global environmental impacts into a discussion of development and resource disparity concerns for all of the Global South. Furthermore, China’s alignment and special status as a de facto leader of the G77 is a different style of climate engagement and an important instrument to coordinate the collective’s common agenda and goals in climate negotiations with China’s economic nationalist interests. Economic nationalism has proven effective in aligning G77 interests to those of China’s foreign policy decision-makers. By participating in climate negotiations through the G77, China is instrumentally actualizing its economic nationalist impulses to augment its international stature. The manner in which China uses its participation in the G77 on the issue of climate change is

\textsuperscript{334} Yu, “Knowledge and Climate Change Policy Coordination in China,” 72.
\textsuperscript{335} Interview with Huang Jing, China Ministry of Science & Technology, March, 2003, In Yu, “Knowledge and Climate Change Policy Coordination in China,” 72.
\textsuperscript{336} Yuka Kobayashi, “Navigating between “luxury” and “survival” emissions,” 97.
\textsuperscript{337} Jeon and Yoon, “From International Linkage to Internal Divisions in China,” 852.
hereafter assessed as a source to actualize economic nationalist benefits which focus upon growing: international image, status, prestige, and influence gains.

In order for an economic nationalist motivated China to determine that participating in the climate regime, which may eventually lead to hard reductions in its GHG production, is a net-benefit for Chinese foreign policy, China has bound itself to the developing world. In the lead-up to the Earth Summit and since, China learnt that many of its concerns are similar to those of other developing countries and that bloc negotiations can be highly useful in promoting individual interests multilateral settings. Participation in the climate regime is therefore considered as both preserving Chinese sovereignty and national economic development while also demonstrating that China is actively interested in leading the developing world on the issue.

Since its inception, the G77 has purposefully pushed to extract concessions and benefits from the UN system and generally, under Chinese leadership, acts as an arm of China’s economic nationalist foreign policy which seeks to augment China’s global prominence and national development interests. Zhang sums up China’s ties with the G77 on climate:

- China’s response to its own rise as a major power also in the energy and climate field has been both to stick to the G77 – which still offers the country an international leadership position and a source of legitimacy – and to simultaneously join the flora of new agreements that may meet the country’s development ambitions. Moreover, leadership in the Kyoto track can both help to prevent other developing countries from defecting from their refusal to accept concrete commitments and allow China to reap the benefits of an increasing number of CDM projects...

The WorldWatch Institute’s *State of the World* notes that: “Environmental cooperation provides an important opportunity to extend cross-border community building beyond the narrow and often polarizing sphere of economic linkages.” China has been apt to adapt its cooperation on environmental issues, and specifically relating to climate change, as an approach to improve its image and maintain its rapid national economic development. According to Zhang, “China has consciously and often effectively used the climate change issue to enhance its international image and advance its foreign policy goals.”

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338 Zhang, “The forces behind China’s climate change policy,” 78.
340 Zhang, “The forces behind China’s climate change policy,” 81.
and influential power benefits, however it can also present negative images for failing to live up to commitments, as well as a loss of global influence. According to Robert Keohane:

To a government that values its ability to make future agreements, reputation is a crucial resource; and the most important aspect of an actor’s reputation in world politics is the belief of others that it will keep its future commitments even when a particular situation, myopically viewed, makes it appear disadvantageous to do so.\(^{341}\)

China focuses its leadership of the G77 as a way to accrue international prestige as the leader of a very important climate negotiation bloc. Zhang remarks that climate change has been an important issue-area for China to advance a positive international image:

On one hand, Chinese foreign policy is premised on independent policymaking and refrains from entering into alliances or strategic relations with any big power or group of nations. On the other hand, China traditionally considers solidarity with developing countries as fundamentally important. The climate change issue has provided an unprecedented opportunity for China to boost its prestige and shore up support from developing countries.

Former Chinese Foreign Minister Qian Qichen argued in 1994 that China holds an eminent position amongst developing countries:

International prestige has not declined, but increased….we have not boasted [of] our achievements….Now, [developing countries] all say: ‘China is our only hope, the only country that speak for us, and the only power that represent our interests.’\(^{342}\)

Chayes and Kim affirm a similar pontificating role for China’s Ministry of Foreign Affairs (MFA) which “has regarded the climate change negotiations as a vehicle for asserting leadership in the developing world.”\(^{343}\) Ding cites Nye who writes that:

if [a state] can establish international norms consistent with its society, it is less likely to have to change. If it can support institutions that make other states wish to channel or limit their activities in ways the dominant state prefers, it may be spared the costly exercise of coercive or hard power.\(^{344}\)

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Despite an increasing tendency to declare a preference for bold climate cooperation, China has in fact failed to internalized the urgency to act on curbing the climate threat, and is rather focused on ensuring a positive environment to maximize its economic nationalist gains. Heggelund and Backer pick up on this writing that:

So far, China has been successful in creating an environmental apparatus and has issued environmental policies, laws and regulations. Where it has not been successful is in carrying out policies – there is still a big gap between words and action.

Jeon and Yoon support such a statement writing that Beijing has not treated global warming seriously nor has it implemented substantial environmental policies focused on diminishing emissions. Yu believes that China’s climate strategy is a focused attempt to avoid the climate issue itself: “China's strategy was - and remains - to avoid requirements that developing countries reduce their GHG emissions.” China’s leadership in its association with the G77 contributes to missing the issue of preventing climate change entirely as China is entrenched in a mindset to buttress international pressure against China, and also to capitalize on its economic nationalist interests including international status which can help to foster CDM and GEF projects and economic development in general.

Consistent with Chinese efforts to avoid taking climate action, Heggelund and Backer note that as it stands: “Global environmental issues seem to have a loyal participant in China, but it is currently not providing any leadership.” Leadership here may be somewhat unclear as it has been noted in earlier chapters of the thesis that China is the most actively engaged developing country in CDM projects as well as the GEF, and also that China in fact leads G77 nations in climate negotiations. For Heggelund and Backer, the leadership that China is failing to provide relates to verifiable efforts to abate climate change. The fact of the matter is that merely articulating a common line in the UNFCCC with the G77 is a form of stakeholder participation and China has astutely recognized this. Zhonghi Pan notes that China's multilateral turn is characterised as a “joining mentality” rather than a “role-player mentality.” Essentially, China pays more attention to joining than what role it should in fact play or how to play it.

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345 Jeon and Yoon, “From International Linkages to Internal Divisions in China,” 847.
346 Yu, “Global Environment Regime and Climate Policy Coordination in China,” 63.
China’s economic nationalist motivations benefit from China’s partnership with developing countries to solve the climate problem, even if this does not involve China taking on GHG reductions, and rather takes the form of CDM and GEF participation as well as declaratory policy supporting the position that developed countries must act first and pay for developing countries to take actions. Kasa et al. write that the G77 claim that their defining membership characteristic is poverty “and that their primary preoccupation is with poverty eradication and the ‘right to development’ and ‘respect for sovereignty,’” is part of a focused strategy wherein China can legitimately oppose Kyoto Protocol commitments to reduce GHGs, on behalf of the Global South, while at the same time reap the benefits from foreign development investment and increased global influence.

Zhang states that “when it comes to negotiating developing country commitments, it is in the interest of China to join with other developing countries and negotiate developing country commitments...” as a coalition. He further remarks that by negotiating as a bloc, China enhances its final collective bargaining position and gains much more clout when it comes to determining the scale of its climate commitment. The close approximation of G77 and Chinese interests into the UNFCCC are examples of China’s co-optive influence in the climate regime. Vis-a-Vis other developing countries, the G77 also effectively allows China to maximize its engagement in CDM and the GEF funding mechanisms and avoid most criticism of its overwhelming market share of projects for the sake of Southern solidarity.

China has successfully pursued its national interests with developing country support and has effectively integrated these concerns into a number of UNFCCC founding Articles. It should be noted that in doing so, China gives the appearance that it supports international norms while simultaneously protecting itself from having to make hard policy decisions and significant changes in the short term. Article 3.1 states that differential responsibilities between developed and developing states should guide developed countries. Article 4.3 stipulates that developed countries should provide financial assistance and the transfer of technology to developing state parties. As well, Article 4.7 states that developed countries accept that economic and social development and poverty eradication are the overriding priorities for developing country parties and that they cannot act on climate change until developed countries take first and more

351 Zhang, “Meeting the Kyoto targets,” 4.
extensive actions.\textsuperscript{352} China has even incorporated Article 4.7 into the foreword of its 2007 National Climate Change Programme, which has been heralded as a sign that climate change is in fact entering the policy considerations of China’s leadership.\textsuperscript{353}

Williams writes that “the G77 is not a policymaking body; rather, it coordinates and aggregates the viewpoints of its members in order to enhance the group’s influence in international negotiations.\textsuperscript{354} At a 13 May 1998 hearing before the US House of Representatives’ Committee on International Relations entitled \textit{The Kyoto Protocol: Problems with US Sovereignty and the Lack of Developing Country Participation}, Benjamin Gilman, committee chairman, characterized China’s position on climate change at the Kyoto Conference as “a policy of ‘Three Nos’: no obligations on China, no voluntary commitments by China, and no future negotiations to bind China.”\textsuperscript{355} China has been able to pursue an at times uncooperative climate foreign policy exploiting its international standing and development status bolstered with the support from fellow developing countries. Lewis states that rather than act alone, China can use the G77 negotiation block to avoid being singled out with regards to positions in climate negotiations. Furthermore she states that “China has a hand in crafting its position while ensuring that a large contingent of countries will stand at its side when it is presented before the world.”\textsuperscript{356}

There are several prominent examples of Northern concessions acheived from the well-organized G77-China negotiation bloc. Following the independent evaluation of the GEF Pilot Phase in 1993, participating governments agreed to meet in December of 1993 at Cartegena to resolve GEFs restructuring. Southern countries sought an independent secretariat and CEO and equality of representation, while Northern governments insisted on controlling the distribution of funds. Disagreement shut down the meeting when the G77 delegation walked out.\textsuperscript{357} In March 1994 with the GEF a month away from expiring, negotiators met in Geneva and completed GEFs restructuring with the new GEF Executive Council having “an almost equal split of countries along North/South lines” with all nations having a member in the Participants Assembly.\textsuperscript{358}

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\item[\textsuperscript{353}]People’s Republic of China, \textit{China’s National Climate Change Programme}. Foreword, 3.
\item[\textsuperscript{355}]US House Committee on International Relations, \textit{The Kyoto Protocol: Problems with US Sovereignty and the Lack of Developing Country Participation}, Hearing before the Committee on International Relations, House of Representatives, 105\textsuperscript{th} Congress, 2\textsuperscript{nd} Session, 13 May 1998, In Zhang, “The forces behind China’s climate change policy,” 67.
\item[\textsuperscript{356}]Lewis, “China’s Strategic Priorities in International Climate Change Negotiations,” 162.
\item[\textsuperscript{357}]Rutledge, “Power and Legitimacy,” 21.
\item[\textsuperscript{358}]Rutledge, “Power and Legitimacy,” 22.
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Furthermore, in 1995, when Joint implementation (JI) clean technology and GHG reduction mechanisms were being negotiated, many developing countries, including China, did not fully understand the concept and were unsure of the intentions of the North. Therefore, as a single voice, the G77-China coalition stood firm until reaching a compromise that saw the pilot phase of JI projects go uncredited for the North resulting in investment and technology benefits to developing countries with no strings attached.\(^{\text{359}}\) A more recent example of the G77-China coalition’s strength and unity was the one day UN General Assembly high-level meeting in New York in September 2007 where the G77 firmly opposed other forums or initiatives to address climate change. Developing countries wished to retain the UNFCCC regime as the key forum for negotiations fearing that any of the other forums, including the: G8, Major Economies Meetings, Asia-Pacific Economic Cooperation and Asia-Pacific Partnership on Clean Development and Climate – would try to replace the Kyoto Protocol with “a less equitable instrument,”\(^{\text{360}}\) diminishing funding transfers to developing countries. In the course of China’s goals to improve its international standing and return the country to great power status through its continued economic development and growth, allying with the G77 and ensuring that global efforts to reduce GHGs are conducted through the UN system. Such a stance preserves the important place for the distributive CDM and the GEF mechanisms which China has capitalized upon, and not least for China’s global prominence.

Because climate change is treated primarily as a foreign policy concern, Kasa et al. write that it is “to a large extent affected by spill-over from other foreign policy areas.”\(^{\text{361}}\) If climate change stands to affect other policy areas, it may also affect other policy areas. This fear was evident at another important event earlier in April 2007 when the UN Security Council held a historical debate on the climate threat. China, closely supported by the G77’s most prominent formal member state India, opposed any discussion of climate change at the Security Council arguing that the Security Council did not have any competence to deal with climate change, and opposed any suggestion that climate change, deemed “an uncertain long term prospect,” may have lasting implications for security. Because the Security Council has coercive legal and political authority to require states to take action against threats, affirming climate change as a

\(^{\text{359}}\) Kobayashi, “Navigating between “luxury” and “survival” emissions,” 95.

\(^{\text{360}}\) Earth Negotiations Bulletin, UNFCCC, 12, no. 354, Bali, Indonesia (3-15 December 2008), 14, In Vihma, “Friendly neighbour or Trojan Horse?” 251.

\(^{\text{361}}\) Kasa, Gullberg and Heggeland, “The Group of 77 in the international climate negotiations,” 120.
threat could lead to firm commitments on the part of China, as well as fellow developing
countries.\footnote{Christopher K. Penny, “Greening the security council: climate change as an emerging ‘threat to international peace and security,’” \textit{International Environment Agreements} 7 (2007): 36-7.} China, as a representative for developing countries and holding a Security Council veto, accordingly ended any debate or discussion.

Kobayashi cites Economy when remarking that in the beginning, when China wanted to have its interests reflected in the emerging climate regime; it sought to gain favour with the second biggest developing economic, and second largest developing emitter of GHGs, India.\footnote{Elizabeth Economy, “Negotiating the Terrain of Global Climate Change Policy in the Soviet Union and China: Linking International and Domestic Decision-making Pathways,” (UMI Dissertation Services, 1994), 189. In Kobayashi, “Navigating between ‘luxury’ and ‘survival’ emissions,” 91.} The two have crafted a hard-line stance towards formal GHG mitigation commitments that was described by Prodipto Ghosh, former Secretary for the Indian Ministry of Environment and Forests, and member of the Indian delegation to the UNFCCC and Kyoto Protocol Conferences and Meetings of Parties, 17 April 2007, with “Not now – not ever.”\footnote{This is taken from a conversation with Prodipto Ghosh, erstwhile Secretary, Ministry of Environment and Forests, Government of India, and member of the India delegation to the UNFCCC and Kyoto Protocol Conferences and Meetings of Parties, 17 April 2007, In Rajamani, “China and India on Climate Change and Development: a Stance That Is Legitimate but Not Sagacious?” 105-106.} Lavanya Rajamani writes:

> While the rhetoric of equity\footnote{Equity has often been referenced by developing countries when making the claim that historical responsibility for human-influenced climate change is based upon unequal development between developed and underdeveloped states. Accordingly, developed states should be primarily accountable for cleaning up the problem they played the largest part in creating.} may serve these countries well in international forums, lack of serious domestic action will hamper the ability of the international community to tackle climate change. Besides, climate change will have significant impacts – economic, social and environmental – in both of these countries.\footnote{This is taken from an interview with Rajendra Pachauri, Chair of the IPCC, 20 April 2007, In Rajamani, “China and India on Climate Change and Development.”} The importance of this bilateral partnership directly affects both the policies pursued by the G77 in the course of negotiations, but also the North-South negotiations results themselves. 21 October 2009, the two signed a memorandum of understanding (MoU) agreeing that for a period of five years, the two would cooperate on climate change approaching negotiations together.\footnote{Jonathan Watts, “China and India agree to cooperate on climate change policy: Countries will coordinate efforts on renewable energy and research into the effects of climate change in the Himalayas,” \textit{The Guardian}, 22 October 2009. http://www.guardian.co.uk/environment/2009/oct/22/china-india-climate-change-cooperation [Last Visited 6 November 2009].} Chair of the Nobel Prize-winning Intergovernmental Panel on Climate Change (IPCC), R.K. Pachauri, noted that “while the [Indian and Chinese] position may well be legitimate, whether it is sagacious is questionable.”\footnote{This is taken from a conversation with Rajendra Pachauri, Chair of the IPCC, 20 April 2007, In Rajamani, “China and India on Climate Change and Development: a Stance That Is Legitimate but Not Sagacious?” 105-106.}
developing country and G77 position, and delivered significant status and prestige benefits to China and India for reaffirming their support for developing countries. Hence, China and India may not be targeted alone by developed countries hoping to reach bilateral deals outside of the G77 on abating their production of GHGs. Furthermore, China retains a close ally supporting China’s G77 leadership, and also a key developing country that will avoid criticising China’s capitalization of development projects through the CDM and the GEF. Through close engagement with the G77s other great power in Asia, China affirms its reliability and reputation for supporting the G77 as well as in defending the G77s interests – which as discussed are directly related to China’s own economic nationalist motivations as well.

**Final remarks on the China-Group of 77 relationship**

Through the negotiation bloc of the G77, China is also able to augment its negotiation position, status and prestige, and acquire and exert significant co-optive influence on its fellow developing states and the international system itself. China’s continuity foreign policy position entitles all developing states with increased freedom of economic development, sovereignty, and most important for China, the support of developed states financial, technological transfer and educational know-how. Through its instrumental association and leadership of the G77, China has cultivated support across much of the developing world for its own interests in abating global climate change. In the G77, China has found an important climate negotiation partner, or bloc, which respects China as an influential international negotiator and ally reflecting the demands of developing countries.

China’s relationship with the G77 illustrates that opting to participate in this coalition is a strict economic nationalist motivation which furthers the Chinese national interest to acquire funds for economic development, and which is also closely related to augmenting long-term status, prestige, and influence. Kasa et al. describe China’s G77 association as part of an opportunistic strategy where it can oppose Kyoto Protocol commitments GHG reductions for developing countries, while also benefiting from increasing its global influence and participating in other aspects and types of energy and climate agreements outside or related to the formal climate negotiations.369 China pursues a return to great power prominence through its continued economic development and growth and is an opportunist within the Kyoto track since

it can oppose commitments to reduce GHGs while benefitting considerably from, for instance, the CDM and the GEF, in contrast to other developing states and the G77 as a whole. Chayes and Kim state that it is possible to view China’s G77 association on the issue of climate change as a means to maximize gains, minimize costs and to avoid being singled out as a growing economy with spiralling GHG emissions.\footnote{Chayes and Kim, “China and the United Nations framework convention on climate change,” 525, In Kasa, Gullberg and Heggeland, “The Group of 77 in the international climate negotiations,” 121.}
Chapter 6: Conclusions

The analysis pursued in this thesis has sought to contribute to understanding Chinese foreign policy engagement with the UNFCCC regime. At the outset, the question was asked: “Why is Chinese foreign policy able to balance supporting national economic development objectives and protect its sovereignty while also increasing UNFCCC multilateral cooperation to abate climate change?” In the course of answering this question, China’s foreign policy relationship and participation methods and motivations in the climate regime have been scrutinized using the ideological construct of economic nationalism to discern China’s particularistic motivations.

At this thesis’ outset, it was noted that since China is the world’s largest GHG emitter, de facto leader for developing countries in climate negotiations, and as a result is a global climate mitigation catalyst which essentially dictates the effectiveness of the climate regime. Hence, improving our understanding of the nature of China’s international climate change engagement is necessary. The four-fold argument pursued remarked that: First, China’s multilateral climate change engagement is consistent with its long-standing foreign policy goals to sustain national economic development and preserve national sovereignty. Second, China has redefined its foreign policy to accommodate the ideological construct of economic nationalism, embodied in the course of its international economic and image-status benefits. Third, Chinese cooperation on climate change while vying to augment its sovereignty and national interests serves as a fundamental challenge to the notion that globalization necessarily weakens the nation-state. Fourth, as a consequence, comprehending Chinese climate foreign policy consistency will contribute to improving general knowledge and understanding of the climate regime and the methods it uses to encourage developing countries to increase their respective participation in mitigating climate change in future.

China is a developing country, but it does not wish to remain so. In order to increase its rate of modernization, Chinese foreign policy has undergone a reconceptualisation with regards to international participation and engagement. For former leader Deng Xiaoping, opening the Chinese economy to the international system was a first step towards returning China to its rightful place as a respected world power. China’s economic expansion is equated as a means to regain its earlier standing in the international system and therefore supporting and strengthening national economic development is prioritized as a vital national objective.
Often, globalizing forces, state interdependence and multilateralism are equated as contrary to nation-state sovereignty and the protection of national cultural, linguistic, political, social and economic borders between individual states. However, in varying degrees, each of these has become acceptable and commonplace in China’s foreign policy orientation. China has by no means given up its sovereignty discourse and orientation, and therefore, to consider how it balances its sovereignty with internationalism is a complex consideration.

The issue of climate change is a useful example with which to comprehend Chinese thinking surrounding a global concern that potentially stands to have considerable long-term and deep effects to economic growth and national sovereignty. Traditionally considered as sovereign-centric and shying away from international engagements, China was uncooperative and complicated efforts to reach an international agreement on climate mitigation when the UNFCCC regime emerged in the early 1990s. Participating with the UNFCCC was considered a risk to Chinese sovereignty and is feared to impose substantial costs upon economic growth therefore limiting national development. While at times China remains an obstacle in international climate negotiations, conditions have notably changed with China’s declaratory policies and behaviour evidencing China as an active participant in international climate debates and conferences. China’s contemporary climate change engagement is highly visible as it receives the largest quantity of GEF funding devoting nearly 60 percent to climate related projects. Additionally, it is the foremost developing country host for CDM projects and CERs issued, and China also acts as the leader for developing countries through the G77 negotiating bloc in climate negotiations.

Economic nationalism has been used to demonstrate why China is capable of engaging with the international system on the issue of climate change while also pursuing long-established national objectives to protect its sovereignty and support its rapid economic development. In spite of an international system which is characterized by significant state interdependence, economic nationalist ideology takes for granted the independence of nation-states and values national unity, autonomy and growing national power. Simply, economic nationalism can be understood as a facet of nationalism, though a facet specifically focusing on the nation’s economy. Economic nationalism supports national sovereignty, and considers that national identities may be reinforced and supported using diverse economic policies.
When Communist ideology began to fall out of favour in China in the post-Mao period, leader Deng Xiaoping began to promote international economic opening as a way to maintain national unity as well as a means for China to regain its self-identified standing as a great world power. Thereafter, on an individual level, national and cultural unity and identity evolved to significantly incorporate economic growth. National identity and personal successes were integrated around economic development which came to embody national pride and was considered a patriotic duty. With national identity and unity progressively more reliant on economic expansion, Chinese authorities looked to encourage national economic development through international cooperation. Through the fading out of Communist ideological unity, the Chinese state pragmatically accepted increased international interdependence in support of a rising economic nationalist identity.

National success in China is measured vis-a-vis other nation-states in the international arena. Globalization and interdependence requires nationalists to at least consider incorporating a degree of liberalism into particular policies. Modern economic nationalism is a complex instrument which like nationalism seeks to augment national identity and nation-state power. Understood as the economic content of a given nation, economic nationalism proposes that economic growth strengthen national identity and that economic policies may be utilized in multilateral relations to achieve national goals. As an ideologically flexible construct, economic nationalism allows nationalists to engage in international economics even attracting global corporations and investments since the intention remains to improve the competitiveness of national industries. Essentially, economic nationalism seeks to achieve priority national goals unconcerned with the means by which these are sought.371

China’s economic nationalist foreign policy on climate change shows that while climate change is not a pressing national objective in and of itself, engaging multilaterally on the issue can simultaneously contribute to achieving higher priority national concerns like economic development. Sovereignty remains a concern amongst Chinese authorities; however the country’s particularistic engagements with the UNFCCC regime speak to a willingness to relax this discourse if benefits can be accrued in other areas. China’s foreign policy turn on climate change relates to the interplay of economic nationalist concerns to grow great power prominence through economic development and also image, status, reputation, and a growing global co-

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371 Goff, “It’s Got to be Sheep’s Milk or Nothing,” 186.
optive influence. China’s positive participatory climate activities promote economic expansion domestically; cultivates a positive international image of the Chinese nation as a multilateral co-operator and environmental steward, and serves to mitigate the production of CO₂ which is a highly politicized international concern.

Chinese economic nationalism has been vitally important in framing China’s foreign policy objectives to abate climate change through cooperation with the UNFCCC. It is noteworthy that Deng’s post-Mao reforms blurred Chinese sovereign-centrism and helped to encourage Chinese self-identification with being seen as a responsible major power. Additionally though, several other contributing dynamics have coalesced to provide China with a friendly environment wherein it feels comfortable to incorporate multilateralism into its conceptual climate change foreign policy framework. At the time of the UNFCCC’s creation, abating climate change was viewed as environmentally friendly and a potential economic disaster. When the Kyoto Protocol introduced binding targets to limit temperature rise to two degrees Celsius, climate mitigation was formally incentivized for developed and developing countries. Most importantly for non-industrialized state parties to Kyoto, market mechanisms including the CDM linked taking action to avert climate change with national economic development. Furthermore, in 1998 in China, climate change moved from a scientific issue under the authority of the State Meteorological Administration to an economic development issue under the National Development and Reform Committee (NDRC) and Ministry of Foreign Affairs (MFA).

With these factors in mind, China is a country where economic nationalism and climate change mitigation are producing synergies coalescing to encourage national development and positive image-status benefits in exchange for engagement with the climate regime. Climate change has been reframed and Chinese thinking has shifted towards concrete UNFCCC engagements. This discussion has unpacked China’s growing UNFCCC engagement assessing it according to its constituent parts, highlighted through the three instruments and organizations featured as case studies and which include the GEF, CDM and the G77. Chinese economic nationalist ideology supports each of these forums for participation which, in their own right, maintain traditional national sovereignty objectives and also successfully pursue economic nationalist foreign policy motives which most prominently include economic development and augmenting China’s international image and status. Actualized in the three case studies,

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economic nationalism demonstrates that China’s climate engagement is very narrow and focuses upon extracting incentives from its participation.

The first two case studies contrast China’s experience in the climate regime’s original North-South redistributive funding mechanism, the GEF; with the MLF funding mechanism of an environmental regime formed shortly prior, that of ozone depletion. The contrast used in this case study shows the utility of incentivizing China’s participation on abating environmental issues. Usefully, it enlightens about the consistency in China’s economic nationalist climate change foreign policy motivations which seek to augment national development through participating multilaterally on environmental issues and with their related international regimes.

With the UNFCCCs inception in 1992, the newly minted climate regime was optimistic about its environmental contribution due to the early success the ozone regime had in soliciting developing country support. Ozone’s funding mechanism, the MLF, was created to motivate behavioural changes in the economic development patterns of industrializing countries. Knowing that developing countries would not be keen to accept costs and self-impose stringent environmental protections possibly hindering economic development, the GEF emerged as the climate regime’s solution to entice developing countries to incorporate sustainable and environmentally friendly practices into their development.

Engagement across the two regimes displays willingness on the part of Chinese authorities to engage with the international community on global challenges which can only be solved through multilateral efforts, but also to do so for the purpose of benefitting the Chinese nation-state. Building upon its exposure to multilateral environmental protection in the ozone regime and the MLF, China has become adept to acquire significant economic nationalist benefits without having to consider the full breadth of the environmental issue or threat itself.

On ozone pollution, Chinese authorities are motivated to alter their development patterns due to the financial incentives accorded to them from internationally verified mitigation efforts. Using the GEF, China has received the largest share of developing country environmental funding and has directed nearly 60 percent of more than US$ 750 million towards climate mitigation projects which are also known for their success in leveraging additional funds as well as technology and expertise transfer. Additionally, in Yu’s interviews with 40 Chinese decision-makers involved with the GEF, he showed that 32 amongst them believed that the GEF played a
positive role and that China’s chief benefit from participating on climate through the Kyoto Protocol was the benefits it received to its international reputation.

Economic nationalist consistency across these two regimes shows willingness on the part of Chinese authorities to engage with the international community on global challenges that can only be solved through multilateral efforts, but also to do so for the purpose of benefitting the Chinese nation-state. China’s experience with the MLF has proven that this form of multilateral engagement does not pose a severe threat to its sovereignty and should in fact be considered as beneficial for national economic development. Accordingly, the GEF has been accepted in China in a very similar fashion.

The third case study focuses on the CDM, one of the Kyoto Protocol’s market mechanisms to encourage developed countries to invest in climate mitigation-related projects in developing projects. Since China’s early scepticism of market mechanisms which it considered as a way for developed countries to avoid their climate mitigation commitments, China’s opinion of the CDM has shifted dramatically. Since 2005, China has dominated the CDM market attracting 37.44 percent of projects, and issues nearly half of all annual global CERs (48.34 percent) and assumes that CER issuance will rise to nearly 60 percent of the global share in 2012. Furthermore, China pursues large projects that involve the transfer of technology, low-costs to investors, and which may not always contribute significantly in environmental terms.

China’s engagement with the CDM is predominantly driven by the present and future economic gains China currently receives and expects to receive in future. In 2007, the primary CDM market was valued at approximately US$7.5 billion and in spite of global economic downturn in 2008 was valued at more than US$6.5 billion. CDM funds offer economic additionality bringing the potential to leverage significantly more funds from other investor sources. Other benefits accrued from Chinese CDM engagement include international status gains and sovereignty benefits which state: only enterprises with 51 percent Chinese-ownership may implement CDM projects ensuring profits remain in China, the Chinese government has primary responsibility for CER price setting and the right to refuse if prices fall too low, and that

differential taxes will be applied to particular types of CDM projects aligning China’s national development and interests. Based on the types of projects China attracts, as well as the significant economic and economic-additional benefits accrued through China’s CDM participation, it is evident that actualizing climate change mitigation is not for climate mitigation or environmental ends, and rather is for unilateral economic nationalist development purposes.

The final case study discusses China’s relationship with the G77 in climate negotiations. The G77 formed in the mid-1960s in order to present a common voice in the international system on behalf of developing countries. China heavily favoured national sovereignty and international detachment in the 1960s, but saw an opportunity to support its interests vis-a-vis developed countries through its G77 association. With the internationalisation of environmental issues in the early 1970s, and China’s economic opening encouraging interdependence later in the decade, multilateral forums increasingly came to be seen as a useful way to support China’s interests. Hence, the international arena has increasingly been accepted as a natural space and means to ensure national development and a self-image of China’s great power status.

Developing countries believe that China is a shrewd negotiator with whom they share many similar interests. In fact, China uses its leadership role in the G77 in order to support its national interests couching these as shared by the developing world. Through associating with the G77, China bolsters its international standing and is confident in pursuing particular negotiating positions in forums like the UN having the support of the Global South. On the issue of climate change, an increasingly prominent and divisive North-South issue in recent years, China has taken advantage of its close relations in the G77 to frame its national response with that of other developing states.

In climate negotiations, through playing a leadership role in the G77, China has successfully aligned developing country interests with its own economic nationalist foreign policy in order to extract important economic, as well as political concessions from Northern negotiators. China’s G77 association and climate negotiation bloc is therefore part of an opportunistic strategy for China who formally opposes GHG reduction commitments on behalf of developing countries, while also benefiting from augmenting its influence and negotiation power in the course of climate negotiations and participation.

China also augments its negotiation position, status and prestige, acquiring and exerting its influence over its fellow developing states and the international system itself. China’s
continuity foreign policy position entitles all developing states to freedom of economic development, sovereignty, and the support of developed states financial, and technological and educational transfer. In the G77, China has found an important climate negotiation bloc that respects China as an influential international negotiator and ally reflecting the demands of developing countries. China in turn increases its access to economic nationalist benefits like image, status and soft-power which contribute to power its national economic development.

The preceding discussion has intended to answer why China has increased its engagement on climate change while simultaneously supporting its wish to maintain a significant degree of sovereignty in the international system. Motivating China’s foreign policy engagement on climate change has been its economic nationalist ideology through which Chinese foreign policy has reconceptualised the global environmental issue and subsequently been motivated to take advantage of climate change for economic development and image-status growth purposes.

The four case studies consulted have helped to illustrate the economic nationalist nature of China’s motivation to participate in the climate regime. Furthermore, China’s very purpose to negotiate has allowed China to avoid internalizing climate change as a threat and urgent issue. China’s tone has changed through increased openness and participation, but fundamentally, Chinese climate policy is about continuity of national interests and not about mitigating climate change. Across the three cases, China is the primary destination for CDM and GEF projects and funding, and China’s coalition partnership with the G77 remains one of the healthiest and most powerful international climate negotiation blocs.

The analysis pursued in this thesis has illustrated that direct financial assistance serves as an important and vital instrument to encourage North-China international collaboration to address global environmental problems in multilateral environmental regimes. Looking ahead, while China may not be internalizing climate change as a threat in need of immediate action, international community efforts to encourage its participation have been effective and will likely continue to be effective in future with the appropriate incentive structures. Chinese motivations are inherently economic nationalist inspired and mainly seek to increase economic development, and also image-status and internationally recognized power and influence. In the course of applying an economic nationalist lens to four cases of Chinese participation with the UNFCCC, it is evident that the incentives are successfully motivating participation. This thesis also serves as an important space from which to speculate about the power of the nation-state in the
international system and during an era of increasing globalization. While further study is vital in order to strengthen generalizations, Northern efforts to encourage China’s participation on climate through the use of incentives including economic development are being applied in other developing countries, and with the success of the Chinese case in mind, should continue to be considered as a tool to encourage developing country participation in other jurisdictions.
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