

**THE CHINA COUNCIL
FOR INTERNATIONAL COOPERATION
ON ENVIRONMENT AND DEVELOPMENT**

THE FIRST MEETING OF THE THIRD PHASE

*Kunlun Hotel, Beijing
23-25 November 2002*

SUMMARY RECORD

December 2002

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ABBREVIATIONS

ADB	Asian Development Bank
AGM	Annual General Meeting
CAS	China Academy of Sciences
CBD	Convention on Bio-Diversity
CCICED	China Council for International Cooperation on Environment and Development
CCP	Chinese Communist Party
CDM	Clean Development Mechanism
CGIAR	Consultative Group for International Agricultural Research
CIDA	Canadian International Development Agency
CITES	Convention on International Trade in Endangered Species
CO ²	Carbon dioxide
CP	Cleaner Production
EIA	Environmental Impact Assessment
EU	European Union
FDI	Foreign Direct Investment
FYP	Five-Year Plan
GDP	Gross Domestic Product
GEF	Global Environment Facility
GMO	Genetically Modified Organism
GNP	Gross National Product
GOC	Government of China
IAS	Invasive Alien Species
IISD	International Institute for Sustainable Development
ISO	International Standards Organization
IUCN	International Union for the Conservation of Nature
LDC	Less Developed Country
LE	Lead Expert
MEA	Multilateral Environmental Agreement
NFPP	National Forests Protection Program
NPC	National People's Congress
ODA	Overseas Development Assistance
OECD	Organization for Economic Co-operation and Development
POPs	Persistent Organic Pollutants
R&D	Research and Development
SDPC	State Development and Planning Commission

SEA	Strategic Environment Assessment
SEPA	State Environmental Protection Administration
SFA	State Forestry Administration
SLCP	Sloping Land Conversion Program
SME	Small and Medium Enterprise
SO ²	Sulfur dioxide
SOE	State Owned Enterprise
TF	Task Force
TORs	Terms of Reference
UK	United Kingdom
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Education, Science and Culture Organization
US	United States
WDS	Western Development Strategy
WG	Working Group
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization

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I. INTRODUCTION

1. The China Council for International Cooperation on Environment and Development ("the Council") was established by the State Council of the Chinese Government in April 1992 to facilitate cooperation between China and the international community in the fields of environment and development.
2. The Council is a high-level advisory body that makes proposals for consideration by the Chinese Government on the integration of environment and development. It has so far held five annual meetings in the First Phase, five annual meetings in the Second Phase and one meeting in the Third Phase. The Council assists in developing an integrated, coherent approach to environment and development and encourages systematic cooperation between China and other countries.
3. The Council is a non-governmental body but with strong government involvement. Currently the Council comprises 22 Chinese Members and 20 International Members, all chosen for their expert knowledge and their experience.
4. The Members of the Council attended the 1st Meeting of the 3rd Phase at the invitation of Wen Jiabao, Vice-Premier of China's State Council and newly appointed member of the Standing Committee of the Politburo of the Chinese Communist Party (CCP).
5. The host institution was the State Environmental Protection Administration (SEPA). SEPA has been made responsible for inter-ministerial coordination and for supporting the activities of the Council. It has established a Secretariat Head Office to maintain and develop international and domestic contacts and to ensure follow-up within China to the recommendations made by the Council, as well as to deal with the routine work of the Council when it is not in session. The Secretariat is assisted by the Secretariat Canadian Office which is directed by Prof. Earl Drake, is located at Simon Fraser University in Vancouver and is funded by the Canadian International Development Agency (CIDA).

6. This Summary Record of the 1st Meeting of the 3rd Phase of the Council was prepared for the Secretariat Canadian Office by Ms Lucie McNeill on the basis of more detailed notes recorded during the Meeting. The Summary Record represents the Secretariat Canadian Office's interpretation of the discussions and not necessarily the views of all participants. To ensure frank and direct exchanges it has been agreed that the Summary Record of the Meeting should present an overview of the discussions without attribution to individual speakers.

II. AGENDA ITEMS

ITEM 1. APPROVAL OF NEW COUNCIL MEMBERS AND PROCEDURES

7. The State Council approved list of Phase Three Chinese and international Council members, as well as the revised Phase Three CCICED Rules of Procedure and Terms of Reference (TORs) which were distributed to members prior to the meeting and unanimously accepted. The first slate of Council Task Forces and their co-chairs were also acclaimed by the Council.

ITEM 2. ADOPTION OF THE AGENDA

8. With Vice-Chair Xie Zhenhua presiding, the agenda for the 1st Meeting of the 3rd Phase was accepted as presented.

ITEM 3. OPENING CEREMONY

9. With Vice-Chair Xie Zhenhua presiding on behalf of Chair Wen Jiabao, the following participants made statements to mark the opening of the Meeting:

- 1) Vice-Chair Xie Zhenhua, Minister of SEPA, reading the speech of Council Chair Wen Jiabao, Vice Premier of China's State Council
- 2) Vice-Chair Len Good, President of CIDA
- 3) Vice-Chair Qu Geping, Chairman of National People's Congress Environment Committee

- 4) Vice-Chair Måns Lönnroth, Former State Secretary, Ministry of the Environment, Managing Director of Foundation for Strategic Environmental Research, Sweden

10. In the course of these remarks, the following points were made:

11. During the 16th Congress of the CCP, the country's future development plans and targets were unveiled. Among these goals are building a well-off society, deepening the economic and social reforms, and promoting sustainable development. The Chinese delegation to the World Summit on Sustainable Development (WSSD) in Johannesburg was led by Premier Zhu Rongji. China approves of the declaration and the action plan adopted at the WSSD. China plans to continue to cut down on greenhouse gas emissions, control pollution, increase

environmental protection effectiveness and pursue “ecological construction”. During the 9th Five Year Plan (FYP), the Government of China (GOC) invested 580 billion yuan or 1.9% of GDP on these efforts. In the 10th FYP, China will invest an additional 700 billion yuan on the environment and projects another 10% cut in emissions.

12. The Council’s task is to provide strategic advice to the GOC. The achievements China has made on the environmental front over the past ten years is to some extent due to the Council’s contribution. China now has a twenty-year blueprint for development, set during the 16th Congress of the CCP. China’s goal is to develop a well-off society in a way that is environmentally sound and sustainable. The Council’s support is needed for China to succeed.

13. The Council’s first two phases were successful and with the adopted reforms it is hoped that the 3rd Phase will bring improvements. The Working Groups (WG) have become Task Forces (TF) which have a set time and budget to conclude their work. During annual general meetings (AGM), there will be fewer reports to present to the Council, hence more time for the presentation of issues papers, keynote speeches and general debates. The expanded Bureau has an additional international co-chair and there are now Lead Experts (LE) to provide advice on TF work. The Council is more importantly a group of individuals providing advice to China and learning about China.

14. Although the WSSD did not achieve a substantive breakthrough on global environmental issues, some progress has been made, namely on implementing the action plan for Agenda 21 and setting targets for the next 20 years. The actions needed include the promotion of the recycling economy, strengthening integrated decision making and increasing public participation. These will require the full participation of government, markets and the forces of civil society; this does not imply the role of government will be weakened. With China’s rapid economic growth, it is imperative to develop the necessary legal and legislative system to promote environmental protection. China’s new Environmental Impact Assessment (EIA) Law was enacted in October; any plans or programs that could affect the environment will have to go through strategic environmental assessments (SEA). The legislation also sets out the procedures for public participation in the EIA process. This will entail an important shift in how government decision-making takes the environment into account. It also presents an opportunity for environmental protection agencies to become more integrated into government decision-making.

15. With China’s present economic growth targets set at the 16th CCP Congress, we will see in effect the emergence of another China by 2010, and another 2 more Chinas by 2020. This is the implication of 8% GDP growth over twenty years, with the size of the economy doubling every ten years. This unprecedented development represents a tremendous challenge and an opportunity for sustainable development for China. The road China takes and the trajectory of its development will have repercussions for the world.

ITEM 4. KEYNOTE SPEECHES AND GENERAL DEBATE

16. Council Vice-Chair Len Good presided over the keynote speech by Mr Maurice Strong, senior advisor to the United Nations’ Secretary General, advisor to the president of the World Bank and chairman of the Earth Council – among other duties. During his presentation, Mr Strong made the following points:

- 1) The essential link between development and the environment was first put on the global agenda at the Stockholm conference in 1972 and then elaborated in the agreements reached at the Earth Summit in Rio de Janeiro in 1992. The broader concept of sustainable development now integrates economic, social, population, gender and human settlements dimensions. Despite progress between Rio and the WSSD, development on the planet is still not sustainable.
- 2) There is a growing recognition of the relationship between sustainable development, and sustainable peace and security. Scarcity of resources due to environmental degradation can lead to conflicts within and among countries. The global commons, 70% of the earth's surface that lies beyond national jurisdictions, is increasingly the object of competing interests. The militarization of space, the largest global commons, could lead to a new and dangerous generation of conflicts and insecurity.
- 3) China has consistently championed the interests of developing countries since Stockholm in 1972. It was also the first country to adopt its own Agenda 21. China is now well positioned to take a major leadership role in international environmental cooperation. China has recognized its environmental problems and their associated costs; it has taken vigorous legislative, administrative and budgetary measures to deal with them. China has ratified the Kyoto Protocol, affirmed its commitment to realizing sustainable development and has committed to greater international cooperation on this front.
- 4) Special efforts should be made: in improving China's access to new technologies particularly through private sector partnerships; improving energy efficiency, reducing the impact of fossil fuels and giving high priority to the development of alternative energy sources – the establishment of a Consultative Group on Clean Energy modeled on the Consultative Group for International Agriculture Research (CGIAR) is recommended; developing the agriculture sector in ways that are less energy and chemical intensive; improving water quality and water supply through a system of public-private partnerships that provide foreign companies and investors with incentives to participate in China's water development; further developing the environmental services industry; improving China's integrated management capacity; and developing innovative means to mobilize private funds to support China's environmental plans.

17. Vice-Chair Len Good introduced State Development Planning Commission (SDPC) Director General Guo Peizhang who spoke on behalf of SDPC Vice-Chair Liu Jiang. During the presentation, the following points were made:

- 1) The 16th CCP Congress has entrenched the principle of sustainable development as fundamental to economic growth and to the achievement of the goal of having a well-off society by 2020. To coincide with the WSSD, the GOC has been drafting a Sustainable Development Action Plan which is in the last stages of approval.
- 2) The Action Plan will be based on the following principle: gradually adopting an economic model featuring low consumption and low pollution; limiting the population to 1.4 billion while improving school attainment and participation in higher education as well as eliminating illiteracy; improving the efficiency of resource use while continuing to improve forest and vegetation cover as well as increasing the proportion of urban sewage treatment.

- 3) In order to attain sustainable development, China will need to continue to restructure its economy, reduce the imbalance between rural and urban areas, build a comprehensive social safety net, better manage its natural resources, better monitor its conservation efforts, reduce pollution, and strengthen its legal, regulatory and administrative capacity to protect the environment.
- 4) Measures adopted to achieve the above will be: administrative measures including the use of indicators and EIAs; fiscal and financial measures including appropriate pricing of resources; scientific and educational measures such as the development of technology and improved public education; legal measures; setting up demonstration zones for sustainable development; and using international cooperation such as the international agreements to which China is signatory.
- 5) China has an effective framework of governance and a comprehensive sustainable development strategy. Yet there is room to improve in administrative areas such as environmental monitoring and improved coordination among sectors and regions.

Discussion

18. The WSSD has been described as “disaster averted, opportunities lost”. Little progress has been made on substantive issues. Johannesburg should have emphasized: the role civil society must play while recognizing governments’ responsibilities; the need to redefine the term ‘development’ which can be misused; the need to attack the idea of excessive consumption in developing countries. Johannesburg neglected to focus on the impacts of climate change. There is as yet no appropriate global governance institution, such as an environmental version of the World Trade Organization (WTO).

19. A key element of the WSSD was to look at the tri-partite partnership of government, business and civil society. Next year at the CCICED AGM, 5 TF will report on issues which are linked, namely industry and sustainable development, environmental industries, cleaner production, financial mechanisms for environmental protection and sustainable energy technologies. Now that private entrepreneurs are welcome in the CCP, it would be desirable for the Council to have more representatives from China’s private business sector.

20. There is a misconception in the West that China will leave a large ecological footprint on world resources; this is because world opinion is not aware of China’s efforts to mitigate its impact on the environment. It is to China’s advantage to reduce greenhouse gas emissions, to improve river basin management and conserve resources. However, there are areas where China’s impact on the environment is externalized. China is the largest fishing nation and has tremendous influence on the management of fish stocks in the global commons. Similarly in forestry, China’s imports are increasing following the logging ban, but a large part of the logging taking place in countries selling lumber to China is illegal. The Council has a role to play in increasing China’s awareness to these effects.

ITEM 5. LEAD EXPERTS’ ISSUES PAPERS AND GENERAL DEBATE

21. Vice-Chair Len Good presided over the presentation of issues papers and the resulting Council general debate. Council Lead Experts are Dr Arthur Hanson of the International Institute for Sustainable Development (IISD) and Professor Sun Honglie of the Chinese Academy of Sciences (CAS).

22. During Dr Hanson's presentation on international environmental issues and China, the following key issues were underlined:

- 1) The paper reviews the outcomes achieved at the WSSD, the Doha WTO meeting and the Monterrey Conference on Development Financing. In projecting the global future development path, several different scenarios emerge namely: 'Fortress World' or increasing isolationism; leaving change to market forces; using policy reforms to effect change; and making the great transition to sustainable development requiring behavioral change from government, business and civil society.
- 2) China may have key impacts on the global environment picture, most notably in the areas of trans-boundary pollution in persistent organic pollutants (POPs), greenhouse gases and acid rain. At the Doha conference, we saw for the first time the issue of the interaction between trade and sustainable development recognized. In Monterrey, we saw the emergence of new conditionalities, and commitments to address poverty and the Millennium Development goals. But it is unclear whether or not these commitments will induce governments to mainstream sustainable development in their national accounts.
- 3) The WSSD was a global marketplace for ideas promoting sustainable development. A key result of the conference was the emphasis on partnerships, and on the role of business and civil society. Ten key issues are open for discussion, all are related to governance:
 - a) China's success in achieving sustainability depends on global progress on environment and development;
 - b) Global outcomes in 2030 depend on decisions made during this decade;
 - c) Social dimensions such as poverty reduction, environmental justice and better recognition of human ingenuity are essential to achieving sustainability;
 - d) There are inadequate investment in sustainable development;
 - e) The partnerships between government, business and civil society are essential for accelerating the pace of implementation;
 - f) Multilateral environmental conventions (MEAs) require an effective implementation system;
 - g) Science and technology knowledge for sustainability is lacking or inaccessible;
 - h) International concern exists over China's environmental impacts in the region and globally;
 - i) China can become a source of advice and a model for sustainable development;
 - j) China appears to be well positioned to take a global leadership role in sustainable development.

23. The Chinese Lead Expert paper was presented by Dr Wang Yi. The following issues were emphasized to members of Council:

- 1) Environmental protection and economic development complement each other. In order to promote environmental protection, environmental institutions must be strengthened, policies must be sound and enforcement mechanisms effective.
- 2) Over the past ten years, the nature of China's environmental problems has changed. There has been a shift from point pollution threats, to the more pervasive threat of non-point pollution, and from industrial pollution to the combination of industrial and household pollution. There are new

pollutants which are difficult to control such as POPs. Trans-boundary pollution is increasing. Ecological degradation of eco-systems and watersheds is becoming more serious and there is a growing threat from invasive alien species (IAS).

- 3) Global warming is recognized as the most daunting global environmental problem and as the second largest CO² producer in the world, China is increasingly asked to assume its responsibilities as a large developing country. How China deals with global environmental issues and implements the MEAs to which it is signatory will have an impact in turn on China's prospects in economic, social and political arenas.
- 4) Nuclear safety is of key concern; China has seven nuclear power stations of different design posing a management challenge in the future, particularly in the areas of emergency preparedness and waste disposal.
- 5) Environmental issues are closely linked to social and economic development. The public is increasingly aware of the impact of the environment on human health. Social and economic development as well as accession to the WTO bring both opportunities and challenges to the environment. China's large and still growing population continues to put pressure on scarce resources; supply of strategic resources such as water, land and oil is becoming more problematic. Domestic consumption is growing, but so is environmental awareness on the part of the general public.
- 6) Economic restructuring could allow for better integration of environment and development. Market mechanisms can be used to protect the environment; technology can help solve environmental problems. Old approaches focusing mostly on end-of-pipe pollution control are not sufficient. Economic and social decision-making does not yet integrate sufficiently environmental considerations. No single environmental protection agency in any country can suffice to the task. Environment institutions and governance structure need to be reformed.
- 7) The new administrative framework needs to avoid splintering responsibilities and overlapping areas of competence. Monitoring and supervision need to be strengthened, there needs to be better coordination of institutions, decision-making needs to integrate social, economic and environmental factors, and there must be a mechanism for effective public participation. The latter will require the encouragement of NGOs promoting environmental protection, and the improvement of transparency in environmental information.

Discussion

24. China's leadership in environmental cooperation is needed because developed countries have not made the change of course called for at the Rio Earth Summit. Some countries are retreating from global commitments such as the Kyoto Protocol. China could exert its influence to reverse this trend.

25. The advisability of inviting China's business sector representatives to become members of Council is questioned. Business tends to advise governments against imposing costs and responsibilities on the private sector.

26. Forests are a key natural resource in China; the GOC is investing heavily in its reforestation and conversion of sloping land programs. It is expected this eventually will allow China to meet its lumber and wood fibre demand. An increasing proportion of paper pulp will be composed of grasses. China has no intention of causing negative impacts on its neighbours. In addition, China cannot afford to spend scarce foreign exchange on imported lumber.

27. China must have the capacity to offer leadership in setting the environmental agenda for the international community. The priorities of less developed countries (LDCs) have not been fully represented since the Rio Summit and China could take the lead in this regard. China can also help combat current trends towards unilateralism and restrictive measures; it can support concepts of collective security and social justice. China can help set guidelines for the appropriate financing framework for public-private partnerships. China can show the policies and measures necessary to implement the spirit of the Kyoto Protocol; this could shape future coordinated regimes where national policies take a lead role.

28. The WSSD presented opportunities to integrate environmental goals and financing issues; it also allowed for a discussion of the Clean Development Mechanism (CDM) which could support sustainable development and outstrip overseas development assistance (ODA) investments. At present, there are conflicting interests between governments and business which impede progress. UN and Bretton Woods institutions need guidance on how to proceed from the three conferences discussed in the issues papers. It is also necessary for countries to provide an integrated, strategic response to these conferences. Aid, trade and environment are linked; China can take a leading role in setting both the agenda and the example.

29. While China has a trans-boundary impact on tropical forests, bio-diversity and POPs, China also has the potential to be a world innovator in addressing domestic environmental issues. China is also in a position to take the lead role in environmental protection with respect to other countries. China has set and reached impressive goals such as food self-sufficiency, poverty reduction and supporting MEAs; forest coverage has increased; there has been a reduction in key pollutants despite rapid economic growth. In future, China's environmental needs and opportunities should be strongly linked to strategies applied elsewhere. The Council could help China in exploring more fully CDM, certification of trade goods, the role of ODA and private-public partnerships.

30. In order to pursue long-term sustainable development, China needs to embark on a new path, different from mass consumption and disposal. China's natural resources and carrying capacity will not allow for conventional development. The key to success is to adopt sustainable production and consumption at an early stage. There is a growing interest in China for the Japanese concept of "circular economy", which comprises elements such as zero-emissions, recycling and cleaner production (CP). The Council has a role to play, emphasizing the fact that only fundamental change will put China on the road to sustainable development.

31. Education should be one of the Council's priorities; a TF should be established to look into sustainable development and education issues. To implement sustainable development will require that university graduates in a range of disciplines, not just environmental sciences, be versed in the concepts and tools of sustainable development. Curricula will need to be developed and faculty will have to be retrained. There may also be need to redraft the relevant education laws.

32. Business can and must be at the core of solutions for the implementation of sustainable development. Only business has the ability to assemble people, capital and innovation to make it happen. As China promotes growth to increase per capita GNP to \$ 3,000 US, energy consumption will increase. China will be dependent on a rapid growth in energy supply. The private sector is involved in the construction of the western gas pipeline project which will help cut CO² emissions and improve energy efficiency. It is important that this project be done in such a way as to minimize environmental and social impacts – another aspect over which foreign private investors can have good influence.

33. The WSSD is an opportunity missed because Agenda 21 hasn't garnered financing or public buy-in. In China, the challenge will be to empower people in government, in the business sector and in the public to take responsibility for the enforcement of the legislative framework. Capacity must be built so people can fulfil that role.

34. The 2008 Olympics in Beijing are to be the "green Olympics". There are lessons to be learned on green procurement for the Chinese authorities. The Olympics are also an opportunity for public education on the environment.

35. There needs to be a stronger focus on the link between environmental degradation and human health. What is the point of quadrupling the GNP if people are better off but lead shorter lives? Life expectancy is not rising in China anymore. There also needs to be greater focus on the rising frequency of extreme weather incidents, natural disasters and emergency preparedness. Mitigation and preparedness are more cost effective than mopping up after the fact.

36. The prospect of three additional Chinas by 2020 could contribute to climate change which is a real threat to peace and security. Government departments have problems integrating the environment in their planning; they have problems coordinating each other's actions. In its Third Phase, the Council should provide more systematic forward assessments of China's development strategy, identifying risks and enabling the integration of environmental concerns across all critical issues both domestically and externally. Employment is a priority for China and underlies the country's development policies; it should also be kept in mind by the Council.

37. The WSSD focused on partnerships and the business sector was seen as proactive in contributing necessary solutions in order to build such partnerships. Most of the critique at the WSSD was aimed at governments and their inaction. It would be useful to keep in mind that "business" and "governments" are not monoliths. What the world needs are "coalitions of the willing".

38. The magnitude of China's needs and potential goes beyond the experience of other countries. If China moves towards Western consumption patterns, we would need several Earths. What we need is a new model of economic development, and given its governance structure China is ideally suited to experiment with this. Gradualism will not work.

ITEM 6. KEYNOTE SPEECH, PRESENTATIONS BY SELECTED PROVINCIAL GOVERNMENTS AND GENERAL DEBATE

39. With vice-chair Qu Geping presiding, several presentations were made to Council, followed by a general debate.

40. United Nations Environment Program (UNEP) executive director Klaus Töpfer highlighted the following issues in his keynote speech to Council:

- 1) The progress that was to be accomplished between the Rio Conference of 1992 and the WSSD had to do with implementation. As the Chinese proverb says, it is not the knowing that is difficult, it is the doing. Market forces alone cannot solve the problem; political decision-making is called for. The main findings from the WSSD are:
 - a) there needs to be a focus on the regional dimensions of sustainable development; - as was exemplified by the attention paid to Africa;
 - b) new and additional timetable and targets were agreed upon – a total of 35, of which the key ones for China concern renewable energy, the Rotterdam and the Stockholm (POPs) Conventions, standard labeling of chemicals, oceans and bio-diversity among others;
 - c) specific new issues were addressed: changing production and consumption patterns focusing on non-environmentally subsidized consumption; informed consumerism through eco-labeling; changes in the supply-chain demand in LDCs as a result of consumption changes in developed countries; LDCs and local populations need to have increased access to and share in the benefits of genetic knowledge – making bio-diversity work for their development;
 - d) There is a need to shift from point to non-point pollution in dealing with air pollution, and especially particulates.
- 2) The WSSD saw an increasing recognition of the importance of cultural diversity and ethics. There is a relationship between globalization and diversity – in particular cultural diversity which encompasses traditional knowledge, an asset for LDCs.
- 3) There was a focus on partnerships among government, business and civil society, with the recognition that there has to be accountability and therefore, monitoring and reporting so commitments can be verified.
- 4) There was a growing conviction that there is a need for a world environmental organization similar to the WTO for trade. However, at present there are different instruments and conventions such as the MEAs to deal with specific environmental issues; their integration in a world environment governance body needs to be considered.
- 5) UNEP is now 30 years old; it was a result of the Stockholm Conference, the UN Conference on the Human Environment. In order to better integrate environmental issues and promote sustainable development, we need to consider what actions must be taken and what institutions are needed.

41. The Vice Governor of Liaoning Province, Mr Zhao Xinliang, discussed sustainable development progress in the north-east province, focusing on the following points:

- 1) Liaoning is enjoying 9% GDP growth annually, and yet steps have been taken to curb pollution. Shenyang is no longer listed among the 10 worst polluted cities in the world, Dalian ranked among the Global 500 Best Cities and pilot programs exploring the concept of “recycling economy” have been started.
- 2) Liaoning is taking advantage of the massive industrial and economic restructuring now taking place by promoting cleaner production in 230 enterprises. By the end of the 10th FYP and focusing on the province’s iron and steel industry, 80% of all industrial waste-water and 75% of solid waste is to be recycled.
- 3) Liaoning is taking steps to restore open pit coal mines and reuse waste shale and slag; new ventures that are ecologically sound are starting over the ashes of traditional heavy industry. In cooperation with UNEP, an Ecological Industrial Park has been established in Dalian.
- 4) Water pollution and shortages are chronic in the province; the government is investing heavily at present in water and sewage treatment. Solid waste treatment and recycling waste are also increasing.
- 5) Urban planning and extensive greening projects are transforming the province’s major cities. Public information campaigns focusing on green consumerism and conservation have been conducted. Government is also promoting the concepts of “green procurement” as well as “green offices, green communities, green schools and green families”.

42. Mr Zhou Weide, Vice Chairman of the Inner Mongolia Autonomous Region (IMAR), discussed the following issues before Council:

- 1) IMAR is a vast region encompassing five different climatic zones; it is ecologically important in that its desertification can affect all of northern China including Beijing, it possesses China’s greatest expanse of grasslands, and it is the source of important rivers.
- 2) IMAR’s environment has been degraded: desertified and semi-desertified land now covers 60% of the region; bio-diversity has been affected; sandstorms of increasing frequency and severity are battering the region and reaching Beijing and beyond.
- 3) IMAR has taken steps to combat these problems, including extensive reforestation and conversion of marginal farmland to grassland. Illegal mining operations have been closed and the land reclaimed.
- 4) IMAR is using the Western Development Strategy (WDS) support to proceed with massive “ecological construction” programs. In addition, it is setting up ecological function protection demonstration areas in order to protect fragile and bio-diverse areas. Other administrative and legal measures are being taken to promote more sustainable development

43. The Vice Governor of Fujian Province, Mr Huang Xiaojing, presented to Council their sustainable development plans. During the course of his remarks, he highlighted the following points:

- 1) Economic restructuring of state owned enterprises (SOEs) has allowed Fujian to eliminate or transform the worst polluters through investment in new technologies. The province has also worked to control agricultural non-point pollution, cut down on erosion and restore natural vegetation.

- 2) Fujian has established pilot organic farming areas; some enterprises have earned ISO14000 certification. Xiamen is a State-level model environmental protection city. Nature reserves now cover 8% of the land area; the most prominent is the Wuyi Mountain Reserve which is part of the UNESCO World Natural Heritage network. Eco-tourism and environmentally-friendly enterprises are being promoted.
 - 3) The province has strengthened its system of administrative and legal control measures to prevent pollution. A major thrust at present is to promote better solid waste management and sewage treatment through major public investments – targets have been set to the end of this FYP.
 - 4) Fujian is now starting to integrate sustainable development concepts in all its planning. Greater efforts are being made to educate the public on the issues.
44. The sustainable development plans of the Guangxi Zhuang Autonomous Region were presented to Council by Vice Governor Ms Yuan Fenglan. She focused on the following points:
- 1) Guangxi is blessed with abundant fauna and flora, mineral resources, hydropower potential, marine resources and is a tourist destination. It is also comprised in the central government's WDS.
 - 2) For Guangxi, WDS participation will imply significant economic restructuring, infrastructure construction, investment in science and technology, efforts in reducing poverty and increasing people's standard of living, and developing border trade while ensuring national security.
 - 3) In order to foster environmental protection, the Guangxi government is making relevant authorities responsible for key targets, increasing its investment to 1.2% of provincial GDP and is working on improving public awareness of environmental issues.
 - 4) The government is targeting its efforts at improving the environment in its major cities which includes investing in such infrastructure as waste water treatment and solid waste recycling and disposal, in controlling total pollutant discharges, and in controlling acid rain emissions.
 - 5) In rural areas, Guangxi has implemented the logging ban and has been converting sloping marginal lands back to natural vegetation. Some counties have been selected to become green models for others. Organic and biological agriculture are promoted among farmers.

Discussion

45. Clearly provinces are avoiding the mistake of pushing development first and cleaning up after. Most provinces' sustainable plans are presently focusing on "ecological construction"; with the poorer western provinces, the government is assisting this effort through the WDS. China is still facing intractable problems where ecological degradation has not yet stopped or been reversed. China is still a LDC and despite comments by members, China is not yet ready to assume any kind of leadership on this front.

46. Chinese scientists are working on climate change due to the country's heavy reliance on coal for energy and the known impact of acid rain and SO² on the climate. We are now looking at the relationship between climate and soot levels. Chinese scientists need to be cautious and responsible in studying this, given the regional impacts that are occurring. There is also a need to do more research on the issue of trans-boundary pollution for small particulates and aerosols.

47. The Council needs to do serious work on the formation of, and mechanism for the generation and transport of small particulates. Research is especially key since the GOC economic growth plans are ambitious and are sure to imply a massive increase in consumption of energy. The State Council needs to lead this process, rather than leave it to the sectoral authorities.

48. Capacity for sewage treatment in China is at present 20% in urban areas; the target is to have 45% of all waste water treated by 2005 in cities with more than 5 million population. For key areas, the central government provides funds; in other cases, local governments use pollution levies or other fees. The costs of sewage treatment vary depending on the area, the type of treatment and other factors. The price should be sufficient to motivate private investors but this sector is regulated in China, so the profits may not be sufficient to accomplish this.

49. Particulate pollution is getting much more serious due to the continued use of coal as fuel and the increasing use of private cars. Particulates are not dealt with systematically; in the past they were not an important factor but the composition of air pollution has changed. In reviewing air quality in key cities, we now find that particulates are the number one offender and most of these are fine particulates. Organic matter is a major source of these; some are carcinogenic. Since they are also trans-boundary pollutants and their control is beyond the purview of SEPA, an integrated approach is needed.

50. The WSSD shifted the debate to encompass poverty. The vicious circle of unsustainable development and environmental degradation and poverty are clearly linked. Education is also part of the action plan agreed upon in Johannesburg, since education and health are linked to sustainable development. Although there was no target for renewable energies agreed upon at the WSSD, countries will have to increase the contribution of renewables to the energy mix. Partnership agreements will need to be concluded in order to promote the use of renewable and German ODA will be used in LDCs to this effect.

51. Much of China's progress has been achieved through regulation and government intervention. But with increased liberalization, economic growth will be increasingly fuelled by the private sector and regulation will not be sufficient. It is important to educate business that compliance is not enough; business must take a leadership position. The ISO14000 program can be a good tool to motivate business. Consumers will also be key; if they choose environmentally-friendly products, this can create the demand that business will seek to satisfy. It will therefore be key to educate consumers in China.

52. Western technology for sewage treatment remains expensive; more simple, domestically produced systems could be more cost-effective. Treated waste water can also become a revenue to the enterprise doing the treatment. Perhaps establishing a fund to develop cheaper, appropriate technologies would help stimulate R&D. Attention must also be paid to the cost of water after treatment; market instruments can work in richer provinces but in poor provinces, high costs for water could be counter-productive. Where environmental industries are starting to grow, there is still the need to forge more effective partnerships with the public sector.

ITEM 7. REPORT ON THE WORK AND FINANCES OF THE SECRETARIAT

53. With Vice Chair Qu Geping presiding, CCICED Secretary General Zhang Kunmin presented the report on the work of the Secretariat Head Office and the Canadian Office. While presenting his report to Council, Professor Zhang emphasized the following points.

54. Since the last Council AGM and following the distribution of the 2001 recommendations, the Secretariat has received feedback from 16 government departments and 15 provinces. Findings show that the Council's work is relevant to China's needs. For instance, the NPC adopted two environmental laws over the past year, the first on CP and the second on EIAs – Vice Chair Qu Geping heads the NPC's environment committee and many of the experts from the CP WG contributed to drafting and revising the legislation.

55. The Secretariat was also much taken with preparations for Phase Three of the Council. While its guiding principles remain the same, some reforms were incorporated in the new TOR and Rules of Procedure of the Council – both documents were approved at this AGM. The operations of the Council will thus be streamlined and the work of TFs will be strengthened by the LEs. The move from WG to TF represents a fundamental change in the nature of the work that will be done.

56. With the assistance of UNDP, the Council made a presentation at the WSSD; a report on the Council and a CD-ROM on its progress were distributed to interested participants.

57. Over the next 5-year phase, the GOC will provide 10 million RMB in cash and 25 million RMB in kind to the Council. Foreign donors have so far committed the following support: Canada, \$8 million (Cdn); Germany, a minimum of 1 million Euros; Japan, \$600,000 US; the Netherlands, \$600,000 US. The United Kingdom, the Asian Development Bank, Shell, Norway and Sweden have also indicated they will provide funding to the Council. The Council is moving towards the concept of core funding in order to ensure there is a responsive, flexible mechanism to support the TF work in a timely fashion.

ITEM 8. REPORT ON THE TF CO-CHAIRS' COORDINATION MEETING

58. With Vice Chair Qu Geping presiding, Lead Experts Dr Art Hanson and Professor Sun Honglie reported on the meeting of TF Co-Chairs which had been held on the previous day. During the report, the following points were underlined:

59. Practical issues facing TF Co-Chairs were signaled, namely the slow start-up in TF funding and getting contracts in place; as a result some groups did not have time to start their work. This represents a transition time and some problems were expected. But participants strongly suggest that each TF have a full two years to do its work and prepare its report.

60. LEs had been asked to assess 17 TF proposals; of these, the Bureau approved 9. Phase Three of the Council has the capacity to fund 40 TF-years of work; there will therefore be more TF proposals considered in the coming few years. One of the tasks expected of each TF report is to present to Council a range of three options for strategic consideration; this has not yet been fully implemented.

61. The status of the work for the five TFs that will report to Council in 2003 was discussed. The Energy Strategies and Technologies TF has yet to start work but the group will focus on poly-generation involving coal and include modeling and cost-considerations. The TF on CP and the “circular economy” will be meeting this winter; the proposed expanded focus for the group is in response to China’s interests and priorities. The TF on Urban Environmental Infrastructure Financing Mechanism is making progress and focusing on a range of mechanisms that could be used to expand funding for environmental infrastructures during the 10th FYP, with attention paid to the needs of small and medium enterprises (SMEs) in this sector. The TF on the Development of an Environmental Protection Industry started work in spring, with EU experts focusing on the development of the EU’s environmental industry, and seeing what experience is relevant to China; it was noted that perhaps there is a need for this TF to bring in a more global approach and experience. The Industry and Sustainable Development TF will focus its efforts on providing China with policy advice on bringing its industry up to world standards.

62. As the Council moves forward in Phase Three, coordination of TF activities will become key. It remains key to have the work of the Environmental Economics TF inform the work of the others. Trade considerations need to be incorporated in the work of the Bio-security on the issue of IAS. This is also the theme of the new EIA legislation, which several TFs are considering from their own sectoral viewpoint. Commonalities will need to be sought and recommendations will have to be coherent.

63. There is an opportunity in 2003 to pursue this integration and coordination among TFs since the five groups reporting do share many issues. But there is a caution not to reduce the richness of each group’s findings by seeking to homogenize recommendations.

ITEM 9. COUNCIL GENERAL DEBATE ON THE THIRD PHASE

64. Council Vice-Chair Qu Geping presided over the members’ general debate on Phase Three. The following views were expressed by Council members:

65. An inconsistency between the Council Phase Three TOR and the Rules of Procedure regarding the process to approve TF work was pointed out. The Secretariat has taken note of the point and will amend the appropriate documents for Bureau approval.

66. Urban decay, the need to reclaim brown fields, unused construction sites and other wastelands are presently debated in the UK. The move in that country to adopt different concepts of urban planning and to rebuild inner cities could be of relevance to China. It would be useful to consider this in the context of the need to stop urban sprawl and support local communities and neighbourhoods.

67. Phase Three of the Council coincides with the 10th FYP and the WDS. China already has stated goals and targets in these documents. The role of the Council is to help China identify concrete measures and programs to reach these targets. TF work must target high priority areas; only then will active Chinese

participation and feedback be guaranteed. It would be a great encouragement if there was additional feedback from relevant authorities to the Council work reports and recommendations.

68. When discussing the issue of technology transfer for environmental industries, it is often stated that high import costs are a barrier. In fact, much of this technology can be manufactured domestically and, if there is quality control, this adapted technology can be effective. Chinese enterprises can manufacture these products for the domestic market. This is a sizeable opportunity for China.

ITEM 10. REPORT BY THE TASK FORCES

69. Vice-Chairs Måns Lönnroth and Xie Zhenhua presided over the presentation of the Task Force reports and ensuing Council discussions.

a) Bio-security Task Force

70. The Task Force Co-Chair Professor Wang Song and Dr John MacKinnon – sitting in for Co-Chair Peter Schei - outlined the group's findings as they tabled their report before Council. The following points were made:

71. Ten years ago when the Convention on Bio-Diversity (CBD) was signed, the concept was a new one for most people. Now the public is aware that species are threatened and that there is a need for bio-diversity protection. Over the past few years in the international community, it is the concept of bio-safety which is now drawing attention; the focus is on invasive alien species (IAS) and the threat they present for native species. The TF held a workshop to review available data and scientific findings on this issue in China; the work encompasses genetically modified organisms (GMOs) as well. Further work is needed to detail case studies in China and bring in the economic implications of IAS.

72. IAS are defined in the CBD as organisms which are non-native to the area, have been introduced intentionally or accidentally, and are aggressively spreading in their adoptive eco-system thereby displacing or threatening native species. There are other definitions used by different organizations and this issue will eventually have to be resolved.

73. IAS in China are found in all taxa (mammals, fungi, vascular plants etc) and are affecting the economy and people's health. China is vulnerable to IAS because it has a range of ecosystems where IAS can spread: fresh water systems have been invaded by water hyacinth and zebra mussels; some Yangtse River fish species are now economically extinct due to invasive alien fish species; unpalatable eupatorium and lantana are spreading in pastures affecting livestock feed. Many pests are IAS, such as the brown rat and the cockroach. IAS cause changes in landscapes, in ecosystems, in watershed capacity, water flows and sediment regimes, in the bio-diversity of an area - even causing local extinctions. There have been estimates in China of the scale of damage caused by IAS and the costs incurred.

74. IAS are often introduced intentionally (new food crops, trees to use in reforestation schemes, or ornamental plants) or accidentally (pest beetle in log shipments, zebra mussels in ship ballast). Global trade and the increase in tourism are factors in spreading IAS. There are international instruments and existing domestic laws to fight IAS but many overlap and some conflict with each other; there are no laws on the protection of ecosystems; aside from the Convention on International Trade in Endangered Species (CITES), there are no laws to limit the importing, testing and releases of alien species in ecosystems.

75. IAS are highly adaptable, reproduce quickly and some ecosystems are vulnerable to some IAS because of an absence of pests or a high level of human disturbance. It is therefore possible to predict species which are likely to become problematic in a given environment and do a risk assessment. The TF developed a simple scoring system to assess risk based on these and other criteria. The system can be used to screen the species which should not be introduced at all from another country or another region of China itself.

76. Studies in the US show that depending on the species, it is much cheaper to prevent the introduction of IAS rather than having to control them after they've become established. China is planting more land to GMO seed than any other country; GMOs can cause genetic contamination of similar native species and should be screened just as rigorously as other IAS. The new SEA law could be used to deal with IAS and GMOs.

77. The guiding "polluters pay" principle can be applied to IAS, whereby importers would be liable for the cost of clean-up and the price of goods could reflect the IAS risk. The assumption should be that there is a risk until proven otherwise. The greater public good needs to be protected over the individual or firm's short-term profit. Control and regulation should be delegated to the most competent local authority. A new law may be needed that encompasses IAS' threat to ecosystem functions.

78. The TF has published a book on IAS; a database of 128 IAS in China has been compiled. In the US, IAS cost an estimated 137 billion dollars per year; costs would be similar in China but there is a need to raise awareness of the issue and to do more research on the problem.

79. The TF needs Council direction on the work it should focus on in the coming two years. The options are: case studies to document the threat and costs of IAS, broadening the scope of work to include GMOs and related issues such as bio-piracy, or redefining the TF as ecosystem security that could encompass more strategic work on the WDS and wetlands.

Discussion

80. China is already heavily involved in aquaculture, with more growth projected in the coming years. IAS may be an issue and there could be a role for the TF in considering preventive measures that could be cost effective.

81. Prevention is better than cure. It would be worthwhile for the Council to make a recommendation to the GOC on the IAS issue and on the need to develop a strategy that includes participating in the Global Invasive

Species Program. This international perspective should be added. Regarding GMOs, the EU is on the verge of passing strict regulations on content and traceability. This may warrant the attention of the TF.

82. There is a lack of awareness on intentional introduction of alien species in China. Often decisions are made at the local level where there is little understanding of what is at stake beyond immediate economic returns. When problems occur, then there is finger pointing between Chinese officials and scientists. There is an urgent need to introduce legislation to curb the problem that would impose scientific risk assessments on each introduction. Regional differences in capacity and wealth need to be taken into account in China.

83. Work needs to be linked to bio-safety as outlined in the CBD's Cartagena Protocol, later finalized in Montreal. It is important that countries ratify this protocol which deals with IAS and GMOs. With funds from the Global Environment Facility (GEF), UNEP is now doing pilot capacity building activities in China. The TF might consider work on the need to develop in China the capacity to handle ballast water as a prevention measure.

84. IAS are now the second largest threat to bio-diversity in the world and are not yet documented systematically. It would be important for the TF to assess IAS threat in China and outline the global implications. It is important to go beyond sectoral perspectives; prevention and implementation of mitigative measures should be located in the line ministries and the industries dealing with the material.

85. There should be emphasis put on determining the economic incentives needed to send the right signals on the control of IAS, perhaps through the establishment of a liability regime.

86. The issue of GMOs is very emotional in the EU. In exporting agricultural products, China has to meet non-GMO standards; there is a need to mark off parts of China where GMOs are not grown. The threat of IAS introduction should be part of a broader public education on the functions of ecosystems, thereby using public awareness to help control their spread.

87. Past experience and the present example of the WDS tell us that there is a tendency for resources to be used unwisely. China is committed to rapid future growth. Major commitments for the future need to be reviewed to avoid repeating mistakes. It is important for this TF to look at emerging policies and programs and assess bio-security implications scientifically. Issues raised may be awkward, but the result would be beneficial for China.

88. It may be advisable to have a cross-sectoral IAS commission in China; this would have to be established by the State Council. Unfortunately, there are many similar cross-sectoral priorities for the GOC to consider and it is not expected commissions be set up for each. The best way to ensure integration is through education, particularly of decision-makers at all levels and of the public. It may be useful to use the Council AGM for this purpose, inviting key GOC personnel to an awareness-raising seminar.

89. In order for legislation to be developed on IAS control and mitigation in China, it is important for the State Council to submit a draft of the law to the NPC for deliberation. Therefore, the impetus should come from Minister Xie as a result of the Council AGM; simultaneously, SEPA could report on the issue. This will allow

central authorities to take action. The most important is to act in order to prevent intentional introductions; local governments and businesses are involved in this and the central government must have tools to control it. Authority must not be vested in local governments which are mostly self-interested and shortsighted.

90. The State Council has been alerted by CAS and SEPA; now the government is looking into the best management regime for this problem. The TF's report will be used as additional input to the State Council.

91. The 4,000 km West to East Pipeline under construction from Xinjiang to Shanghai needs to be screened for environmental impacts, but this should include IAS impacts. There is scope for China to use the SEA process to find out a project's impacts on bio-diversity and on bio-security.

92. Climate change is no doubt a factor in bio-diversity changes and the spread of IAS. This aspect should be taken into consideration by the TF.

93. IAS spread can cause damage, but it also represents potential benefits. China has successfully introduced new forest species that are playing a positive role in the economy; similarly for the Louisiana crawfish which is now produced in many Chinese provinces. It will be important for China to establish a sound risk assessment and approval system for species introductions.

b) Forests and Grasslands Task Force

94. Dr Uma Lele and Professor Shen Guofang presented to Council members the results of their two years of work. During the course of their report, they emphasized the following issues.

95. In the first part of its work, the TF evaluated the National Forest Protection Program (NFPP) and the Sloping Land Conversion Program (SLCP). Secondly, the TF learned through case studies, policy studies and a series of workshops and conferences. The recommendations deal with improvements to the NFPP and SLCP, broader policy issues and research priorities. The timing is fortuitous because the GOC is presently looking into these areas.

96. The present forestry experiment in China is of importance because it is the largest in the world, substantial resources have been committed by the GOC to this and it covers a large area that started with 13 provinces, expanded to 17 and now is open to all provinces wanting to convert sloping land.

97. On the SLCP, the TF finds that it leads to temporary increases in incomes among participating households who receive both grain and cash income. The environmental impact is not clearly understood. There are issues with the methods used to reclaim diverse ecosystems; the focus of the program is tree planting rather than bringing back native vegetation. The funding can be untimely with impacts on the quality of nursery

materials used. There are also issues with the targeting of the site and the monitoring of results which tends to focus on number of trees planted and area covered rather than people's livelihood. There are unintended adverse impacts such as distortion of local grain markets with lower grain prices and hence reduced farm incomes.

98. It is recommended that the program look beyond forestry to other sources of erosion and their control. The SLCP needs to be less top-down and more incentive-based. For the instrument to be less blunt, there needs to be capacity building for planning, implementation and monitoring at local and provincial levels. The financial sustainability and the outcomes of the program need to be considered.

99. On the NFPP, and looking more particularly at the logging ban which is strict in some areas and partial in others, the TF finds that impacts are not fully understood. There has been some recovery in the natural forests, some increases in tree cover, but the quality of the seedlings has been a problem and there is no evidence this is having an impact on water retention. Due to untimely flow of funds, there has been a reduction in employment and incomes of enterprises, households and local governments. There have been implications for land tenure with farmers who had contracted land for tree-planting but who were prevented from harvesting by the ban. The impact on China's national minorities has been significant. It is unclear whether or not the logging ban has affected lumber imports.

100. Some recommendations deal with improving the implementation of the program, such as lifting the logging ban on collectively-held forests and developing an exit strategy for the ban in state-owned forests. The resource could be managed in a more sustainable way so that China's healthy forests can generate incomes for people and support communities. There is a need for improved land use planning, compensation packages for farmers, and incorporating natural forest regeneration approaches.

101. The TF conducted a survey of 1,400 households to look at how provincial, county and township governments are implementing policy. The TF finds a multi-sectoral approach is needed, with more fundamental forest sector reform – it lags other sector reforms such as agriculture at present. The TF presents recommendations in 5 areas: forest sector governance and administration, taxation and fiscal policies, forest land tenure and ownership, forest harvesting regulations, and forest products trade. Each is divided into priority actions, policy implications and identification of needed research.

102. There are three implications for the work of the TF. First, there are no silver bullets in the forest sector; logging bans were thought to be the way to control over-harvesting, but work in China and elsewhere has shown that the matter is more complex and the logging ban policy needs to be fine-tuned. Secondly, the TF did not do justice to grasslands in its work; in many cases, the solution is not only planting more trees but looking at a variety of vegetation; there is a need for a separate TF solely concerned with the issue of grasslands and composed of specialists in this area. Thirdly, the TF is undertaking an evaluation of its work and feels the Council has to look at the complexities of evaluating short-term TF work when impacts sought are strategic and long-term.

Discussion

103. The Bio-diversity WG had recommended a logging ban over five years ago, but this was to protect old growth forests. In reviewing the present logging ban, it would be advisable to clarify that one of the objectives of the logging ban is to protect the bio-diversity of old growth forests. In those areas, a more sophisticated application of the logging ban should be upheld.

104. There has been a rapid increase in illegal logging globally, but especially in East Asia, Africa and Russia. This is related to insufficient forestry administration due to lack of resources and to an increase in criminal activity. China has been a major importer of logs mostly from Russia, Indonesia and Malaysia – countries with the highest incidence of illegal logging - both before and after the logging ban. There are indications that imports have gone up since the logging ban and there are estimates that one third of China's log imports are from illegal sources. There are several measures that should be taken. Timber certification is part of the answer; public procurement procedures for timber should be tightened (13% of logs imported into China in 2000 was under public procurement).

105. The UNDP has two pilot projects with the State Forestry Administration (SFA), one under NFPP in areas severely affected by the logging bans. Findings show that communities are able to adjust, especially if they get budget allocations from the central government to diversify the economy into areas such as eco-tourism. Those communities see both incomes increase and public revenues go up. However, in many areas there is a need for better planning and more systematic implementation; local government needs help with education, training and more broadly speaking, capacity building. There is a need to find funds for this kind of investment, yet most often there is only money for land conversion.

106. The report shows it is important to take a wider perspective in assessing programs, including the socio-economic impacts of policies. It also recognizes the importance of engaging more systematically all stakeholders, and not only when dealing with compensation but with overall decision-making. The report recognizes that the land tenure issue is central and must be taken into account. A major challenge is that several ministries share partial responsibility for these areas at all levels, leading to confusion, duplication and less than optimal implementation. Budget resources committed have been sizeable, but is this sustainable?

107. China has historical experience, dating back to the Han dynasty, of deforestation and desertification. In 1998, China took a historically unprecedented step in imposing the logging ban. This is a controversial policy but it is necessary given the extent of the degradation. The results have been equally impressive. For example, vast expanses of the Loess Plateau in Shaanxi which were barren these past 100 years are now greening. Because farmers are paid to plant the vegetation, there is support for the program. The SLCP should be firmly upheld. However, there is agreement on the need to fine-tune these policies. There is a concern that farmers who had contracted land to plant trees now find their investment worthless and cannot support their families; yet farmers need to be motivated for these programs to bear fruit.

108. The report makes clear that the logging ban has reduced pressure on forests and helped to restore vegetation. However, negative impacts are also sizeable, since it is the SOE sector that has received most of the

NFPP compensation package and farming households have not been included. While the report has precise recommendations on the fine-tuning of the logging ban, it does not discuss compensation in detail.

109. The Trade WG at the end of Phase Two conducted a study on China's growing timber imports and its environmental impacts in LDCs. The gap between timber supply and demand in China has grown larger following the logging ban. China needs a global perspective when looking at the impact of the domestic logging ban on illegal logging and deforestation in other countries. Timber exporting countries may not be exploiting their resources in a sustainable manner and there may be abuses; they are reluctant to admit to this. There is as yet no consensus within China, but possible steps could include eco-labeling in order to ensure improved logging and manufacturing methods in source countries. This needs to be studied in the context of China's membership in the WTO.

110. Sustainable development as a concept was developed from forest science. Forest laws worldwide deal with three functions: economics, protection and conservation. It is often the case that one function gets over-emphasized at the expense of the other two and measures need to be taken to restore equilibrium. One agrees with fine-tuning, but is a recommendation as sweeping as lifting the logging ban from all collectively owned forests really fine-tuning? Forests need to be used in a sustainable manner. The only function of forests that is linked to the return on private property is the economic function; the other functions are public goods. Perhaps the appropriate response is to compensate for the functions that are common good. At COP6 of the Convention on Bio-Diversity at The Hague, the work program on forests has just been finalized. Important studies have revealed that the best form of carbon sink is agro-forestry, which allows for local livelihoods as well as conservation and protection.

111. The TF has not made a convincing case for the removal of the logging ban on collectively owned land. It has made the case for distinguishing between conservation of forests and compensation. An appropriate response to these problems is capacity building, eco-tourism in different forms and above all, giving local communities the incentives to look after their forests without unsustainable logging. The policy needs fine-tuning and the statement on this should be qualified. The TF report should also put market forces in the context of public interest.

112. Forests need to be viewed within the framework of ecosystems and with a view to restoration. What needs to be restored is not only the forests, but its ecological function, its products and services. In future work, a few issues of interest could be considered: non-timber forest products and the impact of the past few years' policies on these products; diversity and marketability of new tree crops and the eco-systems that are being created with their promotion. Another key issue is the question of socially and environmentally critical forests – for instance forests sacrificed to strategically needed hydro reservoirs but where transfer payments or compensation was not assessed.

113. Forestry is at the heart of sustainable development. It requires nuanced policies; blunt policies and instruments in China will not work. Some lessons on the fine-tuning required from the report include issues of property rights, subsidiarity, ecological and land management – all of which need to be site-specific. The next generation of work needs to get closer to the clients: the people in the poor counties where the policies are

implemented. An implication of the recommendations is the need for deeper analysis and the possibility to assist China with this process.

114. The NFPP and the SLCP programs were a response to a real threat. The programs need to be stabilized, not eliminated. Fine-tuning is called for, based on scientifically sound work. China is regionally diverse and there cannot be blanket solutions; the policies and programs need to be adapted to specific areas. Some tree-planting programs have not been appropriate (such as extensive plantations of apple trees on the Loess Plateau).

115. In China, it is difficult to ban anything. The policy needs to be coherent and applied uniformly. The logging ban should not be curtailed. The policy is based on the fact that China is now self-sufficient in food and that peasants can be encouraged to diversify production. Without the SLCP compensation package for farmers, land conversion would not take place. The policy should be sustained over the long term. But some sustainable logging could take place.

116. There is a need for improved efficiencies in the forest products manufacturing sector. Waste products of this manufacturing need to be recycled. Consumers must be more conscious of their misuse of wood products: excessive use of rare materials in interior decoration or the use of disposable chopsticks should be discouraged. There should be greater efforts to make paper from recycled stock.

117. The FAO's forecast on the overall demand for forests products by China shows this to be unsustainable by the entire world. There need to be substitutes for timber in some processes. And by improving technology in sawmills, waste can be reduced by half. By analyzing the chain linking production to consumption, there are many opportunities to reduce demand.

118. The NFPP is not synonymous with the logging ban; the logging ban was introduced as part of the NFPP following the floods of 1998. The logging ban was imposed to control illegal logging. The SFA has already started to implement some of the TF recommendations, and following a review by the State Council will be relaxing the logging ban in certain circumstances. Compensation of people affected by the logging ban may be extended beyond the state-owned sector; there is also wide acceptance of the SLCP. The SDPC has arranged for budget allocations in order to help maintain the program. The SFA also intends to submit recommendations to the State Council on the need for a better enabling environment for the forest sector. There will also be funds devoted to the development of alternatives to timber products in the construction industry.

119. The NFPP and SLCP are unprecedented in the history of China; the GOC has invested significant funds and resources to make it succeed. There are hiccups in implementation given China's size and diversity, therefore there is a need for fine-tuning, taking local realities and specificities into account. In some areas, there is no need for human intervention and natural regeneration should be allowed to run its course. At present, different departments and agencies are approaching these issues in fragmented ways, projects overlap and resources are wasted. The GOC needs to integrate this work

120. The purpose of the TF was to generate debate and that has been accomplished. The independence of the TF has allowed for thorough examination of the issues. The TF survey of households was extremely useful in examining grassroots impacts. There is more work needed now in looking at efficiency gains from integration, devolution of authority to lower levels of government, and fine-tuning policies, as well as on the trade-offs between short term and long term considerations. A key point to keep in mind when restoring eco-systems is to consider who will pay for this. Very poor mountainous communities do not have a voice, yet they're asked to pay. The work of the TF has helped to better understand this.

c) Environmental Economics Task Force

121. Vice-Chair Xie Zhenhua presided over the presentation of the Environmental Economics Task Force report. Co-Chair Jeremy Warford and Professor Wang Qiwen, sitting in for Co-Chair Li Yining, highlighted the following issues for Council members.

122. The TF report is a wrap up of work that was done by the Environmental Economics WG during the past two phases of the CCICED. It focuses on three themes: resource pricing, strategic environmental assessments (SEA) and green taxation. Resource pricing case studies of timber, rice, fish and grassland among others were conducted. The studies show there is a significant gap between the price of a good or a resource, and the full cost of producing the good or using the resource. The gap represents the cost to the environment. This is a perverse subsidy which encourages wasteful use of resources. Proper pricing is critical in order to promote sustainable development.

123. On SEA, the difficulty lies in assigning monetary values to some of life's most critical elements such as clean air and water. The TF work has provided a basis for doing these estimates as well as outlining techniques and methodologies. On green taxation, sector studies propose that the tax cover the gap between current price and true cost. A book has been published which encompasses the research done by the former WG.

124. The TF recommends a system of pricing be developed which is based on the full cost recovery principle using green taxation. At present, price adjustments are too low and reforms must be accelerated to promote conservation. However, reforms should be introduced gradually in order to avoid undesirable income effects. The TF also recommends capacity building in government agencies to understand and use environmental economics. In addition, SEA should be applied to government programs and policies, not only projects. There also needs to be work on general equilibrium models which would allow for better understanding of the impacts of green taxation (at various levels, on various resources) throughout the economy.

125. The TF is proposing future work be done in areas where the Council and the TF have comparative advantage. The possible areas of study include extending work done on green taxation over the past ten years, emphasizing that the tax need not be revenue raising but could be revenue-neutral. The desired goal is consumer behaviour change. For markets to work efficiently and equitably, all costs should be factored in, including

environmental costs even if they are not in the national accounts. Governments need to step in where there is market failure, as there is in the case of the market's inability to truly reflect environmental costs.

126. Perhaps the TF should be renamed "Environmental Pricing and Taxation TF", or "Fiscal Policy and Environment TF". The work being proposed is in line with the Council's 3rd Phase focus: strategic, cross-sectoral and high-level. There would be a need to work with general equilibrium models to track through the economy the impact of resource price changes and the imposition of green taxes. The TF would also want to look into how environmental policies and green taxes could have differential impacts on different income groups – income distribution being an issue of key concern to the GOC. Finally, implementation of green taxation would be considered. Were the TF to go ahead with this kind of program, it would want guidance from Council on priority areas and on the geographic focus and scope of the studies.

Discussion

127. The case studies of the TF show that environmental depletion or degradation costs are ignored in pricing policy and that the difference between true environmental cost and price is large. It would be recommended for the next phase of work that the TF focus tightly on China, with recommendations that are specific to its conditions, with estimates of magnitudes of costs for instance. On the issue of income distribution, it is interesting to note that some forms of taxation on the consumption of resources could have minimal impact on the poor.

128. Privatization and the government's progressive withdrawal from certain sectors will pose a challenge in terms of achieving environmental goals. The pricing of resources is central to meeting that challenge. Perhaps there should be a comprehensive assessment of subsidies and taxes that have perverse or negative impacts on the environment, focusing on a specific sector, in order to get the quantitative estimates needed and to help crystallize policy makers' thinking.

129. While it is important to conduct SEAs on economic programs and policies, it is equally important to do economic assessments of environmental policies. In formulating environmental regulations, the authorities must look at the costs and benefits of imposing the measure. This is something general equilibrium model work would allow the TF to do. On the issue of green taxation, it is important to look also at incentives for good behaviour since the carrot is sometimes better than the stick approach.

130. There is a correlation between economic growth and energy demand, but it is pessimistic to assume that energy efficiencies cannot be realized. To produce one dollar of GDP, Japan uses 40% less energy than the USA. For China, past experience of other countries points the way to economic growth that is also energy efficient. As the TF report makes clear, this cannot happen without financial incentives to promote the development of new energy sources in the private sector. Prices can provide such economic incentives. Green taxes on consumption can replace taxes on employment; green taxes on consumption affect the rich more than the poor. Any social impact can be further mitigated by other tax reductions, or by increases in social benefits for the poor. However,

green taxes need time to affect consumer behaviour. Going the route of incentives to industry for good environmental behaviour would cost the treasury too much.

131. While some countries manage to achieve growth with energy efficiency, it is true that as LDCs move from \$1,000 US per capita GDP to the \$15,000 level, their rate of growth of energy use per dollar of GDP produced increases dramatically. This can be expected in the case of China over the next twenty years. There is a need to reflect environmental impacts in taxation, but tax is a blunt instrument and it is important to sort out the undesired effects of taxes. In some countries, the green tax on energy consumption does not distinguish between clean and dirty energy sources. If a country moves towards carbon taxation, dirty emissions such as soot are not necessarily penalized. Impacts on income distribution and on international competitiveness also need to be taken into account when considering different tax regimes. Until there is a robust system of emissions reporting, taxes can create a non-level playing field between companies that are transparent and those that are not. The TF should look also at other flexible market mechanisms, such as emissions trading that could produce similar results to green taxes.

132. From the perspective of the institutional user of this information, there is a need for more readily accessible criteria or indicators that could be applied immediately. For instance, the GOC has done some work on the issue of water tariffs or user fees which could discourage wasteful use of this resource. In Ningxia, by increasing the price of water from 0.006 to 0.012 yuan per cubic meter, the GOC realized a total water conservation of 900 million cubic meters per year – and this price is still well below the actual full cost of water. The basis for water fee collection also shifted from a per hectare of land irrigated basis to the actual volume of water used, thereby encouraging conservation; the fees were collected through farmer associations. Increases in water fees have been even more dramatic in urban areas. But there are inequities that the GOC has problems dealing with, such as that between arid areas and areas where water is plentiful; the heavy users of water in arid areas are farmers, the poorest people in the population. The Ministry of Water Resources endorses the recommendations of the TF that full cost pricing be applied to this scarce resource, but further guidance is needed.

133. On the question of energy pricing, an earlier Council study identified a major gap in the capacity to analyze options for policy making. There is also agreement with the TF report on the need to address the link between environment, economic growth and poverty; these issues are at the core of the Council's current phase. The market needs to be oriented, directed by social choices of communities and nations. It is hoped that China will opt for a different growth path than that adopted by Western countries. Tinkering will not ensure the economy can double in size over the next ten years in a sustainable way. And the impacts of this growth path on employment are critical to the GOC. Council TF studies should assist China in making these difficult strategic growth path choices.

134. Europeans are keenly interested in how China will deal with green taxation. France tried to impose a low-level carbon tax, but this had to be abandoned. The GOC has the power to impose such a tax, but with this comes a heavy responsibility. Sectoral impact studies need to be complemented by general equilibrium model work so reverberations of the tax on the total price system can be assessed ahead of time. Taxes are powerful instruments, but if the price system is not coherent, the effects of a tax can be the opposite of what had been intended. The imposition of a tax also needs to be politically feasible, and it is key to consult a broad cross-

section of stakeholders. A debate is needed around the tax instruments that will be used; the transparency of these instruments is key to efficiency and equity. But given the pace of growth in China, the reaction time to these financial signals will be shorter. Slower growing economies have limited experience to share with China because they have not dealt with issues of such scope or such dynamism.

135. For green taxation policies and full cost pricing to work, there has to be some market coherence; if competitors are not doing full cost pricing, a country's competitiveness could be affected on international markets. Financial instruments considered to promote sustainable development should be weighted in favour of incentives rather than penalties – more carrots and fewer sticks. For instance, allow companies that invest in clean technologies to write-off the investment in the first year; the other option is to make green investments tax deductible. There are many such examples to be found internationally featuring fiscal arrangements, soft loans and targeted funds, which can encourage investment by the private sector and by different levels of government. The TF should be providing China with some of these options.

136. The Energy Strategies and Technologies TF is interested in financial instruments to support investments in clean energy. Without tax incentives or such encouragement, it is not feasible for power generators to invest in wind power generation. China's power generation body is now being reformed and will be split into 5 entities; it is expected that this will slow down the investment in clean coal technologies. With China's economic growth, there is the need to increase power generated every year to the equivalent of an additional Three Gorges Project. The environmental impacts of such energy choices need to be quantified to assist policy makers.

137. The capacity of tax authorities to collect any given tax also has to be considered. The easiest tax is on fuel at the gas pump; each gas station becomes a revenue collector for the treasury; but the tax is on fuel as an input, not on emissions. Other modes of taxation are more difficult to assess and to collect. Urban development patterns reflect yesterday's price structures; with cheap fuel, it becomes possible for people to build in the suburbs and to commute. Changing price structures rapidly becomes a problem for people because they don't have the time to react to price signals. It is strongly recommended that increases start slowly, but that the signal sent is clear and that people understand that the trend will not be reversed; this will foster behavioural change and the development of new technologies.

d) China's WTO Accession and Sustainable Development Task Force

138. With Vice-Chair Xie Zhenhua presiding, Co-Chairs David Runnalls and Professor Ye Ruqiu highlighted the main points of their report to Council.

139. In addition to the TF report, an issue paper has been produced and is commended to Council members.

140. The TF has yet to receive funding so no research has been initiated as yet; only one meeting was held in September in order to prepare the interim report which is now before Council. The TF has produced a book on trade opportunities for China under the WTO; this book comes out of the work done by the Trade and

Environment WG during the last phase of the Council. Also a product of the previous WG's efforts is the report on the CDM and the promotion of sustainable development.

141. China is the largest recipient of foreign direct investment (FDI) in the developing world, and WTO membership will accelerate this. There are key issues for China as a result of this. Environmental consequences of WTO accession are unclear as yet although they will most certainly be major ones; there are new techniques to assess environmental impacts of trade agreements, similar to the SEA process. The TF would like to do some work on this in the coming months; textiles would be an interesting sector given its prospective growth following WTO accession and the known impacts textile mills have on water pollution among others. The reverse effect is also important to study, namely in textiles where competition in high value markets such as the EU will force producers to adopt ISO14000 standards.

142. There are important policy implications to WTO accession. China needs to revise its laws, regulations and measures to ensure WTO compliance; this is a process which has already started. Environmental protection efforts will have to increase inside China in order to counteract some of the deleterious effects of trade liberalization.

143. There are important issues for China to consider under the general rubric of market access. Two are highlighted. There is a concern over the green barriers to trade; this is something the previous WG studied, for example trade bans on certain textile dyes or on wood packaging materials. China will need to be proactive in anticipating such barriers and in dealing with them. But conversely, there are numerous green trade opportunities open to China; a good example is organic or biological agriculture markets in the EU.

144. During the last WTO ministerial meeting in Doha, sustainable development was stated as one of the goals of the organization; there are to be specific sections of the next agreement that will deal with the environment. It is expected that the main environmental issues will crop up in the agricultural negotiations. China will need to study up on these issues prior to the negotiations. There are also pressures to open negotiations again on a new agreement on investment. The relationship between environment and investment is even more key than that between environment and trade. It is now necessary for China's negotiators to look beyond issues which are obviously environmental, and to consider the environment as an integral aspect of other issues which are up for negotiations, such as agriculture, fisheries, investment and so on.

145. There are three broad policy options for the GOC to consider:

- 1) To deal with trade and environment primarily as technical issues. Under this option it is recommended that: China monitor and assess environmental consequences of WTO accession; address issues of market access; establish a technical support system; and enhance capacity of its personnel to deal with complex trade issues.
- 2) To link trade and environment to China's sustainable development efforts. Under this option, it is recommended that: China strengthen the implementation of sustainable development and improve policy and institutional coordination; fully understand sustainable development dimensions of the Doha Round of trade negotiations, and identify negotiating objectives and principle.

- 3) To build a coherent trade and sustainable development action domestically, and seize the opportunity for international leadership. Under this option, it is recommended that: China take the lead in developing international rule governing the linkages between trade and sustainable development.

Discussion

146. International Council members overstate the case when they suggest that China take the lead in promoting sustainable development on the global stage. This is premature. China despite its rapid growth rate remains a LDC; it needs to develop and grow since it was a late starter. China also needs to become more versed in the international rules of the game.

147. The TF should consider tailoring its work to the trade negotiations agenda; that would mean beginning to focus on non-trade concerns such as environmental protection, food safety, rural development and trade related property rights as they relate to health. There will be detailed trade proposals tabled on these topics shortly for which China needs to prepare. Then on the Cancun Meeting agenda for September 2003 are issues such as market access and eco-labeling. And finally there are long-term impacts of the WTO and the MEAs. It is important that Chinese officials get input on these issues in a timely way.

148. Consumers' environmental concerns are on the increase and hence, countries are putting up so-called green barriers to trade. This is becoming a market reality for exporters to deal with. There is a gap between environmental production standards in developed and LDCs. After accession, the perception was that China would be spared the usual trade barriers, but non-trade barriers such as environmental issues are bound to become more numerous. This is actually a positive opportunity for China to develop green products, to upgrade its national standards and to seek eco-labeling certification. There is interest in the TF taking on a preliminary assessment on non-trade barriers facing China.

149. China has so far performed well in global trade negotiations, but the Doha and Cancun agendas are tackling new issues. These issues are tied to fundamental questions related to nations' domestic choices, values and measures. In Europe, the public is reluctant to continue on the road of trade liberalization. These concerns over the negative impacts of trade on environment and equity are leading to scrutiny of the legitimacy of trade negotiations. China needs to understand clearly where these impediments to negotiations are coming from in countries of the EU and others. Because the issues confronting all country teams are new, China is in a good position to stake out this new ground. In trade negotiations, LDCs have been defensive, seeking exemptions that are linked to their relative disadvantage. This is where China has a role to play given the size of its economy, the different growth model it pursues and its independence.

150. This TF has an important work plan to pursue but it needs to prioritize. The first option presented by the TF, with two initial recommendations that are directly related to environmental issues, could be tackled first, with SEPA being the obvious agency to do this work. It will be important for the TF to help China see green barriers in terms of green opportunities. It would also be possible to conceive of the convention on persistent organic

pollutants (POPs) as a green barrier; the development of production standards for trade goods need to include POPs.

151. It is important to consider ways to support sustainable development in China in the context of high FDI. Past negotiations on an agreement on investment failed because of massive protests over environmental concerns. FDI can lead to the imports of cleaner and more advanced technologies.

152. MEAs all involve trade issues; CITES has trade in its very name. To this point, there has been no conflict between MEA measures and the WTO rules. Work on this is needed to emphasize how important it is to foster greater cooperation among the various sectoral MEAs. The WTO has a commission on trade and environment now. And the issue has been included in the agenda of the Doha round of WTO negotiations.

ITEM 11. DISCUSSION AND APPROVAL OF THE RECOMMENDATIONS

153. Vice-Chair Xie Zhenhua moderated the Council debate on the recommendations of the meeting to the State Council. A first draft of the recommendations had been submitted to members prior to the AGM; the LEs then revised this draft based on TF reports and Council deliberations. In both cases, the text was first written in Chinese and then translated in English. During discussion on the second draft, members made the following points.

154. The text is a good beginning but sections dealing with the “circular economy” and China’s role internationally need to be strengthened. In addition, the introduction to the recommendations needs to situate these in the context of the three key international meetings on the environment which took place over the past year. There needs to be emphasis put on the commendable progress China has made on the environment over the past ten years under Premier Zhu Rongji’s leadership.

155. In the section on the participation of civil society, the role enterprises must play should be brought forward. The words “good governance” have no meaning in Chinese; an alternative term should be found.

156. The wording dealing with the logging ban on collective lands needs to be considered seriously; there was a heated discussion in Council earlier, which has not been reflected in the text. The need to develop better indicators for monitoring and evaluation should be mentioned.

157. Definitions are needed for concepts which may be clear in China but which are unknown under those terms elsewhere. For instance, “circular economy” and “ecological construction” are not well defined in English at this point.

158. The issue of logging ban on collective lands is complex but needs to be addressed in the recommendations. The ban at present is difficult because of the issue of property rights. Wording needs to be carefully crafted in order not to give the wrong message.

159. The recommendations are aimed at high-level policy makers. The first section of the text should refer to China's intention to double its economy in ten years and should refer to the discussions that took place on this since unbridled growth could easily threaten sustainable development. The text also needs to highlight the critical choices the GOC needs to make in terms of growth path. Tinkering will not be enough; a major reorientation is needed. And employment implications need to be underlined since this is a key concern of the GOC.

ITEM 12. GENERAL DEBATE ON KEY ISSUES AND ON ESTABLISHMENT OF TASK FORCES

160. With Vice-Chair Len Good presiding as Chair, members engaged in a general debate on the establishment of Task Forces and on the key issues they should tackle.

161. The Chair clarified the process whereby a TF can be created, how it is to be funded and how it can be expected to operate. Recommendations for task forces can come from the GOC and its agencies, experts and Council members. Recommendations should be followed by the submission to the Secretariat of a detailed proposal for the TF. The Secretariat will first screen the proposal to ensure it fits accepted criteria and refer acceptable proposals to the LEs for technical screening. The LEs put forward their recommendations on proposals that should be funded as task forces to the Bureau. The Bureau makes the decision on the selection of any TF.

162. The Chair specified that, because a TF idea takes some six months to be fleshed out as a proposal and requires two years to complete its work before reporting to Council, the Bureau has already approved a number of TF which reported in 2002 and will be reporting in 2003. For 2004, a number of proposals have been screened by the LEs; the topics are river basin management, non-point source pollution and green taxation; proposals on the WTO, bio-diversity and transportation need to be revised before the Bureau gives them the green light. No final decision on 2004 TF has been made. New ideas for TF brought forward at the 2002 AGM will only come to fruition in 2005.

163. The Chair clarified that to date, TF funding has come from two streams: core funding for Council provided by a few donors, and funding earmarked for a specific TF coming from a specific donor. For Phase Three, the intention of the Bureau is to encourage donors to contribute to core funding so there can be greater responsiveness and flexibility for TF selection. The Council has at present a budget sufficient to finance 40 TF-years of work; 12 of these are as yet not allocated, which implies room for 6 additional TF.

164. During the ensuing general debate, members raised the following issues.

165. The problem of POPs has been brought forward earlier. It is of critical importance to better understand the environmental and human health impacts of fine particulates, and to identify the components, translocation and dynamics of these POPs. They may have also climate change effects, and they are likely to be persistently

dangerous. China's emission of POPs needs to be understood in terms of regional and more global effects. It is important that policy options that are eventually taken by China be the right ones.

166. A point of key importance which would warrant a TF is the impact of environmental changes on human health.

167. There is already quite a lot of fundamental research done in China on issues which are of importance to a number of task forces. The Council should not be involved with doing basic research, but should review and integrate the information already known and make focused and strategic policy recommendations.

168. There is a need for a TF on environment and education. For a critical mass of people to become committed to sustainable development, public and targeted information programs are needed. China is committed to ambitious growth targets to 2020; for this to be achieved in a sustainable way, China would have to increase the efficiency of resource use by a factor of 8 or 9 – an unlikely prospect. It will be key to do work on the ecological footprint that China is likely to have as a result. China will need to comply to international standards in order to avoid widespread degradation of the environment. China will need concrete support and advice in order to achieve this.

169. At the moment there are two proposed TFs dealing with energy, one on coal and the other on renewable sources. Energy will be a key factor in allowing China to pursue its growth targets; the choices China makes on the energy to power this growth will have impacts on air pollution and climate change, which in turn have implications for human health, ecosystems and other issues locally and globally. The Council needs to assist China answer these questions and explore the impacts of these options.

170. Next year, the TF on Energy will report on the more efficient uses of coal such as poly-generation and coal gasification, but there is a lack of holistic, long-term energy strategy in China. Renewable energy has not been considered seriously enough, nor is there yet a consideration of alternate energy sources for cars. China's existing energy policy is not sustainable. This should be the focus of an additional TF.

171. The performance of investment in China with respect to energy consumption will be key. The conditions that will foster investment in cutting edge technology in all sectors, but especially in transport, industry and construction are critical. Work done so far by the TF on Environmental Economics is laudable, but more needs to be done on the incentive structure needed to foster this.

172. Information is requested on the progress made by task forces, as well as on the status of any TF with respect to Bureau approval. The Chair commits to providing Council with timely information on this.

173. Some issues that were the focus of WG studies and are now taken up by task forces will not go away and will require continued attention – issues such as bio-diversity and energy. Productive work in these fields depends on the maintenance of research networks and working relationships between international and Chinese TF members. This should be kept in mind when planning a TF.

174. Integration of the environment in government policy-making is difficult. As its economy grows, China will need to be aware of the international consequences of its choices. The Council can help in this regard. China's footprint on timber trade, fisheries, climate and energy is undisputed and is of concern internationally. China should take a forward-looking approach and be proactive in avoiding conflicts over these issues. Some Council activities should focus on the international dimensions of China's growth.

175. In the context of the proposal for a TF on environment and education, civil society, the role of NGOs and of public participation should be considered. Taking action on the environment requires the cooperation of civil society; this in turn requires a degree of transparency. The public through well-informed and motivated NGOs can become an agent for monitoring and enforcement of environmental policies. These issues should be included in a TF on public education.

176. The 16th CCP Congress stated China's goal to realize a reasonably well-off society by 2020; this is understood to include a healthy environment. There are social indicators of this well-off society, but there are only a few vague indicators for the environment in this context. The relationship between the well-off society and the environment needs to be elucidated with quantifiable indicators. Having set targets that can be measured using indicators would be of great assistance in helping China meet its stated goals.

177. It would be useful if Council members were provided with more information on the TF proposals that are being considered by the Bureau. This would allow members to offer more pointed suggestions.

178. In considering the continuing work needed in the areas of energy and bio-diversity, there could be an effort to put this work in the context of the WDS and the initiatives now planned in these areas; this would allow the work to be focused and specific. There is also a need for the Council to become more proactive in becoming an advocate for the work China is doing on the environmental front; this may help avert some of the conflicts that could arise between China and the global community.

179. There is a need for more assiduous monitoring of the fate of Council recommendations after they are made; unless Council members know the response generated by their recommendations can they be effective. A performance track record of the Council needs to be kept.

180. The focus of the Council's work should be strategic, not technical or scientific. The impact of China's proposed economic development is the central issue for the Council now. For this to happen, there has to be qualified personnel taking part in a TF and this TF needs sufficient funding. In addition, any TF should take into account the work already done in China and elsewhere on any given issue.

181. In the context of a TF on education, the increasing role of business in this area should be taken into account. As China goes through its phenomenal growth, the majority of economic agents will be small and medium enterprises (SMEs). Their involvement in the environment must go beyond responding to incentives and disincentives; their capacity to understand and manage the environmental issues they face is essential.

182. The Council during Phase Three should respond to the challenge posed by the targets set during the 16th CCP Congress. Strategic information needs to be given to the GOC so it can avoid reaching its economic and social targets at the expense of the environment.

183. As a result of the economic and social targets included in the 16th CCP Congress declaration, China will accelerate its urbanization, mostly through the growth of small and medium cities. Yet cities have large impacts on the environment especially if this is not managed or planned well. There need to be improved regulations on resource use, on urban planning and on the protection of farmland. This area of study would be worthy of TF attention.

ITEM 13. CLOSING CEREMONY

184. With Vice-Chair Xie Zhenhua presiding, Vice-Chairs Xie Zhenhua, Len Good, Måns Lönnroth and Qu Geping addressed members of Council during the closing ceremony of the First Meeting of the Third Phase. During their remarks, the following points were underlined.

185. The Meeting concludes after fruitful discussions. Chairman Wen Jiabao wishes to express his gratitude to members and experts for their efforts in the cause of environment and development in China.

186. The Meeting included keynote speeches, issues papers, presentations by four of China's regions and provinces. Four task forces reported on their findings and these reports led to active debate on the part of Council members. The theme of the meeting was Environment, Development and Governance, a Response to the WSSD. Issues discussed included development paths, integrated government decision-making, partnerships between government, industry and the public, strengthening education and science and technology, ecological conservation and construction, and global issues.

187. Regarding the work of this Phase of the Council, it is important that this work be situated within the context of China's overall goals, set at the 16th CCP Congress, namely the building of a relatively well-off society by 2020. Capacity for sustainable development must increase and so must the efficiency of resource use.

188. The Council must also align its work to the agenda set at the WSSD. China is keen to grow on a path that emphasizes science and technology, high economic returns, low resources consumption and low environmental pollution, high human capacity and efficiency.

189. Task Forces play a key role in the CCICED; their work provides the foundation for the discussions among Council members. The Bureau has set several principle that apply to the TF mechanism: the focus of TF work must be an issue that is of urgent concern to China, funding needs to be available for the work, and top expertise from China and abroad needs to be recruited for TF participation.

190. Task forces reporting at this AGM made valuable contributions. The TF on Bio-Security report raised awareness on the issue of IAS and the threat they pose to China's environment; it is imperative to set up a risk

assessment system and a scientific supervision system to control the introduction and spread of IAS. The TF on Forests and Grasslands had positive comments on the NFPP and the SLCP. The TF on Environmental Economics made points on resource pricing and green taxation. The TF on Trade and Environment summarized its findings to date and presented an agenda for future work.

191. The Council's reports, policy recommendations and TF research findings are all important outputs of the CCICED. This work must be conveyed in a timely fashion to pertinent authorities. An improved dissemination mechanism for the Council's views should be developed to optimize reach; feedback from relevant authorities must also be provided to members.

192. China is a LDC and is still facing serious environmental problems; the rapid pace of growth will no doubt exacerbate some of these. China is determined to tackle these challenges and is committed to continued international cooperation and implementation of the international conventions it ratified.

193. There will be changes in the GOC personnel in March 2003; it is not yet possible to set a date for the 2003 Council AGM until a new Chair for the CCICED is appointed. Members will be advised in good time. There is also the possibility that the membership of the Council may increase.

194. The path ahead for China presents both opportunities and risks for the country and the world. China's efforts and successes are to be applauded. China is willing to engage the global community on these issues and is willing to experiment and take bold decisions. As China continues to grow and make progress, new issues will have to be addressed; income distribution is most certain to be one of these issues. China could take the lead on the international stage, setting an example for sustainable development. But China's reluctance to assume this responsibility must be respected.

III RECOMMENDATIONS OF THE COUNCIL TO PREMIER ZHU RONGJI

195. Recommendations of CCICED to the Government of China

First Annual General Meeting of CCICED during the Third Phase, November 25, 2002

The first meeting of the China Council for International Cooperation on Environment and Development Phase III (CCICED) was held in Beijing during November 23-25, 2002. The Council examined the relationship of Environment, Development and Governance at a very auspicious time. The meeting takes place a year after China's accession to the WTO, and just after the WSSD and the Chinese Communist Party's 16th Congress.

The smooth transition in leadership at this Congress, representing both continuity and change, marks the next phase of China's long march to the front ranks of the world's most influential nations. Certainly China's remarkable progress on sustainability is a tribute to the efforts of this great country's leaders who

took bold steps in the years following the Rio Earth Summit. And the recommitment to sustainable development by the 16th Congress is an important decision.

The path ahead will be even more challenging. The nature of environment and development problems is changing. With a doubling of the Chinese economy projected for this decade, and a doubling again in the next, addressing environment and development issues in a timely and effective fashion will require a singularly strong will, more financial resources, and great ingenuity. Sustainable development will have to be linked much more strongly to employment and a number of social policies. The challenge of creating a sustainable national economy on the scale of China's is unprecedented. There is no existing model to draw upon for a country the size and complexity of China.

China's achievements have taken place at a time when the world community is still being drawn in many directions. China's best efforts for sustainable development will fall short unless there is a stronger implementation effort for sustainable development on the part of the global community. And China is a country whose choices during the coming decade will have significant environmental implications for the region and for the globe. In reality, China has much to contribute internationally on how to implement sustainability within a developing economy. For all these reasons, the Council applauds China's effective participation in international processes such as the WSSD, and the commitment at the highest level to fully meet international obligations under the global conventions. China should be preparing itself for an even larger international role in the future.

The Council has heard keynote speeches, issues papers, plus the reports of four CCICED task forces and from four provincial vice-governors on their sustainable development progress. Our recommendations address several urgent issues related to the six priority areas of China's new draft sustainable development action plan. While the advice is intended for immediate use, it is with the recognition that today's decisions will affect the ambitious national objectives set for the year 2020.

PART A THE TRANSITION TO SUSTAINABLE DEVELOPMENT

Environment, Development and Governance

In the past CCICED has focused its attention on environment and development. The consideration of governance is new and in line with international views that this topic is essential for successful implementation of sustainable development. There are many definitions of governance, including the following one, from the Institute on Governance located in Ottawa, Canada: *Governance comprises the traditions, institutions and processes that determine how power is exercised, how citizens are given a voice, and how decisions are made on issues of public concern.*

Governance mechanisms cover a wide range of subjects, for example, the expanding role of civil society and communities in the management of natural resources, the role business can play in self-regulation of pollution, and partnership models to implement sustainable development. Good governance requires

effective government. In this context the Council notes the need not only for improved coordination, but also for integrated approaches, so that sustainable development becomes the responsibility of all units of government and at all levels.

In all parts of the world the role of national and local government is shifting dramatically—from implementer to enabler, and as a partner for sustainable development. The right enabling framework will go a long way towards guaranteeing the success of the partnerships called for at the WSSD, and for attracting new environmental investment. An enabling framework should provide appropriate legal, fiscal, policy and regulatory conditions that promote sustainable development. This approach does not imply a shrinking role for government, since the issues of environment and development are growing more complex, and of larger magnitude. Instead it will permit a better balance of action on the part of government, private sector and civil society.

The CCICED recommends the following actions to improve governance for environment and development:

(1) Strengthen integrated policy-making for sustainable development, and improve government coordination mechanisms for environmental protection. An integrated approach to policy development and implementation has become commonly accepted elsewhere in the world. Such policies deal with cross-sectoral impacts, the removal of systematic barriers to environmental and resource protection, and the internalization of sustainable development within organizations. The efforts of the SDPC (State Development Planning Council) to build integrated approaches to environment and economy could be further strengthened.

The existing level of coordination among departments and sectors is limited and forms a major barrier that has been pointed out in previous Council recommendations. At this point in time, when a renewed approach to sustainable development is under consideration, it is appropriate to seek new coordinating mechanisms that take into account the trend toward decentralized decision-making as well as cross-sectoral coordination within government.

(2) Build sustainable development implementation partnerships and capability among government, enterprises and civil society.

For China, much work remains to be done in the establishment of such partnership relationships. New mechanisms are needed to provide for rapid funding and effective implementation of partnerships. Partnerships can be encouraged with both domestic and international enterprises. The goals for partnerships can include more effective sustainable development implementation, access to technologies and management experience, and attraction of more private investment. Some partnerships may best be carried out through international networks. An example where China could take a leadership role is in the development of an international Consultative Group on Clean Energy.

(3) Improve the incentives for enterprises to engage in environmental protection. Government can strengthen economic incentives for the participation of enterprises in environmental protection. While numerous initiatives already exist, much more needs to be done. Suggested measures include:

- Raising fees for polluted water and solid waste treatment to reflect total environmental damage costs, and then gradually opening more public utilities to the market.
- Ensure that prices reflect underlying costs and resource values.
- Establishing and improving environmental performance labeling (such as energy efficiency labeling, environmental labeling, etc.).
- Encouraging research and development of cleaner products.

(4) *Encourage the development of non-government environmental protection organizations, and establish and improve an environmental information sharing system.* Solving environmental problems requires collective action, with participation by groups and communities. It is recommended that non-government environmental protection organizations should be encouraged to develop, and to participate in environment and development policy-making, activities and monitoring. Such organizations are very important for improving environmental self-discipline of the civil society.

At the same time, an open and transparent environmental information sharing system should be established. Elements of a system, operating at national, provincial and local levels might include a transparent, highly accountable environmental protection administration; monitoring of regional water quality and drinking water quality; a highly-respected system for food inspection; and a system for corporate reporting on sustainable development. Increased public access to environmental information is an important element for accountability.

(5) *Pay special attention to, and reduce the incidence of environmental degradation and resource depletion on the poorer members of society.* Regulatory and economic instruments to improve environmental performance should be explicitly tailored to poverty alleviation objectives.

A Sustainable National Economy

The renewed commitment of China to build a sustainable national economy based upon environmentally-friendly and resource saving approaches comes at a critical juncture for its future. China's rapid wealth creation could be based on ever increasing levels of consumption that within a few decades or less could result in unsustainable pressures on the environment. Or it could be used to foster unique Chinese patterns of growth placing much greater emphasis on high quality of life approaches, an information-based economy, a high level of investment in environmental goods and services to ensure ecosystem integrity, and an equitable distribution of the fruits of economic progress.

A sustainable national economy is unlikely to come about through an incrementalist approach. It will require innovation, behavioral change, and action that takes China beyond international benchmarks and best practices. High profile and trend-altering events such as the 2008 Olympics can become part of the strategy.

CCICED recommends the development of scenarios that would explore the implications of developing a sustainable national economy. Such scenarios should draw upon quantitative and qualitative information on cross-sectoral impacts of sustainable development strategies, introduction of new technologies, and other

factors. And the scenarios should take into account the impacts of various international financial, security, environment and development conditions.

A sustainable development economy will require even more attention than in the past decade to both sustainable production and consumption. Thus CCICED recommends the following two actions.

(1) *Greatly strengthen the transition to sustainable development in the industrial, biological, energy and service sectors of the Chinese economy.* China's future economy will be more diverse, with hidden challenges to sustainability, such as those related to tourism, or biotechnology, in addition to the existing environmental problems of energy, manufacturing and resource exploitation. These issues cannot be considered in isolation from employment strategies and concerns such as environmental health.

CCICED welcomes the new Cleaner Production Law and the commitment to a Circular Economy that addresses material reuse, recycling, and reducing the amount of waste. But tougher administrative and regulatory action will be necessary, along with an improved and broader range of economic incentives. Finally, as the experience of leading provinces reveals, a sustainable economy requires major industrial restructuring and redesign set in the context of improved urban planning and development.

(2) *Establish sustainable consumption models appropriate for China's changing economic and social conditions.* China's current low per capita consumption pattern is an opportunity to avoid the mistakes of many other countries that have developed very high levels of material and energy consumption. In the next five to ten years new patterns of consumption may well be set within China, since so many of China's citizens will be substantially wealthier. It needs to be reinforced that sustainable consumption models can still lead to economic growth. Indeed, attention to environment is an important means for creating growth. Expanding domestic demands also should not mean encouragement of waste. Sustainable consumption patterns within China will push production towards sustainable pathways. Sustainable consumption should have the added benefit of fostering the competitiveness of domestic enterprises and help to eliminate green barriers in international trade.

Education and Knowledge for Sustainable Development

Although sustainable development has become one of China's basic strategies, awareness and understanding of sustainable development still needs to be raised to a much higher level. Education and

knowledge expansion of sustainable development need to be further enhanced through a variety of means, including the following: sustainable development capacity building for decision makers, particularly for local level decision makers, and for business leaders; education and awareness-building for the public, using a variety of media; and strengthening sustainability elements of school and university curricula.

Role of China in the Global Community

Members of Council highly appreciate the international role China has played over the past decade. CCICED views that China is well positioned in the coming years for continuing, and, at a rate that only the country can determine, perhaps expand its substantial role in international environmental cooperation. Its membership in the World Trade Organization adds a major new dimension to this capacity.

There is growing international concern about the possible impacts of China's rapid growth on the regional and global environment. It is therefore particularly important that China's policies for growth and sustainable development should take full account of their international impacts and implications. This will go far to avoid international concerns and misconceptions, and will facilitate productive international cooperation in fields vital to China's development.

PART B RECOMMENDATIONS BASED ON CCICED TASK FORCE REPORTS

In this first meeting of CCICED Phase 3, four Task Forces were asked to present their results. These reports receive a full discussion by Council members, who modified and selected among the options presented. The summarized policy recommendations noted below reflect the views of Council. Additional information and detailed technical recommendations are available in the reports and publications of the individual Task Forces.

Environmental Economics

In order to integrate environmental concerns into the mainstream of economic decision-making, the following suggestions are proposed:

Improve the empirical basis and refine methodologies for strategic environmental assessment. According to the new Environmental Assessment Act, environmental and ecological issues of major development plans will be assessed. Effective implementation of the Act requires a series of guidelines on the technical, economic, environmental and social aspects involved.

Develop a Green National Accounting System that reflects the true social and environmental costs of economic activities. Costs should include production, environmental degradation and resource depletion.

Such a system should be in the form of satellite accounts, paralleling conventional national income accounting measures.

Explore environmental pricing and taxation. The costs of depletion and degradation of the natural environment should be reflected in pricing policies such as user charges and pollution taxes. Increasing use of economic instruments for environmental management, paying particular attention to the implications for the poorest members of society, and in light of practical implementation issues, should be a key feature of environmental policy in China.

China's Accession to the WTO and its Environmental Impacts

The Government of China should require that the implementation process of its new Environmental Assessment Act specify that a strategic environmental assessment and perhaps a sustainability impact assessment be performed on the impacts of China's accession to the WTO and other important changes in trade policy. Studies have revealed that many of the important gains from liberalization can be dissipated by increased environmental costs if appropriate measures are not taken. A timely assessment and continued monitoring of the environmental affects of accession will allow China to adjust its environmental laws and regulations to counteract the harmful effects of rapid trade expansion.

China must strengthen the capability of its negotiators to negotiate trade and environmental issues in order to play a more active role in the Doha Round. Since China lacks the necessary knowledge and experience to deal with such a wide spectrum of issues simultaneously, considerable effort is needed to enhance technical support groups within SEPA (State Environmental Protection Administration) and MOFTEC (Ministry of Foreign Trade and Economic Cooperation). The enhancement effort should draw upon outside experiences, expertise and information to better inform Chinese negotiators. The technical support groups should become capable of providing analysis of the positions of other countries. And the strengthening effort should update China on new developments outside the negotiation process, and provide access to the latest research on trade and environment.

The Government of China and industry organizations should establish mechanisms to monitor and report on significant changes in the laws and regulations of other countries that might affect China's international trade. This early warning system, combined with China's access to the WTO's transparency mechanisms will help China to identify potential barriers to Chinese exports at an early stage, and to formulate government policies that assist industries to adjust. However, the key solution for addressing green barriers lies in improving China's own environmental standards and bringing these more into line with international standards. The government should provide incentives to industry to seek ISO 14000 certification. It also should promote international cooperation and exchange on standards development and seek dialogue with China's principle trading partners as they formulate their standards for ecolabels.

Forests and Grasslands

Although China has achieved great success in forest and grassland protection and restoration, the central government still has great opportunities to improve policies and their implementation.

Improve the SLCP (Sloping Land Conversion Program) and the NFPP (Natural Forest Protection Program) under the existing policy framework.

For the SLCP, the government should adopt a more holistic, more flexible and multisectoral approach to make land conversion both ecologically and economically sustainable. Needed is an approach aimed at achieving ecological restoration while providing realistic, economic market-based incentives to households. This will require a more fine-tuned, decentralized, location-specific approach suited to highly diverse land conversion circumstances in the different provinces. Second, the government should promote routine independent monitoring and evaluation to improve planning and implementation at all level, adopting a more participatory consultative approach to planning that involves stakeholders.

For the NFPP, remove the logging ban from collectively-owned forests, where appropriate. Furthermore, the government should make a gradual and carefully planned transition over time from a blanket logging ban to a more diversified, flexible approach that enables sustainable forest management on state-owned forests. This will require establishment of land use planning for diversified land use that includes ensuring adequate protection of old growth forests, tree planting, as well as natural rehabilitation of sites.

Adjust overall forest policy.

Forest policy reform has lagged behind other sectors such as agriculture. Thus it is recommended that reform proceed in at least five priority areas:

- Restructuring of public/private forest management and decentralizing of authority in forest administration.
- Monitoring and evaluation of performance of government and private forest management at the different levels.
- Rationalizing of taxes and improved identification of authority to tax within various sectors.
- Strengthening of property legislation pertaining to collective forests in accordance with the new land contract law; identifying due process for land takeovers by government, and procedures for valuation and compensation in cases of *imminent domain*.
- Updating relevant domestic and international trade policies.

Eco-Security

China's rapid economic development, including explosive levels of growth in trade, transportation and tourism, is increasing the introduction of species—both intentionally and unintentionally. Serious attention

should be paid to Alien Invasive Species (AIS) threats and damage to biodiversity and natural ecosystems, and, in turn, to economic loss. It is therefore recommended that:

China develop a national Alien Invasive Species strategy designed to combat the multiple threats of AIS. The strategy should incorporate risk assessment, full social cost pricing, the user pay and precautionary principles, development of an early detection and warning system, fast sharing of information, and rapid response mechanisms.

China's Convention on Biological Diversity (CBD) Enforcement Coordinating Group should for a special AIS administration office to support the overall AIS program. Consideration should be given to establishing AIS administrative institutions at various levels.

Based upon an overall review of the relevant existing legislation, a new set of regulations pertaining to the control of AIS should be formulated, together with an AIS list.

Genetically modified organisms (GMOs) pose similar potential problems to AIS with regard to native species and ecosystems. Similar risk assessments and field trials before permitting should be carried for GMOs.

Research and capacity building for dealing with AIS issues needs to be strengthened.

IV. MEETING WITH PREMIER ZHU RONGJI

a) Council presentation:

196. During the meeting with Premier Zhu Rongji, several Members of Council addressed the Premier and emphasized the following issues:

197. There have been changes made to the Council for this Third Phase. Discussions at this First Meeting focused on the road ahead for China. The Council recognizes the achievements made by China under the leadership of Premier Zhu, in terms of environmental protection and the promotion of sustainable development. Spending on environmental protection has reached its maximum level to date; despite rapid economic growth, pollution has decreased, reforestation has increased and degraded lands have been restored; and important administrative changes in the environment portfolio have been made.

198. With 8% annual GDP growth, we can expect to see China's economy double by 2010 and quadruple by 2020. This will no doubt have severe impacts domestically and globally. The WSSD has revealed that countries are not yet on the road of sustainable development. There are new partnerships needed in order to achieve this goal: partnerships between government, industry and civil society. Markets are at the heart of these partnerships; but markets need to serve sustainable development. There are four ways to achieve this:

- 1) Environment needs to be integrated in all endeavours such as transportation, forestry, agriculture, urban planning;
- 2) There must be coordination among government agencies;
- 3) Economic incentives and disincentives need to help reflect the true cost of resources and pollution;
- 4) There is a need for greater transparency through open information, education and communication on environmental issues.

199. China is unique and has a long tradition of government service; it is in a good position to promote public, industry and government partnerships. It also has the will and capacity to do this. The rest of the world will observe, learn from and follow China's example.

200. The GOC has been listening to the Council over the past 10 years and many of its recommendations have been implemented. Humans are now changing the world to disastrous effect; "business as usual" approaches will not work anymore. China has already begun to use environmental assessments, integrated policy making and financial instruments as incentives and disincentives. The Council is encouraged by China's commitment to policies of low consumption, low pollution, greater public awareness and greater use of the rule of law. China is also willing to deal with the social implications of growth, such as income distribution, employment and vulnerable populations. The forces of the market must be mitigated. The role of the State is to help the most vulnerable and protect the environment.

201. China's growth objectives are impressive, especially from the perspective of mature economies where 4% growth is considered cause for jubilation. There is no doubt this growth will have large impacts on China's society, economy and environment. In adopting the path of sustainable development, China can assume its rightful place at the table of global rule makers. At the Doha trade negotiations, the environment will feature prominently; the issue of green barriers needs to be better understood. Environmental issues represent a challenge and an opportunity for China; green markets could be tapped. For this to occur, education and public awareness of sustainable development need to be included as a key element of public policy.

202. This meeting of the Council is timely, as it follows on the heels of key international meetings on the environment, namely WTO meetings in Doha, the conference on financing for development in Monterrey and the WSSD in Johannesburg. The consensus reached at these conferences must be implemented in an integrated way in order to overcome poverty. This poverty dimension was highlighted during the Council meetings. There are consequences to a blanket logging ban on local communities; there are also impacts on illegal logging in neighbouring countries. There is a need to fine tune the forestry policies and take into account people's livelihoods. The Council also discussed the issue of IAS which represent the second largest threat to biodiversity, and with disastrous economic consequences. Further work needs to be done in order to control the intentional introductions of IAS.

203. China has undergone massive changes over the past twenty years; one visible change is in the increase in vehicle traffic. This could become one of China's major environmental problems. Green taxation can be an

effective means of adjusting people's behaviour; governments can switch from taxes on employment to taxes on consumption to effect change.

204. Sustainable development should be seen as an opportunity for China rather than a problem. In Canada, environmental industries now represent the third largest industrial sector. There are opportunities for China to create employment in environmental goods, services and industries. The Council would be pleased to assist China in this area.

b) Premier Zhu Rongji's response

205. China has paid a high price for ignoring the environment in the past; it now recognizes the importance of sustainable development. Population went from 1 billion to 1.3; in order to develop the economy, industrialization was promoted at the expense of the environment. In the ten years that followed the Rio Earth Summit, the GOC paid increasing attention to the environment and to sustainable development. It realizes that an environment can be rapidly destroyed, but that it will take decades to restore it.

206. Prior to 1995, China did not have enough grain to feed itself. As a result farmers opened new fields on sloping lands. After 1995, China achieved self-sufficiency and has since been exporting grain. The hillsides can now be restored to natural vegetation, both forests and grasslands. It is possible for China to raise livestock more intensively and avoid overgrazing.

207. At the WSSD, China's policies on reforestation and conversion of sloping lands were explained and the progress made discussed. Farmers who convert their land back to natural cover are provided with the same amount of grain they would have produced on their land. This is possible, thanks to China's abundant grain reserves.

208. The violent sandstorms that battered Beijing a few years ago were said to have originated in Inner Mongolia Autonomous Region; in fact they were also coming from the Mongolian Republic and Siberia. These storms are now reaching Japan, Korea and as far afield as the United States. China's plans to fight desertification involve massive efforts at reforestation and the regeneration of grasslands.

209. Air pollution in Beijing is still a serious problem because of the large increase in car traffic. But because of the 2008 Olympics, Beijing has an action plan involving the use of natural gas buses, among other methods to fight pollution. Emissions standards on these vehicle are the highest in the world and have been modeled after the EU.

210. China is taking climate change seriously. The Kyoto Protocol has been ratified and although China will not be held to Kyoto targets, it will implement measures to do so. Already, the use of coal is being curtailed. Despite massive coal reserves, China is importing natural gas and oil which are cleaner fuels and contribute less to greenhouse gas emissions.

211. China is improving its environment and promoting sustainable development. But China still has problems with implementation. This is due in part to the country's size and regional diversity. China's legal framework is as yet insufficient to the task of curbing violations of environmental standards. But step by step, China is putting in place the principle and infrastructure that will enable us to embrace the spirit of Johannesburg.

212. The Council is warmly thanked for its contribution. China looks forward to a long relationship with the Council. The CCICED could be in existence forever, since environmental problems are bound to be everlasting.

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