

ChinaFAQs

The Network for Climate and Energy Information



“Two Chinas” Shape Climate Views

AFFLUENCE AND POVERTY: THE TWO SIDES OF CHINA’S ECONOMIC BOOM

In recent years, China’s remarkable economic boom has become a mainstay of world headlines. Following market-based reforms of the 1980s, China has averaged nearly 10% annual GDP growth for over 25 years, rising to be the world’s 3rd largest economy in 2008.ⁱ Yet, in terms of income per capita, China’s economy ranks only #133 in the world.ⁱⁱ This spread reflects the scale of China’s development challenge, and gives a hint to the income gap between the 800 million rural villagers and the wealthy urbanites in coastal cities like Shanghai and Guangzhou.

Over the past 30 years, China’s energy use has soared in absolute terms; and particularly since 2000, so has production in emissions-intensive industries such as cement and steel. For instance, China now produces 35% of the world’s steel, but less than 10% is exported, the rest fueling rapid industrial and infrastructure growth.ⁱⁱⁱ China’s cities are booming: according to experts, China could add more than 350 million urban residents – more than the entire population of the United States – over the next 20 years.^{iv} By 2025, that same study predicts, China will have 50,000 skyscrapers and more than 200 cities boasting more than 1 million residents (Europe now has 35).^v

The boom has dramatically raised living standards and reduced poverty in China – and added nearly a decade to the lifespan of the average man and woman.^{vi} Still, nearly half of China’s 1.3 billion people still live in poverty, earning less than \$2 a day.^{vii} Millions of Chinese lack access to clean water, reliable electricity, and many basic consumer goods that Americans and Europeans take for granted. China’s experts and leaders have pledged to raise standards of living through sustained economic growth – growth which experts expect to be fueled by more energy use.

That prospect worries climate change experts, as China recently surpassed the United States to become the largest annual emitter of greenhouse gases.^{viii} China’s quest to raise standards of living, reduce inequality, and curb grinding poverty – a set of policy priorities under the official slogan “building a harmonious society” – creates new challenges for efforts to curb climate change.

Key Points

- Although China’s economic successes get much media attention, the images of rising skyscrapers can obscure the “other” China: the half of China’s 1.3 billion people still living in extreme poverty, earning less than \$2 a day.
- The existence of these “two Chinas” – rich and poor – has implications for efforts to address climate change. China’s leaders are committed to reducing poverty, but worry that limiting energy use and emissions could derail economic development.
- China faces a development challenge that the industrialized nations in Europe and the U.S. did not: reducing poverty and fostering growth while at the same time limiting warming emissions. And while the industrial revolution took a century to unfold in the West, China’s is occurring in a single generation.

RECONCILING DEVELOPING-COUNTRY PERSPECTIVES ON SUSTAINABLE GROWTH

In developed nations like the United States, there is concern that regulations to limit greenhouse gases would raise the cost of doing business – giving China a competitive edge in international trade if it does not also agree to limits.

In China, however, the perspective is driven by similar, but different concerns. Many officials see a cap on emissions as a cap on economic development, and argue that limiting greenhouse gases undermines the government's promise to deliver higher standards of living. Yet, because of China's unique situation, they also recognize that sustaining development will require using energy more efficiently, limiting damage to the natural environment, and conserving resources. Thus, while Chinese policy-makers are compelled to act on energy and climate, the competing forces that go into the decision calculus are perhaps different from our own.

Reconciling these two perspectives – balancing the needs of development and poverty reduction without allowing emissions to spiral out of control – is crucial to solving the climate challenge. It will require extensive collaboration between two of the world's largest economies – and its biggest emitters of greenhouse gases.

There is cause for cautious optimism. China and the United States already collaborate on projects, including energy efficiency standards and cleaner coal-fired power plants, that have helped curb emissions. And goals to reduce energy

consumption, improve efficiency, and cut emissions have taken priority alongside economic targets in China. Nevertheless, foresighted global action will be required to address the twin challenges of reducing poverty and slowing climate change.

This fact sheet is a product of ChinaFAQs, a joint project of the World Resources Institute and experts from leading American universities, think tanks and government laboratories. Find out more about the ChinaFAQs Project at: <http://www.ChinaFAQs.org/>.

Notes

ⁱ CIA World Factbook (September 30th, 2009) "East and Southeast Asia: China." Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>.

ⁱⁱ CIA World Factbook, 2009.

ⁱⁱⁱ Trevor Houser, 2008, "Trade Measures vs. Output-Based Rebating in US Climate Policy," Peterson Institute for International Economics, p. 2.

^{iv} "Preparing for China's urban billion," McKinsey Global Institute, March 2009.

^v McKinsey Global Institute, 2009.

^{vi} From Carberry and Hancock, 2009, "The China Greentech Report" China Greentech Initiative: "According to the World Bank, while 84% of China's population lived on less than US\$1.25 per day in 1981, this number had fallen to 16% by 2005. Between 1975 and 2005, China's life expectancy at birth increased from 66 to 76 years and from 64 to 72 years, for females and males respectively."

^{vii} Business for Millennium Development, 2008, "Country Profile: China." Available at: <http://b4md.com.au/country.asp>.

^{viii} Netherlands Environmental Assessment Agency, June 2008, "China contributing two thirds to increase in CO2 emissions." Available at: <http://www.pbl.nl/en/news/pressreleases/2008/20080613ChinacontributingtwothirdstoincreaseinCO2emissions.html>.

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