

# Rising Risk of a Trade War With China

*The emerging  
politics of green.*

BY ROBERT COLLIER

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In recent months, China has taken center stage in the international debate over global warming. It has surpassed the United States as the world's largest source of greenhouse gases, and it became the developing nations' diplomatic champion at the recent United Nations climate negotiations in Bali. Now China may become the target of a full-fledged trade war that could destroy—or perhaps rescue—the chances of bringing rich and poor nations together to fight global warming.

The focus on China intensified late last year, when new data from the International Energy Agency and other research organizations revealed that China had overtaken the United States as the largest source of greenhouse gases—and, more ominously, that its emissions are growing at a rate that exceeds all wealthy nations' capacity to decrease theirs. Even if China met its own targets for energy conservation, its emissions would increase by about 2.3 billion metric tons over the next five years—far larger than the 1.7 billion tons in cutbacks imposed by the Kyoto Protocol on the thirty-seven developed “Annex I” countries, including the United States.

After the inconclusive end of the UN-led Bali talks on the global environment, worry has grown among U.S. and European industries—especially iron, steel, cement, glass, chemicals, and pulp and paper—that any new climate treaty would put them at a big disadvantage against their fast-growing competitors in China. In response, the U.S. Congress is moving to create a system of trade sanctions that would levy heavy taxes on imports from other major greenhouse gas emitters. Ironically, the American plan is taking shape even before the United States takes any action to reduce its own emissions, inviting charges of hypocrisy, violation of international law, and threatening a major trade war.

The tariff proposal—contained in the central piece of global warming legislation now before Congress—would impose emission controls on domestic industries starting in 2012. It would also levy punitive tariffs on greenhouse-gas-intensive products imported from countries that lack “comparable action” to that of the United States, starting in 2020.

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Industrial lobbies and labor unions are pushing hard for these sanctions to take effect more quickly.

European Commission President José Manuel Barroso, French President Nicolas Sarkozy, and industrial chambers of commerce strongly advocate a similar tariff system, leading many analysts to predict that the European Union will also adopt some sort of green tariff system in the next few years.

Warning of an “all-out trade war” if the sanctions go forward, U.S. Trade Representative Susan Schwab argues that green trade sanctions would violate World Trade Organization

rules. In a recent letter to the House Energy and Commerce Committee, she wrote, “We believe this approach could be a blunt and imprecise instrument of fear, rather than one of persuasion, that will take us down a dangerous path and adversely impact U.S. manufacturers, farmers, and consumers.”

Developing nations’ allies, meanwhile, are warning that the sanctions plan could destroy the chances of a post-Kyoto treaty. Chinese diplomats have not responded directly, but they have noticeably hardened their stand on climate talks. In February, China’s top climate negotiator, Yu Qingtai, said at the United Nations that rich nations, which “caused the problem of climate change in the first place,” must be treated as “culprits,” and developing countries as “victims.”

Despite China’s official hard line, some Chinese environmental officials privately express alarm at runaway carbon emissions, and suggest that foreign green tariffs would actually strengthen their hand in domestic policy struggles over controlling greenhouse gases by helping to win political support for emissions cuts. Pan Yue, vice-director of the State Environmental Protection Administration, recently argued in a *China Daily* article in favor of stronger emissions regulations and a more “green-oriented China,” warning that “China’s image among the international community” was in jeopardy.

The growing dispute over trade sanctions brings to the fore not only the fundamental ethical question of whether wealthy nations should bear the burden of emissions reduction alone, but also the strategic question of whether sticks as well as carrots should be used to induce green behavior in developing countries.

Although China may not like it, the international trading system may provide more leverage than any other post-Kyoto mechanism over developing countries’ environmental policies. Despite the threat of trade wars, trade sanctions could emerge as the most effective means of forcing international action on global warming. ♦

## Two Separate Reactions



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**Yu Qingtai**

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**Pan Yue**