WG on Trade & Environment
The First Meeting of the Second Phase
CCICED

CHINA COUNCIL FOR
INTERNATIONAL COOPERATION
ON ENVIRONMENT AND DEVELOPMENT

Working Group on Trade and Environment

SECOND ANNUAL REPORT TO CCICED

October 1997
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EXECUTIVE SUMMARY

SECOND ANNUAL REPORT OF THE WORKING GROUP ON TRADE AND ENVIRONMENT
CHINA COUNCIL FOR INTERNATIONAL COOPERATION ON ENVIRONMENT AND DEVELOPMENT

The Working Group on Trade and Environment continues to work under its mandate “to assist China in developing and implementing long-term, comprehensive and integrated trade and environmental policies and measures that are supportive of sustainable development”.

In November 1996, the Working Group co-sponsored and co-organized an international conference on ISO 14000 environmental management standards in Beijing with NEPA, the China Centre for Environmental Management Systems and UNEP.

The Working Group met this year from April 21 to 23, 1997 in Calgary, Alberta, Canada. Four international members, six Chinese members and seven of their associates and assistants attended the meeting. The Working Group reviewed and discussed the two major research projects that had been undertaken since the last Council meeting. The Working Group developed its work plan for the next three years. Final decisions on the Working Group’s future plan, its report to the Council and details of the next meeting were also discussed.

I. 1996-1997 Research and Achievements

1. Pollution Havens and Ozone-Depleting Substances Control in China

This project examined the possible existence of “pollution havens” in China with respect to ozone-depleting substances (ODS) control and their relationship to China’s obligations under the Montreal Protocol and to China’s policies related to foreign direct investment.

Evaluation of China’s Existing Policies, Regulations and Measures

As a party to the Montreal Protocol and its amendments, the Chinese government has been serious in fulfilling its international obligations in controlling and gradually phasing out ODS. China has established an institutional framework and a technical support system. The China Leading Group for Ozone Layer Protection was established in July 1991, and a Technical Information Clearinghouse and a Project Management
Office were set up for supervision on data collection, information exchange, proposal submission, program coordination and project implementation.

However, the Working Group’s research found some shortcomings in the existing regulations and policies:

1. The importance of the shift of ODS production and consumption to China through foreign direct investment (FDI) has not been fully realized in China's Country Program for Phasing Out Ozone Depleting Substances.
2. Current environmental laws (e.g. the Law of Air Pollution Prevention and Control) and environmental policies do not include requirements for ODS control. There are no specific stipulations to control FDI in ODS production and consumption in China's current guidelines for the use of FDI.
3. China's current policy towards foreign funded enterprises (FFEs) is that foreign investors must take responsibility in their shares (their equity in FFEs); the Chinese government is only responsible for the Chinese portions (such as in a joint ventures).

It is very difficult for small and medium size FFEs, especially small and medium sized enterprises (SMEs) from Hong Kong, Taiwan Province and Macao, to carry out this policy.

**Recommendations**

Although the study as a whole indicates that there is an increase in the number of FFEs related to ODS production and consumption in recent years, it is difficult to say with certainty whether the growth in the number of such enterprises has resulted in a significant increase in ODS production and consumption in China because of the complexity of the issue and the difficulties in conducting a thorough investigation. Nevertheless, the present study reveals some major problems with the Montreal Protocol and the Multilateral Fund, and problems with China’s policies and institutional coordination. The Working Group would like to present the following recommendations to the Council for immediate actions:

1. China’s policies for the implementation of the Montreal Protocol should be further strengthened and integrated policies and measures for ODS control and management should be formulated. ODS control should be included in the existing environmental legislation and other environmental management policies, and requirements for not producing and using more ODS should be included in FDI approval;
2. It is essential to establish an effective coordination mechanism among related governmental agencies and between the central and local governments, and set up a sound management system throughout the country;
3. It is very important to strengthen public education and to provide training to related
personnel and enterprises;
4. It is necessary to provide enterprises with technical support; and
5. There is a need to further enhance international cooperation. China should seek to change the guidelines for expenditure under the Montreal Protocol fund so that they are not restricted entirely to the procurement of foreign goods and expertise.

2. Strategies for China’s Implementation of Activities Implemented Jointly

The Second Conference of the Parties to the UN Framework Convention on Climate Change in 1995 initiated a pilot phase of AIJ (formerly known as Joint Implementation) which will last until 1999. It endorses AIJ between Annex I parties (developed countries and economies in transition) and non Annex I parties (developing countries) on a voluntary basis under a set of defined criteria. Progress in the pilot phase of AIJ has been rather slow, largely because of the lack of incentives for projects between Annex I and non Annex I countries.

The Working Group began work on AIJ in 1996 and has now completed its first phase. The study assesses how AIJ could be made acceptable to China. The study outlines the wide range of perspectives on AIJ and the reasons why AIJ has not yet been successful. The research also tries to identify potential disadvantages and benefits for Chinese participation in AIJ, and provides some thoughts on the basis and preconditions for China to implement AIJ.

The report has been submitted to the Council as background in hope that it would provide some useful considerations for the Chinese Government while it formulates its position for the upcoming COP3 meeting to be held in Kyoto, Japan in December this year. The Working Group plans to continue its work on AIJ after the Kyoto meeting when the function of AIJ will be more clearly defined.

II. General Recommendations of the Working Group to CCICED

The Working Group has identified some common issues throughout its research projects during the past two years, and would like to present to this Council some general recommendations with respect to coordinating trade and sustainable development. The Working Group recommends that China:

1. To improve legislation in all sectors related to trade in goods and service, investment and transfer of technology, taking environmental concerns into consideration;
2. Enhance institution building and coordination at the national level relating to trade and environmental matters. In addition to NEPA and MOFTEC, governmental bodies such as the State Planning Commission, the State Economic and Trade
Commission, the State Science and Technology Commission, the General Customs Administration and relevant sectoral ministries need to coordinate effectively in dealing with trade and sustainable development issues. Such institutional coordination should also take place between the central government and local governments as well as among relevant local governmental agencies;

3. Raise awareness on trade and environment of governmental officials in charge of both foreign trade and environmental protection, and of entrepreneurs. Capacity building should be provided not only at national level but also at local and grassroots level; and

4. Follow closely the development of concerns with trade and environment in international and regional organizations as well as in individual countries or groups of countries.

III. Work Plan of the Working Group for the Next Three Years

The Working Group will undertake a series of research and other activities addressing issues related to China in the areas of trade, environment and sustainable development during the next three years. This series of activities include the following:

1. Policy research on the interaction between China’s foreign trade and environmental protection
2. International agreements and domestic laws on foreign direct investment and sustainable development: China’s perspective
3. A study on the impacts of selected foreign environmental standards on China’s trade
4. Monitoring and assessing trade and sustainable development activities and issues related to China in various international and regional organizations such as WTO, UNEP, UNCTAD, OECD and APEC
5. A study on environmental technology and international trade, and
6. A workshop on trade and development for governmental trade and environmental officials, trade companies, and trade-oriented enterprises.

Publications of the Working Group in Chinese

- *Ecolabelling and its Implications for China*
- *Green Food Development and Environmental Protection in China*
- *ISO 14000 Standards and China: A Trade and Sustainable Development Perspective*
- *Global Green Standards: ISO 14000 and Sustainable Development*
The Working Group on Trade and Environment continues to work under its mandate “to assist China in developing and implementing long-term, comprehensive and integrated trade and environmental policies and measures that are supportive of sustainable development”. Since the last China Council meeting, the Working Group has continued its two major research projects extended from last year. One is *Pollution Havens and Ozone-Depleting Substances Control in China* and the other is *China’s Strategies for Implementation of Activities Implemented Jointly: Analysis of Advantages and Disadvantages*.

### I. 1996-1997 Research, Activities and Achievements

#### 1. Pollution Havens and Ozone-Depleting Substances Control in China

Examination of the existence of potential “pollution havens” in China is among one of the major items under the Working Group’s *Terms of References*. This project examined the possible existence of “pollution havens” in China with respect to ozone-depleting substances (ODS) control and its relationship to China’s obligation under the Montreal Protocol and to China’s policies related to foreign direct investment.

**Background**

The Montreal Protocol on Control of Substances that Deplete the Ozone Layer sets out timetables for phasing out the production and consumption of ODS in developed countries with a ten-year grace period for developing countries.

It is one of the multilateral environmental agreements which contains trade measures. Trade measures can be used to restrict ODS trade between parties and non parties in order to stimulate as many countries as possible to participate in the Protocol and to prevent non parties from gaining a competitive trade advantage over parties. In addition, there are some other trade measures not mandated by the Protocol but taken voluntarily by some parties in their control schedules to restrict ODS trade between parties. These include industry agreements to restrict imports, labelling requirements, import licenses, permit trading system for import allowance, quantitative import restrictions and import taxes on ODS, etc.
This study examines the current trend of foreign direct investment (FDI) to China related to production and consumption of ODS, and attempts to identify whether ODS production and use is being shifted to China through FDI. It also reviews China’s existing policies, regulations and measures, assesses whether they are adequate to tackle this problem, and provides recommendations to the Government to effectively prevent the transfer of production and consumption of ODS through FDI.

The study consists of two phases. Phase I was undertaken by the University of International Business and Economics (UIBE). It examines the overall trends in ODS production and use, analyses existing policies and regulations, and includes a modest field study in Beijing. Phase II, undertaken by the Policy Research Centre for Environment and Economy (PRCEE), focuses on a special investigation in Guangdong Province which is one of the major areas in China where ODS is increasingly used in recent years, and where there are most of foreign-invested ventures in the country. The PRCEE study was conducted with a grant from the United Nations Environment Programme.

**Current Trends in FDI to China Related to ODS Production and Consumption**

From 1985 to 1994, there were 218,525 foreign funded enterprises (FFEs), (mainly joint ventures, contractual joint ventures and wholly-own foreign enterprises), established in China. Due to incomplete data, the study only examines 42,380 of them and finds 957 are related to production and consumption of ODS—especially the consumption of ODS.

The study shows that the growth rate of FDI in industries related to production and consumption of ODS is very high, especially in solvents, refrigeration/air conditioning and foam industries totalling 97% of all enterprises examined.

The majority of FDI flows to the coastal regions of China. Guangdong Province absorbs about one fourth of the total FDI to China. Jiangsu, Shanghai, Shandong, Liaoning, Beijing, Fujian, Zhejiang also has a high percentage of investment. FDI in the middle and western parts of China is still not great, but in recent years, more and more FDI is beginning to flow to the inner part of China, in particular, Hubei and Henan provinces.

FDI in China related to production and consumption of ODS comes from 25 countries and regions. Twelve are OECD countries, 8 are newly industrialized countries (NICs) and regions. FFEs from Hong Kong account for 64.58% of the total enterprises examined and with a total investment of 50.33%. Japan, the United States and the Netherlands are also major investors in the production and consumption of ODS in China.
There are great differences in the scale of FFEs. The average investment is US$1,520,000, with some over US$50 million and some even over US$100 million. However, many of them are below US$500,000 with some even below US$100,000. The majority of foreign investors are involved in joint ventures, rather than wholly owned subsidiaries.

Many of these FFEs sell their products in the domestic market. Yet, many of them rely on international markets to sell their products and obtain their raw materials. These FFEs mainly import their raw materials from the OECD countries and NICs.

**Evaluation of China’s Existing Policies, Regulations and Measures**

As a party to the Montreal Protocol and its amendments, the Chinese government has been serious in fulfilling its international obligations in controlling and gradually phasing out ODS. China has established an institutional framework and a technical supporting system. China Leading Group for Ozone Layer Protection was established in July 1991, and a Technical Information Clearinghouse and a Project Management Office were set up for supervision on data collection, information exchange, proposal submission, program coordination and project implementation.

China has also formulated a policy and regulatory system for the control and phaseout of ODS. It has worked out its Country Program specifying a ten policy framework and formulated strategies for phasing out ODS for 9 related industrial sectors. A number of sector regulations have also been adopted jointly by the National Environmental Protection Agency (NEPA) and related ministries.

China has planned to freeze ODS production and consumption by 2005 (which is five years earlier than what is mandated by the Montreal Protocol) under the condition that China receives additional financial assistance and adequate technology transfer. More recently, China has issued a complete ban of the use of CFC in the aerosol sector by the end of 1997 (except the use for medical purpose).

However, there are some shortcomings in the existing regulations and policies:

1. The importance of the shift of ODS production and consumption to China through FDI has not been fully realized in China's Country Program for the Phasing Out Ozone Depleting Substances.

2. Current environmental laws (e.g. the Law of Air Pollution Prevention and Control) and environmental policies do not include requirements for ODS control. There are no specific stipulations to control FDI in ODS production and consumption in
China's current guidelines for the use of FDI.

3. China's current policy towards FFEs is that foreign investors must take responsibility in their shares (their equity in FFEs); the Chinese government is only responsible for the Chinese portions (such as in a joint ventures). It is very difficult for small and medium size FFEs, especially small and medium sized enterprises (SMEs) from Hong Kong, Taiwan Province and Macao, to carry out this policy.

The study also shows that although the Montreal Protocol provides a long grace period for developing countries, it doesn’t take any measures to prevent non parties from transferring ODS production and consumption to Article 5 parties through FDI. Nor have effective legal measures been adopted by non Article 5 countries to limit and punish enterprises that shift ODS production and consumption to Article 5 countries through FDI.

Field Investigation and Analysis

The Phase I research team visited the Beijing Yifeng Foam Rubber Products Co. Ltd., Beijing Matsushita Color CRT Co. Ltd. (BMCC) and Capital Steel & NEC Electronic Co. Ltd. Some small and medium size FFEs were also surveyed through telephone inquiries.

The research team for the second phase made a special investigation in Guangdong Province where ODS is increasingly used in recent years and there are most FFEs related to production and consumption of ODS according to the first phase study. The team focuses its survey in the foam and cleaning sectors in some parts of this province. The Phase II study was funded by UNEP. The research team received a good deal of help from related ministries, commissions and local departments.

The major findings of these field investigations are:

- There is a need for an effective policy and institutional coordination among relevant central and local governmental agencies;
- The ODS awareness of personnel who are in charge of approving FDI and who are responsible for implementing environmental laws and policies at the grassroots level is very weak;
- Many small foreign funded enterprises have not been aware of the issue and have not taken any measures;
- Large foreign funded enterprises are well aware of the ODS issues and have taken some measures to replace ODS;
- Medium foreign enterprises are becoming aware of the issue and have begun to take measures or to look for funds to replace ODS. This has often been stimulated by
their customers in OECD countries who do not want to sell goods made with ODS;

• There are some major problems for small and medium enterprises to use the Multilateral Fund to support their ODS replacement initiatives.

**Recommendations**

After the Phase I survey in Beijing and the preliminary survey of Phase II in Guangdong, the research teams have realized that it is very difficult to grasp the whole situation of ODS production and consumption in the entire country due to the complexity of the issue and the limited funds and time for thorough investigation. Despite the fact that the field surveys made so far are not as thorough and complete as the research teams wish to be, they reveal some problems.

Although the study as a whole indicates that there is an increase in the number of foreign funded enterprises related to ODS production and consumption in recent years, it is still hard to say if the growth in the number of such enterprises has resulted in a significant increase of ODS production and consumption in China due to the complexity of the issue and the difficulties in conducting a thorough investigation. The present study, nevertheless, reveals some major problems with the Montreal Protocol and the Multilateral Fund, and problems with China’s policy and institutional coordination. The Working Group would like to present the following recommendations to the Council in order for China to take some immediate actions:

1. The implementation of the Montreal Protocol should be further strengthened and integrated policies and measures for ODS control and management should be formulated.

ODS control should be integrated into the existing environmental legislation (e.g. the Law of Air Pollution Prevention and Control) and other environmental management policies (such as environmental impact assessment, the “three simultaneity” system, the permit system, pollution levying fees, etc.). Some economic instruments for ODS control should be adopted, including a consumption tax on ODS, favorable loans or tax deduction or exemption for enterprises which take measures to replace ODS.

China’s ODS control and phaseout plan should also be integrated in its related trade policies. China’s guiding policies for the use of FDI should prohibit FDI projects related to production and consumption of ODS.

2. It is essential to establish an effective coordination mechanism among related governmental agencies and between the central and local governments, and set up a sound management system throughout the country;
Environmental protection authorities should be included in the process of approving foreign investment projects. Without environmental protection authorities, it would be difficult for the trade authorities to understand the implications of the ODS production and consumption transfer through FDI for China’s implementation of the Montreal Protocol.

MOFTEC should fully participate in the international negotiation and domestic policy-making in this regard.

In addition, a local ODS management office should be set up in each province to be in charge of ODS control and phaseout within its jurisdiction.

It is very important to strengthen public education and to provide training to related personnel and enterprises.

It is necessary to provide training for managerial personnel of related governmental agencies and local grassroots departments. NEPA should be responsible for organizing such training. The media should be encouraged to play a major role, such as the daily newspaper of MEFTEC International Business and other major trade and environment journals.

4. It is necessary to provide enterprises with technical support.

Efforts should be made to provide enterprises with information on substitution technologies that are mature and applicable in China, in particular, to provide them with reliable technical support to replace ODS. The State should make necessary appraisal and test of foreign countries' substitution technologies and introduce them to China only after proving they are mature and applicable in China.

5. There is a need to further enhance international cooperation.

China should continue to work with the other parties to further improve the Montreal Protocol, to include measures to prevent ODS production and consumption from being transferred from non Article 5 countries to Article 5 countries through FDI.

The Multilateral Fund should be made more easily accessible to SMEs in developing countries. The Procedure for applying the funds should be simplified, and the period from applying to actually receiving the funds should be shortened. In order to use the Fund more efficiently, flexibility should be accorded to enterprises based on the specific situation including purchasing domestic facilities and substitutes, encouraging them to undertake their own R & D on alternative technology and substitutes. Sharing of local expenses should be further discussed.
2. Strategies for China’s Implementation of AIJ: Analysis on Advantages and Disadvantages – Preliminary Discussion

Joint Implementation (JI), now renamed Activities Implemented Jointly (AIJ), is a concept embodied in the United Nations Framework Convention on Climate Change (UNFCCC) and in high-level political controversy. The general thrust of AIJ is to allow a developed country party to invest in greenhouse gas reductions in a developing country where the marginal cost of reducing these emissions is typically lower than in the North. It is argued that the large difference in the marginal cost of emission abatement between developed countries and developing countries and the complementary resources and technology to developing countries can provide the possibility to achieve GHG reduction objective in a cost effective way.

UNFCCC COP2 in 1995 initiated a pilot phase of AIJ which would last until 1999. It endorses AIJ to be undertaken between Annex I parties (developed countries and economies in transition) and non Annex I parties (developing countries) on a voluntary basis under a set of defined criteria. Progress in the pilot phase of AIJ has been rather slow, largely because of the lack of incentives for projects between Annex I and non Annex I countries.

The Working Group started its work on AIJ in the early of 1996 and has now completed its first phase. The study assesses how AIJ could be made acceptable to China. The study outlines the wide range of perspectives on AIJ and the reasons why AIJ has not yet been successful. The research also tries to identify potential disadvantages and benefits for Chinese participation in AIJ, and provides some thoughts on the basis and preconditions for China to implement AIJ.

A final report has been submitted to the Council as background in hope that it would provide some useful considerations for the Chinese Government while it formulates its position for the upcoming COP3 meeting to be held in Kyoto, Japan in December this year. The Working Group plans to continue its work on AIJ after the Kyoto meeting when the function of AIJ will be more clearly defined.

3. International Conference on ISO 14000

The Working Group co-organized and co-sponsored an International Conference on ISO 14000 - Environmental Standards and Sustainable Development from November 5 to 7, 1996 in Beijing, with NEPA, China Centre for Environmental Management System and UNEP. Four major thematic sessions and two workshops took place during the conference. The four sessions were: Trends in International Environment Management
and China’s Current Development of Environmental Management Systems, ISO 14000 and Business Strategies, ISO 14000 and International Trade, and ISO 14000 and Sustainable Development; and the two workshops are: a Workshop on ISO 14000 Certification, and a UNEP Workshop on EMS Capacity Development to Meet ISO 14000.

The Conference was attended by more than 200 participants from 9 international organizations, relevant government agencies and research institutes of 6 countries, 11 multinationals, NEPA, the State Bureau of Technology Supervision, other related ministries, research institutes and universities, as well as environmental bureaus from provinces and cities, and various enterprises.

The Chinese and international experts extensively exchanged views and information on the goals, functions, importance, as well as implications and implementation in some countries of the ISO 14000 series standards.

Xie Zhenhua, Administrator of NEPA, noted that the conference was rewarding in that it helped participants to better understand basic features, the importance and the implications of ISO 14000. According to Xie, China is more determined to implement ISO 14000, and plans to set up a unified institution, to expand its present pilot projects and to promote ISO 14000 series standards. It was pointed out that ISO 14000 could be a very useful tool to improve environmental protection in China.

The Conference marked a good beginning of ISO 14000 in China. UNEP/IE will further cooperate with NEPA and CCEMS to do some strategic planning for the implementation of ISO 14000 standards in China.

Two co-chairs of the Working Group chaired and moderated the panel discussion on ISO 14000 and International Trade. Several presentations on this theme were made including ISO 14000 and the Multilateral Trading System, Impacts of ISO 14000 on Trade and Implications for China, ISO 14000 and Green Trade Barrier, A Trade and Sustainable Development Perspective of ISO 14000 Standards and China, and ISO 14000, Cleaner Production, and Development of China’s Foreign Trade.

Three papers - ISO 14000 standards and China: a trade and sustainable development perspective, ISO 14000 and business strategy: an annotated bibliography, and ISO 14000 and sustainable development - were distributed at the meeting on behalf of the Working Group.

The conference conveys a very important message that ISO 14000 is a potentially powerful instrument for increasing the effectiveness of environmental protection in China, although it is important to realize that the ISO 14000 standards are not
performance standards. In other words, ISO 14000 is not a universally agreed minimum environmental standard. It is instead, a standard for environmental management which requires enterprises to develop systems to ensure that the company’s performance is in conformance with existing national environmental laws and regulations.

Since the conference, great progress has been made in China in promoting ISO 14000. In February 28, China adopted the five ISO 14000 standards that were first published by the International Organization for Standardization. The State Council approved the establishment of a National Steering Committee for ISO 14000. Meanwhile, several companies in China have been certified to ISO 14001, and Xiamen in Fujian Province was designated by NEPA as China’s first pilot city to implement ISO 14000.

4. The Working Group meeting in Calgary

The Working Group met this year from April 21 to 23, 1997 in Calgary, Alberta, Canada. Four international members, six Chinese members and seven of their associates and assistants attended the meeting.

A presentation on recent development in environmental protection in China and a presentation on the WTO Singapore Ministerial Meeting were made at the meeting.

The Working Group reviewed and discussed the two major research projects mentioned above that had been undertaken since the last Council meeting. Several important points were raised during the discussion.

The Working Group developed its work plan for the next two years. Final decisions on the Working Group’s future plan, its report to the Council and details of the next meeting were also discussed.

5. Publications in Chinese

1. Ecolabelling and its Implications for China

This is one of the two sub-reports presented by the Working Group to the Council.

2. Green Food Development and Environmental Protection in China

This is the second sub-report of the Working Group submitted to the Council.

3. ISO 14000 and China: A Trade and Sustainable Development Perspective

This paper is one of the three papers presented at the International Conference on ISO
4. Global Green Standards: ISO 14000 and Sustainable Development

This paper is also one of the three papers presented at the International Conference on ISO 14000 on behalf of the Working Group.

II. General Recommendations of the Working Group to CCICED

The Working Group has come across some common issues throughout its research projects during the past two years, and would like to present to this Council some general recommendations with respect to coordinating trade and sustainable development. The Working Group recommends:

1. To improve legislation in all sectors related to trade in goods and service, investment and transfer of technology, taking environmental concerns into consideration;
2. To enhance institutional building and coordination at national level relating to trade and environmental matters. In addition to NEPA and MOFTEC, governmental bodies such as the State Planning Commission, the State Economic and Trade Commission, the State Science and Technology Commission, the General Customs Administration and relevant sectoral ministries need to coordinate effectively in dealing with trade and sustainable development issues; Such institutional coordination should also take place between the central government and local governments as well as among relevant local governmental agencies;
3. To raise awareness on trade and environment of governmental officials in charge of both foreign trade (trade in goods and services, investment, and technology transfer, etc.) and environmental protection, of entrepreneurs of trading and manufacturing companies; Training should be provided not only at national level but also at local and grassroots level; and
4. To closely follow the development of concerns with trade and environment in international and regional organizations as well as in individual countries or groups of countries, so as to be well aware of issues that have implications for China.

III. Work Plan of the Working Group for the Next Three Years

Integrating environmental concerns into China’s economic development and foreign trade policies and ensuring its trade and environmental policies are mutually supportive become very crucial for China as its economy and foreign trade grow rapidly. Enhancing its environmental legislation and enforcement will create a competitive advantage in international markets. Accession to WTO and making its trade laws in line with international trade rules could bring significant benefits to China’s trade.
Based on its work done in the past two years and its recommendations to the Council, the Working Group will undertake a series research and other activities during the next three years. It will focus particularly on the integration of environmental concerns in China’s foreign trade policies, on monitoring the development of concerns with trade and environment in the international system and assessing its implications for China, including issues of foreign direct investment, and on the promotion of awareness on trade and environment. It will also continue to examine impacts of foreign environmental standards on China’s trade and explore environmental technology transfer. This series of activities include the following:

1. Policy research on the interaction between China’s foreign trade and environmental protection

2. International agreements and domestic laws on foreign direct investment and sustainable development: China’s perspective

3. A study on the impacts of selected foreign environmental standards on China’s trade

4. Monitoring and assessing trade and sustainable development activities and issues related to China in various international and regional organizations such as WTO, UNEP, UNCTAD, OECD and APEC

5. A study on environmental technology and international trade, and

6. A workshop on trade and development for governmental trade and environmental officials, trade companies, and trade-oriented enterprises.

These initiatives have been developed largely by the Chinese members of the Working Group. The Chinese membership is equally divided between the trade community and those primarily concerned with the environment. This allows for a unique, integrated approach to the issues. Each activity is related to the others. For example, the monitoring and assessment of concerns with trade and environment in various international and regional forums will be directly linked to the policy research on the integration of China’s trade and environmental policies, The results from the studies can be used as real life resource materials for the training workshop to train governmental officials, and entrepreneurs of trading companies and trade-oriented enterprises.