THE CHINA COUNCIL
FOR INTERNATIONAL COOPERATION
ON ENVIRONMENT AND DEVELOPMENT

THE THIRD MEETING OF THE THIRD PHASE

Asia Hotel, Beijing
October 29 – 31, 2004

SUMMARY RECORD

November 2004
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## ABBREVIATIONS

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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AGM</td>
<td>Annual General Meeting</td>
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<tr>
<td>CBD</td>
<td>Convention on Bio-Diversity</td>
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<td>CCICED</td>
<td>China Council for International Cooperation on Environment and Development</td>
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<tr>
<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<tr>
<td>COP</td>
<td>Conference of the Parties</td>
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<td>CPC</td>
<td>Communist Party of China</td>
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<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<td>EU</td>
<td>European Union</td>
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<td>FA</td>
<td>Farmers’ Associations</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FYP</td>
<td>Five-Year Plan</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GEF</td>
<td>Global Environment Facility</td>
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<td>GOC</td>
<td>Government of China</td>
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<td>IRBM</td>
<td>Integrated River Basin Management</td>
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<tr>
<td>IUCN</td>
<td>International Union for the Conservation of Nature</td>
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<tr>
<td>LDC</td>
<td>Less Developed Country</td>
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<td>LE</td>
<td>Lead Expert</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>MEA</td>
<td>Multi-lateral Environmental Agreement</td>
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<td>MOFCOM</td>
<td>Ministry of Commerce</td>
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<td>NDRC</td>
<td>National Development and Reform Commission</td>
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<td>NGO</td>
<td>Non Governmental Organization</td>
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<td>NPC</td>
<td>National People’s Congress</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<tr>
<td>RCC</td>
<td>Rural Credit Cooperative</td>
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<tr>
<td>SEPA</td>
<td>State Environmental Protection Administration</td>
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<tr>
<td>SPS</td>
<td>Sanitary and Phyto-Sanitary (standards)</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>TF</td>
<td>Task Force</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNEP</td>
<td>United Nations Environment Programme</td>
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<td>USA</td>
<td>United States of America</td>
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<td>USD</td>
<td>United States Dollar</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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<td>WWF</td>
<td>World Wide Fund for Nature</td>
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SUMMARY RECORD

I. INTRODUCTION

1. The China Council for International Cooperation on Environment and Development ("the Council") was established by the State Council of the Government of China (GOC) 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 puts forth recommendations for the Chinese Government’s consideration 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 three meetings in the Third Phase. The Council supports the development of an integrated, coherent approach to environment and development and encourages close cooperation between China and other countries.

3. The Council is a non-governmental body but with strong government involvement. At present the Council comprises 25 Chinese Members and 20 International Members, all chosen for their expert knowledge and their experience.
4. The Members of the Council attended the 3rd Meeting of the 3rd Phase at the invitation of Zeng Peiyan, Vice-Premier of China’s State Council and Chairman of the China Council.

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. The Secretariat also ensures follow-up within China to the recommendations made by the Council, and deals with the routine work of the Council when not in session. The Secretariat is assisted by the Secretariat Canadian Office, directed by Professor Earl Drake. The CCICED Secretariat Canadian Office is located at Simon Fraser University in Vancouver and is funded by the Canadian International Development Agency (CIDA).

6. This Summary Record of the 3rd 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. ADOPTION OF THE AGENDA

7. On behalf of Chair Zeng Peiyan, Vice-Chair Xie Zhenhua presented the theme of the Meeting – Sustainable Agriculture and Rural Development. He welcomed the guest speakers invited to take part in this Meeting, as well as David Anderson, Canada’s former Minister of the Environment. The agenda for the 3rd Meeting of the 3rd Phase was adopted as presented.
ITEM 2. APPROVAL OF NEW COUNCIL MEMBERS AND TASK FORCES

8. A number of new Chinese and international Council members, as well as new Task Force (TF) Co-Chairs were announced. Members approved the changes by acclamation.

ITEM 3. OPENING CEREMONY

9. Vice-Chair Xie Zhenhua presided over the Opening Ceremony on behalf of Chair Zeng Peiyan and invited the following participants to address Council members:

   1) Vice-Chair Xie Zhenhua, Minister of SEPA
   2) Vice-Chair Paul Thibault, President of CIDA
   3) Vice-Chair Liu Jiang, Vice Chair of the National Development and Reform Commission (NDRC) – in absentia
   4) Vice-Chair Måns Lönnroth, Former State Secretary, Ministry of the Environment; Managing Director of the Foundation for Strategic Environmental Research, Sweden.
   5) Vice-Chair Qu Geping, Former Chair of the National People’s Congress (NPC) Environmental and Resources Protection Committee

10. In the course of their speeches, the Vice-Chairs made the following points:

11. Since the CCICED’s last Annual General Meeting (AGM), China has made progress on all fronts and has rooted its development efforts in scientific, holistic and people centred approaches. Economic growth continues to be strong and environmental considerations are integrated in all aspects of the government’s work. The Environmental Impact Assessment Law has been enacted and now helps control unbridled, irrational developments. Efforts are being made to implement a circular economy in China and to ensure greater public participation in, and supervision of, the environment.
12. Agriculture is key to China’s growth – the country is home to 22% of world’s population, which it must feed with less than 9% of the world’s arable land. It is now imperative to deal with non-point pollution originating in rural areas, improve farm productivity, reduce water waste and protect the environment through programs such as “Grain for Green”. Food security and farm productivity are two important concerns of the government. The insights of the Council are eagerly awaited by the GOC.

13. Experts working on the Agriculture and Rural Development Task Force had less than one year to analyze the daunting challenges faced by China; other Task Forces tackled different aspects of this theme. Their work has yielded bold findings and policy proposals that fit the Council’s mandate of environmental protection and sustainable development.

14. Farm incomes have grown and living standards have improved. Only 29 million people in rural areas still live under the poverty line. Ecological improvement is an important part of the sustainable development of agriculture. Over the past six years, 32 million hectares of trees have been planted throughout the country. These programs will continue but they must meet criteria such as appropriateness to local conditions, scientific soundness, promotion of the local economy, public support and poverty reduction.

15. The Council is making a contribution to sustainable development. Forty years ago, governments focused on pollution and responded by creating legislation and enforcement agencies. Following the realization that environmental problems cross borders, governments responded by creating regional and global multilateral environmental agreements. Over the past ten years there has been a growing recognition that sustainable development requires windows and doors be pierced in the “great walls” that ministries and institutions build around them. This is especially true for the challenges facing agriculture. China’s economic growth implies it will quadruple in size between 2000 and 2020. Already, China’s growth is having an impact on world markets for lumber, oil, metals and more. An international approach is needed to allocate these common resources.
16. The GOC is in the process of formulating the 11th Five-Year Plan (FYP). China is on the path of reaching USD $3,000 per capita Gross Domestic Product (GDP) by 2020. There are two avenues open to China: continue the present path of high resource use, low productivity and high environmental costs – or adopt a path of sustainable development and develop a circular economy. China has already chosen the second option. But the shift required is a difficult one to manage due to old mindsets, the reforms needed in key institutions and the adoption of new economic policies – indeed it requires the collective effort of the entire society.

17. The task of utmost urgency is the development of the circular economy. Pilot projects need to be conducted and demonstration sites established in enterprises, industrial parks, cities and regions. Financial and fiscal incentives need to be put in place to support this development; for instance, circular economy products should benefit from tax credits, while taxes should be levied for the use of energy, water and other scarce resources. The performance of administrators and leaders at various levels needs to be assessed not only based on economic indicators, but also on the basis of environmental criteria.

ITEM 4. KEYNOTE SPEECHES AND PRESENTATION OF THE ISSUES PAPER

18. Council Vice-Chair Xie Zhenhua presided over a keynote speech by Professor Vaclav Smil of the University of Manitoba, Canada. During his presentation, Professor Smil emphasized the following points:

   1) The good news is that China has made tremendous progress in its food production and has made a tremendous contribution to the world in the process. In compiling diagrams representing various countries’ “food balance sheet” (kilocalories of food availability per capita per day), it becomes clear that in the 1950s China Japan and India were at the same inadequate dietary level. By the 1970s, Japan’s population was fed adequately. India started to rise consistently in the late 1980s. China has a unique line featuring a sharp rise prior to and following the 1960 famine. But in the late 1970s, food availability was the same as the late 1950s. After the economic reforms, there was further progress and in 1997, China surpassed Japan’s average per capita daily food availability.
2) This remarkable achievement is based on unstable environmental foundations. Water resource use and scarcity is not the most serious issue for China since this could be remedied by correct water pricing and improved management; rather it is the preservation of farmland. China has 130 to 140 million hectares of arable land – up to 150 million including orchards and areas under aquaculture; good quality land is in very short supply at 400 meters² per capita. China’s high GDP growth is partly based on stealing this land and converting it to industrial production. The preservation of this land should be China’s top priority since a change in land use means the loss of such arable land forever.

3) With land scarcity comes the pressure to produce more intensively – with the help of chemical fertilizers and pesticides. Japan uses on average 100 kilos of nitrogen per hectare; China uses nearly 200 kilos, and in the south where there is double cropping of rice that average goes up to 300 kilos. The world production of nitrogen fertilizer is 85 million tonnes per year; China is using 25 million tonnes. On 9% of the world’s farmland, China uses 30% of its fertilizer. Developed countries reach 60% efficiency in the use of nitrogen fertilizer; China only reaches between 30 to 40%. China loses more fertilizer every year (leached in water, evaporated in the air) than farmers in the United States of America (USA) apply to their fields. This has serious consequences for the environment and China should put a high priority on improving nitrogen management.

4) China is on the verge of a major push for the diffusion of car ownership and export of cars, as Japan and South Korea have already done. Even with the best technology, car emissions will create photochemical smog. In other countries, food production areas are far away from urban centres where smog occurs; in China, urban smog and ozone concentration is already affecting food production due to the high density of cities and their proximity to food growing areas. Even with proper water and fertilizer management, ozone could cut yields by as much as 30%. China does not have the luxury of substituting food imports for domestic production as other countries have done. Last year’s global grain market had an inventory of 280 million tonnes; were China to import 65% of its 500 million tonne grain needs (as some countries now do), it would swallow the entire grain market. It is critical for China to preserve its capacity to produce a large proportion of its food needs.
19. Council Vice-Chair Xie Zhenhua presented keynote speaker Zhang Baowen, Deputy Minister of Agriculture speaking on behalf of Minister Du Qinglin. The following points were made in the course of his remarks:

1) The GOC emphasizes sustainable development. In 1992 the Agenda 21 White Paper was released; it provides guidelines for the country’s economic and social development. This has been followed by the 1998 National Ecological Environment Development Plan and others. In order to promote sustainable agricultural development, a number of efforts have been made.

2) Arable land is protected since irrational developments have been halted and land has been returned to agriculture. Measures have been taken to protect agricultural bio-diversity such as wild rice, soybean, wheat and other important gene pools. The GOC is fighting the entry and spread of invasive organisms such as ragweed. Dryland agricultural practices have been promoted and efforts have been made to control non-point pollution from farms. The conservation of grasslands has been strengthened, and increasingly China can monitor and manage the rural environment.

3) It is incumbent upon agriculture to increase grain production and to boost farmers’ incomes. These are major challenges since China is short of key resources such as land; farm productivity still lags; soil erosion and desertification are serious; and yields are affected by air, water and soil pollution.

4) China has therefore chosen to emphasize the following measures to promote rural development and sustainable agriculture:
   a) More stringent conservation of key agricultural resources such as land and water.
   b) Greater efforts will be made in balancing production and environmental conservation;
   c) Increased promotion of eco-farming and environmentally friendly technologies such as biogas.
   
   d) More stringent surveillance and control of non-point pollution, including the upgrade of the National Farming Environmental
Surveillance Network, and the establishment of a Monitoring and Early Warning System for Pollution.

e) Greater international cooperation on sustainable agricultural development.

20. Vice-Chair Xie Zhenhua introduced guest speaker Len Good, Chief Executive Officer and Chair of the Global Environment Facility (GEF). During the course of his comments, Mr Good made the following point:

1) Environment and development must go hand in hand for sustainable development to become a reality. The world has seen an evolution in the approach to development, starting with the infrastructure building efforts following World War II, to the Monterrey consensus of 2002 that emphasized partnership-based, country-driven efforts.

2) There has also been an evolution in the world community’s approach to the environment, from the initial local initiatives to deal with waste and pollution problems, to more global approaches embodied in multilateral environmental agreements (MEA), each with its own Conference of the Parties (COP) and their working bodies. The GEF is the financial mechanism to support MEAs dealing with climate change, biodiversity, desertification and others.

3) There is a growing coherence with the world of global environmental thinking, processes and institutions. But there are still weak links between the MEAs and development – in part due to institutional barriers between the COP representatives (usually from Departments of the Environment) and the development world. Only recently are the people implementing the MEAs starting to focus on the development dimensions. For instance, less developed countries (LDCs) need help in adapting to the consequences of climate change. Biodiversity conservation is now understood to be important not only in protected areas, but also in production zones.

4) The GEF has provided over USD $5 billion in grants for some 1,500 projects in over 160 countries. China is the largest client of the GEF portfolio; its grants total USD $467 million supporting 42 projects. More than half the projects focus on climate change. One major new initiative focuses on land degradation and encompasses policy and legislative
frameworks, capacity building, participatory approaches, monitoring and evaluation, as well as demonstration projects in six Western provinces.

5) As the GEF goes forward, this more coherent environmental approach will be matched by a greater emphasis on development, more specifically on people and livelihoods.

21. Vice-Chair Xie Zhenhua invited Mr Hu Zhenpeng, vice governor of Jiangxi Province to address the Council. Mr Hu emphasized the following issues in his speech:

1) Jiangxi province is a key agricultural province, with a population of 42 million. Over the years, forests have been cut and wetlands drained to make way for grain production. In order to promote more sustainable development, the provincial government launched in 1992 the “Mountain-River-Lake Regional Development Program” encompassing the Poyang Lake and its five tributary watersheds. The planning process for the Program took a number of years; institutions were set up and legislation enacted to support it. As a result of this Program, rural incomes have risen and poverty has been reduced.

2) The Program comprises activities in five general areas of endeavour:
   a) Flood control: the restoration of wetlands, strengthening of dikes, resettlement of people living in flood prone zones; the Poyang Lake has been restored to its original area and has much greater water storage capacity as a result.
   b) Watershed management: the construction of engineering works such as catchment reservoirs, check dams and so on; the reforestation of slopes to halt soil erosion.
   c) Improved land use management: this approach features the development of eco-farming, the reduction of rural pollution and the improvement of farmers’ incomes. Farming models (such as the swine-biogas-orchard model) have been widely adopted.
   d) Stringent control of schistosomiasis: this effort focuses on improving rural people’s health through controlling water flows from contaminated to non-contaminated areas.
e) Administrative controls in order to support conservation: these include more stringent controls on fishing activities in the Poyang Lake in order to conserve fish stocks.

3) As of the 10th FYP, the Jiangxi government has been promoting the industrialization of agriculture in a balanced way by strictly fighting crime and any development that would harm local people or the environment, by replacing small with larger businesses, and by improving the management of industrial development. Jiangxi contributes to China’s food security by remaining a major rice producer. It promotes “green agriculture” by setting up production bases for organic tea, rice and vegetables. It is improving forest and watershed management. Jiangxi is improving the rural infrastructure in the province, such as roads and flood control facilities. And it now puts more emphasis on the development of rural public utilities such as compulsory education and the rural healthcare system.

22. Vice-Chair Xie Zhenhua invited Wang Yi of the Lead Expert (LE) team to present the Issues Paper on Sustainable Agriculture and Rural Development. The presentation was made on behalf of Lead Expert Arthur Hanson and former Lead Expert Professor Sun Honglie. The following points were highlighted in the Issues Paper:

1) The Issues Paper aims to integrate the work of various TF on matters related to Sustainable Agriculture and Rural Development, to present to Members the progress achieved by China in this area and to provide the background necessary for a productive general debate at this year’s AGM. The GOC is now emphasizing the scientific approach to development as well as the achievement of the moderately well-off society (xiaokang) by 2020. The GOC has issued a key document on increasing farmers’ incomes. China’s agriculture is now entering a new phase, moving from grain security to multiple objectives requiring micro and macro policy interventions. The top objectives for China’s agriculture are to raise farmers’ incomes, improve food security and protect the environment.

2) The GOC needs to adopt new approaches in order to achieve these goals, namely to change the way the government serves people in this sector, improve governance and improve the resource base for the rural economy – including human capital resources such as health and education. This is
happening in a global context of declining net returns to producers, growing complexity of agricultural trade relationships and the proliferation of new foods and farm products. Agriculture is increasingly managed in an integrated way and for farmers everywhere, off-farm income has become significant. Internationally, the verdict on China’s rural development is that there is a worsening situation in terms of grain security and the rural environment, but that there have been extensive rural reform, improvements in production capacity and an increase in off-farm employment for rural people.

3) There are seven key issues identified by the LE team related to Sustainable Agriculture and Rural Development in China:

a) Food security and environmental safety: Grain security is once again a concern in China due to the loss of arable land and the recent increases in grain prices although the LE does not project grain security problems over the next twenty years; the “Grain for Green” program has been identified as the main reason for the decline in arable land but in fact, this has had only a marginal impact on grain production; China needs a long term food security framework that adopts a broader definition of food beyond grain, and one which has lower associated environmental costs.

b) Farm incomes and the rural-urban migration: Off-farm work is now a major source of income in China and is an effective means of poverty reduction; the major constraints facing the out-migration from agriculture are the lack of job opportunities and a discriminatory policy framework against rural migrants; the rural financial and fiscal systems need to be further reformed and the role of government in rural areas needs to be reoriented.

c) The supply of, and investment in rural public goods: there is insufficient investment in rural education, health care and environmental protection; transfer payments to rural areas are inadequate to meet the needs of rural populations; restructuring and better integrating fiscal resources are needed.

d) Rural governance and rural organizations: There is a limited capacity on the part of isolated farmers to access markets; there is a need for new, effective farmers’ organizations that could be rural economic cooperatives and farmer technical associations.
e) Rural environmental problems: the environment is suffering increased pressure due to the recent industrialization of farm production; environmental institutions are ineffective in rural areas; there is inadequate pollution monitoring in rural areas; there is a need to promote environmentally friendly techniques and sustainable agriculture models.

f) Ecological restoration, nature conservation and alternative livelihoods: the “Grain for Green” and other programs for the protection of marginal lands are in jeopardy; there are conflicts between environmental goals and farmers’ immediate economic interests; conditions supportive of alternative livelihoods are not present.

g) Sustainable management of water and land resources: agricultural development is constrained by shortages of water and land; there is low efficiency of surface and groundwater use, with consequent land degradation; measures encompassing water-saving agricultural techniques and better land conservation must be adopted.

23. With Vice-Chair Xie Zhenhua presiding, Council special guest Khalid Malik, Resident Representative of the United Nations Development Programme (UNDP) addressed Members and made the following key points.

1) China is compressing centuries of development into mere decades; decisions made today will have consequences not only in this country but globally. China is now emphasizing human development with its people-centred approach and its focus on xiaokang. There is a rare correspondence between the Millennium Development Goals (MDG) and xiaokang; a summit will be held on the MDGs next year and will offer an opportunity for taking stock.

2) Preserving agriculture for future generations requires decisions on what exactly the country is trying to protect; it is necessary to also spell out what is meant by sustainable agriculture. The gap between regions in China is getting wider, and so is the gap between urban and rural areas. It is not enough to increase the profitability of agriculture as an industry; the scope of the rural-urban migration calls for greater social investments. Despite the sizeable progress made on rural poverty reduction, poverty is
still widespread in some areas and contributes to environmental degradation.

3) The exploration of the concept of “Green GDP” is a step forward, but more tangible steps need to be taken in China’s rural areas. China should institute a people’s campaign on environmental awareness to promote the role of all people as custodians of the environment; environmental strategies need to fit the regions and their residents; it is necessary to strengthen agricultural counties and the rural way of life since the quality of life of some 800 million people depends on this; there is a need for greater coordination among institutions since vertically-oriented institutions cannot deal with environmental issues.

4) The UNDP believes that China’s entrance in the World Trade Organization (WTO) represents vast opportunities that the country has yet to tap. But globalization must remain the means, not become the end; trade has to work for people. China is using the MDG indicators and those of xiaokang to measure its own progress on the human development front. Challenges have been identified, and a key one is sustainable agriculture. China needs policies, institutions and approaches that would foster a sustainable agricultural industry that would serve the needs of people.

24. Vice-Chair Xie Zhenhua introduced special guest Kiyotaka Akasaka, the Deputy Secretary General of the Organization for Economic Co-operation and Development (OECD). Mr Akasaka underlined the following issues during his remarks:

1) The Council is a high level forum for policy dialogue. The OECD has participated in three of the Task Forces of the CCICED so far and there is additional scope for closer cooperation between the two organizations.

2) China’s environmental and development policies have ramifications for the entire world economy. The issues faced by China on the environmental front are those faced by OECD member countries as well. Their resolution will require joint action. The OECD countries’ accumulated experience is incorporated into policy guidelines, recommendations, best practices and analytical documents.
3) The OECD and its Chinese counterparts are focusing on a number of research projects and reports, amongst which are the 2002 report on *China and the World Economy*, an economic survey of China and an environmental performance review of China that will be completed in 2006.

**ITEM 5. DISCUSSION ON THE PRESENTATION TO PREMIER WEN JIABAO**

25. Vice-Chair Xie Zhenhua presided over the Council discussion on the remarks to be made to Premier Wen Jiabao. Minister Xie emphasized that scheduling issues have dictated Members must meet the Premier on the first day of the AGM. Perforce, the presentation is to focus mostly on Task Force recommendations. During the discussion, the following points were put forward by Members:

1) The Council needs to underline to the Premier that food security, and more specifically grain security, is a long-term issue for China. The supply of arable land is finite and China has problems with the protection of farmland, despite existing policies and regulations. More effective measures will be required. Moreover, agricultural land use needs to be optimized with crop growing to occur only on suitable land.

2) The point on farmers’ organizations needs to be strengthened by emphasizing the democratic development that needs to occur. There has been democratization at the village level in China. The direct participation of China’s farmers in rural governance is key to improving the productivity of agriculture.

3) The possible impacts of climate change on China’s food production needs to be added as a context in the discussion on grain security. Impacts could be severe and could be felt as early as 2050.

4) The Council should avoid recommendations that imply an endorsement of agricultural subsidies. The Task Force on Agricultural and Rural Development recommends that the GOC replace spending on those subsidies with investments in other more productive areas. Caution is also needed in any discussions on grain security – this is a complex issue that the Task Force will address during the AGM.
5) The poor efficiency of nitrogen fertilizer use is important; an added aspect is the contribution of such leakages on the creation of greenhouse gases and on climate change. More studies are needed on these issues that have regional and global implications.

6) It is questionable whether or not it is in China’s interest to be mostly self-sufficient in grain production. Other countries can easily boost grain production, doing this cheaper and with fewer environmental costs than China.

7) The text related to the work of the Integrated River Basin Management (IRBM) Task Force does not reflect its findings. The emphasis should be put on restoring river basins in order to revive their ecological functions.

ITEM 6. GENERAL DEBATE ON THE AGM THEME OF SUSTAINABLE AGRICULTURAL AND RURAL DEVELOPMENT

26. With Vice-Chair Paul Thibault presiding, Council members held the General Debate on the AGM theme of Sustainable Agricultural and Rural Development. During the discussion, the following remarks were made:

27. Key to the achievement of sustainable rural development will be sound water management as well as the establishment of a rural social security system. Better coordination among those holding water rights is needed; the recommendation on the establishment of a River Forum should be seriously considered. Social security would allow farmers to liberate their cash savings and invest them in greater productivity; in that context, improved rural finance and credit institutions are needed. Only 60% of farmers can access the formal credit sector – a large proportion rely on informal channels. Further, China needs to put greater efforts in controlling pollution from human waste and must invest in effective waste treatment facilities. Finally, the improvement of China’s statistical data gathering and analysis system is fundamental to supporting sustainable agriculture and rural development.

28. Despite rapid productivity increases in China’s agriculture, there is excessive use of agricultural inputs, and due to water shortages further productivity increases are doubtful. The reduction of environmental impacts will depend on the substantial reallocation of resources from land intensive towards labour intensive production.
At present, the scope of this reallocation is limited by restrictive government policies, and especially the present grain procurement system. Grain surpluses and falling prices have depressed agricultural incomes, affected local markets and slowed rural consumption growth. The OECD is presently reviewing agricultural policies and will be estimating production support estimates and consumer support estimates; the distributional effects of trade reform on rural household incomes will be studied, focusing on the grain sector. The results will be presented at a high level GOC meeting in mid-2005.

29. China has more than 4 billion mu of grassland, roughly twice its arable land; but this grassland resource is deteriorating due to overgrazing, and the grassland contracting system has exacerbated the problem. Strict policies need to be implemented to stop and reverse this trend. Greater emphasis must be put on intensive, as opposed to extensive grazing methods; these involve the seeding of pastures and the production of forage for winter-feeding. Animal husbandry is now key to rural incomes and the degradation of grasslands through overgrazing or desertification has serious implications. In other areas, land productivity is affected by the use of crop residues or the cutting of brushwood for household fuel and there, conservation depends on using alternate methods to meet farmers’ energy needs. The production of biogas is an option in some areas and more attention needs to be paid to these developments.

30. The preparatory work for this AGM provides a good analysis of the structure of the problem, but the challenge for the Council is the linkage between the different policy options – in particular the links between the Task Force on Agriculture and Rural Development and that on IRBM.

31. There is still a tendency to delink areas that are related – we treat agriculture, water, protected areas and so on as though there were no connections among them. In fact, conservation of land use should be extended to all of the country’s land resources, be they grasslands, intensively farmed land or protected areas. Institutional coordination mechanisms are key to this but they have yet to work effectively in China. In addition, education and the preparation of rural people to governance responsibilities through mechanisms such as farmers’ association are critical to sustainable agriculture. Environmental protection must be understood in the context of the provision of ecological services in rural landscapes.
32. Agricultural productivity objectives are viewed as contradictory to environmental protection, and yet they can be complementary. Premier Wen Jiabao told Council Members that in a natural resources constrained economy like China, sustainable agriculture and conservation of resources must be the prevailing imperative. A 20% improvement in the efficiency of irrigation would negate the need for the water transfer schemes that are being proposed. Water supply and water conservation are not handled in a coordinated manner in China. Biodiversity conservation is often understood to entail the setting up of protected zones, but increasingly there is a focus on conserving biodiversity in the context of agricultural production and of maximizing livelihood benefits in conservation areas. Conservation and biodiversity objectives can lead to greater efficiency of existing farming systems.

33. The provision of power in rural areas is important. Despite years of research and testing, the production of biogas for cooking and heating is not terribly successful. Some of the problems have to do with the efficiency of the gasifiers and the continuous supply of gas to households. In some areas, a more promising technology is to pellet crop residues that can then be used for heating.

34. There are links between sustainable development, poverty and the environment. Despite sizeable investments, poverty is still an outstanding problem for China, particularly in remote areas where natural resources are abundant but where the environment is fragile. Premier Wen Jiabao stated that future increases in China’s fiscal revenues would be used for rural investments targeting the increase in rural incomes. But attention needs to be paid to the efficient use of such funds. The Council should focus on the environment-poverty nexus.

35. In some western countries, there was real poverty when 75% of the population was subsisting on agriculture. Farmer associations played an important role in promoting rural education, building supply and marketing cooperatives, mobilizing local talent and promoting trade. This model could be useful in China as well, especially in situations where the present extension system cannot meet the needs of farmers. In terms of rural energy problems, many of biomass’ technical problems have now been resolved. The key is to get support for the initial
investment. Further, new materials have been developed to allow for the burning of straw as fuel.

36. The key issue of rural employment needs to be emphasized in the context of the Council’s discussions. The options chosen in terms of avenues of development will determine employment spin-offs. If promoting rural employment is one of the objectives selected, it will dictate certain policy and program choices.

37. The livelihoods of the poor depend to a large extent on the goods and services produced by natural resources in rural areas. The degradation of these resources leads to greater poverty. People must be mobilized to care for these natural resources by realizing their direct interest in the matter. It is essential to coordinate action among different actors in rural areas; government programs sometimes overlap or contradict each other. Research in India has yielded the INSTEP programme (Integrating New and Sustainable Elimination of Poverty); it is an effort to integrate interventions for poverty reduction. We have to find organizational, informational, knowledge-driven methods by which interventions in each of the critical areas are integrated at the grassroots level. In addition, employment must be generated in rural areas in order to avoid burdening urban areas where services are harder to provide. It may be possible to invest in soil improvement and the opening of new lands to agriculture, thanks to technological improvements (e.g.: desert crop production made possible by microbial technology).

38. Keeping the population in rural areas will require improvements in several areas, namely the governance of rural communities, controlling the size of rural population, and the mobilization of agricultural research to tackle rural and agricultural issues. The world and China’s research communities have yet to address the priorities of the poorest farmers and this should be a strong recommendation of the Council. On subsidies and prices, we see excessive use of fertilizer because of distorted, subsidized prices. But at the same time, a deeper examination of prices’ impacts on poor farmers is needed; prices and subsidies could be used to ensure farmers get enough revenues to maintain the provision of services that is indistinguishable from the provision of goods they produce. China has a key role to play in the WTO discussions on agriculture in this context.
39. One issue emerging from the discussion is not well reflected in the TF reports, namely: how can we create a circular economy appropriate for rural towns and villages. Key questions to consider in this context are: What is the role of the circular economy in poverty reduction, environmental protection and in stemming some aspects of migration? What are the appropriate elements requiring investment in science and technology? What is the link to the broader national efforts to create a circular economy? The discussion that has taken place on biomass and pelletization of crop residues has Canadian echoes. Burning crop residues was causing serious air pollution in Manitoba until stalks were found to be useful in the manufacturing of oriented strand board – a high value product used in the construction industry as an alternative to plywood. New products could provide markets for China’s rural products and by-products. The Council could assist China in completing its thinking on the circular economy – the new TF reporting next year will be looking for Members’ input.

40. The current round of trade negotiations is about agriculture, subsidies and how the macroeconomic environment for agriculture will be set in the future. China will face some key choices in this context. It can decide what it will include in the “Green Box”, the set of permissible subsidies under the WTO agreement. China will need to think about how it will align itself in this debate. It could place itself in the liberalization camp with clear implications for grain production and the grain trade in China. Or it could align itself with the European Union (EU), Japan and South Korea, arguing for larger subsidies and a higher level of protection for domestic farmers. These choices will have direct implications for China’s agriculture sector and for the global environment. The Council needs to remember these macro considerations when formulating policy recommendations.

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

41. With Vice-Chair Paul Thibault acting as chair, CCICED Secretary General Zhu Guangyao outlined for Members his report on the work of the Secretariat, Head Office and Canadian Office. He underlined the following points during his presentation:
42. A number of GOC ministries and administrations, institutions, provincial and municipal governments have submitted to the Secretariat their response to the 2003 CCICED recommendations. From this feedback, the Secretariat concludes that the dissemination of the Council’s report is now more effective and that the GOC pays attention to the Council’s work. In addition, GOC bodies have brought to the attention of the Council the need for improvements in its work. For instance, some agencies have requested that the Council’s TF research be more grounded in China’s practical situation.

43. Changes in the membership of the Council were outlined.

44. The measures taken to improve the Council’s work include allowing more time for a discussion of policy recommendations. The Council has also set up a team to revise the Council’s recommendations, based on preparation work done by the LE team.

45. The theme of the 2005 AGM will be Sustainable Urbanization; there is as yet no theme set for the last meeting of the Third Phase in 2006.

46. The LE team has been working on the assessment of TF proposals, participated in TF meetings, drafted the Council recommendations for this AGM and prepared an Issues Paper for the Meeting. Discussions have been held on TFs that would deal with economic growth and the environment, green GDP and sustainable urbanization. The involvement of the LE team has ensured that TF research remains in line with the themes of the Council meetings and that it responds to urgent issues faced by the GOC.

47. During the past year, the following TFs have been in operation: WTO and the Environment, Agricultural and Rural Development, Protected Areas, Non-Point Agricultural Pollution Prevention, Integrated River Basin Management, Sustainable Transportation and Environmental and Natural Resource Pricing and Taxation. There has been good communication among most of the TFs on issues of mutual concern.

48. The Secretariat is improving its services to Members and TF participants. It has maintained contact with donors including CIDA and sought additional financial
support for the Council. It has prepared the current AGM by getting documents ready, setting up logistics and inviting guest speakers to address the Council. The Secretariat has promoted greater information dissemination through Newsletter and Website. In consultations with CIDA and the Secretariat Canadian Office, the capacity building needs of the Secretariat are being assessed. This will lead to a report summarizing the needs assessment, discussing the roles and responsibilities of the Secretariat after 2007 and recommending a capacity building plan for the Secretariat staff.

49. Funding support from international donors to the CCICED has been maintained. Progress has been made on the core funding support that is to come from Germany, with a formal agreement signed by the two parties. The Netherlands government is also planning to support further TF activities with the funds remaining from the Sustainable Business Development TF. Detailed financial records have been provided to Members in a separate document.

Discussion

50. The Secretary General’s call for suggestions needs to be answered. The Council has been meeting for the past 13 years; its beginning was tentative but it has now gained experience. It would be useful to know from the GOC what it needs from the Council in the years to come. In terms of future themes for the Council to tackle, China might take a look at the issues with which other countries are now struggling, such as energy, transportation and climate change. It might be useful for the Council to consider these issues together in a systematic way.

51. In the meeting with China’s Premier, it was clear that some foreign experts are not quite up to date on China’s situation in certain areas. China is now faced with a concentration of urgent issues related to the development of manufacturing, industrialization and the entry into the information age. In developed countries, there has been time for societies to deal with the problems but that is not the case for China. In the meeting with China’s top leaders, the Council should be strategic on the issues that it brings up for discussion.

52. Energy is still a key factor for sustainable development that could be a worthy theme for the Council. The issue needs to be approached in a systematic and
integrated manner. Chinese agencies have been considering these issues but solutions are still hard to come by. The past few years have seen a chaotic economic development. In the past, a 1% increase in GDP led to a 0.8% increase in the growth of electricity consumption. That percentage has now risen to 1.5%. We need an overarching approach to the study of this issue, with a long-term commitment to work on this and a consistent approach.

ITEM 8. REPORT ON THE TASK FORCE CO-CHAIRS’ COORDINATION MEETING

53. With Vice Chair Paul Thibault presiding, Lead Expert Art Hanson briefed Council on the TF Co-Chairs’ Meeting held on October 28th 2004. The following points were outlined:

1) There has been very good cooperation and improved coordination among TFs, especially on the issue of agricultural and rural development and in the development of the LE Issues Paper. The Economics TF is using some of its funding to ensure all TF research better integrate economics considerations in their work; a conscious link is being made to poverty reduction. However, in many cases time has been a serious constraint on this effort.

2) A good start has been made on the issue of environmental economics and green taxation – the Economics TF will report in 2005 and will draw on some of the work conducted in 2004 on behalf of other groups, such as the IRBM TF. This kind of common work on joint themes is productive and should continue.

3) The LE team was asked to judge whether or not TF work was good enough to be presented before Council at the AGM. The LE feels that the five TFs reporting this year did good work despite the short time they had been allotted. The process through which a TF is established has been cumbersome and efforts have been made to streamline it in terms of administrative and funding modalities.

4) The draft recommendations received a lot of useful discussion at the TF Co-Chairs’ Meeting. TF Co-Chairs are now fine-tuning their recommendations to contribute to the drafting process.
ITEM 9. REPORTS BY THE TASK FORCES

54. Vice-Chairs Paul Thibault, Qu Geping and Måns Lönnroth presided over the presentation of the Task Force reports ensuing Council discussions.

a) Task Force on Agricultural and Rural Development

55. Task Force Co-Chairs Huang Jikun and Bernard Sonntag presented the group’s findings to Council and underlined the following points:

56. The TF’s work lasted less than one year. It had input from a broad range of international institutions such as the World Bank and the United Nations’ Food and Agriculture Organization. In China, the Ministry of Agriculture, the NDRC, the Chinese Academy of Sciences and others made contributions to the work. There was good interaction with the LE team and with three other TFs.

57. The Council over the past two days has come to the consensus that the Chinese economy and its agriculture have entered a new phase of development. Modernization, urbanization and industrialization are all intensifying. Our TF focused on the role agriculture is to play in this context and emphasized work on the policies that contribute to the increase in farm incomes and to more equitable growth between rural and urban areas, as well as policies that support sustainable development of agriculture and rural areas. In order to foster sustainable economic growth, the TF believes government needs to increase efforts in two areas: the role of the state must be realigned and investments in rural public goods and services must be increased.

58. China’s fiscal system needs to reform and China’s grain security framework needs to be re-examined. China needs a healthy public sector that can serve rural populations and agriculture; at present, there is not sufficient investment in this area and this is not conducive to sustainable development in rural China. TF studies reveal that there are high rates of return for investments in science and technology,
and in infrastructure works such as irrigation. Yet at present, China invests less per capita on rural education than does Mexico or India.

59. Most public investment in rural areas comes from local governments including the villages themselves, as opposed to the central or provincial governments; this is a major channel for the funding of local development. Abolishing the agricultural taxes will lead to more empty local coffers and hence, lower investments from local governments into local communities. Villages are not yet legally entitled to collect their own taxes. At present, most local government revenues go to footing the local payroll, leaving a large unfunded deficit that must be covered by various charges and levies. Tax revenues need to be reallocated to allow for an increased investment in agricultural development and in order to allow local governments to meet the responsibilities entrusted to them by the national government. More flexibility is needed to allow for regional differences in fiscal resources and needs. Key public services such as the compulsory education system in rural areas should be fully funded.

60. The GOC needs to build partnerships with Farmer Associations (FA). At present, FAs are developing rapidly but are not yet fulfilling their potential. Only 3% of farmers participate in technical associations; China lags behind other countries such as Japan, South Korea and the USA in this regard. The major impediment to the further development of FA is their lack of legal status; FA cannot be contracted by farmers to purchase inputs or sell products, for instance. China needs technical assistance in the legal framework and enabling environment needed to support the growth of FA. Technical training of farmers needs to be supported through the extension system. China should shift its focus away from supporting the development of “dragon-head enterprise” (these firms are profit-driven and will not necessarily serve the better interests of farmers) and instead work to support the development of FA.

61. The TF looked into the improvements needed for farmers’ market access. One illustration can be given here, that of the grain system. The GOC is attempting to reform this procurement and marketing system but it is facing substantial barriers. There are 2.34 million workers in the procurement system, and 1.38 million workers
are involved in the marketing of this grain. There are 90 million tonnes of grain that go through the system yearly – clearly some workers could be let go, but consideration must be given to the modalities of such lay-offs.

62. In 2004, 11 billion yuan have been earmarked for direct grain subsidies – a very popular policy with farmers. This amount is at present three times the investment China makes in agriculture. In fact, a more effective investment would be the provision of improved services to rural residents, from transportation to education to extension to health care. Subsidies are inefficient and distortive. The TF policy recommendation is to reduce redundant personnel working in the grain procurement and marketing system in China; to support those workers who cannot be re-employed successfully; and allow the grain marketing units’ assets to be sold through auction. The direct grain subsidies should be eliminated and the budget reallocated to the provision of rural public goods and services.

63. Most countries go through a development phase that sees a large out-migration from agriculture to off-farm sectors. In the past, only 4% of China’s population lived off-farm – that proportion is now 45%; 80% of farm households have at least one family member earning off-farm income. This transition is necessary in order to improve farm productivity. But work must be done to facilitate this shift. First, there must be investment in the rural human capital, through free public provision of education. This is a sizeable task since in over 300 counties; governments have yet to implement the 9-year compulsory education program. Even in areas where such a program is in place, there is a high dropout rate due to parents’ inability to pay for school fees. There is also a need for the provision of improved vocational education and agricultural training in rural areas.

64. Secondly, the policy barriers that discriminate against rural migrants living in urban areas and constrain the rural out-migration need to be removed. Rural migrants need to access health care, housing and education for their children in the urban areas where they settle.

65. Thirdly, there must be a better enabling environment for rural business development. This means reforming the rural credit system, since at present only a minority of farm households have access to bank loans. There is a sizeable net outflow of capital from rural areas to urban areas. Policy has a role to play in
ensuring capital stays in the countryside to help develop sustainable agriculture. Thus, private banks should be allowed to operate in rural areas and provide competition to the Rural Credit Cooperative (RCC) system. Further, the ownership of the RCCs should be clarified, interest rates should be more flexible to reflect the various risk levels inherent in rural loans, there should be a greater array of financial products and lending practices, and microfinance programs should be better regulated and should be allowed to take in deposits from members.

66. Land rental markets should be further encouraged. Since 1997, two-thirds of China’s villages have readjusted land holdings and have imposed new rules for access to the resource. But for markets to work well, permanent land use rights must be guaranteed; the Land Contracting Law needs to be more severely enforced and a regional system of land registration is needed to ensure the security of land holdings for the duration of rental arrangements. Borrowing against land should be allowed in order to break the capital constraints now dampening demand.

67. China is only spending a very small share of its GDP in agricultural research and extension. Most of the funds are absorbed by the large number of personnel on the books, but in fact there is little money for effective research and extension programs. Most staff members are poorly trained and the low pay forces them to sell seed or fertilizer in order to complement their salaries. Extension workers have no incentive to improve their skills. It is necessary for China to clearly define the public and private roles of its extension system.

68. Grain prices have risen and to counter this, the GOC has brought back direct grain subsidies for 2004. But a broader view is required – closer analysis shows real prices have not changed substantially over the past decades. The food and feed grain trade volume is increasing rapidly in China – imports are increasing, but so are exports; in fact had China not exported grain these past few years, it would have run out of space in its granaries. Projections indicate that by 2015, China may import up to 40 billion tonnes of grain – only 10% of the global grain trade volume, with therefore only minimal impacts on global prices. The view of the TF is that the “Grain for Green” policy is not affecting the total amount of farmland in China since much of the land retired from cropping has been transferred to orchards or pastures. The
government has a role to play in helping to balance production and grain reserves; there should be more transparency regarding grain stocks.

Discussion

69. The TF’s conclusion on the conservation of arable land is surprising. By 2020, China’s population will be 1.45 billion and it will need to be fed with 650 million tonnes of grain per year – requiring imports of 250 million tonnes per year. Urban growth, industrial expansion, roads and other uses will put more pressure on farmland. Premier Wen Jiabao emphasized there is little potential of expanding farming areas through the development of new lands. It would seem there is a contradiction in the TF report on this point.

70. It is shocking to hear of the large number of rural children dropping out of school because their parents cannot afford tuition fees. Free education should be their birthright. In Denmark, free education was provided in 1805 when the country was still poor and it was the best investment made. If rural migrants are uneducated, they have little chance of a decent life in the cities. The State Council is putting forth the xiaokang objective and part of this concept must be equal access to freely provided public education. This should be one of the Council’s strong recommendations related to fiscal reform in rural areas.

71. The OECD estimates that USD $350 billion were spent on agricultural subsidies in 2003. What is little known is that 80% of these subsidies are environmentally harmful because they subsidize the irrational use of water for irrigation leading to water logging and salinization of soils; they also subsidize the irrational use of inputs such as fertilizers. More study is needed into the linkages between prices and subsidies. The WTO will not deal with the environmentally harmful effects of subsidies, but only consider the trade distorting impacts. This work is now part of a study that the OECD is doing in cooperation with China; the report will be released next summer and could be submitted to Council.

72. The provision of public goods and services in agriculture is so problematic that it needs to be further emphasized. The link between prices and subsidies is a key one. In Europe, 80% of the subsidies go to 20% of the farmers – the richest ones. Poverty can co-exist with the provision of generous subsidies. There is scope for the
reallocation of subsidies to the provision of public goods for agriculture and rural communities. A contract between urban areas and rural areas to pay for the environmental services farm populations provide has yet to be negotiated. More work and clarification could be brought to the issue of prices and subsidies as they relate to poverty reduction and environmental protection.

73. One state in India provided free education and a free mid-day meal to children attending school. This measure had a big impact on school participation and completion rates, particularly for girls. Better-educated young women had a follow-on impact on fertility rates.

74. Subsidies are seen as distorting, with the resulting need to distinguish between perverse and beneficial subsidies. What is forgotten is that markets are human creations; they are a tool through which some agents purchase products or services from other agents in society. Production benefits and environmental benefits are not divorced – we need to develop ways to create markets for environmental goods and services. The pace of economic growth in China is now creating wealth in cities; that can be used to purchase services from the rural sector while contributing to poverty reduction – since inhabitants of marginal landscapes in China are often the poorest of the poor. Farmers are managers of landscapes and their ecological “goods and services” can be purchased. Production objectives should be specified as priorities from the outset, along with environmental and social objectives. A win-win-win is possible.

75. There are tensions within China that are reflected in the paper. The focus was put squarely on the agricultural production imperative, with a lot more critical thinking still needed on the environmental side. There is an opportunity to take a further look at China’s efforts at ecological construction and similar programs, and look into the benefits accruing from them. Many of these programs are coming to an end and China needs help in assessing their value over the long term. Similar thinking could be applied to agricultural land issues. China is now using other countries’ forests, but we need to consider what is the use of marginal lands for forest production in China now and how could the efficiency of this investment be improved? China could also take a look at the USA program for retiring land out of agriculture; auctions are held and farmers must provide solid landscape conservation
proposals that fit with national objectives – farmers must make the case for accessing the subsidy.

76. We must reflect on the reasons why certain countries have now escaped poverty. In the case of EU countries whose economies took off in the late 19th Century, the best predictor of wealth was the level of literacy three generations earlier. This corresponds to the Age of Enlightenment in the late 18th Century. Because of the lag involved, education cannot be left to the vagaries of the market.

b) Task Force on Non-Point Agricultural Pollution Prevention

77. The Task Force report was presented to Council by Co-Chairs David Norse and Zhu Zhaoliang. The following points were made during the presentation:

78. The TF has focused on non-point pollution because it is more difficult to handle than point pollution. It is spread out over 130 million hectares of land. It results from the actions of 180 million farmers and it can seriously affect water, air and soils. China has been successful in maintaining food security for its population but this has been through the overuse of fertilizers and at the cost of widespread pollution affecting local areas, and affecting the globe through climate change.

79. Crop diversification from grain to high-value crops has had an impact in that overuse of fertilizers is more serious on vegetables, fruits and greenhouse crops. This is also combined most often with the overuse of irrigation water, washing away the fertilizer from the root area of plants. Efficiency of fertilizer use in China varies from 30 to 40% only. The rest runs off with surface water to create algal blooms and eutrophication of lakes, is released into the atmosphere under various forms that contribute to acid rain and global warming, or leaches down to contaminate groundwater sources. In river estuaries, high fertilizer concentration leads to red tides that affect fisheries and aquaculture.

80. China consumes one third of the world’s fertilizer supply. Farmers are not aware that the amount they are wasting by overusing fertilizers is causing income losses in the order of 10-30%. This is because of a distortion in the extension system
whereby extension agents sell fertilizer to generate greater income for themselves. Overuse of fertilizer has also negative impacts on soil quality. Similar findings could be made with pesticides, but the 8-month term for this TF did not allow for detailed work in this area.

81. The case for action on non-point pollution is that China is using 10 to 50% too much fertilizer, depending on the crop. The rest is absorbed by the environment, causing pollution and affecting human health. The situation is worse in semi-urban areas where vegetable production is concentrated. Contamination of drinking water is common in those areas. The consequences of inaction on non-point pollution are: non-point pollution is soon to become the most important source of water pollution in China; within ten years, all of China’s lakes will eutrophy and it would take years to reverse the damage; ammonia emissions from livestock and agriculture will soon be the main source of acid rain in China; China is soon to be the largest source of nitrous oxide – a component of greenhouse gases contributing to global warming; seven of China’s southeast provinces have contaminated groundwater.

82. The policy recommendations made by the TF are as follows:

1) A national strategy for the control of non-point pollution is needed; there is a need for the promotion of technical farmer associations and improved extension services with trained and certified personnel – at present they are unaware of non-point pollution. Other LDCs have relevant experience for China and should be emulated - for instance the Farmer-to-Farmer training approaches.

2) The pressure to produce China’s grain should be removed from the eastern provinces where overuse is most extreme, and shifted to central and western provinces. Caution must be taken given the fragile nature of much of that land.

3) There is a paucity of solid information in some areas. There has been no serious study of pesticide use in China since the 1980s; hard data are needed to assess risks and recommend policy options.

4) The circular economy’s implications for non-point pollution need to be further studied. There has been a decrease in the amount of recycling of wastes in rural China, in part due to the labour intensive nature of recycling and to the fact that farmers are increasingly working off-farm.
Production of livestock for example may need to be located where the manure can be properly utilized.

5) Public information is needed.

6) Legislation and regulations need to be strengthened in some areas. Standards need to be set and enforced for agricultural chemicals.

7) Point source pollution is also a problem that needs to be addressed, particularly in the areas of intensive livestock and domestic waste.

8) Research needs to be conducted and its findings applied; this will require a better extension service.

83. The Non-Point Agricultural Pollution Prevention TF work is of relevance to the work now conducted by several TFs that will report in 2005. On the issue of pollution taxes, conventional pollution control and prevention approaches are difficult to apply in China due to the weak rural extension service that cannot verify compliance. The imposition of a green tax does not require this kind of infrastructure. On the issue of transportation, food security and crop production: car emissions lead to smog with serious impacts on yields; some rice varieties in China are more susceptible to ozone impacts on yields. These issues require consideration by the TF concerned.

84. In conclusion, non-point pollution is without doubt having serious environmental impacts locally and globally; nitrogen overuse is the main contributing factor, and is exacerbated by a weak extension system. Controlling non-point pollution would improve farm incomes, decrease human health risks and lower one of the key drivers of climate change.

Discussion

85. A strong recommendation on this issue is needed on the part of the Council. This problem has multiple dimensions – its impacts affect both water and climate. Action on the issue would get to the heart of the transformation of China’s agriculture into a more sustainable sector. The most effective interventions must be through economic incentives, rather than through laws that are difficult to enforce.
86. Making a clear recommendation is daunting because the causes leading to this overuse of fertilizers are not entirely clear. The opportunity cost of the overuse of fertilizers could be further emphasized. Economic instruments for curbing the problem have been used in other countries.

87. The problem is a complex one, but the difficulty is that the recommendations submitted are also fairly complicated. It is well known that the extension service is the ultimate line of defence, but reforming this system would take twenty years before we would see an impact. There is only one option: imposing a tax on fertilizer. But the required analysis of impacts on institutions and the economy are at present lacking.

88. There are two time frames to this challenge. In the short term, rational pricing of fertilizers is required; this should be complemented with better pricing for water. In the long term, we need to develop a vision of the future based on science and technology, where species can be engineered for their tolerance to fertilizers or pesticides. These two approaches could bring about a reduction in the overuse. A group may need to be set up to reduce agriculture’s dependence on farm chemicals.

89. Standards need to be set for fertilizer application and for the use of pesticides. Good Farming Practices should be determined and promoted in given regions. A long-term investment must be made in the improvement of the extension system. Farmers are smart and will cut down on fertilizer use if they realize they are wasting the input. There is a link between this TF findings and those from the IRBM TF since the over application of fertilizer is also related to inefficient irrigation. The joint action of water and agriculture bureaus is needed to improve the situation. The determination of watershed plans could help the agriculture side as well.

90. Imposing a tax on fertilizer is politically difficult in many countries. The revenues from these taxes must be reinvested in agriculture in order to garner the support of farmers. The nitrogen content of manures depends largely on what livestock are fed. Wetlands can play a key role in helping with the absorption of non-point pollution.
91. The USA learned a lot about how ecosystems function over the long term thanks to an experiment conducted in New Hampshire. This led to a comprehensive study of acid rain. Similarly, we need to better understand how water systems work; a study could be designed that would look at inputs and outputs in watershed systems. Such an approach would require the cooperation of multi-disciplinary teams of scientists from several countries.

92. Non-point pollution control boils down to each farmer’s knowledge and actions. Modern agriculture is more complex and requires better-educated farmers. Non-traditional media such as television and radio could be used to promote improved information.

c) Task Force on Integrated River Basin Management

93. Task Force Co-Chairs Chen Yiyu and A. J. M. Smits highlighted the main points of the IRBM TF report for Council Members.

94. There were thirteen experts from China, Japan, the Netherlands, the USA and other countries serving on the IRBM TF; some twenty-five consultants contributed to the work. The TF held two international and seven domestic meetings and workshops. Preliminary reports were shared with key stakeholders in China such as the Ministry of Water Resources. The recommendations submitted have the objective to move from a sector-based management strategy towards a multisectoral, integrated approach.

95. IRBM aims at sustainable development of river basins by considering the intrinsic linkages between economic growth, social well-being and environmental development and conservation; IRBM is more than making choices among competing users of the water and the watershed resources. The TF concludes that China has to shift from a land use and water management strategy to an ecosystem-based approach.

96. The TF studied the example of the Rhine river basin. Early maps of the area show a meandering river. Later, river engineers worked on improving the river for shipping and agriculture; its banks were straightened out and the floodplain
protected for farming. As a result, the pace of the river’s flow increased, bank erosion became more serious and flooding became more severe. Riparian habitat was lost. In the Netherlands where the Rhine delta is found, polders were drained, estuaries closed and ditches helped to drain the peat lands. But with river silt deposits along its bed, dikes had to keep being raised and the risk of flooding is greater than ever, especially with global warming effects. The story of the Rhine exemplifies the engineering approach to river management – the prevailing paradigm until recently. The engineering approach aims to fit water flows to suit agriculture and other human land uses; wherever it has been applied, the results have been similar: increased flooding, water scarcity, pollution and loss of biodiversity. This paradigm was re-examined following the disastrous floods of 1985.

97. The emerging paradigm is the ecosystem-based approach to river basin management whereby the goal is to live with the river instead of fighting it – to give it more space and in the process, to benefit human safety and nature. Under this model, dikes are set back to allow the river room to expand and the flood plains are rehabilitated. Land use is tailored to fit the dynamic of the water system and the ecological function of the area, be it a flood plain, a wetland or a riparian area. The measures chosen are reversible so that structures can later be removed from river systems once they no longer suit the purpose. Housing can be adapted to rise with water levels in areas that flood a few times per year along river banks; this type of housing is no more expensive than average house prices in major Chinese cities and offer the opportunity of using land previously considered unfit for habitation. In the IRBM model, all stakeholders become involved in the management of the water and the land. This is why IRBM is also called the “Living Rivers” approach.

98. In China, there are examples of shifts in watershed management approaches that have only been possible because of considerable benefits accruing to local populations. The Dongting lake area floods frequently; there had been extensive drainage of wetlands for use in agriculture, leading to more flooding. By using an IRBM approach and bringing in local stakeholders, farms have gradually adapted from crops to aquaculture and waterfowl raising – productions that are not affected by rising water levels. Farmers have left the deeper parts of the polder and built houses on higher ground – the money spent on flood protection works can now be saved and reallocated. Three years since the beginning of the project, farm income
has increased; rural people are returning from the cities because the area can now support their livelihood.

99. In order to support the adoption of IRBM, key policy, legal and institutional changes are needed. The IRBM TF makes the following recommendations to the GOC:

1) In the legislative and institutional arena: Existing land use and water management laws and their implementing regulations need to be harmonized; a National IRBM Commission should be established in order to foster the inter-agency cooperation needed to implement and enforce policies and action plans; overarching river basin commissions should be created for each of China’s large watersheds.

2) In the area of stakeholder and public participation: There should be wider access to information for local communities; a Development and Conservation Forum should be established in each river basin to give a voice to the public in the planning and management processes; local communities should be encouraged to engage in IRBM efforts; and IRBM principles and practices should be taught as part of existing programs in universities and colleges.

3) In the sphere of economic incentives and measures: Economic measures such as the “polluter pays” principle are essential for successful IRBM and similar measures need to be identified and obstacles to their implementation eliminated; mechanisms must be found to compensate upstream residents for the efforts made that benefit downstream residents; the value of a river basin’s ecosystem services needs to be estimated for the purpose of cost-benefit analyses; adapting land use functions to the natural dynamics of water systems may offer new opportunities to combat poverty; “environmental pricing” should gradually replace “water pricing” as a broader and more holistic concept.

4) IRBM should be integrated in the 11th FYP. An appropriate water system with which to start would be a tributary basin of the Yangtze river, namely the Chishui river – one of China’s last remaining wild rivers and the source of the water used in the making of Maotai liquor.
Discussion

100. The TF draws lessons from both good management and mismanagement of river systems. A river system synthesizes everything that happens in the watershed; hydro, irrigation, land use patterns, shipping, fishing, land reclamation and so on will all have immediate impacts on the river. Past river management solutions were water piping engineering responses; habitat and biodiversity were always the ones to suffer the impacts the most. The multiplicity of ministries with jurisdiction over aspects of river basin management is a major challenge. Going through non-governmental approaches offers an avenue of intervention. The World Wide Fund for Nature (WWF) has been working in the Poyang and Dongting lakes since the floods of 1998. The creation of a Yangtze River Forum would give voice to stakeholders as large as ministries or municipalities, and as small as NGOs and citizens groups; pilot testing this approach would allow us to design the process step by step.

101. One key goal of IRBM is flood control, which is a critical issue in China. Flood control at present is handled by a State Council office and by provincial bodies, especially in the seven key watersheds of China. In addition, the Ministry of Water Resources has watershed management commissions for each of the same seven main river basins. More coordination is needed among these various agencies.

102. Rivers are high politics; flooding can transform the politics of a nation. But while politics is built on people and their relationships, public administration is built on sectoral approaches and legislation, with little communication or coordination among sectors. Decisions as momentous as those needed to adopt fully an IRBM approach rest ultimately with the State Council. Such changes must also be based on solid research, notably on the likely impacts of climate change on river systems. Dam construction cannot be based on the statistics of the past; projections estimate increased risks of flooding along the Yangtze basin due to global warming. This orientation should be emphasized in the TF recommendations.

103. IRBM has worked in different parts of the world and has overcome segmented administrative structures. It forces people from different sectors to work together. But there is greater clarity needed on the exact objectives of China in this
regard – objectives can then help determine appropriate policy, legislation and administrative structures. In addition, there is a need for a timetable by which certain goals are to be met. Sharper analysis is needed on these aspects and there is a need for tighter integration of economic considerations in the paper.

104. China has thousands of years of experience in relating to “living rivers”. Li Bing’s design of the Dujiangyan irrigation works in Sichuan 2000 years ago showed that the solution is not to stop the water but to let it flow. In China, river basins have changed. Flooding is the issue in the south while water shortages plague the north. Pollution affects water everywhere and investments in this area are much less than in flood control. There is a need for strong action on the part of the central government to override provincial interests along the riverbanks. The GOC will also need to take part in work involving transboundary rivers. The large water transfer project from the south to the north has yet to be fully studied in terms of environmental impacts.

105. By studying the Yangtze River, much could be learned about the entire environmental implications of watershed management. Extensive water testing could be conducted with routine sampling thanks to the heavy commercial shipping on the river.

106. The TF has provided Council with state-of-the-art thinking on IRBM issues. Experience in Europe has shown that building flood control structures has only exacerbated the severity of floods. With climate change looming, there is a more urgent imperative to re-establish flood plains. The focus must be on flood management rather than flood prevention. All stakeholders need to be involved in decision-making that implies risks for them. Dams will be built on rivers, but unless the stakeholders participate in the planning process, the wrong structures will be built. At present, China has privatized the generation of electricity; the largest companies in China are power companies that can compete for the concessions of hydropower. This has clear implications for proposals such as the Yangtze River Forum and should be thought through. Hydropower and flood control are the drivers of dam construction on rivers. In terms of innovative IRBM technologies, the TF should recommend the use of “environmental flow” calculations presently used in South Africa. Before anything is built in the country, minimal environmental flows are stipulated and must be met by the designers of engineering works such as hydro dams.
107. The economics of the “living river” approach should be compared to that of the traditional engineering approach. This has been attempted in Canada through the National Roundtable on Environment and the Economy. It was found that different rivers have different values depending on issues such as the type of ecological service performed, carbon sequestration, recreational values, groundwater discharge and so on. In order to promote the “living river” concept, a better economic picture must be drawn.

108. Before investments are made, criteria must be developed otherwise there is a risk of making unwise investments that are expensive in the long run. The IRBM TF needs also to put more emphasis on the whole catchment area, as opposed to the river and its tributaries. Deforestation has severe impacts on rivers – similarly the choice of tree species for replanting may have impacts on the pace of snowmelt and the risk of flash floods. The institutional issue is critical and IRBM processes that work are based on strong central institutions where industry, government and communities are participants in the decision-making.

109. It must be remembered that China is a large country, hence different rivers fulfil different objectives – with as a result different management plans for the river basins. Cooperation is planned with the Economics TF in order to explore pricing and taxation as instruments of IRBM. The first meeting of the Yangtze River Forum will be convened next year and benefit from government sponsorship. Large water projects such as the new Three Gorges reservoir and the large south to north water transfer should be studied separately by another TF.

d) Task Force on Protected Areas

110. Co-Chairs Peter Schei and Wang Song briefed Council on the results of their work. They underlined the following issues during their presentation:

111. Ecosystem services are the new paradigm in this area. We now conceive of protected areas in a broader, landscape conservation context. Protected and non-protected areas are interconnected. People live in these areas and therefore the issues of livelihoods and poverty reduction must also be taken into account.
112. China’s record on protected areas is impressive. There are now some 2,000 reserves of various types that have been established; they cover 18% of the country’s territory. There are ten ministries and agencies at various levels involved in the management of these protected areas and there is at present little cooperation among them. Most of the protected areas in China are nature reserves (15% of the territory) and hence benefit from strict protection. They are mostly located in the west, covering large areas of the Tibetan plateau – which reflects ecosystem services thinking since these are areas where the Yellow and Yangtze rivers originate. Of the 2,000 nature reserves, nineteen are located in the west of China and cover two-thirds of the total area. Other reserves are much smaller and atomized, particularly in the southeast of the country. Even in the west, there are important gaps in the coverage of the protected areas.

113. Protected areas face important threats and challenges in China: Legislation, financing, enforcement, management standards, relationships with local communities, gaps and fragmentation, data and knowledge management.

114. The first challenge is the legal problem caused when the legislation establishing a nature reserve overlays other laws and regulations; there is a “one size fits all” model of nature reserves that is imposed everywhere; the protected areas system remains isolated from other national and regional land use plans and economic development programmes; there is little flexibility for the different conditions, stakeholders, resource users or administrative partners in the model and there is no process for the resolution of conflicts among stakeholders as a reserve is being established. Conflicts therefore tend to emerge during implementation, leading to the kind of concessions that contradict conservation principles. In addition, there is little understanding of the concept of buffer zones in the context of protected areas. Examples of inappropriate concessions are the construction of roads inside the nature reserves, open pit gold mines inside nature reserves on the Tibetan plateau and the construction of hydro dams with destruction of habitat inside nature reserves – there are 160 dams now under construction or planned in key panda habitats of Sichuan and neighbouring provinces of Gansu and Shaanxi.

115. The second challenge facing protected areas is one of financing. No budgets are allocated from any level of government (including the central level) to nature
reserves – the only funds made available are for basic infrastructure and for staff salaries. Nature reserves have to find ways to raise revenues, and some of these are inappropriate (such as the breeding, selling and leasing of wildlife, or the promotion of recreational activities leading to the mistreatment of animals). No guidelines exist on the range of permissible revenue generating activities in nature reserves. More importantly, no budgets are available for the management of the nature reserves, or the capacity building of staff, or partnership-building and education activities with local communities.

116. The third challenge facing these areas is one of management standards and enforcement. In fact, enforcement of regulations is at present impossible: Nature reserves do not have the funds, the personnel or the necessary training. Moreover, nature reserve managers have no power to halt certain activities taking place inside the reserves such as hydro dam construction – since the authority rests with more powerful agents. Management standards are low due to poor training. In some nature reserves, managers violate conservation principles by, for instance, introducing alien species to the area (Mexican mangroves have been planted in the Hainan Island nature reserve), or by promoting perverse recreational activities (such as shooting arrows at tethered birds). Nature reserve staff and management do not prioritize the conservation of biodiversity in situ – the very rationale behind nature reserves.

117. The fourth challenge is one of social development in protected areas. Opportunities exist for local people who have been negatively affected by the creation of a reserve (jobs, business opportunities, eco-tourism etc). But these opportunities are not explored. Moreover, the rules imposed on nature reserves are too rigid – certain traditional uses of nature reserve areas and resources could continue without affecting conservation objectives and would benefit local people.

118. Gaps in the coverage of nature reserves, and the fragmentation of small reserves are key problems for conservation. There is no networking among nature reserves, nor is there an overall strategy to cover the most important ecosystem services of certain areas. Marine areas are under-represented among the nature reserves in China – as in the rest of the world.
119. Data and knowledge management is also a challenge for nature reserves in China. Boundaries of reserves are not marked and sometimes have not been surveyed; data is hard to access for any type of analysis on the stages and trends in the systems under protection, the biodiversity within systems and other key information. In terms of public relations, there is a lack of information materials; displays are poorly designed and presented and there is little skill displayed in communicating with the public about the reserves.

120. There is a need for China to move towards a modern system of protected areas; this will require horizontal cooperation among various government bodies; it will also require the adoption of a consistent classification of reserves – the International Union for the Conservation of Nature (IUCN) system has been adopted by many countries and could be suitable. The protected areas’ system in China should be more broadly representative of China’s wild species, habitats and ecosystems. There is a need for the creation of an overarching body under the State Council that would be responsible for nature reserves in China – something similar to what has been proposed by the IRBM TF. Moreover, there needs to be inclusion of other stakeholders and local communities in the planning, implementation and management of protected areas in China.

121. The TF recommends that a comprehensive legal framework be established in order to ensure the sustainability of an advanced system of protected areas based on the full range of protected area objectives. Platforms need to be created for public participation, such as action forums and similar initiatives. A more efficient funding mechanism for protected areas needs to be developed in order to pay local people for the ecological services they are providing; local people need to benefit from the protected areas through employment or other benefits. Co-management as a model of stakeholder participation should be explored. Biodiversity represents our insurance for the future – it is the life insurance on life itself. Protected areas have a key role to play in ensuring biodiversity conservation.

Discussion

122. China has made a big effort to increase the number of protected areas; in hot spots, areas have been increased to ensure greater habitat protection. One recommendation to prioritize is the need to establish standards for the management
of protected areas; personnel and managers should be better trained. In tandem, there is a need to conduct a sustained and continuous public awareness building campaign; Non Governmental Organizations (NGO) could play a key role in this respect. The mass media could be used in this regard, as could educational programs in schools. This aspect needs to be more clearly outlined in the TF recommendations.

123. Protected areas also include areas that are key to China’s history and culture. Cultural heritage sites are in dire need of stricter protection and management. With the stunning growth of tourism in China, there is a need to ensure the protection infrastructure is in place before hordes of tourists can damage fragile sites. At the same time, multi-media installations could help satisfy the information, entertainment and cultural needs of visitors.

124. Nature reserves in China are prohibitive; in the West, national parks and most protected areas are open to the public. But there is a serious need to set the protected area system on a firm financial footing – if the present situation is allowed to drift, the results could be unimaginable. We should first emphasize the institutional context, the need to rationalize and professionalize management and to remove existing conflicts of interest in these areas. The second point to emphasize is policy – laws in China need to be complemented with regulations and measures that ensure implementation. These actions will take time. The third key question is one of funding and the need to have actual budget appropriations for protected areas management. And finally there is a great need for staff capacity building. These key recommendations need to be clearly prioritized; they are feasible if the State Council realizes the severity of the present situation.

125. Local people need to be associated with the management of the protected areas, and they need to receive a return for their efforts. It is also important to underline the dangers of invasive alien species in protected areas. While promoting tourism is understandably tempting, it must be realized that sustainable tourism is difficult to achieve. As in Antarctica or at the caves of Lascaux, large numbers of tourists will destroy fragile ecosystems and heritage sites. Numbers of visitors need to be strictly controlled.

126. The implications of climate change on existing protected areas and on the need for future protected areas should be further explored by the TF. Africa’s parks
are now severely affected by droughts and valuable wildlife is being decimated due to water shortages in traditional habitats. China needs to prepare for the fact that animal populations in protected areas may well shift elsewhere to find a more suitable habitat and the protected areas would have to shift with them. Already in Tibet’s Changtang reserve we are seeing changes in grassland ecology due to climate change, with large-scale desertification and proliferation of rodent populations.

127. A recent study reveals that we could lose between 15 to 30% of the world’s biodiversity over the next fifty years. This is a critical new factor that has to be taken into consideration. China’s protected areas with 18% of the territory occupy more space than arable land – it is remarkable that the creation of such protected areas is happening in the context of a developing country. But China realizes that unless these areas are protected now, with the rapid pace of development, they could be lost forever. The urgency of the situation has dictated that the areas have been created before the institutions to manage them are well developed. Clearly the first priority now is to create a system where people can manage protected areas coherently. A protected area does not equal the proscription of all human activity. Some of the IUCN categories of protected areas allow for the coexistence of human and conservation activities. At present, China is investing very little in its protected areas when compared to other countries in South Asia such as Vietnam, India and Thailand. China should look into how other countries are investing and funding their protected areas through compatible activities involving tourism – thereby exploring how protected areas can become revenue generators and engines of poverty reduction.

128. China could become a champion of people-based management of protected areas; this approach can be a solution to the protection of ecosystems. At present, there is a debate on the management of protected areas, with some schools of thought arguing for the total exclusion of people from these areas. Governance of protected areas is key; decisions made now will have important impacts in China because of the rapid growth rate. Innovative formulas for participatory governance should be explored and tested now. The economic values of protected areas, encompassing the value of tourism as well as traditional knowledge, needs to be assessed and further emphasized in the TF report.
129. Without local involvement in protected areas’ management, an antagonistic relationship can arise which threatens the conservation priorities. This is because protected species leave the protected zones and depend then on the local people’s ownership of the conservation objectives. There should also be further exploration of the possibility to link protected areas through corridors. In India, isolated pockets lead to a narrowing of the genetic base; corridors allow for greater intra-species diversity. These corridors are also key to responses to climate change, including extreme events such as floods.

e) Task Force on WTO and Environment

130. Council Members heard the following highlights from TF Co-Chairs David Runnalls and Ye Ruqiu:

131. An environmental impact assessment (EIA) of China’s accession to the WTO was needed because liberalization leads to structural economic change, which in itself will have environmental impacts. The Council could not afford to ignore the issue. Liberalization has four impacts: there is growth due to comparative advantage, contraction due to comparative advantage, increased efficiencies, and consumer benefits due to a reduction in the prices of goods. Liberalization leads to scale changes, composition changes in production and consumption, and technological changes. These liberalization impacts are fairly large in China because the country has adopted most WTO rules and has negotiated bilateral agreements with major partners.

132. The TF predicts an environmental response to growth and contraction effects and to changes in consumption. In the agricultural sector, China must increase the production and export of labour-intensive products such as fruits and vegetables, open its markets to “green foods” and organic products, and reduce the production of resource-intensive products such as grain. China has to meet international market requirements such as the sanitary and phyto-sanitary (SPS) standards and other environmental requirements; there is a lack of timely information on these issues in China; only strong domestic standard systems can help China’s exports – but this is lacking at present. Certain subsidies are acceptable under the WTO if categorized in the “Green Box” of support measures – those that do not distort trade. A connection
needs to be made between China’s trade experts and its agricultural policy experts because China will need to determine how far it is prepared to go on agricultural subsidies.

133. In looking at the WTO impacts on forestry in the context of this EIA, the TF found that since the 1998 logging ban, China is now the world’s largest importer of forest products. There is enhanced conservation of biodiversity in China, there is also increased efficiency in the wood manufacturing sector; but there is an environmental cost paid in countries that are now supplying logs to China, such as Russia, Myanmar and others. There is an increase in illegal logging and the trade in such materials. Consumer countries such as China have a duty to be responsible consumers.

134. For marine aquaculture, the TF found there has been a massive increase in the export of Chinese marine products, as large as the increase in net agricultural imports; there is also sizeable foreign direct investment (FDI) in this area. This is now a substantial sector and it is having an impact on the health of marine ecosystems. Key environmental issues are those of waste, red tide and other marine pollution crises, and changes in biodiversity through the introduction of alien species.

135. In looking at the automobile industry, the TF finds clear WTO-related impacts. There has been a huge increase in the car market in China. Prices are still much higher than elsewhere – China’s tariffs will have to be cut as per the WTO schedule and prices will then drop. China is presently adopting EU standards for gas emissions. The country will get a one-time bonus as a result of WTO membership – when the price of cars drops – and this could allow for the introduction of pollution-control equipment and technology in automobiles.

136. In the energy production and consumption sector, it is clear that the growth rate is closely related to WTO accession. At present, if current trends continue, China’s oil consumption figures are completely unsustainable.

137. For the textile sector, there is a large rise in production following WTO. But wastewater discharges from textile mills track this growth precisely.
138. The Doha round of trade talks will deal with issues such as the MEAs, Eco-labelling, agriculture and fisheries among others. Elements of the Doha round that are not usually considered as part of the environmental portfolio will have important impacts on the environment. It will be important for China to focus on those substantive issues and ensure its interests are protected.

139. The TF puts forth four key recommendations. China should develop an agriculture policy that integrates environmental and sustainability considerations, and gradually shift its policy focus from food self-sufficiency, to food and environmental security. Contracting and expanding sectors require differential treatment. China should actively seek access to global resources while effectively managing all impacts associated with China’s resource imports. China should promote sustainable development through trade.

Discussion

140. This study proves that there is a high level of sophistication in China with respect to WTO norms and standards, and China’s likely impact on those trade rules. It shows China can be a responsible partner, in terms of both market access and management of international trade regimes. The study also shows that trade is a powerful engine but we must remember that environmental problems are about market failure. Trade norms and standards are a way to remedy such market failures. China could take a lead role in making trade work for the environment. There have been concerns that environmental norms would be used to bar China’s access to markets, in particular in the EU. But it must be remembered that China can make other countries accept its norms and standards – in such a manner as to use the environment for common action. A proactive attitude on the part of China in this area will help build trust among its partners.

141. The Transportation TF has been concerned with the role of cars in China and their impact on sustainable development. The recommendations of this TF relative to the car industry should be highlighted and the Transportation TF will build on some of this work. At present, China’s car industry is fragmented – Chinese automakers have formed numerous joint ventures with different foreign manufacturers. And foreign companies look for different Chinese partners to foster sales in different regions, as a way to increase their market share. There is very little research and
development in China since the focus is on manufacturing and sales. Moreover, there is reluctance on the part of foreign carmakers to bring their best technology to China—there are valid concerns over intellectual property rights and competitors. These are all negative factors for environmental protection and sustainable development in the car industry in China.

142. The OECD is working on areas that are relevant to China in the context of the Doha round of trade talks. Some of this work has to do with so-called green barriers to trade such as the SPS regulations applying to fruit and vegetable exports. The OECD has also compiled lessons learned for LDCs in this area. The OECD also provides technical assistance to countries that are adjusting to the WTO rules post accession and some of this support would be available to China.

143. WWF has done work on the increasing imports of timber by China and has reported on the implications of this development to Council. This trend is also occurring in fisheries, with significant impacts on fish stocks. But studies also show that China is consuming much less of the world’s natural resources than the average US citizen. The per capita consumption of Chinese people is below the earth’s bio-capacity averaged out to every citizen on the planet. The average Chinese consumes five times less lumber than the average Scandinavian. But perceptions are important and they relate to future projections based on current growth trends. An additional point needs to be made on the nature of liberalized markets where governments have a shrinking role whereas the private sector is increasingly important. In this context, voluntary trade agreements or certification schemes can be powerful drivers of improved performance and standards. The Forest Stewardship Council is an independent certification scheme and is now an effective tool for the environmental assessment of supply chains; a similar mechanism is being developed for fisheries products. These standards and norms could be introduced in the Chinese system and ultimately benefit China.

144. On the issue of subsidies for ecological services, it is necessary to have a dialogue between the biodiversity, ecology and trade communities so that there can be a determination of the necessary legal underpinnings for such subsidies. The discussion also has to include considerations of legitimate and irrational subsidies. This dialogue needs to happen since such subsidies could become part of the “Green Box” set of supports that China is entitled to provide under the WTO. It will also be
important to determine the modalities for payment of ecological services. The supply chain approach could be used to minimize the ecological footprint of any consumption item – trade could thus serve ecology and the goal should be to minimize the size of this footprint.

145. China should be encouraged to pursue its own standards in the trade arena and to be proactive in doing so. China has a one-off opportunity to adopt stringent automobile environmental standards when tariffs are eliminated under the WTO; numerous health and environment studies on automobile pollution provide the GOC with all the ammunition it needs to justify this decision. Taking such a step would equip China to enter the debate with key automobile importing countries. By anticipating higher standards and aligning its industry in time for the imposition of these new standards, China would be in a competitive position. The EU would welcome China’s support on these issues at the WTO and with the various MEAs.

146. When Anna Lind was Sweden’s Commissioner of the Environment, she decided to test her own blood to see what chemical residues could be found. She did this because studies had shown that dangerous chemicals had been found in women’s breast milk in remote areas of northern Canada. Many of these chemicals are used in electronic circuit boards which are produced in China and other countries, and in many cases by women workers – one would expect these workers to suffer from chemical contamination, but no one measures the presence of these products in their bodies. This is one of the most spectacular illustrations of how the supply chain works and how it ties people around the world together. When people become concerned about the chemicals in their bodies, supply chains become political issues.

147. It should be underlined that China’s comparative advantage in labour-intensive vegetable crops since WTO accession also represents an environmental risk. The Non-point Agricultural Pollution Prevention TF research has revealed that such production is a major contributor to non-point pollution. In addition, other research has highlighted the enormous energy costs of shipping these products around the world – costs that are not reflected in the price of the produce due to various tax exemptions and other perverse incentives. In the United Kingdom (UK), some groups are discussing with supermarkets the possibility of labelling foods so that consumers can realize the implications of buying air freighted produce.
148. There is more research needed on the environmental impacts of WTO accession. There is no doubt that once car prices go down in China, there will be an increase in car ownership and use; with present low fuel efficiency and emissions standards, this can only lead to worse air pollution. In addition, because of our lax laws, cars exported to China have high emissions and poor fuel efficiency. With solid research on these impacts, the GOC could then take action.

149. The WTO was not designed to deal with environmental issues; rather it was set up to liberalize trade. Instead of focusing efforts on how to make the WTO work for the environment, it would be more productive to look into the creation of a global organization for the environment that would be the umbrella for the two hundred or so MEAs, for the work of the United Nations Environment Programme (UNEP) and other disparate environmental efforts. China as the new entrant to the WTO might have the right leverage to put forward a new proposal that could fill this present gap in international affairs.

150. China will need to take a position on the issue of agricultural subsidies for this round of trade talks. The easiest option would be to keep in line with other LDCs promoting greater liberalization in order to improve market access. But perhaps the momentum is changing and there is a need for a more long-term perspective on this debate. The EU was pushing for the multi-functionality of agriculture whereby subsidies were a payment for various services performed by agriculture and rural areas, such as rural employment, social stability, biodiversity and landscape conservation. This objective could be achieved through means other than subsidies – for instance a country’s food security policy could encompass some of these considerations. China needs to think carefully about its position and develop a more sophisticated, far-reaching policy that would support goals of food security and fairness for its rural people. Prices and “Green Box” subsidies could be combined to ensure food security.

151. A key issue in agricultural trade is China’s wide use of pesticides on crops – many of which are proscribed chemicals that are still produced and used in the country. These chemicals should be banned since they threaten China’s trade, not to mention the health risks they pose. Until China takes resolute action, its export
consignment of produce will be rejected by EU countries and others. Action is needed promptly on this recommendation.

152. This TF was truly cross-sectoral and one of its by-products has been to promote a much closer cooperation between SEPA, NDRC and the Ministry of Commerce (MOFCOM). As a result, SEPA is now involved with MOFCOM in trade negotiations where environment is a factor. This TF has put forward key recommendations that, once adapted to national conditions, have allowed China to better face the challenge of WTO accession. A producer responsibility system has been established on the issue of solid waste trade and the NPC is presently debating the relevant legislation. We are also working on an eco-labelling system that will be recognized by the EU and Canada and lead to improved market access.

ITEM 10. DISCUSSION ON THE THEME FOR THE 2006 AGM AND NEW TASK FORCES

153. With Vice-Chairs Måns Lönnroth and Paul Thibault presiding, Members discussed appropriate themes for the 2006 CCICED AGM and proposed a variety of new research topics for Council task forces. During the discussion, the following points were highlighted.

154. The context of the 2006 AGM is key to its theme. This will be the last meeting of the Council’s Third Phase. It also coincides with the end of the 10th FYP and the outset of the 11th FYP. China is seeking to achieve high growth rates while at the same time ensuring social development and environmental sustainability. The Central Party Committee of the Communist Party of China (CPC) has emphasized that this must happen in a manner that is consistent with scientific approaches to development and with a people-centred approach. China’s growth is generating widespread concern domestically and internationally about the impacts this will have on world resources; environmental impacts and the conservation of key resources are now of prime importance. The Council is in a good position to contribute to Chinese policy making in these areas.

155. Energy, climate change and transport are linked – and energy underscores these issues. Climate change is a complex issue, especially in the context of the Kyoto
Protocol which does not require LDCs to take on greenhouse gas emission commitments. Energy security must be a prime concern for China and pollution must be considered in the context of energy production and consumption. China’s development decisions in this area will have far-reaching global impacts, not the least of which may be on global energy prices. The Council could take a comprehensive look at this issue in 2006 – including renewable, non-renewable and nuclear power.

156. Given the timing of this AGM, the Council should focus on China’s economic development in a global perspective. This would further foster greater cross-sectoral integration among China’s ministries in terms of their participation. The Council should discuss a theme that fits with the transition between the 10th and the 11th FYP, and that concludes the Third Phase of the Council with a more comprehensive, cross-sectoral discussion.

157. The Council should take a more in-depth look at the link between environmental investments and the rest of the economy. There have been substantial programs implemented in this area in China, some of which are now facing shortages of funds. The GOC needs solid information on the return it is getting on this green investment. In addition, the State Council has taken action on a wide range of environmental issues and has committed China to deliver on MEA commitments such as the Convention on Bio-Diversity (CBD) as well as on the MDGs. The 2006 AGM could allow us to tie these themes together and provide China with a comprehensive assessment.

158. There is an emphasis now on people-centred development and Premier Wen Jiabao told Council members that the GOC is putting people first. Governing while keeping people uppermost in mind is a complex issue. China has an increasingly important role to play internationally and actions taken here have far-reaching impacts. The people-centred approach can be considered in the domestic context and in the global context. This could present the Council with the additional opportunity of considering environmental health, something that has been often mentioned but never tackled. This could form the theme for 2006.

159. The theme for the 2006 AGM will be the Scientific Development Approach and Xiaokang. This is a key theme for China’s economic and social situation as it moves from the 10th into the 11th FYP. China’s goal is clear: economic development
has to lead to social development, democratization and environmental improvements. The three pillars of sustainable development have to be there. There has to be harmonization between rural and urban growth, between humans and nature, between coastal and interior regions. This theme will also allow us to explore the impacts that China’s growth is having on the world, and the impacts globalization is having on China. The Council can be of great assistance to the GOC on these issues. More thought can now be given to future TF.

160. Eight proposals have been received for future TF. The proposals are entitled: Financial mechanisms and policies for ecological conservation; Strategic and macro policy research on sustainable energy and sustainable development; Environmental governance; Public participation in urban environmental governance and sustainable cities; Migration management; Accelerating enterprises and building stronger social responsibility; Development and climate; The international aspects of China’s development in relation to resources and environment. Members are invited to suggest further themes for future consideration.

161. To follow up on the work of the WTO and Environment TF, more could be done on sustainable development and global markets, with a focus on China’s main regional partners such as ASEAN, APEC and others.

162. There should be comprehensive work done on energy in the context of China’s rapid urbanization. China is moving from 30% of its population living in cities, to over 50%. This will have impacts on energy consumption and on pollution. This work on urbanization and energy must comprise the whole range of cities now emerging, from smaller centres to mega-cities.

163. There must be further consideration of the ecological dimension of sustainable development. One possible theme could be safeguarding China’s ecosystem health – this would see the further integration of economic considerations in the work on ecosystem functions and services. Another theme could be ecological mainstreaming – how environmental considerations could practically be integrated in all other decision-making.

164. Achieving greater industrial development and xiaokang will depend in part on the management of information. At present, there is little reliable data – and there is
also insufficient data collected to allow for rational decision making on environmental issues and sustainable development. China must develop a platform that allows for the collection and sharing of information on science, technology and data. This would be a worthy subject for study by the Council.

ITEM 11. DISCUSSION AND APPROVAL OF THE RECOMMENDATIONS

165. Vice-Chair Paul Thibault presided over the discussion of the Council’s draft recommendations to the State Council. During the discussion, members made the following points:

166. Recommendations dealing with the grain security issue need to be carefully considered. The conservative estimate is that China needs 500 million tonnes of grain per year. The Council has to be clear on the level of self-sufficiency in grains that it is advocating since this will affect production levels, farmers’ incomes and as our TF has demonstrated, non-point pollution levels.

167. A key issue is the problems of the agricultural extension system in China. At present, extension workers are selling fertilizer rather than doing the kind of training they ought to be doing. Extension workers lack knowledge and training as well so they tend to prefer high yields over food quality or the protection of the environment. Our extension system should be entirely supplied as a public good. And to deal with the difficulty of supplying extension services to widely dispersed farming households, we should promote and improve the farmers’ technical associations in order to have them shoulder part of the responsibilities.

168. The Chinese version is the most important one and there must be assurance that the concepts presented and the language used makes sense to a Chinese reader.

169. The recommendation on Farmers’ Associations needs to be worded carefully and in such as way as to be acceptable in the context of China. The TF has recommended that Farmers’ Technical Associations and Farmers’ Economic Associations be formed. There is sensitivity in China around the issue of Farmers’ Associations, when there is no technical or economic focus on input purchasing or product marketing to that kind of group.
170. The investment in human capital is key to the efficient use of natural resources and to sustainable development where the environment is protected. This factor must be underlined when recommendations refer to improvements in agricultural technology.

171. IRBM is very new in China and Chinese colleagues appreciate the TF’s bold recommendations. This could be further strengthened by making reference to the fact that IRBM will be included in the 11th FYP and that this will be supplemented with an action plan. Further, IRBM should have a scientific support program that would provide the needed data for planning, implementation and monitoring.

ITEM 12. CLOSING CEREMONY

172. With Chair Zeng Peiyan presiding, Vice-Chair Xie Zhenhua and Chair Zeng Peiyan addressed members of Council during the closing ceremony of the Third Meeting of the Third Phase. They emphasized the following issues during their remarks:

173. The three-day meeting focused on agricultural and rural sustainable development through the presentation of five TF reports, the meeting with Premier Wen Jiabao, the contribution of guest speakers and debates on this year’s theme and on the recommendations to the State Council. China can respond to the present development challenge by focusing on people-centred policies and a scientific approach to the development of rural areas.

174. Conclusions reached during the AGM deal with the need for greater investments in rural areas including in education and in the provision of public services such as extension, the enhancement of rural governance and the need to set up new partnerships with farmers. There is a need to focus on grain security while continuing the “Grain for Green” program; farmers should be guided to more rational uses of fertilizers and pesticides. The IRBM approach will allow China to better coordinate legislation and integrate planning in watersheds, allowing for the participation of stakeholders in the process and leading to the restoration of the ecological functions of rivers. The administration of protected areas must be
modernized, through greater investments, the improvement of local people’s livelihoods, and capacity building of staff. Further recommendations were also made on trade and environment.

175. From these far-reaching and practical results, it is clear the CCICED is making a productive contribution to the GOC. In the coming years, it is desirable to intensify communication among the LE, Members, TF experts and the GOC. Premier Wen Jiabao confirmed the role the Council can play and expressed the hope that it can do intensive research on sound development methods to bring about the circular economy, contribute to the development of people, and improve justice and equity in society.

176. The next CCICED AGM will focus on Sustainable Urbanization and it will take place from November 18th to 22nd 2005. In 2006, the theme of the AGM will be Science-based Development and Xiaokang.

177. China cannot strain the world’s resources as it grows rapidly. There is a need for in-depth policy research in order to come up with sound recommendations for action – TF experts and Council members have a large contribution to make in this regard. In addition, the Secretariat needs to strengthen its work to serve the TF experts better. The input of the LE team is key to this process.

178. Professor Sun Honglie played an important role as the Chinese Lead Expert – he is thanked for his contribution to the Council. His departure from the Council due to other considerations must be respected. He will be replaced as Chinese Lead Expert by Professor Shen Guofang.

179. China’s economic development and environmental protection are inseparable. Since the second half of this year, the GOC has worked on adjusting macro-economic controls in order to stem unhealthy tendencies in the economy. Grain production this year could surpass projections. The income of farmers and other citizens is increasing as well. The GOC is aware of the contradictions in China’s development such as the increasing resource use and the rise of pollution. The arduous ecological construction efforts to date are to counter this.
180. As part of the principle of science-based development pursued by the GOC, the emphasis is put on environmental protection. It is a priority to build the circular economy; the GOC will continue to emphasize the role of market mechanisms in development and to use them as tools to deal with environmental issues. The GOC will also continue to eliminate the production systems that pollute the environment – violators will not be tolerated. The solution to domestic problems is in the continued improvement of livelihoods and quality of life for China’s 1.3 billion population. The GOC will continue to play its part in world environmental agreements and fora.

181. As the GOC prepares its 11th FYP, the Council’s input will be important. This FYP will determine China’s priorities and strategies towards the year 2020 when Xiaokang is to be realized. This must be achieved by following a science-based approach to development and by continuing our people-centred focus. The GOC hopes that the CCICED can be creative and further enhance cooperation between China and the world community. The Council’s work can heighten its reputation and widen influence. Policy recommendations and practical demonstration projects will ensure the Council’s contribution remains scientific, sound and productive.

III. MEETING WITH PREMIER WEN JIABAO

a) Introduction by Premier Wen Jiabao

182. I would like to welcome you most warmly, members and TF co chairs of the 3rd Meeting of the 3rd Phase of the CCICED. The fact that this international organization has been active for 13 years shows your vigour and your relevance. You chose to deal with the biggest country – China – and the most relevant issue – the environment. The fact that so many experts from outside China come here to research and advise on China’s environment and sustainable development underlines the attention that the government of China pays to these issues. And the fact that so many experts enthusiastically study and provide recommendations to us demonstrates your friendship and concern for China and the protection of her environment.
183. China has embarked on a program of modernization so that it can fully be part of the world community, and it has embarked on a program of environmental protection so it can be part of environmental protection for the world. I would like to hear what you have to say and will be happy to answer any questions you may have.

b) Presentation by Council Members

184. Mr. Premier, we are delighted to be back. It is now the 13th year of CCICED. We continue to believe that the Council performs a unique function for China, and also helps those of us from other countries to improve our understanding of the great challenges ahead. We appreciate your direction in seeking scientifically based development. We call it sustainable development.

185. But sustainable development in China faces this double-barrelled challenge of rapid economic growth in a resource-constrained situation. We applaud your recent efforts to address income inequality. The Council has always strived to understand and be helpful to the specific needs of China. It is our hope this year that we can provide policy ideas to further reduce income inequality and to improve environmental conditions.

186. This year we are examining Agriculture and Rural Sustainable Development at our Annual General Meeting. Over the next few days we will be reviewing the work of five task forces, and hearing from many others before we complete our recommendations. However, we wish to take this opportunity to review with you some of the key ideas and findings. Your perspectives will enrich our understanding and deliberations. Now to some of the task force findings.

187. China’s rural governance was not designed for the current challenges. New institutions and laws—and their effective implementation—are required to transform government into becoming the enabler of change. Reforms are needed to encourage new partnerships with rural citizens, including independent farmers’ associations. Rural fiscal reform is another element of this new framework. And a broader range of rural financial institutions should be encouraged. These are critical conditions for
sustainable rural development. They will help to protect farmers’ rights, and promote efficiency and equity.

188. There is a need to review public spending for public goods. Nothing can be more important than the investment in rural education. For this is the key to opening opportunities, both for farmers and rural migrants. Another is the need to invest much more in agriculture’s future through science and technology, and through a properly funded agricultural extension service. A third major need is publicly funded programs that will secure China’s ecological future.

189. China is a country with great food security. However it comes with a severe environmental cost. For example, nitrogen pollution is poisoning rivers and groundwater in an increasing number of provinces. Agricultural pollution is becoming a more severe threat than industrial wastes. We will be examining a number of recommendations in these areas, especially non-point source pollution from fertilizers and pesticides. A recommitment to Grain for Green is urgently needed. Certainly there is room for improvement in the program, and for correcting misperceptions around its impact on grain price. Overall, there can be a transformation so that environmental security and food security reinforce each other.

190. One task force has examined how to reverse current unsustainable trends in water use and land degradation through more effective integrated river basin management. There are two challenges. First, how to gradually restore ecological functions of rivers, while still increasing economic wealth. This is called the Living River approach. Second is the need for effective Water Basin Commissions involving all relevant stakeholders. Economic measures are an inescapable part of this. Water pricing and allocation for irrigation can best be coordinated through a sustainable water basin strategy that covers both water quality and quantity.

191. Another task force is recommending a national strategy on agricultural non-point source pollution control and prevention. The strategy should focus on legal and economic measures to reduce the extraordinarily high use of fertilizers and pesticides in China, and to improve waste recycling. There are proven technologies not being applied at the present time. But without changes to the current agricultural extension
system, there will be limited effort to promote Good Farming Practices. It is important to recognize that a triple win for farmers is possible—better agronomic efficiency and higher net incomes, improved human health, and increased environmental safety.

192. Our task force on protected areas recommends a fundamental shift in perspective. China’s massive commitment of almost a fifth of its land surface to this purpose is a remarkable achievement. It amounts to more than the arable land. But the protected areas are under threat and not functioning well. They should conserve biodiversity and be providers of ecological services. Yet they are threatened by commercial activities, poor management and alienation of local people. And they are part of larger regional landscapes that are under even greater development pressures. A new national law is needed to provide a greater range of protected area categories, some of which can accommodate sustainable economic activities, while others provide for strict protection. These categories should follow a well-established international system.

193. Finally, but very importantly, our task force on WTO and the Environment has examined environmental impact of WTO accession in six economic sectors, ranging from agriculture to automobiles. The conclusion of this task force is that China should use its WTO membership to promote environment and sustainable development improvements throughout China’s economy, and in its international trade relations. China should use its comparative advantage. There is a need for a Green Trade Action Plan with policies that promote import of resource and energy-intensive materials and products, and the export of labour-intensive products, services and technology-intensive products. The Foreign Trade Law should be amended to reflect the concept of sustainable development and to ensure the implementation of Green Trade. China should, of course, also take full advantage of the WTO Green Box for programs such as Grain for Green.

194. These are some of the important findings emerging from the task forces’ work. They form the basis for Council deliberations and final recommendations that will be forwarded to you. Now Mr. Premier, even after our initial morning of discussions, there are two key issues raised by Council members. One is the impact climate change is likely to have on agriculture and rural development in China. The impacts on food production are likely to be negative and sooner than might be
anticipated. It is a worrying picture, and highlights the need for development of strategies on climate change and adaptation.

195. Another point raised in our discussions is the extreme severity of contamination by nitrogen sources, including agriculture, untreated wastes, and automobile emissions. China loses more nitrogen from fertilizer into water and air than the total fertilizer used in US agriculture. Taken together, all these emissions to both air and water are reducing the productivity of land, and constitute a serious economic and environmental cost to China.

196. As always, we are impressed by the serious consideration given by your government to the Council’s work. It keeps us coming back to China, with the feeling that we are participants in your great journey towards sustainable development.

c) Response by Premier Wen Jiabao

197. Thank you for your presentation. The theme you have chosen this year– agriculture and sustainable development – is a very important one to us because it affects directly nine hundred million rural people and therefore it bears a direct relationship to most of China’s modernization challenge. And on this front I believe we can be somewhat optimistic. The Government of China has put forward a policy focusing on agriculture, farmers and rural communities (San Nong). Our entire leadership is familiar with these issues. We give them top priority. In only half a day so far, you have discussed this and three of your five Task Forces have examined aspects of these issues in detail. I know that your recommendations to us will be focusing on this.

198. But let me draw you a sketch of our problems and our hope for the future. If my sketch is a good one, you can conclude that I’m a pretty good Premier. First, we are facing a daunting task in our rural areas: we are conducting reforms, we are trying to protect farmers’ democratic rights and we are trying to deliver tangible benefits to them.

199. Secondly, our reform process takes two main aspects: the first is economic. Our rural economic structure is based on the household contracting system. We need to protect farmers’ access to land use, their right to production and their right to land
as a resource. The second aspect is political. We have given rural people the right to elect their village representatives. They govern themselves through direct elections. This is not an easy achievement in a country as large as ours.

200. The third key issue is China’s economic growth. Over the past 25 years since “Reform and Opening” (gaige kaifang), there has been great progress on the economic front. In 2003, China passed the important historic milestone of seeing our per capita GDP reach $1,090 US. This is a first for us in our history. For the past 25 years, we have maintained an average growth rate of 9%. But we are under pressure economically and socially as a result. The important facts to keep in mind are our large population, the inequality among our regions and the fact that this growth has been uneven. This year, we have to face the challenge of scarce resources, especially in terms of land, water, energy and mineral resources. China’s leaders are sober minded and recognize that China must walk the difficult path of integrated, sustainable development – that we must have agricultural, industrial and overall social development, but the prevailing concept has to be one of conservation. We have no choice. Just consider this example. China’s arable land per capita is less than 0.1 hectare – only 45% of the world’s average. We have 2,400 cubic meters of water per capita, only half of the world average. We have less than 10% of the world’s arable land and one quarter of its water – yet we must sustain 22% of the world’s population. We have to rely on our own efforts so we have to be sure of the policies we adopt.

201. Fourthly, our agriculture must ensure we are to a great extent self-sufficient in food, while at the same time ensuring an increase in the income farmers earn. This year we have determined to reform taxes on farmers in order to encourage them to grow more grain. We have been fortunate and the harvest is good, which reverses the undesirable trend of the past few years. It is expected that agricultural output will increase by 25 million tones, that farmers’ incomes will rise by 11% and we see that for the first nine months of this year, farm cash incomes are the largest of the past few years. I’m sure were you to visit the countryside, you would see many smiling farmers this year.

202. Fifthly, our policies must be sustainable. We must coordinate what happens in urban and in rural areas. Our new fiscal policy must favour rural areas. We have determined to dedicate 40.5 billion Yuan from our national budget to agriculture.
Over the next three to five years, we will eliminate all taxes paid by farmers so the State will have to earmark 90 billion Yuan or 10 billion US dollars for this. China’s greatest inequality is between the urban and the rural areas. This is most obvious when we look at social services such as education and health. Starting last year, we decided that any increase in the Government of China’s revenues would be devoted to improving this. We still have 375 counties where we have yet to succeed in implementing our nine-year compulsory education program. Over the next five years, it will be our task to make this program available to them. Three hundred and seventy-five counties represent one sixth of our total counties, but one third of our geographic area. This is because these counties are in remote areas. Our goal is to ensure that not only do farmers’ children in the countryside go to school, but that they don’t drop out before completing their education. We want to ensure the same thing for the children of rural migrants. After all, these children live under the same blue sky and are entitled to the same rights as city children. Since last year after we analyzed the SARS situation, we determined to strengthen our public health system, particularly in the countryside. We have set up disease control centres in all our prefecture and county centres to deal with AIDS, TB and communicable diseases.

Sixthly, we have to deal with environmental problems in rural areas. These are problems of land, water and non-point pollution. China’s land area totals 110 million hectares and at the very least, we want to ensure there is no reduction in the amount of arable land, no deterioration of its quality and no drop in its utilization. We want to protect our land. You worry about the speed of urbanization and the consequences of seeing arable land converted to other uses. We need policies and measures to deal with this. As for water issues, the problems are those of scarcity and uneven distribution. In general, we have too much water in the south, not enough in the north. And we have too much in summer but not enough in winter. In the north, our rivers are drying up and the water that remains is seriously polluted. We therefore face the urgent task of controlling pollution in our rivers and lakes, preventing groundwater depletion, ensuring we irrigate rationally, and that we conserve our water resources more effectively. Our infrastructure needs are dire; irrigation through flooding is still commonly done – this is not the scientific approach. Our irrigation equipment and facilities are often antiquated and in bad repair. Non-point pollution is very serious, mostly due to the irrational use of fertilizers. We use vast quantities of nitrogen fertilizer but in a primitive, inefficient
way – it is often broadcast onto fields. We need to encourage the greater use of organic fertilizers.

204. China’s total land mass is 9.6 million square kilometers. 70% of that is mountains, 20% is arable land and 10% is water. So our land is scarce and it needs serious protection. Over the past few years we have pursued our “Grain for Green” (*Tuigeng Huanlin*) policy to improve the environment. We have focused particularly on sloping lands, especially those where slopes are greater than 25 degrees. The result has been the reconversion of large areas back to grasslands and forests. This has been very hard to accomplish. We have had to consider farmers’ livelihoods and therefore we have imposed two criteria for “Grain for Green”: the program must be suited to local conditions and the farmers must be left with enough land to use for alternative income generation such as livestock or other businesses. In parallel, we have implemented a policy to increase our grasslands and forests. We have planted forest shelterbelts in the north and we have reforested the mid and upper reaches of the Yangtze River.

205. So dealing with these problems is a heavy burden for us. But we are confident that we can help our large population of rural people and that we can do a good job of developing rural areas.

d) Question and Answer Session with Premier Wen Jiabao

206. Question: The Government of China’s decision to pursue economic growth while taking care of the environment is attracting attention overseas. The world is interested in your experience as you pull away from the restrictive economics of the past and turn to green economics.

207. Answer: This is true. This is not only as a result of 25 years of economic reforms and opening up to the outside world, but also as a result of a change in the mindset of China’s leaders. Another leap forward.

208. Question: The CCICED’s future is of interest to us. China has had 25 years of reforms. The China of today is very different from the China of 1979. Yet China is now facing problems related to growth. China now plays a central role in stimulating
the economies of the region. The future plan is to see GDP double by 2010. This raises many strategic and structural issues for the economies of the country and of the world. There are important issues of resource use and environment to consider. During our last meeting, you identified there was a need for evaluating and managing the consequences of development. As an advisory body to the Government of China, the Council could be valuable in harnessing its resources to assess these issues. We would appreciate your guidance in this matter. China has a chance to play a leadership role in how it handles the rapid growth.

209. **Answer:** Our goal for the next twenty years is very clear. But I want to emphasize we are not just interested in the quantity of growth, but also in the quality and the efficiency of this growth. Secondly, we believe that we can implement this goal while still not damaging the environment or using up resources, especially energy, inefficiently. We need to base our growth on conservation and the circular economy. Thirdly, our goal is not solely that of economic development, but rather it must be comprehensive, sustainable, integrated and harmonious social and economic development. Fourthly, our growth must be people-centred. It is not just income increases but also the quality of life and the improvement in equality and justice that we aim for. We hope that the CCICED can play a role by providing us with valuable views and recommendations.

210. **Question:** I would like to raise the issue of the future of the automobile in China. In the US, there are more cars than there are people licensed to drive them. But China is now seeing growth there – Chengdu is now on a per capita basis the 3rd car-using city in China, even more than Shanghai. People want to own cars, but in China the issue becomes complicated due to congestion and conflicts with agriculture over land.

211. **Answer:** First, the car industry in China needs to develop further. This is because the people want this; they have basic transport needs that must be met. Secondly, this must be done in a regulated way. There must be limits on the number of cars and there must be the development of public transit. Thirdly, our cars must be energy efficient.

212. **Question:** I am interested in the issue of globalization and the growth of China’s economy. It could be feasible to select a city or a province to carry out a
natural resource accounting demonstration project. This might give us a good basis to allow for a shift in the development pattern. Secondly, by 2020, it might be possible for China to expand the amount of arable land it has. We could focus on the quality of the soil and work on wasteland conversion. This could have a real value for other countries in the world.

213. **Answer:** Very good suggestion. We would like to do green GDP national accounts. We are aware that we need to increase economic efficiency and quality, not just foster economic growth. Secondly, is there in China land that has not been developed? Yes, but not very much. Apart from our arable land, 60% of our land is either desert, mountains, land without water, or water without land. So we must use wisely and cherish the arable land we do have. Thank you very much.