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Chinese Posture at the US-China Forum on Environment and Development

Premier Zhu Rongji has agreed to cochair the US-China Forum on Environment and Development in Washington next April to provide continuity in the relationship and because the forum represents one of the least contentious aspects of US-Chinese relations. Zhu will evaluate US proposals under the forum with an eye to their cost and potential impact on the economy:

- China's senior leaders have acknowledged the importance of environmental protection policies in numerous speeches reported in the official Chinese press, but are wary of initiatives that could incur severe economic costs. For instance, China—as evidenced by its rhetorical position at the recent climate change talks in Buenos Aires, as reported in various press reports—will not accept greenhouse gas emission limits that might produce an economic slowdown.
- Zhu's response to the US agenda will be tempered by the great pressure he is under to show progress on economic reform and by his concern that slower economic growth this year is producing fewer job opportunities and increasing unemployment. Zhu also is waging a battle to restructure the bureaucracy, reorganize the state-owned enterprises, remove the military from commercial ventures, and prevent capital flight through a crackdown on smuggling and illicit financial transactions, according to a variety of official Chinese press reports.
- Zhu will most likely approve those proposals that offer not only environmental benefits but also a means of addressing economic and financial concerns, such as job creation, and fostering advanced technology transfer and training—most notably for such projects as waste-water treatment plants, rural electrification, reforestation, and water management, according to official Chinese press reports.

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We have identified several specific areas where Premier Zhu may be particularly responsive. After this summer's disastrous floods, Zhu is likely to view favorably any environmental programs to reduce future flooding, such as reforestation, reversal of desertification, and water management programs, particularly around the Yangzi River:

- He has personally banned logging in the upper reaches of the Yangzi River and has called for broad reforestation efforts, according to official Chinese press reports.
- Zhu would probably also be interested in water resource and wetlands management to restore the natural flow of the river and its flood plain following years of land reclamation. [Redacted]

Zhu and the rest of the leadership have identified water scarcity and poor quality as the most critical set of environmental problems facing China, according to official Chinese press reports. A recent paper produced by the Chinese Academy of Sciences and several government ministries predicted that, if water policy remains unchanged, China will face a crisis by the middle of the next century, according to official Chinese press reports:

- Zhu is likely to respond positively to proposals for cooperation in water management to address northern China's growing problem of water shortages, which have led to reductions of aquifers and land subsidence.
- He would also probably express interest in assistance to control waste disposal into the Tai, Chao, and Dianchi Lakes and the Liao, Hai, and Huai Rivers, which have been targeted for cleanup. In addition, Beijing would welcome help in cleaning up estuaries and coastal waters, particularly in the Bohai Gulf. [Redacted]

Zhu may show interest in pilot programs to increase the use of gas for electric power and other purposes. At present, China has several major sources of natural gas—accelerated development of domestic resources, coalbed methane, liquified natural gas (LNG) imports, and offshore gas development—but a decision to allow increased consumption will be needed before an increase in production becomes economically viable:

- In late October, the premier accepted a pilot program to import LNG for a gas-fired power plant in Guangdong Province, according to Western press reports, signaling a policy shift in natural gas consumption. Low world gas prices, intensive competition for markets

among LNG producers, and the apparent willingness of foreign corporations to invest in regasification facilities and power plants makes natural gas increasingly attractive to the Chinese.

- Western industry press reports show that US companies are engaged in developing coalbed methane and offshore gas resources, as well as the transportation infrastructure. Zhu's concern with attracting investment and creating jobs in China may accelerate project approvals.

Zhu's decision to permit the use of gas for electric power establishes a precedent for the use of cleaner burning fuel in new electric power plants that may have significant ramifications for enhancing urban air quality. Having made an initial decision on gas use, Zhu may respond positively to a proposal for the construction of additional pipelines or more pilot programs for gas-fired power plants in heavily polluted cities—for example, a proposal for natural gas development and use in Sichuan Province, which has China's largest natural gas deposits, an existing pipeline infrastructure, and one of the country's most polluted cities, Chongqing. However, China's energy surplus may delay the need for additional capacity in the short term.

China has a model city program under which it encourages cities to meet 27 criteria, including environmental projects such as waste-water treatment, clean air, and solid waste disposal. Beijing is promoting Chongqing, Guiyang, and Dalian—among others—as future model cities, according to official Chinese press reports. Chinese officials reached an agreement with Tokyo during the late November China-Japan summit on a project to curb sulfur dioxide emissions and acid rain in several model cities, including Chongqing. In this arena, Zhu would probably be responsive to environmentally related joint ventures, localized equipment production, and training programs.