

**China Council for International Cooperation on Environment and
Development (CCICED)**

High-Level Advisory Meeting on the 13th Five-Year Plan of China

8-10 June 2015 - Beijing, China

**Remarks by the Director General of the
United Nations Industrial Development Organization (UNIDO)**

Esteemed Chairperson,

Distinguished Council Members,

It is my distinct pleasure to address you today, at this high-level advisory meeting of the China Council for International Cooperation on Environment and Development, to discuss the environmental challenges and opportunities faced by China in pursuing its industrial development objectives at the start of its 13th Five-Year Plan.

Resolving the complex relationship between economic development and environmental management lies at the core of UNIDO's mandate of promoting inclusive and sustainable industrial development, or ISID. I therefore believe that UNIDO can provide unique and actionable insights to promote sustained economic growth while respecting planetary boundaries and investing in natural and social capital.

Industry has proven itself as an engine of economic development; as such, it has generated enormous amounts of prosperity and well-being, but has

unfortunately also caused the depletion of natural resources and the pollution of air, water and soil.

Building inclusive and sustainable industry is thus central to meeting the environmental challenges that accompany rapid economic growth and to creating a prosperous future. China very clearly illustrates this point.

We are fortunate that today both China and the international community have the chance to forge their developmental trajectory in a manner that will ensure the well-being of future generations and the health of our planet, on which we ultimately depend. In tandem with the formulation of China's 13th Five-Year Plan, the United Nations is fostering consensus amongst its Member States on the Sustainable Development Goals. Environmental management forms a central part of the agenda in both the 13th Five-Year Plan and the Sustainable Development Goals, and carries high potential public impact.

To succeed, both efforts will need to limit the negative environmental impacts of industrial production, while creating the enabling conditions for industry to seize emerging market opportunities. For China, this will mean setting clear targets and limits with regard to reducing its environmental

footprint. It is important to realize, however, that this does not necessarily result in a loss for industry: environmental issues and global trade are becoming increasingly intertwined and China therefore only stands to gain by strengthening its environmental policies and standards.

Talking point: Environment and industry are central to both China's 13th Five-Year Plan and to the future international development agenda (i.e. SDGs). By synchronizing both processes, China can reap the benefits from a) improved environmental performance of industry, and b) increased access to global markets by meeting higher environmental product standards.

To achieve this goal, there are a number of considerations that must flow into China's 13th Five-Year Plan in addition to those presented in the Council's background document.

Excellencies,

Ladies and Gentlemen,

Given the unabated global growth in the consumption of natural resources, the **Chinese economy must fully embrace the notions of resource efficiency and a circular economy in order to become sustainable.** The incentivizing of material, water and energy efficiency, as well as support for recycling industries and eco-design, will help to reduce the already significant pressure on China's natural capital, as well as the emissions generated by its industries.

The 13th Five-Year Plan should also advocate a holistic approach to the environmentally-sound management of China's water resources, in particular with regard to the pollution of rivers and groundwater by large industrial complexes as well as smaller town and village industries.

Past, present and future pollution - of water, but also of the air and soil - must all be accounted for and addressed in the 13th Five-Year Plan. The challenge of accumulated industrial pollutants is definitely needs to be addressed, with measures being adopted to prevent further pollution not only from existing industries but also from future industrial activity and developments, which threaten to place further pressure on the environment through everyday operations and industrial accidents.

Talking point: Current levels of consumption and production in China are unsustainable from an environmental standpoint. More resource-efficient modes of production need to be mainstreamed and scaled up, and a move towards a closed-loop or circular economy needs to be made.

Esteemed Council Members,

Tackling the unsustainable use of natural resources and combating pollutants is therefore vital to ensure China's future development. In this respect, UNIDO sees three ways forward.

Firstly, the **modernization of industrial production** forms the centerpiece of any effort to "green" the Chinese economy. This can be done in a cost-effective manner **linked to increases in both competitiveness and productivity**, as demonstrated by UNIDO around the world, and also in China, in the areas of cleaner production, industrial energy efficiency and eco-industrial parks. In this

regard, the 13th Five-Year Plan should allocate support first to those industries where significant environmental and economic improvements appears possible, and seek to scale up and mainstream proven solutions.

Talking point: Modernizing China's industry along a green tangent will not only serve to relieve pressure from China's natural resources, but will also help grow and diversify Chinese industrial production in a time of flux. Proven solutions in this area are plentiful, and have been demonstrated by UNIDO in China and elsewhere.

Secondly, **green products and services will be needed** in order to realize the environmental objectives of the 13th Five-Year Plan, in particular given the economic, environmental and social pressures that are re-shaping the Chinese growth model. Fostering the development and rapid growth of environmental industries will help ease the transition to tertiary industries, while adopting better process controls will result in higher quality products, which in turn help meet increasingly stringent buyer requirements and facilitate access to a sizeable global green market.

Talking point: By developing new green industries, China can position itself favorably for a future in which environmental products and services will be in high demand both domestically and internationally, and in which heavy industrial production in China will slow down. This will also unlock a global green market for China, which at present is valued at around USD 1 trillion in size.

Thirdly, **wastes and pollution accumulated in the past will need to be cleaned up and remediated** in order to prevent them from further contaminating soils and water bodies and accumulating in food supply systems. Such re-investment in the natural capital of the country will contribute to securing clean water, air and food for all citizens of China in the future.

Talking point: Dealing with China's legacy pollution is critical to ensure that gains made in industry's environmental performance are not undone by cleanup costs which are likely to rise with every year of inaction.

To ensure that the required environmental measures and productivity opportunities can be realized, key **enabling conditions** need to be put in place through the 13th Five-Year Plan.

Most importantly, it will be necessary to create a well-defined **interface between government and industry** in order to effect the holistic changes required by the 13th Five-Year Plan. Industry must be invited to participate in governance-related processes in order for it to internalize and mainstream basic environmental concepts.

One area which requires an effective interplay between government and industry is the **definition of emission limits**. In order to set effective targets, it is necessary to utilize principles and methodologies that limit pollution emissions and resource extraction with regard to the carrying capacity of the environment, thereby balancing industrial growth and transformation with the sound management of the environment.

Similarly, **market mechanisms** will play a key role in realizing the 13th Five-Year Plan. However, establishing necessary framework conditions and regulatory

certainty will take a dedicated effort on the part of the government, including a significant growth in monitoring and enforcement capacity.

Lastly, the **strengthening of China's overall environmental standards** framework and the alignment with international good practices should also be considered a priority. Both manufactured goods and agro-based exports have seen a high ratio of border rejections in the European and American markets. A more stringent application of product, energy, environment and food safety standards will not only benefit trade in general, but will also have positive economic, environmental and social impacts on the domestic market.

Talking point: Numerous enabling conditions need to be established for China to embark on a sustainable growth trajectory over the next years. Amongst them are a need to establish a clear framework for government-industry partnership on key issues; the need to set clear emission and pollution limits; the need to underpin market mechanisms with improved monitoring and enforcement capacity; and the need for China to strengthen its environmental standards framework.

Excellencies,

Ladies and Gentlemen,

In closing, I would like to emphasize **industry's central role in meeting China's environmental challenges over the next five years**. By improving production efficiency, limiting emissions and addressing pollution legacies, industry can greatly alleviate environmental pressures. At the same time, by delivering new green products and services, it can help grow the economy in a time of change.

Through closer cooperation between government and industry, this sustainable transition can be scaled up and mainstreamed throughout the economy, giving China the potential to assume global responsibility and demonstrate international leadership.

Talking point: China's sustainable transition can only be completed with the full and active involvement of industry. For this to take place, industry must

take the steps required to a) improve its environmental performance, and b) seize the market opportunities associated with this.

Distinguished Council Members,

I am pleased to assure you that UNIDO stands ready to assist China in this period of historic challenges, and equally historic opportunities. Our shared global environment and the expectations of all Chinese people deserve that we mobilize industry at large to transform the economy into a truly circular and environmentally-conscious one.

Thank you.