

South-South Cooperation for Inclusive Green Growth

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Two critical megatrends are of central importance in implementing the green economy agenda launched at the recent Rio+20 Summit on Sustainable Development: the rise of emerging economies across the South, and the global challenges of resource security and ecological change. At the converging point of these trends are surging levels of outward investments by emerging economies, bringing social and ecological risks to resource-rich, vulnerable communities around the world, but also bringing opportunities for achieving global goals for inclusive, green growth.

2012 not only marks 20 years since the Rio Earth Summit, it also marks 20 years since the official launch in 1992 of China's socialist market economy policy, setting the stage for the rapid emergence of China at the centre of the world economy. China has now become the primary driver of new South-South natural resource flows (Moyo, 2012). Its Outward Direct Investment (ODI) rose from \$33 billion in 2003 to \$230 billion in 2009, with over \$2 trillion of overseas assets. China is a potentially important force in shaping prospects for a global green economy, as its Overseas Development Assistance (ODA) and technical cooperation activities expand. The largest share of China's ODA, about 40 per cent, has gone to civil engineering projects via grants and loans in the infrastructure, industry, energy, power, transport, water and agriculture sectors—all key sectors in the future for a green economy transition (China State Council, 2011).

While China's resource-based cooperation is welcomed by many as a new source of growth, capital and technology, many are also concerned about serious issues of social exclusion and ecological degradation (Khoday and Perch, 2012). Its growing ecological and resource footprints will also drive a shift in the public policy landscape of countries around the world. China's own 12th Five-Year Plan (2011–2015) sets a vision for China to emerge on a path of inclusive, green growth. By 2015, the government plans to invest \$468 billion in green sectors, with the green economy expected to grow at 15–20 per cent per annum, with output reaching \$743 billion by 2015, from just \$166 billion in 2010 (CCICED, 2012). This is meant to catalyse a 'green leap forward' domestically, and it could also support the greening of outward investments.

To do so, efforts will be needed which target policy convergence and coherence, in particular:

- Accelerating green economy pilot initiatives under new green economy directions from the Forum of China-Africa Cooperation (FOCAC) process (WWF, 2012);

- Strengthening regulatory regimes—mandatory and voluntary—within China to ensure that overseas ODA and ODI into developing countries achieve goals of social inclusion and environmental sustainability—for example, greening of contracting and investment agreements and providing impacted communities with direct access to remedial services;
- Using Strategic Environmental Assessment (SEA) in greening ODA and ODI, building on China's own pioneering of SEA in recent years as well as lessons learned from using SEA in the ODA frameworks in countries that are members of the Organisation for Economic Co-operation and Development (OECD);
- Supporting the integration of green economy approaches into newly emerging Special Economic Zones in Africa and elsewhere, and exploring the potential for new 'Green Economic Zones' as hubs for China-Africa cooperation;
- Supporting capacity development to enhance local institutional frameworks for sustainable development and improve the compliance of Chinese investors with local regulations to reduce social and ecological impacts; and
- Expanding South-South knowledge exchanges between China and partner countries on China's new green economy policies and institutional frameworks for sustainable development.

Such shifts which mobilise home-grown advances in green economy to improve the nature of outward investments will call for new South-South institutions and processes that engage the South as the engine of global development. Green economy approaches to South-South ODA and ODI can align with emerging post-2015 development goals, the new Sustainable Energy for All initiative, the emerging post-2015 climate change regime, and initiatives to achieve greater food, water and energy security for all. This can benefit China, and the entire world, as China seeks a greater role as a global environmental citizen, and as countries seek a more multi-polar form of global cooperation towards an inclusive, green economy.

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