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CLIMATE HAWKS NEED NOT BE CHINA DOVES

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US climate policy toward China, like the relationship overall, necessarily includes both cooperation and competition. A multidimensional climate strategy toward China, based in the realities of domestic politics and developed in coordination with partners, is not a concession to Beijing, but an opportunity to advance broader US interests.





Elevating climate change to a top tier foreign policy issue creates opportunities to advance broader US interests vis-à-vis China

As the Biden Administration takes shape, a zero-sum narrative has emerged around confronting climate change while confronting China. During Secretary of State Blinken's confirmation hearings, Senator Romney cautioned, "I hope you're never tempted to give-in in your strategy with regards to China, in order to obtain a climate advantage that [Special Presidential Envoy for Climate] Secretary Kerry might be promoting." The assumption that US climate policy is a gift to Beijing—in some ways a sanitized version of President Trump's claim that climate change is a "Chinese hoax"2—has appeared even in Democratic foreign policy circles.³ After all, making true progress on climate will ultimately require action by China, which accounts for over a quarter of global emissions. So, the thinking goes, might American diplomats make serious political concessions to Beijing in return for climate commitments?

In reality, the idea that climate hawks must also be China doves is, in the avian metaphor of one recent commentary, a canard.4 While Chinese climate action has indeed become relatively more valuable to the US administration, it does not follow that this emphasis creates a concession to China. In fact, the opposite may be true. The US is now willing to go further and use more tools—including imposing greater costs on China—to secure its climate goals.

An effective climate strategy for China requires the US to cooperate, coordinate, compete, and compel all at the same time. Indeed, properly executed, elevating climate as a top tier foreign

bidens-china-doctrine/.

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¹ Kate Arnonoff, "Will Biden's China Hawks Destroy His Climate Ambitions." *The New Republic*, January 21, 2021. Available: https://newrepublic.com/article/160992/biden-china-climate-yellenblinken-austin

² Dylan Matthews, "Donald Trump has tweeted climate change skepticism 115 times. Here's all of it." Vox, June 1, 2017. Available: https://www.vox.com/policy-and-politics/2017/6/1/15726472/trumptweets-global-warming-paris-climate-agreement

³ Thomas Wright, "The Risk of John Kerry Following His Own China Policy." The Atlantic, December 22, 2020. Available: https://www.theatlantic.com/ideas/archive/2020/12/risk-john-kerry-followinghis-own-china-policy/617459/ See also, Bob Davis and Lingling Wei, "Biden's China Policy to Be Steered by Team of Rivals," The Wall Street Journal, February 3, 2021. Available: https://www.wsj.com/articles/bidens-china-policy-to-be-steered-by-team-of-rivals-

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⁴ Ryan Hass, "Avoiding the climate canard in US-China relations." The Brookings Institution. January 4, 20201. Available: https://www.brookings.edu/blog/order-from-chaos/2021/01/04/avoiding-the-<u>climate-canard-in-us-china-relations/</u>; Scott More, "The China Climate Challenge: What are the prospects for renewed US-China cooperation on climate issues?" The Diplomat, September 18, 2020. Available: https://thediplomat.com/2020/09/the-china-climate-challenge/; Nick Mabey, "Surprisingly, climate is presenting an early test of Biden's climate doctrine." ClimateHome. February 3, 2021. Available: https://www.climatechangenews.com/2021/02/03/climate-presenting-early-test-



policy issue can create new opportunities to advance broader US interests with respect to China well beyond the climate sphere.

At its heart, the fear of making a "climate concession" to China deeply misunderstands the nature of the climate challenge and its role in the US-China relationship. US policy must not just seek to shape China's diplomatic stance through negotiation. More fundamentally, it must address the imbalances in China's political economy that prevent more rapid decarbonization, while also ensuring the green transition secures long-term American prosperity. This deeper shift will require changing the incentives China faces.

Foreign policy thinkers need to abandon the idea that climate change is a "do-gooder" issue a benevolent US hegemon seeks to advance by making China a more "responsible stakeholder." Rather, climate is simultaneously a shared challenge for both countries—and one they have struggled to address adequately thus far—as well as an arena for competition over the future of the global economy.

The domestic primacy of climate change requires a multidimensional diplomatic strategy.

The starting point of a successful climate policy toward China must be the reality is that the most important things both the United States and China can do on climate change take place largely within their own borders, and are driven primarily by domestic politics.

At home, Beijing faces mixed incentives on climate policy.⁵ Pollution, energy security needs, and the desire to lead next-generation industries like electric vehicles give China real incentives to pursue decarbonization as part of the broader economic modernization goals at the heart of President Xi's priorities. At the same time, concerns about economic and social stability lead Beijing to insist on pursuing decarbonization at its own pace and on its own terms, while formidable opposition from incumbent industries and local interests limits the central government's ambitions. Layered on top of these drivers, and secondary to them, China has sought to highlight its climate policy as evidence of its status as a responsible major power.

In this way climate mirrors the broader challenges China faces as it seeks to modernize the economy without disrupting stability—a goal now significantly set back by a surge of "dirty" COVID-19 stimulus funds that reinforce incumbent industries dependent on overcapacity.⁶ As with issues like intellectual property protection or discrimination against foreign businesses,

⁵ For a recent overview, see Lauri Myllyvirta et al., "Political Economy of Climate and Clean Energy in China." Heinrich Böll Stiftung, December 2020. Available:

https://www.boell.de/en/2021/01/12/political-economy-climate-and-clean-energy-china. See also Jessica Chen Weiss and Jeremy Wallace, "Domestic Politics, China's Rise, and the Future of the Liberal International Order." *International Organization*. Forthcoming.

⁶ Vivid Economics, "Greenness of Stimulus Index." December 2020. Available: https://www.vivideconomics.com/wp-content/uploads/2021/01/201214-GSI-report December-release.pdf



bilateral diplomatic engagement alone is unlikely to fundamentally alter the trajectory of these core dynamics in China's political economy. The United States must also work with others to shape the incentives that the Chinese leadership and key domestic interests face in accelerating decarbonization.⁷

The United States can and should seek to influence and accelerate China's efforts to address climate change, but a successful strategy must be designed around the domestic-driven nature of the issue. The US should, together with allies, aim to:

- Increase the political capital the Chinese leadership spends on pushing decarbonization against recalcitrant domestic interests;
- Change the incentives Chinese actors face regarding decarbonization through a mix of positive and negative incentives.

A corollary to the principle of domestic primacy is that US leverage on climate change—vis-à-vis China and others—depends on what the US does at home. Most obviously, US pressure on this issue has little moral valence unless matched with actions. As Secretary Kerry has stated repeatedly, the US is now returning to international climate policy discussions with humility. American credibility with have to be earned with actions, particularly in order for the US to fully mobilize allies in Europe around a common approach on China.

But beyond moral authority, the more coercive economic tools the US may wish to deploy—such as trade measures—will be most effective if the American economy is rapidly decarbonizing and developing world-leading capacity in critical new technologies. China's current critical role in the clean energy supply chain means that the US needs to develop domestic and third-party alternatives in order to effectively compete with China.⁸

For these reasons, with robust domestic policy, US leverage increases; with modest domestic policy, its leverage is more muted. In this way, climate is analogous to other issues in the US-China relationship—e.g. technological and economic competition—where the most important "China policy" is broader domestic renewal. Indeed, President Biden has made clear that "building back better" is the common core to both the Administration's climate and China policies. 10

⁷ Scott More, "The China Climate Challenge: What are the prospects for renewed US-China cooperation on climate issues?" *The Diplomat*, September 18, 2020. Available: https://thediplomat.com/2020/09/the-china-climate-challenge/

⁸ John Helveston and Jonas Nahm, "China's key role in scaling low-carbon energy technologies," *Science*, November 15, 2019. Available: https://science.sciencemag.org/content/366/6467/794.

⁹ Kurt Campbell and Rush Doshi, "The China Challenge Can Help America Avert Decline." *Foreign*

Affairs, December 3, 2020. Available: https://www.foreignaffairs.com/articles/china/2020-12-03/china-challenge-can-help-america-avert-decline.

¹⁰ See for example the Biden "Made in All of America" plan, available: https://joebiden.com/made-in-america/



Mixing cooperation, competition, and compulsion

The US-China relationship encompasses a range of dynamics that run from cooperation to conflict, in an overarching context of strategic rivalry.¹¹ Because the climate challenge intersects with a wide range of policy areas, including trade, technology, health, and security it spans this entire range. For this reason, US-China climate policy necessarily includes multiple dynamics.

In addition to direct bilateral engagement, US climate strategy toward China includes (or should include) a host of other issues which vary widely in the degree of interest alignment between the two countries (Figure 1). As described below, many of these create opportunities to advance broader US interests beyond climate change.

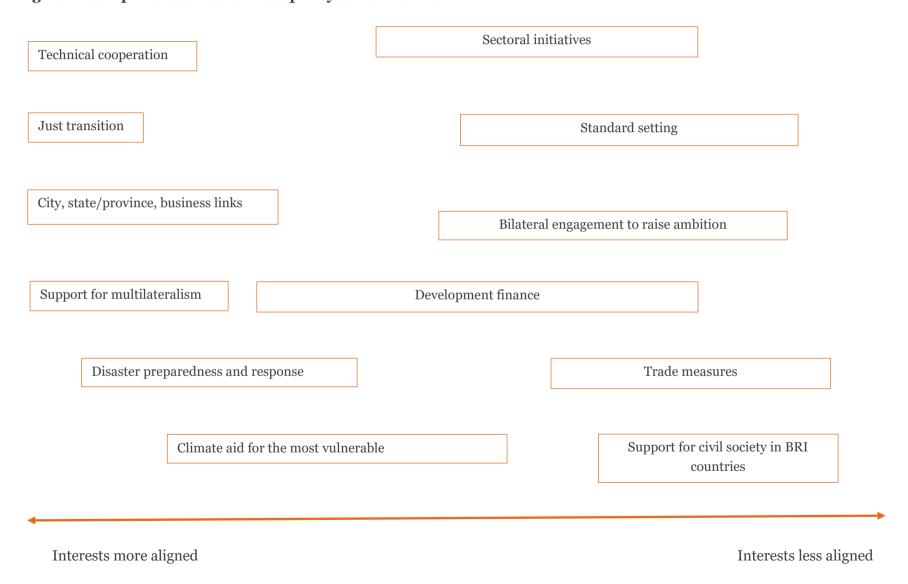
In this way, the multidimensional nature of climate in the US-China relationship makes the issue a critical testing ground for the new Administration as it seeks to calibrate the US-China relationship more broadly. In climate issues, as in the relationship overall, it is necessary to mix more cooperative and more conflictive approaches across issues and across time to advance US interests with regard both to climate change and to China.

https://www.csis.org/analysis/complex-inheritance-transitioning-new-approach-china; David Dollar and Ryan Hass, "Getting the China challenge right." The Brookings Institution, January 25, 2021. Available: https://www.brookings.edu/research/getting-the-china-challenge- right/?preview_id=1365919

¹¹ Scott Kennedy, "A Complex Inheritance: Transitioning to a New Approach on China." Center for Strategic and International Studies, January 19, 2021. Available:



Figure 1: Components of US climate policy toward China





Where interests are more aligned:

- *Technical cooperation*. There is a long record of official, semi-official, and unofficial technical cooperation and dialogue between US and Chinese actors on topics ranging from energy, to transport, to emissions trading. Such information exchange can help actors on both sides identify promising new approaches toward climate issues, and so represents a modest but low-cost engagement opportunity.
- Just transition. How to address those potentially left behind by decarbonization has not been a major topic of US – China climate engagement, but has significant potential to become a core area where interests align. President Biden has emphasized themes of justice in US climate policy, while one of China's greatest barriers to more effective climate policy is the vast number of workers, many low-skilled, who depend on high carbon industries.
- City, state/province, and business engagement. City-to-city, state-to-province, and business-to-business engagement has been a core feature of US-China climate relations for decades. Because many of the constraints Beijing faces on climate stem from local-level or industry opposition, positive engagement with these actors can help the country overall move more quickly toward decarbonization. This "bottom up" model also suits the US interest in demonstrating the advantages of its open, pluralistic approach to climate change, and meshes with China's longstanding approach of piloting transitions through local experimentation.
- Support for multilateral climate processes. Both China and the United States want to see the Paris Agreement succeed, and, equally importantly, neither wants to be seen as undercutting it. Affirming the importance of the multilateral process serves both sides' goals.

Where interests are mixed:

• Climate finance for vulnerable countries. Under the Obama Administration, the US and China engaged in healthy competition in climate finance. After the US announced a \$3b contribution to the Green Climate Fund, China announced its own \$3.1b bilateral aid target. Neither country has yet delivered on these promises, though President Biden has pledged to do so. For the United States, delivering real support for vulnerable countries is critical for a) limiting potential risks around state failure and b) gaining developing

¹² Aimee Barnes et al., "How the US and China Could Renew Cooperation on Climate Change." Columbia Centre on Global Energy Policy. December 18, 2020. Available:

 $[\]underline{https://www.energypolicy.columbia.edu/research/commentary/how-us-and-china-could-renew-cooperation-climate-change}$



country support in multilateral fora, including to pressure China. We should therefore expect US moves in this area to be matched by Beijing. This makes climate finance a largely 'no regrets' policy in the context of the US-China relationship. If Beijing matches US finance, the overall US goal of limiting climate disruption is advanced. If it does not, the US gains diplomatic credit with a wide swathe of countries. By the same token, if the US falls behind China in climate support to developing countries, there is a clear cost. Should political conditions allow, there is even scope to coordinate US and Chinese aid to ensure complementarity and synergy on common priorities, including bringing Chinese aid into closer alignment with the standards of the OECD Development Assistance Committee.

- Climate impact preparedness and response. As both large and small climate impacts intensify and multiply, the US's unique capacity to project humanitarian support through military, civilian, and multilateral tools becomes an increasingly valuable diplomatic asset. For example, a strong US offer on disaster support to partners in the South China Sea helps make the case for a robust US presence in the region. More broadly, strengthening the US military's "offer" to allies and other partners on climate security enhances the value of American military cooperation. Moreover, should relations improve, coordination on disaster preparedness could eventually provide an attractive confidence building measure for engagement between the US and Chinese militaries.
- Development and infrastructure finance. While China's Belt and Road Initiative (BRI) has caused much consternation in Washington, the US under President Trump had little to offer in response beyond rhetoric. As the Biden Administration prepares a more effective counteroffer, climate provides a clear way to show the value added of a US-led approach. Having already announced an end to US funding for fossil fuel projects abroad, the Biden Administration will be well positioned to provide a green alternative to countries considering Chinese-backed infrastructure projects. Such measures could be even more effective if done in coordination with allies, and combined with pressure against new "dirty" projects, including Chinese-backed ones. While the dominant dynamic is likely to be competitive, especially around projects of strategic value, for some projects the US and China may wish to coordinate or even co-fund certain projects where their interests align.
- Sectoral initiatives. Climate cooperation increasingly unfolds in different sectoral fora, often mixing businesses and governments, around battery storage, green hydrogen,

¹³ Chuyu Liu and Johannes Urpelainen. "Why the United States should compete with China on global clean energy finance." The Brookings Institution, January 7, 2021. Available:

 $[\]underline{https://www.brookings.edu/research/why-the-united-states-should-compete-with-china-on-global-clean-energy-finance/}$



electric vehicles, shipping, or other areas. ¹⁴ The United States, China, and other countries are rapidly attempting to establish leadership in these emerging technologies. While fundamentally competitive, these areas also create opportunities for coordination on macro goals and milestones. For example, as China and the US both seek to create policy incentives to shift toward electric vehicles, their efforts mutually reinforce each other in setting market expectations and driving technological innovation, even as they compete for market share. The United States help can set the agenda on sectoral cooperation through the Major Economies Forum (which it will revive in connection with President Biden's first climate summit), which includes China, while also engaging in processes like the UK-led Zero Emission Vehicle Transition Council or the Mission Possible Platform that create opportunities for more tailored coordination.

Where interests are less aligned:

- Standard setting. Under President Trump the United States fell behind in economic and technical standard setting, particularly on climate-related issues, while both China and the EU have moved forward. For example, both have developed taxonomies for green finance with little US engagement. The United States must now forcefully engage in global processes around standards to ensure not being left behind. Robust standards that protect environmental integrity are necessary to give US companies a level playing field as they compete with Chinese entities for market share.
- *Trade measures*. Both the US and the EU are now seriously considering various climate-related trade measures, largely to bolster support at home for their domestic climate policies. ¹⁵ China strongly opposes such measures, and is particularly worried about being targeted by a coordinated transatlantic approach. While some European governments are eager to work with the US on trade measures, others wish to maintain "strategic autonomy" and have a much lower tolerance for trade friction with Beijing than the US does. ¹⁶ As the US seeks to coordinate with Europe on China policy generally, a strong position on climate is one of the best ways to bolster European support for a common

¹⁴ David Victor et al, "Accelerating the low carbon transition." Energy Transitions Commission, November 2019. Available: https://www.energy-transitions.org/publications/accelerating-the-low-carbon-transition/

¹⁵ Alexandra Ellerbeck, "Advocates want Biden to use trade deals to combat climate change," *The Washington Post*, January 20, 2021. Available:

 $[\]underline{https://www.washingtonpost.com/politics/2021/01/20/energy-202-advocates-want-biden-use-trade-deals-combat-climate-change/$

¹⁶ Janka Oertel et al, "Climate superpowers: How the EU and China can compete and cooperate for a green future." E3G, December 3, 2020. Available: https://www.e3g.org/publications/climate-superpowers-how-the-eu-and-china-can-compete-and-cooperate-for-a-green-future/



transatlantic approach.¹⁷ Even a credible threat of such alignment would likely drive action by Beijing. However, China can also be expected to respond with its own trade threats around rare earths and the clean energy supply chain.¹⁸ These negative incentives should therefore be presented alongside a clear pathway outlining steps China can take toward a more cooperative outcome, including through standard setting and sectoral initiatives.

• Supporting civil society in BRI countries. One of the most powerful drivers for environmental integrity in BRI projects is robust local civil society activism. ¹⁹ As the US seeks to shape the behaviour of Chinese actors abroad on climate and other issues, it will find significant benefits in investing in local governance capacity and robust accountability measures in BRI recipient countries. In this way, the US's return to its traditional support for human rights, media freedom, and anti-corruption activities should be seen as a key part of climate policy toward China.

It takes two to de-link: Calibrating the strategic mix in the context of rivalry

We should expect broader shifts in the US-China relationship to affect the strategic mix of climate policy outlined above. US officials have made clear in public statements that climate will not be traded off with other issues.²⁰ They have also argued that climate issues should follow their own "track" in the broader relationship. While such statements help the US reach toward the rhetorical high ground, we cannot expect China to behave in the same way, as the Foreign Ministry has already made clear.²¹ In practice, a particular issue cannot be de-linked unless both sides de-link it. The US should therefore expect the space for climate cooperation to shrink if the overall

¹⁷ Mark Leonard et al, "The geopolitics of the European Green Deal," Bruegel, February 2, 2021. Available: https://www.bruegel.org/2021/02/the-geopolitics-of-the-european-green-deal/. Raymond Colitt, "EU-U.S. Carbon Tax Proposed by German Greens to Restore Alliance," *Bloomberg Quint*, January 23, 2021. Available: https://www.bloombergquint.com/business/joint-eu-u-s-carbon-tax-proposed-as-part-of-alliance-relaunch

¹⁸ John Helveston and Jonas Nahm, "China's key role in scaling low-carbon energy technologies," *Science*, November 15, 2019. Available: https://science.sciencemag.org/content/366/6467/794. Likely US controls on products made in Xinjiang, for example, could significantly affect the solar photovoltaic sector. See Cooper Chen, "Xingjiang sanctions and the PV supply chain," *pv magazine*, January 26, 2021. Available: https://www.pv-magazine.com/2021/01/26/xinjiang-sanctions-and-the-pv-supply-chain/

19 Thomas Hale et al, "Belt and Road Decision-making in China and Recipient Countries: How and to What Extent Does Sustainability Matter?" ISEBP, Blavatnik School, and ClimateWorks Foundation, April 2020. Available: https://sais-isep.org/wp-content/uploads/2020/04/ISEP-BSG-BRI-Report-.pdf

20 Zachary Basu, "John Kerry: US-China climate cooperation is a 'criitcal standalone issue." *Axios*, January 27, 2021. Available: https://www.axios.com/john-kerry-china-climate-9c2f3a13-9c6f-46ef-a63e-26a8962059af.html?utm_campaign=organic&utm_medium=socialshare&utm_source=twitter">https://www.axios.com/john-kerry-china-climate-9c2f3a13-9c6f-46ef-a63e-26a8962059af.html?utm_campaign=organic&utm_medium=socialshare&utm_source=twitter">https://www.axios.com/john-kerry-china-climate-9c2f3a13-9c6f-46ef-a63e-26a8962059af.html?utm_campaign=organic&utm_medium=socialshare&utm_source=twitter">https://www.axios.com/john-kerry-china-climate-9c2f3a13-9c6f-46ef-a63e-26a8962059af.html?utm_campaign=organic&utm_medium=socialshare&utm_source=twitter">https://www.axios.com/john-kerry-china-climate-9c2f3a13-9c6f-46ef-a63e-26a8962059af.html?utm_camp



relationship sours. For this reason, it is all the more important for US climate policy toward China to also include more competitive measures that can be strengthened in response to dwindling cooperation.

Of course, the connection between the overall relationship and a single issue may not be linear. Rising tensions on human rights or security do not necessarily mean less cooperation on climate. In the Obama administration, for example, cooperation on climate was arguably *enhanced* by rising tensions on other issues because both sides had an incentive to show they could cooperate on at least one common concern. With China now eager to dial down tensions inherited from the Trump era, some of this same dynamic may apply.²² On the other hand, the overall deterioration of the relationship also creates the potential for the opposite tendency. Both sides now have additional incentives to appear tough on each other, and therefore may forgo cooperative opportunities on climate that would otherwise serve their interests.

A multidimensional climate policy toward China allows the US to manage these interlinkages between climate and other areas effectively. From the US perspective, there is no downside to maintaining cooperation on issues where our interests broadly align, such as support for the UNFCCC process or sub/non-state actor exchanges. China may choose to curtail them to show its displeasure with other aspects of US policy, but then it must face the sizeable reputational cost of breaking cooperation on the global public good of a stable climate as the world's largest emitter. Where interests align, it costs the US nothing (and likely creates reputational benefits with key allies in Europe and in the developing world) to be a "unilateral co-operator."

At the same time, US policymakers must expect the Chinese government to seek to use climate change policies to advance its broader interests. As noted above, trade, sectoral, or standard-setting measures will be strongly resisted, with tit-for-tat responses and strong efforts to prevent the US from uniting allies on a common approach. A credible US counteroffer on BRI will likely generate enhanced outreach to developing countries from Beijing, especially those nations the US will find more politically challenging to engage. Regardless of where the Biden Administration's climate ambitions land, US domestic climate policies will be categorized as inadequate, US support to the developing world as insufficient.

For these reasons, the US climate approach to China—as on many other issues—will play out as much in third-country capitals as in bilateral relations. For policies on the more competitive side of the spectrum especially, US—China policy must start with discussions with allies and other partners, not in the "G2." For issues like trade measures, standard-setting, sectoral collaboration, or development finance, there is little to be gained in going directly to Beijing in the first instance.

²² Kacie Miura and Jessica Chen Weiss, "China's leaders say that Biden offers a 'new window of hope.' Their experts are more skeptical," *The Monkey Cage*, January 21, 2021. Available: https://www.washingtonpost.com/politics/2021/01/21/chinas-leaders-say-that-biden-offers-new-window-hope-their-experts-are-more-skeptical/



Instead, the United States should work to align like-minded countries on a common course of action, presenting Beijing with the choice of coming to the table or being left behind. For many climate issues, the road to Beijing starts in Brussels, Berlin, Ottawa, Tokyo, London, Seoul, and other allies, but also across the developing world.²³

POLICY RECOMMENDATIONS

- US policymakers should cooperate with China on "no regrets" climate measures where US and Chinese interests align. These include substantive exchanges on implementing climate action between sub-national and non-state actors, support for the multilateral climate system, and, could at times extend to coordination on support for vulnerable countries to address climate impacts, or even development financing of green infrastructure without strategic implications.
- US policymakers should compete with China on climate measure where interests diverge. Working closely with allies and other third parties, the US can tackle the core political economy barriers that prevent faster decarbonization in China by changing the incentives the Chinese leadership and Chinese interests groups face. Standard setting, sectoral initiatives around new technologies, and trade measures can give China incentives to increase its own actions, while safeguarding long-term US economic interests.
- While the US may seek to publicly de-link climate from other issues in the US China relationship, in practice such efforts are unlikely to succeed, not least because China will see all issues as linked. A balance of cooperative and competative policies, carried out in close coordination with allies, allows US policymakers to calibrate climate policy within the broader dynamics of the relationship.

²³ Nick Mabey, "Surprisingly, climate is presenting an early test of Biden's climate doctrine." *ClimateHome.* February 3, 2021. Available: https://www.climatechangenews.com/2021/02/03/climate-presenting-early-test-bidens-china-doctrine/.



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