

The Greening of China: Is China on the Genuine Wealth path?

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China appears to be embarked on an important journey that has only recently captured the attention of the West namely a journey of “harmonious development” —a balancing and integration of economic development with environmental stewardship. This includes exploring the adoption “green GDP accounting” and indexes where the cost of environmental damage and resources consumption are deducted from the traditional gross domestic product. In other words, how can China begin to integrate and account for the harmonious balance between the environment (nature) in the context of economic development? If China is successful in these efforts at “green accounting” it would make it the first nation in the world to fully adopt such practices of measuring genuine sustainable development.

Since November of 2004 I have been traveling to China as a foreign economic advisor to the Chinese Government to assist in China’s efforts at adopting a new approach for accounting for genuine economic progress in accordance with a “newly” emerging philosophy of harmonious development. At the November meeting in Beijing, I co-presented a paper on international best practices in “green GDP accounting” along with Dr. Peter Bartelmus, the “father” and key author of the United Nation’s handbook on green national accounting. We were part of a Canadian-led team of economists and statisticians that included experts from Norway, Germany, Japan, the OECD, and the UN, in a high-level meeting with senior Chinese economists from the National Academy of Social Sciences, the National Bureau of Statistics, and China’s State Environmental Protection Agency (SEPA). In my research of international efforts at green GDP accounting, I found that no other nation, except Mexico’s experimental effort, has adopted the concept of green GDP accounting as an alternative measure of progress.

But if any nation on earth has the philosophical foundation to adopt green GDP accounting, it is China. During that November 2004 visit to Beijing, I visited the Hall of Central Harmony (Zhong He Dian) in Beijing’s Forbidden City. Above the throne of the 18th century Qing Dynasty Emperor Qianlong hangs a sign with his inscription that reads: “The Way of Heaven is profound and mysterious and the way of mankind is difficult. Only if we make a precise and unified plan and follow the doctrine of the mean, can we rule the country well.” This is in accord with the ancient *Book of Rites* which states, “When we handle matters properly and harmoniously without leaning to either side, all things on earth will flourish.” It seemed that I had found the DNA code for a new term emerging in the Chinese consciousness: “harmonious development.”

Until recently, like all other nations, China’s economic progress has been measured in terms of increments in the GDP: the total monetary value of all goods and services produced in a country. Political rewards for local, provincial and national leaders in China have been tied to GDP growth performance.

China is an economic superstar when measured by GDP which has been growing by a breakneck rate of 8% per annum on average over the past 25 years. China’s appetite for natural capital or resources is staggering consuming 30% of the world’s steel production, 40% of the world’s coal

production, contributes 31% to the world's SO₂ emissions, and now the second largest consumer of oil after the US. Yet, China's economy represents less than 4% of world's GDP.

Unfortunately China's torrid economic growth has come at a growing ecological and social cost. Chinese officials are increasingly concerned about the negative impacts of high consumption of natural resources, natural resource shortages (particularly the scarcity of oil), the growing environmental problems due to air pollution from coal combustion, and the growing gap between rich and poor and between urban and rural households. Preliminary estimates of a "green GDP" for China suggest that roughly 15% of China's GDP is tied to environmental damage. This means that while China's economy is booming its natural capital is depreciating rapidly without any account of such regrettable consequences.

There is a growing awareness that these environmental challenges and increasing social problems (i.e. a growing gap between rich and poor, rural and urban households) may eventually threaten the overall well-being of the nation. This growing consciousness is leading to calls for new ways of measuring and rewarding progress in accordance to a philosophy they call "harmonious development."

Harmonious development, as distinguished from sustainable development, means development where economic, environmental and social are closely integrated and balanced, thus in *harmonious* balance. This means achieving a harmonious balance between human well-being and nature and a balance between the needs and well-being of citizens in urban and rural areas and across the diverse regions of China.

In his speech to the November 2004 APEC conference in Santiago, Chile, Chinese President Hu Jintao called upon the world to work together on "win-win cooperation and sustainable development." He challenged all world leaders with these words:

"We should optimize the economic structure, change the way of achieving economic growth, pay closer attention to the conservation and comprehensive utilization of resources, advocate an environment-friendly way of production, life and consumption and bring about a virtuous cycle in both our ecological and socio-economic systems. We should put in place a conservation-oriented management system throughout the process of exploitation, processing, distribution and consumption of resources with a view to building a resource effective national economy and a resource effective society.

A well-protected eco-system underpins the growing productive forces and better lives for the people. On the one hand, we must respect laws of nature and plan our economic and social development according to how much nature could sustain. On the other hand, we should actively go for protecting the natural environment, minimizing pollutant discharge, increasing wastes recycling, accelerating pollution control and ecological rehabilitation, preserving bio-diversity and resolutely stopping all practices that are detrimental to nature."

The call for harmonious development was recently affirmed at the Third Plenary Session of the Chinese Communist Party's Sixteenth Central Committee explicitly adopted the concept of "a people-based paradigm for scientific development, which is comprehensive, coordinated, and sustainable." And in a 2004 speech, Chinese Premier Wen Jiabao announced that the green GDP index would replace the GDP index itself in personnel decisions of the Communist Party of China.

In my most recent visit to China in August 2005, our meeting was held in Chengde, the former 18th century (Qing Dynasty) imperial summer villa and mountain resort area just north east of Beijing, I had the good fortune of introducing to the Chinese new measures of progress like the Genuine Progress Indicator (GPI) and my new model called Genuine Wealth (well-being) accounting. These new ways of accounting for progress take into account the integrated balance between the well-being of the economy (as measured by the well-being of households), the environment (nature), and society (community). These models of progress measurement are consistent with the ideas put forward by ecological economists, who see the economy as a wholly owned subsidiary or subset of the human-made economy. These new measures of progress would presumably be consistent with the Chinese notion of “harmonious development.”

If China is genuinely committed to this new path of so-called harmonious development and developing new measures of well-being and progress, it would represent a major seismic shift in neoclassical economic development philosophy dominated by British-American capitalism. Indeed, I felt the politically irony of meeting to discuss China’s harmonious development strategy in Chengde, the former Imperial Summer Villa of the Qing Dynasty. It was here, in 1793, that the Emperor Qianlong rebuffed the British emissary Lord Macartney and the British East India Company in its attempts to open “free trade” with China. Qianlong dismissed him with the statement that China possessed all things and had no need for foreign goods or trade. One could say that China had already achieved harmonious and sustainable development in the 18th century if it were not for the British who eventually forced the Chinese into a trade war; the Opium War.

It was the same Emperor Qianlong who was a patron of Taoism, China’s 4,000 year-old religion, and Tibetan and Mongolian Lamaism. From my limited and recent knowledge of Taoism the notion of “harmonious development” is consistent with China’s ancient religious philosophy that seeks harmony and balance between humanity and nature. Indeed the Taoist notion of “the Way” is to be in harmony with Nature itself and that governance be by principles of balance and harmony, returning to naturalness, and going back to reality.

Whether or not there is a genuine commitment by China to introduce green GDP accounting and alternative measures of progress to reward leaders remains to be seen. Whether there is a growing Taoist philosophy bubbling up underneath the emerging language of harmonious development is debatable. However, there is no question that China is embarked on an ambitious path that gives us hope for the future of our world.

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