The Study of the Impact of Carbon Tariff to China’s Trade and Its Countermeasures

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Abstract: With more and more frequently abnormal phenomenon of the global atmosphere, low carbon economy gradually steps into people’s mind. U.S. alert energy security bill proposed to envy carbon tariff from gas-guzzling and low level products of countries that have not taken measures of greenhouse gas emission reduction which is equal to America. As long as the carbon tariff is implemented, it will be a deadly threat to countries whose mainly export products of high carbon so it will be a time bomb for China’s foreign trade. China has to take the responsibility for climate change as a power as well as make sure the improvement of national welfare and the stable increase of economy and positively take dealing measures to deal with rules with rules at the same time. This paper analyzes the impact brought by carbon tariff and puts forward positive dealing measures in terms of regulating carbon emissions standards, regulating industry structure and participating in the formulation of international rules.

Keywords: low carbon economy, carbon tariff, carbon emission

1 Introduction

As new type of green trade barriers, carbon tariff’s damage on global trade liberalization will be far beyond its contributions in emissions reduction. At present, China is the world's biggest carbon emitter; the implementation of the carbon tariffs will bring huge strike to China’s export and the economic development so China should face the carbon tariffs.

2 The Concept and Characteristics of Carbon Tariffs Under The Environment of Low Carbon Economy

2.1 The raising and development of low carbon economy

The low carbon economy is the new mode of economic development put forward under the background of human dealing with global warming problems and it is another major progress of human society following agriculture civilization, industrial civilization. It is a mode of economic development to reduce the high carbon energy consumption and reduce greenhouse gas emissions as much as possible in order to achieve a win-win station of economic and social development and ecological environment protection mainly through technology innovation, system innovation, the industrial transformation, new energy development and so on many kinds of means and finally realize the strategic goal of sustainable development of human society.

In 2003 the British Government first raised the concept of low carbon economy in their energy white paper The Future of Our Energy—Setting up Low Carbon Economy. Afterwards in 2007, American proposed Low Carbon Economy Bill to show their determination of developing low carbon economy. In September 2007, Chinese president Hu Jintao presented China’s proposal of developing low carbon economy in APEC’s 15th leadership conference. In the same year, the United Nations passed the related resolutions and set up Bali Roadmap to deal with the climate change which required the developed countries to control the greenhouse gas emission from 25 percent to 40 percent. The ways and methods to realize the low carbon economy target possesses the feature of variety and the impose of carbon tariff is one of the economy adjusting methods which is relatively passive.
2.2 The concept of carbon tariffs and character
The so called carbon tariffs, refers to the taxation of carbon dioxide emission tariffs form energy-intensive products. Carbon tariffs and carbon tax are totally different concepts. The main distinction focus on different taxation objects in different scope. Carbon tariffs are collection in the international trade, while carbon tax is within the scope of collections of countries. On the June 22nd, the year of 2009, the U.S. House of Representatives voted and passed the Act of American Clean Energy and Security. It is the first time to present some related terms on “carbon tariffs”. Since then, on 24th Nov, 2009, France, in the Euro environment ministers’ informal meeting, ignores the objects of other EU members, proposes that in the year of 2010, it will begin to tax “tax tariffs” on those expert and export products which are not environmentally legislation than EU. According to the propose of the French President Nicolas Sarkozy, the carbon tariffs on foreign imports collection will rate for 17 autos for every ton of carbon dioxide emissions, and it will gradually increase. America, imports those high carbon products, mainly form Canada and EU countries, while those countries are much lower than America no matter on total or average. So these nations may be exempt carbon tariffs. As a matter of fact, America’s main object of taxing carbon tariffs is China and those developing countries. Carbon tariffs is America’s trade protection under the veiling of environmental protection, it is a kind of new green barriers.

3 The Impact of Carbon Tariffs to China

3.1 There will be a larger degree of reduction of exports
Serious imbalance exists in Sino-US trade these and other developed countries accounted for a large part of the export share of China. However most Chinese export enterprises are enterprises of high emission and high energy, thus as long as the carbon tariff is levied, it will overall strike make China's enterprises, which will lead to trade size reduction of import and export which is bound to affect the normal development of our economy.

3.2 Employment will plunge
On one side, due to the possibility that carbon tariffs will deeply influence the international trade pattern, labor-intensive enterprise will be seriously breached, exports will be slowed down, and some manufacturers will bankrupt, thus, employment will definitely be influenced deeply. On the other side, due to lots of enterprises will take on industrial upgrading and transformation to enhance competitiveness and reduce energy consumption. And labor-intensive enterprise will more focus on conducting strategic transformation, to a certain extent; it would drag employment, either. Studies show that 30dollars/tons of carbon tariffs, will lead to China’s total imports 0.517% decline, total exports 0.715% decline, drags our GDP decline to 0.021%. if carbon tariffs raise to $60/tons, the negative effects of our total import and export volume will accordingly increased, the total impart will decline to 0.869%, total expert will decline to 1.244%, GDP will decline to 0.037.(after special studies, Liu Xiaochuan and others draw these conclusions on the subjects of the Influence of America’s carbon tariffs to China’s economy)

3.3 The transformation and upgrading of enterprise, and the energy saving and emission reduction is improved
The envying of carbon tariff will make more enterprises put more attention on energy saving and emission reduction and put it as a very important of the working chain, furthermore, it will enable the enterprise develop toward the type of low carbon enterprise. That is to say, low carbon tariff will continuously promote the transformation and upgrading of the enterprise and it will also promote the energy saving and emission so that to make active effect on the reduction of the emission.
4 The Active Positive Countermeasure for Dealing with The Carbon Tariff

Under the great pressure of the American carbon tariff, what Chinese government should do to make sure the stability of the domestic economy and the improvement of people’s living standard meanwhile to be responsible to deal with the climate change? If the Chinese government does not take any positive countermeasure, as long as the carbon tariff, a time bomb, is triggered, it will have great impact on Chinese economy. In order to deal with this, China should take positive countermeasures. On one side, it will positively make domestic low carbon policy, regulate the construction of economy and trade and promote the change of the economic growth pattern. On the other side, China should positively take part in the establishment of the international regulation to protect the interest of developing countries. Only dealing with regulations with regulations can we get the active position in the competition.

4.1 Explore the carbon tariff and carbon emission trading of China
The carbon emission trading is the establishment of the upper limit by contracts between countries so that the emission right will be realized in different countries or one country by domestic emission reduction activities and countries which make their promise will buy emission quota from other countries. For different trading ways of carbon emission based on quantity limitation, carbon tariff is charged by negotiating the commodity price, tax and tariff among countries. In detail, carbon tariff refer the tax levied fro carbon emission, however, at practice it will be realized by supervising the producing and consuming process of fossil fuel products including coal, gasoline aviation gasoline and so on to confirm the amount of carbon content so that to reduce the carbon emission by the reduction of the need for fuel. The economist Fan Gang says: “We should to domestic enterprise first pre-emptive strike, and make America's tax carbon tariffs lose rationality. And our own collection, can take the money for emissions cuts Chinese enterprise.” Carbon trading, on the other hand, is a financial problem. The National Development and Reform Commission vice chairman Jie Zhenhua introduced in the report about working condition of how to deal with climate change at Standing Committee of the National People's Congress at 24th August, 2009 that the emphasis of next period is to develop a low carbon economy pilot demonstration based on China’s national condition and practical to implement carbon emission appraisal system, explore system of controlling the emission of greenhouse gases and explanatorily conduct carbon emission trading in specific area or industry.

4.2 Adjust the economic structure and growth mode
America’s present activity of levy carbon tariff from the exporting products of China challenges severely to the economic and social development as well as brings unprecedented opportunities to China. China should catch the chance to promote the adjustment of the economic structure and the upgrading of an industrial structure, increase the energy conservation and emission reduction efforts, develop new energy and new materials industry, perfect supervision mechanism of energy saving and emission reduction, optimize trade structure and increase the proportion of service trade.

4.3 Develop low carbon economy and pioneer energy market
China’s energy structure is totally different from other countries and the new energy technology is overall behind the international advanced level. Therefore, China should develop low carbon technology based on its characteristics and meanwhile explore new energy market focusing on global. Continue to strengthen clean-coal technology, carbon dioxide application technology and solar, hydro power, nuclear power use and biological energy research and development, provide policy support, the breakthrough developed country to new energy technology monopoly control of new energy future, international discourse to finally achieve global leadership.

4.4 Positively participate in the formulation of the international rules
Adopt positive coping attitude, actively participate in building international negotiations of modern law
and order of international climate negotiations at post Kyoto era and participate in the discussions and formulation of international low carbon economy rules of and the development of new technology so as to realize the transformation to low carbon economy in terms of the concept, system, and law.

4.5 Make full use of CDM mechanism to attract international capital
Actively carry out "environmental diplomacy", participates in international negotiations about formulating the international carbon emissions standard and play a big role to realize the coordination function of developing country. Make use of the clean development mechanism (CDM) to get funds and technology for energy conservation and emission reduction. CDM is the project or relevant technology that developed countries invest in developing countries to make contributions to the greenhouse gas emission reduction to exchange for carbon emission quota that they need. At present China is the biggest CDM carbon trading country which account for 60% of share. The equipment and technology exchanged by the CDM really play a positive role in the development of carbon economy in terms of wind and energy-saving building.

Brief introduction to the author:
Huang Yan, a student of Department of Economics, Liaoning University whose major is National Economic Management.

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