

COMMENT

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Can Europe overcome the energy crisis?

All Europe, not just the European Union, is suffering the consequences of skyrocketing energy prices, especially gas and electricity prices, and the disruptions in Russian gas supply to Europe. And with the eurozone heading toward an economic recession, people and enterprises in Europe are in for bigger shocks.

All EU leaders have acknowledged the extremely difficult situation Europe is in now. According to Oxford Economics, some of the economic problems, especially inflation, are due to the lingering COVID-19 pandemic and the resulting diversion of huge amounts of funds to deal with the economic consequences of the pandemic.

However, the biggest economic blow to the EU has come from the Russia-Ukraine conflict, because it has distracted the European bloc from implementing proper economic policies to absorb the inflation shock. On the other hand, if China takes an approach to better balance economic exigencies and pandemic control, China's GDP is likely to grow by 5-6 percent in 2023.

"The next five to 10 winters will be difficult," Belgian Prime Minister Alexander De Croo warned recently as fuel prices and electricity bills reached record highs. What's worse is that the energy crisis has fueled the liquidity crisis leading to bankruptcies. As Finnish Economic Affairs Minister Mika Lintila said, the unfolding liquidity crisis has all "the ingredients for a kind of a Lehman Brothers of energy industry".

According to Euractiv, European energy companies have been strained by "margin calls" — or the need for capital to secure energy trade — of at least \$1.5 trillion. In October 2021, OTIMA, a mid-sized utility based near Berlin, became the first German energy and gas supplier to file for bankruptcy following spikes in electricity prices.

In Austria, Wien Energie, a local energy utility which is also the country's largest energy company, has asked the government for a 6 billion euros (\$5.89 billion) lifeline. This comes after German energy utility Uniper was bailed out in late July for a price tag of 15 billion euros.

Germany has been especially affected, due to its dependence on Russian gas. In particular, the German chemical and metallurgy industries, fertilizer producers and other sectors may have to stop production for some months, pushing the largest European economy toward recession — and reducing its GDP by as much as 7 percent, something which the German economy has not witnessed since the end of World War II.

This could affect the success of the European Project, that is, the European Union as an economic bloc. As a result, immense political and economic efforts are needed to keep the EU united and ensure it continues to work for the common good. But according to some geopolitical analysts, some EU countries have started to play individual geopolitical games to get extra benefits at the cost of other EU states. Poland, for example, has demanded that Germany pay billions of euros as additional compensation for World War II.

As such, the EU power balance could shift to France, because with its nuclear energy industry in place, it is in a position to ensure electricity supply to Germany. But to get the uranium needed to run its nuclear power plants, France has to depend on Russia and Kazakhstan, even China.

Due to soaring inflation, more than 70 percent of the European population is feeling the impact of economic downturn. Some people cannot afford to pay for even food. People could therefore take to the streets demanding the resignation of governments, which could change the political landscape of Europe ahead of the 2024 European Parliament elections. Among the biggest fears is the potential increase in extremism, terrorism and nationalism due to the worsening economic situation.

What is to be done? The only way out of this crisis, as in a number of other critical cases, is for the EU to further integrate the needs of the European countries and pursue European interests. Fortunately, fewer and fewer European people, governments and institutions see the US policy as being superior to the EU policy.

So the EU, as before, must set its own political priorities, dedicate more funds and time to build the European "political union" and military, as proposed by French President Emmanuel Macron, devise its own human rights rules, and set its own benchmarks for democracy, while stopping the United States from dictating terms to European countries, especially when it comes to sanctions.

The Joe Biden administration's "love affair" with Europe has taken a turn for the worse for the EU. Instead of succumbing to the US' diktats, therefore, the EU must cooperate more with China, India and other Asian countries to facilitate its sustained development. And it must realize that all economic and political systems within the framework of the UN Charter have the right to thrive.

So to prevent the further destruction of the European Project and European values, the EU must stop the US from manipulating the bloc's foreign policy, and pursue balanced cooperation with other economies. It must remember its historical mission of establishing permanent peace in Europe — a mission for which the Schuman Declaration was issued and the Nobel Prize for Peace was given to the EU — and prevent any conflicts of ideology.

The author is a former officer of the European Commission. The views don't necessarily reflect those of China Daily.

Chi Fulin

Hainan to boost China-ASEAN exchanges

The first working meeting of the Hainan Free Trade Port-ASEAN Think Tank Network held on May 13 focused on how to help strengthen China-ASEAN economic and trade cooperation and enable the Hainan Free Trade Port to play the role of a strategic hub promoting trade, investment and cooperation.

At the second working meeting held recently, we discussed how the network can better carry out its work in the future.

A core objective of building the Hainan Free Trade Port is to transform Hainan into an important hub and market for comprehensive cooperation between China and the Association of Southeast Asian Nations, and make full use of its geographical and opening-up advantages, so it can play a pivotal role in promoting broader, higher-level cooperation and exchanges between China and ASEAN, better connect the two most dynamic markets, and advance the process of regional economic integration.

Chinese firms eager to invest in ASEAN

Many Chinese enterprises want to use the Hainan Free Trade Port as a base to invest, and deepen cooperation with their counterparts, in ASEAN member states. According to a survey on Chinese companies, 56 percent of the respondents said they are planning to enter the ASEAN market, and 60 percent said they want to increase investment in the ASEAN market and expand cooperation with ASEAN companies in the next 12 months, indicating that Chinese enterprises are still very eager to consolidate their presence in ASEAN member states.

In fact, the percentage of Chinese companies planning to enter the ASEAN market is likely to increase to 66 percent in the next three years or so, and their investment in ASEAN could increase by 25-50 percent.

In view of this demand, the China Institute for Reform and Development said in March that building "two headquarters bases" in the Hainan Free Trade Port should be considered a major task — one for helping Chinese companies enter the ASEAN market, the other for ASEAN companies to enter China's market.

The feasibility of Chinese enterprises using the Hainan Free Trade Port as a base for investing in ASEAN states and boosting cooperation with their ASEAN counterparts is immense, as the free trade port's opening-up policies such as the "15 percent corporate profits tax rate policy", the "foreign investment income tax exemption policy" and the "zero tariff policy for importing important commodities and parts" are attracting an increasing number of Chinese companies to set up base in Hainan.

OP Rana

Climate hope from an unexpected quarter

Record-breaking rainfall and the worst floods in Pakistan have killed more than 1,500 people, including over 520 children. About 3.4 million children need immediate lifesaving support. The country's economy, which was struggling to emerge from the devastating effects of the COVID-19 pandemic and global economic slowdown, has received another damaging blow, creating shortages of food and other essentials. And surveys show, children, and the elderly, are the worst hit.

Pakistan's tragedy is all the more tragic because it has contributed little to global warming. An Oxfam study says 19 million people face starvation in climate hotspots in Somalia, Haiti, Djibouti, Kenya, Niger, Afghanistan, Guatemala, Madagascar, Burkina Faso and Zimbabwe. Again these countries have contributed very little to climate change.

The two-month-long heat wave in China, during which temperatures rose above 40 degrees Celsius in many places, dried up many rivers and reduced



LI MIN / CHINA DAILY

Objectively speaking, in the short run, the lagging construction of the financial services system remains a weak point of the Hainan Free Trade Port in that it cannot yet ensure Chinese enterprises' entry into the ASEAN market.

Integrating Chinese and ASEAN markets

In the coming years, a more realistic and pragmatic way to stabilize the China-ASEAN industrial and supply chains and achieve higher-level integration of the Chinese and ASEAN markets would be to use the free trade port as a base to provide facilitating services for Chinese enterprises to invest in the ASEAN market.

How to provide intellectual support for Chinese companies to enter the ASEAN market?

Hainan has been exploring specific measures, and policy and institutional arrangements for building "headquarters bases", but it is yet to resolve some knotty issues. For instance, which Chinese companies can meet the specific needs of which ASEAN member's industries and therefore should invest in the ASEAN market or establish cooperation with ASEAN companies? How large is the ASEAN market space? How can the advantages of the Hainan Free Trade Port in promoting China-ASEAN cooperation be better utilized? What kind of policies will help ASEAN companies to increase their share in the Chinese market through the free trade port?

the country's hydropower generating capacity, prompting it to use more coal to produce power to run the economy. Such extreme weather events in the world's second-largest economy could compromise food security and disrupt global supply chains.

The bigger problem is that such extreme weather events have become more frequent and affect the most vulnerable communities that have little to do with global warming. In other words, the innocent are made to pay with their lives and properties for the climate crimes committed by large energy-guzzling, emission-spewing economies and companies.

Yet there are countries like India, which vow at international gatherings to increase the percentage of clean energy in their total power mix and protect their fast-shrinking green cover, but order the cutting down of forests, including protected forests, in the name of development.

It's not that India does not suffer the damaging effects of climate change. While crops on hundreds of thousands of hectares have withered due to extreme heat and dry weather this year, many parts of the country have been devastated by floods.

Perhaps that's what prompted UN Secretary-General Antonio Guterres to say, while addressing the 77th annual session of the United Nations General Assembly on Tuesday: "A cost-of-living crisis is raging. Trust is crumbling. Inequalities

are exploding. Our planet is burning. People are hurting ... We have a duty to act. And yet we are gridlocked in colossal global dysfunction."

As a solution, Guterres urged countries to impose windfall taxes on fossil fuel companies and divert the money to vulnerable countries suffering worsening losses from the climate crisis. "Today, I am calling on all developed economies to tax the windfall profits of fossil fuel companies," Guterres said. "Those funds should be redirected in two ways — to countries suffering loss and damage caused by the climate crisis and to people struggling with rising food and energy prices."

Guterres' appeal, as the UN secretary-general, was his most urgent and bleakest on the state of the planet, and the will of governments to change course. "We have a duty to act and yet we are gridlocked in colossal global dysfunction. The international community is not ready or willing to tackle the big dramatic challenges of our age."

Not only the international community, big business, too, which makes the most profits from highly polluting industries such as oil and gas, automobiles and mining — as well as smart industries such as information and communications technology and electronics — are unwilling to fulfill their promise of fighting climate change as part of their corporate social responsibility.

Amid all this comes a glimpse of hope. About half a century after founding outdoor apparel-maker Patagonia, Yvon Chouinard has given the compa-

ny way to help fight climate change and protect undeveloped land around the world. Instead of selling the company or taking it public, Chouinard, his wife and two adult children have transferred their ownership of Patagonia, valued at about \$3 billion, to a specially formed trust and a nonprofit organization to protect the company's independence and ensure that all of its profits, of about \$100 million a year, are used to combat climate change and protect undeveloped land across the planet.

The pioneering but eccentric rock climber in Yosemite Valley, California, who many say became a reluctant billionaire, given his unconventional spin on capitalism, still wears old clothes, drives a beat-up Subaru and spends his time between modest homes in Ventura in California and Jackson in Mississippi. And it will come as a surprise to many that even in these digital-driven times, Chouinard does not own a computer or a smartphone.

That Chouinard, 83, said, "We are going to give away the maximum amount of money to people who are actively working on saving this planet," raises hope that perhaps the world can still be saved from the catastrophic consequences of climate change.

But more Chouinards are needed to combat climate change. Are there others like Chouinard out there in the world of big business? I doubt it.

enterprises meet their business needs and provide them with the necessary help to formulate industrial guidelines for making full use of the free trade port as a platform for helping Chinese and ASEAN enterprises achieve better cooperation results. How to build institutionalized platforms to help Chinese enterprises enter the ASEAN market? To begin with, it can be done by the Hainan Free Trade Port and ASEAN co-organizing regular forums on exchange and cooperation. As a matter of fact, the China Institute for Reform and Development, with the support of the China Ocean Development Foundation, is preparing to hold an international forum on "Exchange and Cooperation between Hainan Free Trade Port and ASEAN" at the end of October. The forum will discuss how best the free trade port can be used as a base to facilitate Chinese enterprises' investment in the ASEAN market. The institute is also preparing to hold an off-line forum on "Global Free Trade Port Development" at the end of this year or early next year.

Move to realize potential of SMEs

Small and medium-sized enterprises in China and ASEAN states account for more than 90 percent of all enterprises. To mobilize the talent

resources of the network and ensure the SMEs fulfill their full potential, and contribute more to regional development and China-ASEAN cooperation, the network aims to co-organize capacity-building training seminars.

As for the China Institute for Reform and Development, it is preparing to hold a training seminar on capacity building for the development of the blue economy under the RCEP framework. We hope the experts attending these forums and seminars will suggest how the governments and enterprises of ASEAN states can better develop their blue economy and boost their capacity building.

The Hainan Free Trade Port-ASEAN Think Tank Network and the China Institute for Reform and Development also suggest that mutual academic visits and exchanges between visiting scholars be organized, and camps for young talents from member think tanks be set up.

This is an edited excerpt from the opening speech of Chi Fulin, president of the China Institute for Reform and Development, at the Second Working Meeting of Hainan Free Trade Port-ASEAN Think Tank Network. The views don't necessarily reflect those of China Daily.

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