


# **Policy Forum 09-016: The Chinese Economic Stimulus Package and its Impact on Environmental Protection Organizations**

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# **The Chinese Economic Stimulus Package and its Impact on Environmental Protection Organizations**

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By Jia Xijin and Zhao Yusi

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## **I. Introduction**

This article by Jia Xijin, Associate Professor at the NGO Research Center at Tsinghua University, and Zhao Yusi, Project Assistant of NGO Research Center at Tsinghua University, summarizes several articles on the impact of China's economic stimulus package on environmental protection organizations. The report concludes, "Obviously this investment plan will build the confidence of civil society environmental protection organizations... In China today civil society organizations are trying to both expand the role of environmental protection and provide rational guidance and the smart exchange of ideas to the public."

This report translates or summarizes the articles Feng Yongfeng, "China Environmental Organizations Under the High Pressure of '4000 billion RMB'" [1] and Chen Qian, "What are the implications of the 4000 billion investment, and how it will affect environmental protection?" [2]

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Nautilus Institute. Readers should note that Nautilus seeks a diversity of views and opinions on contentious topics in order to identify common ground.

## **II. Article by Jia Xijin and Zhao Yusin**

- "The Chinese Economic Stimulus Package and its Impact on Environmental Protection Organizations"

By Jia Xijin and Zhao Yusi

Premier Wen Jiabao presided over a state council executive meeting on November 5th, 2008, to study and implement ten measures for further expanding domestic demand and prompting stable and rapid economic growth. Preliminarily estimates indicate that these projects will require an investment of about 4000 billion RMB (586 billion U.S. dollars) by the end of 2010.

How will the 4000 billion RMB investment impact environmental protection in China? An article published by the China Environmental News on December 17th, 2008 noted that of the 4000 billion investment, 350 billion will be used on environmental projects. But it is not just the 350 billion that will impact environmental protection in China, funds invested in other areas will also have a great impact on the environment.

This impact becomes very clear when we look at the specific allocations of the fund. Of the 4000 billion RMB investment, sustainable housing projects account for 280 billion, rural livelihood and rural infrastructure projects account for 370 billion, railways, highways, airports, and power grids in urban and rural areas account for 1800 billion, medical and health as well as culture and education projects account for 40 billion, investment in environmental projects account for 350 billion, independent innovation and structural adjustment account for 160 billion, and post-disaster restoration and reconstruction account for 1000 billion.

It is easy to see that the government's allocation of the 4000 billion investment fund is not simply to stimulate the economy directly, or to cope with the impact of the international financial downturn by encouraging short-term, rapid growth in industrial output, but rather to turn crisis into opportunity by strengthening the basic resilience of the economy, which will then help support the country in future economic slow-downs.

Based on the state policy, the article made recommendations for local governments on investment.

First, the strategic considerations of the fund must not only focus on industrial expansion to promote the economy. The investment should attempt to optimize the overall economic structure, to reduce the external costs of production, and promote added value of products through scientific and technological innovation, resource conservation and environmental protection, thus enhancing regional development and competitive power. Second, the use of these funds must integrate environmental protection with economic construction, in order to balance environmental conservation and economic growth.

At the same time, non-governmental environmentalists put forward different views and concerns. Well-known environmentalist Feng Yongfeng, a reporter at the Guangming Daily, pointed out in an article that environmental protection is still facing great challenges in the policy-making process in China. He is worried that no matter whether the policy is good or bad, people will use it as an excuse to damage the environment. He wrote the following:

### **The Hydroelectric Power Battle Brought by 4000 Billion RMB**

The 4000 billion RMB investment has caused significant problems for environmental groups in China. Fierce fighting is taking place between civil society environmental organizations, regarded as China's spontaneous environment protectors, and China's economic powers, hydroelectric power, metallurgy, resource development, deforestation and other interest groups. From the outside it appears that the civil environmental protection organizations are losing every battle. In reality the consequences are hurting both sides. China's seas and rivers are being destroyed, its forests and land are being damaged, and Chinese people are breathing polluted air. The poor and rich alike are drinking polluted water.

All of China is trying to promote investment. Yunnan Province may be the most caught up in this 4000 billion upsurge. The province designed a new economic development plan costing 3000 billion RMB involving hydroelectricity development, mineral development, land transfer, and many other actions that have a very low value in terms of smart growth. The worst plan involves cutting the Yunnan River into pieces for hydroelectric power plants. In order to promote this project some government departments have incorrectly referred to this project as "clean energy", "energy of local development", and an "ecological protection program".

On Dec 27th, 2008 I stood in a village formed by the Xiaosha Dam of the Liuku power generating plant. There was a brief notice on the wall describing the environmental effects of the Liuku plant and asking the public to provide suggestions between the dates of Dec. 15th and 26th.

A young man came by, I asked him if he had read the notice and he answered no. He told us only officials can read in this village, most of the public never knew what was going on, let alone understood the call for "suggestions".

An appraisal meeting about the Ahai generating plant on the Jinshajiang River was going to be held on Dec. 29th and environment protection organizations were invited. However, on the 22nd, without any notification to the public, preliminary construction work on the plant was completed and the diversion hole connecting the two sides of the river had been built so that the river could be cut and the dam built at any time.[3] Meanwhile Majun, the Director of the Public and Environment Research Center, found a brief environmental report about the Guanyinyan plant on Jinshajiang River on the website of Yunnan Environment Protection Bureau. The report asked the public to provide suggestions before Dec. 31st. At the same time, construction began on China's third big hydroelectric power plant, the Xiangjia Dam on the Jinshajiang River. At the Ludila plant, also on Jinshajiang River, construction activities were taking place and the local authorities were prepared to cut the river from the middle at any time.

Everything happened at once and seemed to be well planned. Facing multiple attacks from these hydroelectric plants China's civil society environmental protection organizations and the public could hardly hang on. Civil organizations were concerned about China's seas and rivers but had limited resources and it was hard for the local public to express their opinions. In such circumstances it was nearly impossible for an environmental organization to convene a group of professionals, spend the time necessary to investigate the situation in a thorough manner, and make an effective suggestion.

### **Scattered Actions of Civil Environment Protection Organizations**

From Dec. 29th to 30th, civil society environmental protection organizations were permitted to take part in the appraisal meeting at the Ahai Plant. This can be regarded as a milestone in Chinese environmental protection history. China's civil society environmental protection organizations also collaborated with Friends of Nature, Green Peace, and some other organizations to investigate and report on the "Green Stocks" company.

But just like the struggle with the hydroelectricity projects, there are so many new companies formed every year that the civil society environmental protection organizations do not have the capacity to investigate them all. In 2008, they evaluated one company, seemed to delay its IPO, but may not be able to evaluate the performance of the company after that. Where is the final victory? In 2009 and 2010 how many companies can they evaluate?

All of China is suffering from environmental pollution but the courts will rarely get involved in cases involving pollution. When the local government is faced with a pollution case, it generally closes their doors immediately and attempts to delay any action. Given this situation, organizations such as the "Pollution Victims Support Center, University of Politics and Laws of China" led by Prof. Wang Canfa are not able to safeguard the rights of the public.

### **Real Growth Under 4000 Billion**

Song Jun, Chairman of the Board of Beijing Jiuhan Tiancheng, told volunteers that China's environmental protection organizations have no enemies, not the hydroelectricity groups, not the chemical industries, not the government. He said that all Chinese entrepreneurs and individuals are committed to protecting the environment. Thus environmental protection organizations should not assume that different groups are their enemies or create an adversarial relationship with anyone.

But this doesn't mean that organizations do not need to struggle to help protect the environment. Song Jun is also the councilman of the well known environmental protection organization SEE Ecology Association. He noted that the real enemies are often the environmental protection organizations themselves. The two big obstacles facing environmental protection organizations are the capacity of the associations and the appearance and form of the regional civil environmental protection organizations.

The current 4000-billion investment fund creates an opportunity for these organizations to grow and develop. In the past environmental protection organizations in China focused on environmental education. While these projects were large in number they were low in practical effects. Focusing on education delayed the development of these organizations. It is hard to give professional suggestions without spending time working with relevant professionals to investigate the problems. By devoting resources to education these groups missed an opportunity to develop this professional expertise.

The 4000 billion investment can also act as a catalyst to address the second obstacle. One serious problem in China is that the large number of provincial capitals disperse the number of active civil

environmental protection organizations. Local civil society organizations focusing on regional problems are common and it is hard to promote their work beyond these local areas.

On a positive note the 4000 billion investment will bring Chinese civil environmental protection organizations some real opportunity to grow. A plant can grow in a natural environment of rain and wind, a person can be wise after facing all kinds of temptations and challenges, a group can be made strong through endless fighting. Likewise civil society environmental protection organizations can develop in this difficult time through the investigation, discussion and promotion of their ideas.

Obviously this investment plan will build the confidence of civil society environmental protection organizations. The battles will make them more experienced, the campaigns will strengthen their nerves, the different challenges will force them to be creative in solving problems, and their current isolated condition will compel them build alliances with each other. In China today civil society organizations are trying to both expand the role of environmental protection and provide rational guidance and the smart exchange of ideas to the public.

### **III. Notes**

[1] Feng Yongfeng, "China Environmental Organizations Under the High Pressure of '4000 billion RMB'", <http://fengyongfeng1108.blog.sohu.com/> , Jan 1st, 2009.

[2] Chen Qian, "What are the implications of the 4000 billion investment, and how it will affect environmental protection?", *China Environmental News* , December 17th , 2008.

[3] Since 2006, Beijing Green Earth Volunteers, a well-known domestic environmental organization, launched a "10-year Action on Rivers" activity. They plan to spend ten years continuously tracking the major rivers in China's western concern, systematically inspecting the relationship between hydropower development and environmental protection as well as the impact of those projects on the residents living along those rivers.

### **IV. Nautilus invites your responses**

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: [napsnet-reply@nautilus.org](mailto:napsnet-reply@nautilus.org) . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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