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Strategy for green growth

China sees an urgent need to protect the environment as part of its sustainable development efforts

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President Xi Jinping has summed up China's strategy for economic restructuring as striving for both "green mountains and gold mountains".

The strategy combines environmental protection with a broad plan to restructure industry toward higher value-added manufacturing, away from the old reliance on heavy industry, resource extraction, and low-tech steel and coal production.

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"Given China's realities, ecological and economic developments both are of great significance because ecological development helps economic development in the long run," Xi said at the recent 19th National Congress of the Communist Party of China (CPC).

Xi has previously shown his commitment to improving the environment. In May, during a study session of the Political Bureau of the CPC Central Committee, he said: "The country should protect the environment like one protects one's eyes and treat the environment as one treats one's life."

Often, environmental regulations are seen as just a necessary cost for the economy. China's strategy argues that a clean environment is the path toward an upgraded industrial structure.

Far from being a cost, environmentally friendly policy is a key opportunity. In other words, it pays to be green.

New high-tech industries will not only produce the higher quality products demanded by China's growing middle class, but the shift toward investment in environmental protection could also allow Chinese companies to gain a first-mover advantage in innovative products.

At the May study session, Xi said: "China has made historic social and economic achievements since reform and opening-up, which the country should be proud of. Rapid development has also left the country with environmental issues that need to be remedied through great efforts."

He added: "China should firmly reject development models that damage or destroy the environment and bid farewell to practices that boost short-term economic growth at the cost of the environment."

Cost savings can more than com-



A wind turbine system generates energy in Northwest China's Xinjiang Uygur autonomous region. China has made a huge investment in wind and solar power to promote green development as President Xi Jinping calls for an end to environmentally damaging practices. XINHUA

pensate for both the compliance costs directly attributed to new regulations and the innovation costs. In addition, innovative companies can get a leg up on international competition.

The 19th CPC National Congress made clear that the administration sees implementation of this two-pronged economic strategy as a top priority. In his report to the congress on Oct 18, Xi mentioned the environment 89 times, as counted by Bloomberg — far more than any other subject.

And he tied it in with industrial restructuring: "We will move Chinese industries up to the medium-high end of the global value chain and foster a number of world-class advanced manufacturing clusters."

Since at least the 1980s, China has had anti-pollution regulations and environmental protection agencies at all levels of government. But during the decades of rapid economic transformation, the economy continued to be driven by heavily polluting industries such as coal, steel, cement, construction and cars.

Many factories polluted with seeming impunity, and local governments

gave priority to fast GDP growth of any kind. What has changed in the past five years?

Experts and practitioners in the field of environmental protection say that the leadership and systematic emphasis of Xi is a key transformative factor.

Yang Dongning, professor of economics at the Guanghua School of Management at Peking University, said: "Previous policies with a green focus were not systematic or consistent. When the pollution issue became very prominent, there would be 'storming' campaigns. But since the Xi administration started in 2013 and the 13th Five-Year Plan (2016-20) was approved, regulation has been systematic, rather than abrupt. Environmental inspection combined with Party discipline has led to very significant results."

Indu Bhushan, director-general of the East Asia department at the Asian Development Bank (ADB), said: "If you look at the policies and political commitment, it's right up there. President Xi talked about it five years ago, they have all the plans and targets in place. There is a lot of financing being put into it."

Bhushan added: "Only a few years ago, ADB's work in China was largely focused on infrastructure. Now ... the program is all about low-carbon development, green development, support for agriculture and for social sectors like preparing for an aging population and strengthening the social protection system."

"It is a huge change. When I was in China recently, discussing our future program with the Ministry of Finance and the National Development and Reform Commission (NDRC), they gave us 10 new projects — all related to the environment, climate change and social sectors."

Similarly, Li Lailai, China country director of the World Resources Institute, which seeks to identify sustainable development initiatives, said: "At the national level, the State leaders make a statement to the whole country, to the whole world. They created a framework within which practitioners like us can work to reach the goal. The statements in Xi Jinping's report are very important and significant."

Chinese local government officials were long evaluated primarily on GDP growth rates, so environmen-

tal protection often was not a high priority. But GDP does not take into account the quality or sustainability of the output.

In addition, it ignores "negative externalities" that a complete accounting should subtract from production. Bhushan of the ADB said that studies conclude that accounting for pollution should lower China's GDP by 6 to 13 percent.

The new environmental protection law that went into effect on Jan 1, 2015, was a huge turning point. The new law was reviewed four times by the Standing Committee of the National People's Congress, while the government solicited feedback from environmental law experts, government bodies, local environmental protection bureaus and the public.

The law created a much more powerful enforcement bureaucracy, held officials responsible for the environment and created formal channels for public participation in environmental protection.

Follow-on regulations in May 2015 mandated that all local officials be held responsible for environmental

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