

## More In This Issue

### \* PUBLICATION

*"China: An Olympic Hangover,"* by Charles Freeman  
*"China's Civil Society Organizations: What Future in the Health Sector?"* by Bates Gill, J. Stephen Morrison, and Xiaoqing Lu

### \* CONFERENCE

December 10 Taiwan Elections 2008: What is at Stake for Taiwan and Taiwan-U.S.-China Relations

### \* FREEMAN FACTS

Road Traffic Injury in China  
*(cont pg 5)*

## Quote Of The Month

*"Rebalancing the trade relationship is not a question of reducing Chinese exports to Europe...It is a question of improving the terms on which European companies trade here, about leveling the playing field and combating discrimination against foreign companies in the working of the economy."* ~ EU Trade Commissioner, **Peter Mandelson**, speaking at the 10th annual China-EU business summit in Beijing. The summit marks recriminations between China and the EU over trade frictions including product safety and the weakness of the Chinese currency. The EU has toughened its stance with its increasing trade surplus with China, which is expected to rise approximately 30% this year to 170 billion euros.

Source: BBC, November 28, 2007

## Trivia Question

What is Beijing's Olympics budget?  
*(cont pg 3)*

For other additional resources on China and East Asia, please also visit the website of our sister institution, Pacific Forum CSIS, at [www.csis.org/pacfor/](http://www.csis.org/pacfor/).

## FEATURE ESSAY

### The "Scientific Outlook on Development" and the Future of Environmental Protection in China\*

BY ANNA BRETTELL

As an effort, at least in part, to rein in China's unchecked polluters, the "scientific outlook on development" theory, adopted by the Hu/Wen leadership as their defining line of thought at the 17th CCP Congress after several years of development and inculcation, is a step in the right direction for China, which by 2020 will be the world's largest polluter. However, optimism should be guarded about the theory, which, as defined in the constitutional amendment approved at the CCP Congress, "puts people first and calls for comprehensive, balanced and sustainable development."

The concept conveniently feeds central-level rhetoric strongly favoring environmental protection in the lead up to the "green Olympics." However, rapid economic growth is at the idea's core, leaving the proverbial fox at the center of the henhouse.

The concept has yet to be accepted by some central-level officials, and much less by local officials who recently halted indefinitely publication of China's second round of "green GDP" figures – which would have put pressure on local authorities to take environmental protection more seriously. In addition, despite a handful of policy bright spots, several factors – including the lack of investment, weak incentives, suppression of public demand for a cleaner environment, and weak implementation – will hinder efforts to meet conservation and environmental protection goals well into the future.

To achieve the 11th Five-Year Plan conservation and sustainable development goals, central-level authorities included 1,400 relevant criteria, an increase from 320 in the previous plan. However, only seven goals relate directly to environmental quality and 121 to pollution control. Chinese leaders plan a 20 percent decrease in energy consumption per unit of GDP by 2010. This will be challenging considering that China's energy consumption has been growing at a faster rate than its GDP growth since 2002 and energy consumption is expected to double in 20 years. Energy consumption fell only 1.23 percent in 2006, partially because the goal was based on low estimates of GDP growth.

*(cont pg 2)*

## In The News

**BEIJING** China's State Council Information Office issued the country's first ever white paper on its political party system, which explains in detail the political party system with Chinese characteristics. The white paper pledges multi-party cooperation and political consultation under the leadership of the Communist Party of China. According to the white paper, multi-party cooperation system is a "major manifestation of socialist democracy of China." Under the system, the Communist Party and eight other political parties work together, with CPC ruling the country and others participating in state affairs according to law.

**SINGAPORE** The Singapore declaration on climate change, energy and the environment was signed by the East Asia Summit nations at the end of the recent summit. Leaders from 16 countries including China pledged to "participate actively" in developing a more effective international climate change framework beyond 2013. The declaration is expected to provide impetus for the United Nation Climate Change Conference in Bali in December 2007. Yet, China wants climate negotiations to focus on future greenhouse gas cuts by developed countries and moving more "clean" technology to developing countries.

China's overall investment in energy efficiency has increased although energy conservation investment as a percentage of energy supply investment has been declining since its peak of 18 percent in 1983, and in 2003 it was less than four percent. Marketization of energy prices would help create incentives for conservation. Unfortunately, prior to November 2007, Chinese authorities had not increased gas prices at the pumps since May 2006 (by comparison, international oil prices rose 30 percent). In addition, authorities delayed passing again in 2007 the proposed gasoline tax.

China plans to increase the share of renewable energy used in primary energy consumption to ten percent by 2010, up from the current seven percent. The new Renewable Energy Law has encouraged subsidies for R&D on technologies, investment in renewable power systems, and lower value-added-tax rates for wind, biomass, and hydropower. The potential of these incentives has not been realized as authorities have had problems with implementation and renewables require high-price subsidies to compete. In addition, coal subsidies are still too high and the market for renewable energy in China remains small and unreliable.

To decrease by ten percent total discharges of major pollutants by 2010, the State Environmental Protection Administration (SEPA) plans to implement a new policy framework that will augment existing instruments and include increased pollution charges, emissions trading, a "green" capital market, ecological offsets, ecological taxation, trade in environmentally friendly goods, and environmental insurance. Reaching pollution reduction goals will be tricky given that in the first six months of 2007 sulfur dioxide emissions fell by just 0.88 percent and chemical oxygen demand increased by 0.24 percent, both following increases in 2006.

The expanded pollution prevention regulatory framework has potential. However, it remains to be seen whether leaders have the political will to make the necessary investments, and to make implementation transparent and binding. Provincial leaders who are not in compliance with the 11th Five-Year Plan's tripartite package of conservation and environmental protection measures will not be eligible for honors or special treatment and will face criticism. The measures are unlikely to provide for the firing of an official. Based on the 11th Five-Year Plan, the projected investment in pollution prevention is 1.6 percent of GDP. Past experience, however, has shown a major gap between projected and actual investment. Pollution discharge fees are still too low – a recent report suggests fees need to be almost six times as high as the current rate to have the desired effect. Negotiated payments further dilute the levies' impact. A new "green credit" initiative is designed to restrict bank loans to a list of blacklisted polluting enterprises. Nevertheless, the non-binding and non-transparent policy keeps the door open for local protectionism, corruption, and arbitrary or politically motivated lending decisions. New criteria to curb trade of products from polluting industries are as much about resolving trade deficit issues and creating incentives to push enterprises to move to China's interior provinces as they are about reducing pollution. A recent initiative that would restrict enterprises guilty of environmental violations from trading on the stock market only applies to the rather small percentage of companies that are large enough to list on the exchange.

Since 2000, leaders have more actively reigned in local polluting enterprises but continued the suppression of local public demand for a cleaner environment. The central government gives little incentive to local governments and enterprises to improve pollution control. SEPA fined PetroChina RMB1 million – the highest possible fine – for a spill that contaminated the Songhua River. On the other hand, according to some reports, courts refused to hear cases linked to the spill for fear of triggering a flood of compensation claims. In addition, local officials continue to take retribution against environmental activists for protecting their legal environmental rights. At least 43 other environmental protesters have been imprisoned in the last two years on various charges. Nongovernmental organizations have been warned not to be too critical of governmental environmental performance and some pollution news stories are still censored.

Implementation remains one of the major impediments for reaching environmental protection goals. Implementation problems include the weak status of the environmental protection apparatus, the lack of capacity for monitoring, the lack of clarity in regulations, the paucity of public participation, the suppression of public demand for a cleaner environment, the refusal to hear some influential environmental cases in court, the delay in establishing a rational pollution victim compensation system, and local governmental protectionism.

New policy goals linked to the "scientific outlook on development" are too optimistic and goals alone will be insufficient to manage China's conservation and environmental protection challenges. In the months leading up to the Olympics, China will undoubtedly announce additional policy measures and China's pollution problems will likely improve. But the real test for environmental protection will come after the Olympics. True progress in environmental protection will depend on developing the political will to make local environmental officials more independent, to increase investment, to positively respond to public demands for better environmental quality, to set realistic goals, and to resolve implementation and enforcement problems.

**Dr. Anna Brettell is a Research Associate at the University of Maryland and a Program Officer at the National Endowment for Democracy.**

*(\*Several information sources were used to compile this brief, which due to space considerations are not cited. Please contact the author for specific sources at [annab@ned.org](mailto:annab@ned.org).)*

## PUBLICATIONS

"*China: An Olympic Hangover?*," Global Forecast: The Top Security Challenges of 2008, CSIS, November 2007

By **Charles Freeman**, Freeman Chair in China Studies, CSIS

The article examines the unintended effect of China's Olympics in the summer of 2008. The author argues that anxiety over China already occupies its fair share of the American popular psyche. With the Democratic and Republican presidential conventions following shortly after the Games, Beijing Olympics are likely to bring that anxiety into sharp relief at the most politically sensitive time on the U.S. calendar.

[Click here for a PDF version of the report.]

"*China's Civil Society Organizations: What Future in the Health Sector?*," CSIS, November 2007

By **Bates Gill**, Director, Stockholm International Peace Research Institute, **J. Stephen Morrison**, Director, Africa Program, CSIS, and **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS

The report is based on findings from a senior delegation to China in June 2007 organized by the CSIS HIV/AIDS Task Force. Its core conclusion is that there is considerable ambiguity, uncertainty, and tension around the present and future role of China's civil society organizations in the health sphere. The report analyzes two opposing logics that are shaping the evolution of the Chinese civil society organizations striving to play a serious role in China's health sector.

[Click here for a PDF version of the report.]

*The China Report 2008*

Melissa Murphy (contributing author), Exclusive Analysis Limited, London: 2007

London-based Exclusive Analysis Limited has published "*The China Report 2008*," which outlines key political and economic risks facing foreign businesses in 2008, providing in-depth case studies on issues including environmental disputes, banking sector fraud, and overseas expansion of Chinese consumer brands.

## CONFERENCES AND EVENTS

**December 10**                      Taiwan Elections 2008: What is at Stake for Taiwan and Taiwan-U.S.-China Relations

This seminar will introduce key issues and dramatic context of the upcoming Taiwan election season. This is the first of a series of joint public seminars by CSIS, the Brookings Institution, and Georgetown University to examine Taiwan's democratic development, its 2008 legislative and presidential elections, and implications for relations with the United States and China. For more information, please contact Savina Rupani at [srupani@csis.org](mailto:srupani@csis.org).

**November 27**                      Establishing New Habits of Cooperation in the U.S.-China Economic Relationship: The Strategic Economic Dialogue and Beyond

**Ambassador Alan F. Holmer**, Special Envoy for China and the Strategic Economic Dialogue (SED), previewed the third round of the SED coming in December. He also discussed the possibilities of establishing new ways of cooperation within the context of U.S.-China economic relations. **Charles Freeman**, CSIS Freeman Chair in China Studies, delivered opening remarks.

## TRIVIA ANSWER

**Beijing has increased the budget for the 2008 Olympic Games to USD2 billion from the previous estimate of USD1.6 billion.** According to Liu Jingmin, vice mayor of Beijing and executive vice president of the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG), the increased budget is aimed at providing better security for the Games.

**Source:** "Olympic budget raised to \$2 billion," *China Daily*, October 19, 2007.

## PUBLICATIONS FROM THE FREEMAN CHAIR 2006/2007\*

\* Please visit our website to access archived publications dating back to 2002.

### 2007

#### November

"*China: An Olympic Hangover?*," Global Forecast: The Top Security Challenges of 2008, CSIS, November 2007

By **Charles Freeman**, Freeman Chair in China Studies, CSIS

"*China's Civil Society Organizations: What Future in the Health Sector?*," CSIS, November 2007

By **Bates Gill**, Director, Stockholm International Peace Research Institute, **J. Stephen Morrison**, Director, Africa Program, CSIS, and **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS

*The China Report 2008*

**Melissa Murphy** (contributing author), Exclusive Analysis Limited, London: 2007

#### October

"*China's Response to HIV/AIDS and U.S.-China Collaboration*," CSIS, October 2007

By **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS, and **Bates Gill**, Director, Stockholm International Peace Research Institute

#### September

"*Assessing China's Growing Influence in Africa*," China Security, vol. 3, no. 3, Summer 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS, and **J. Stephen Morrison**, Director of the Africa Program, CSIS

#### August

"*The Mist Lifts over China's Sky-high Railway*," Asia Times, August 29, 2007

By **Eve Cary**, Research Assistant, Freeman Chair in China Studies, CSIS

#### July

"*Demography of HIV/AIDS in China*," CSIS, July 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, **Yanzhong Huang**, Director of the Center for Global Health Studies, and **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS

"*China's Activism Faces Persistent Challenges*," Comparative Connections, CSIS Pacific Forum, vol. 9, no. 2, July 2007

By **Robert Sutter**, Visiting Professor of the School of Foreign Service at Georgetown University, and **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS

"*U.S.-Hong Kong Relations: Prospects for a Unique Partnership*," CSIS, July 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, and **James Tang**, Associate Professor, The University of Hong Kong

#### June

"*Setting the Course*," South China Morning Post, June 28, 2007

By **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS and **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS

"*The Tenuous Hold of China Inc. in Africa*," The Washington Quarterly, Summer 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, and **James Reilly**, East Asia representative for the American Friends Service Committee

"*An Overview: The China Balance Sheet*," CSIS Strategy Report, Vol. 2, No. 19, June 12, 2007

By **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS, and **Chietigj Bajpae**, Research Associate, International Security Program, CSIS

#### May

"*China's Space Odyssey: What the Anti-satellite Test Reveals about Decision-Making in Beijing*," Foreign Affairs, May/June 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, and **Martin Kleiber**, Research Assistant, CSIS

## FREEMAN FACTS:

### Road Traffic Injury in China

1. Road traffic accidents are the leading cause of death for people aged between 15 and 45 in China.
2. About 35,000 children aged 14 and below are injured or killed in road accidents each year in China.
3. In 2005, 98,738 people were killed and 470,000 others were injured in China. The number of road accidents and related death toll in China ranked the first in the world.
4. The direct property losses of road traffic accidents were estimated to be USD233.8 million in 2005.
5. 92.7% of road accidents and 92.2% of the related deaths in 2005 were caused by improper driving.

**Sources:** China Daily, World Health Organization, Xinhua

The *Freeman Report* is an electronic newsletter produced monthly by the Freeman Chair in China Studies at the Center for Strategic and International Studies (CSIS), a private, tax exempt institution focusing on international public policy issues. Its research is non-partisan and nonproprietary. CSIS does not take specific policy positions; accordingly, all views, positions, and conclusions expressed in this publication should be understood to be those of the author(s).

Center for Strategic and International Studies 2007

### THE FREEMAN CHAIR IN CHINA STUDIES

**Charles Freeman**, Freeman Chair in China Studies

**Jim Loi**, Visiting Fellow

**Savina Rupani**, Program Coordinator and Special Assistant to the Freeman Chair

**Xiaoqing Lu**, Research Associate

**Melissa Murphy**, Research Associate

**Eve Cary**, Project Coordinator/Research Assistant

**Ming Dai and Joan Shang**, Research Interns

If you would like to be added to the Freeman Report listserv, please e-mail [FreemanChair@csis.org](mailto:FreemanChair@csis.org). Or visit <http://www.csis.org/china/>

## About the FREEMAN CHAIR IN CHINA STUDIES

The *Freeman Chair in China Studies* was established at the Center for Strategic and International Studies in 1994 to advance the study of China and to promote understanding between the United States and the countries of the Asia Pacific region. The Freeman Family—Luther Freeman as a clergyman, Mansfield Freeman as a scholar-business leader, and Houghton Freeman as a corporate executive in a global enterprise—have established a tradition of contributing to international understanding through practical experience in East Asia and China.

The United States has a long-standing relationship with China and the countries of East Asia, which play increasingly important roles in future international economics, politics, culture, and security. In the diplomatic, public policy, business, and government fields, the peoples of both China and the United States will benefit from greater mutual appreciation and understanding through broadly based international exchange.

The Freeman Chair's active policy-oriented agenda is dedicated to delivering informed public policy debates, expert briefings, and strategic policy recommendations on Greater China and East Asia to the diplomatic, policymaking, business, and government arenas.

### Current Research Projects

- China's domestic challenges and their consequences for U.S.-China relations and U.S. strategic interests
- The emergence of Chinese civil society and nongovernmental organizations
- China's HIV/AIDS crisis and its implications for U.S.-China relations
- Examining the economic, trade, and financial tensions in U.S.-China relations
- China's relations with key regions—including Central Asia, Europe, and Africa—and their implications for the United States
- China's military modernization and its impact on regional security
- U.S.-China-Taiwan relations

To learn more about our program and ongoing research projects, please visit our website at <http://www.csis.org/china/>