The Programme on Economic Planning and Environmental Protection in China

JP/00/3.3
26th September 2000

Summary Report at the Conclusion of the Programme

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Note: This Report has been prepared by the international secretariat set up for the specific purpose of running the Programme and does not therefore commit the Chinese authorities. It is submitted to the Chinese Government, to the European Commission (which has provided financial support) and to the China Council at the session to be held in October/November 2000. It may be amended in the light of comments by the Chinese Authorities.
SECTION I

I.1. Background and Origins of the Programme

1. The Chinese government has recognised for many years that the future of China depends on achieving a proper balance between continuing economic growth to meet the needs and aspirations of a growing population and the preservation of a fragile and limited environment. However, the urgent pressures of economic development have made it difficult to devote the necessary efforts and resources to environmental protection with serious consequences for China’s environment and public health.

2. As in other countries, it is also widely understood that environmental protection cannot be treated as a separate issue from economic growth to be dealt with once growth has been achieved. The two issues, economic growth and environmental protection must be treated together to achieve sound and sustainable development. That China is committed to this approach in practice is demonstrated by the establishment of the China Council for International Co-operation on Environment and Development whose mandate is to advise the Chinese leadership on both environment and development, with due reference to all related policies and activities in China.

3. In line with the continuing process of reform, a further major step towards the integration of economic and environmental policies was the launching in 1996 of the Programme on Economic Planning and Environmental Protection. This Programme has focused on the practical institutional issues of adapting the decision-making processes of the Chinese government at different levels in the State, so as to ensure that environmental aspects are integrated with the macro-economic, investment, regional planning and implementation processes. This practical integration of environmental and economic policies is essential if China is to move towards sustainable development.

4. It has also become clear in recent years that China’s decisions and progress in the fields of economic development and environment are of critical importance to the world environment and thus to the whole world community, as clearly evidenced in the field of climate change. In accord with its policy of opening up to the outside world, the Chinese government therefore decided that the Programme on Economic Planning and Environmental Protection should be based on international co-operation, in spite of the sensitivity of the issues involved. Through the Programme, China wished to obtain the benefit of international advice and experience in adapting its decision making process to achieve sustainable development.

5. Through the Programme, China also intended to promote practical co-operation on major issues of common concern, such as the promotion of greater efficiency in the use of energy and natural resources, the conservation of forests and the development of environmental industries, all of which are critical to the impact of China’s development on the global environment.

6. The main underlying purpose of the Programme – as of the China Council itself – has been therefore to open up and strengthen co-operation across a broad area of mutual interest with the world community, including such fields as economic development, energy and natural resources, forest conservation, environmental protection and environmental industries.
7. With SDPC leadership and under the auspices of the China Council, the Programme has engaged the interest and participation of senior Chinese officials who have been prepared to speak frankly on major strategic issues and to listen to the experience and advice of international experts, creating a valuable basis for future dialogue and co-operation.

The Origins of the Programme

8. In September 1994, Mr. Martin Lees, an international member of the China Council, put forward a proposal that the Chinese Government should undertake a Joint Study on the Co-ordination of Economic Planning and Environmental Protection in China. Following consultations at its Fifth Session in Shanghai in September 1996, the China Council decided that the project on economic planning and environmental protection should be a major activity during the Council’s second five-year phase.

9. In September 1996, a “Project Group on Economic Planning and Environmental Protection” composed of key officials from the concerned Agencies of the Chinese Government was initiated, under the leadership of the State Planning Commission, (SPC now State Development Planning Commission - SDPC). This was undertaken in full co-operation with the National Environmental Protection Agency, (NEPA now State Environmental Protection Administration - SEPA). Other Agencies of the Chinese Government and international experts became involved during the implementation of the programme.

10. An outline of the programme to be undertaken was presented by Mr. Chen Yaobang, then Vice Chairman of the State Planning Commission and Minister of Forestry, to the Sixth Session of the China Council in Beijing in October 1997. The Programme was then revised to take account of the priorities of the Chinese Authorities, of the comments made and the issues identified during the Council’s deliberations. It also took informal consultations with the Co-Chairmen of the Expert Working Groups and with other Members of the Council into consideration. It was decided that the Project Group established on the Chinese side, together with the international experts who would participate in the Programme, should constitute a special Task Force of the China Council and that Mr. Chen Yaobang and Mr. Martin Lees would be the Co-chairmen of this Task Force.

11. In December 1997, the SPC confirmed the objectives of the programme and the main activities to be undertaken, (detailed in Annex 1 - document JP/98/1.2, “Joint Programme on Economic Planning and Environmental Protection in the People's Republic of China.”) In early 1998, in the context of a major reform of the Chinese government, Mr. Chen Yaobang was appointed as Minister of Agriculture and Mr. Liu Jiang, Vice Chairman of SDPC, took over the leadership of the Programme.

12. The launching of the Programme sketched above was itself the result of a much longer process initiated in 1987, when an international programme, “China and the World in the Nineties” was launched at the request of the Premier to bring international experience on high priority issues to leading personalities of the Chinese Government. One key activity under this programme was the convening of an international conference in October 1990 on “The Integration of Economic Development and Environment in China,” made possible by the support of the Ford and Rockefeller Foundations. It was from this conference that the China Council emerged.
13. Another key activity was a conference, convened by the State Planning Commission in May 1993 on “The Respective Roles of Planning and the Market in a Market Economy.” High level collaborative relationships were established with both SPC on the economic side and with NEPA on the environmental side, as well as with the Development Research Center of the State Council during the planning and convening of these two events. This made it possible to launch the joint programme on the complex issue of the integration of economic planning with environmental protection. The conception and implementation of the Programme has required close cooperation between the SDPC and SEPA and this has been successfully accomplished.

14. The preparation and launching of the Programme on Economic Planning and Environmental Protection (the Programme), was made possible by a generous financial contribution of the Commission of the European Union, made in April 1997. In addition, the EU Fifth Environmental Action Programme (1992 – 2000) sought to promote environmental integration across the policy range, in line with the concept of sustainable development, a concept which, equally, underpins the Programme in China. Support for the Programme by the European Commission thus coincided with an important policy stance in the EU itself.

I.2. The Objectives of the Programme

15. Following the Fifth Session of the China Council in 1996, the broad aim of the Programme was described by the Environment and Natural Resources Protection Commission of the State Council as: “to make comprehensive policy suggestions to the Chinese Government for the establishment of an integrated decision-making mechanism for economic and environmental policies; for the implementation of a strategy for sustainable development; and for the prevention of pollution at the pollution source.” The more specific objectives were described as:

- to assist in establishing an integrated decision-making mechanism for economic planning and environmental protection in China, through research and demonstration activities;
- to contribute to achieving the targets for environmental protection set by the Ninth Five Year Plan for National Economic and Social Development and the Long-term Development Programme to 2010;
- to enhance the contribution of economic planning and integrated decision-making to environmental protection;
- to establish the necessary safeguards and supporting measures such as laws, regulations, policies, management systems and institutional arrangements;
- to improve the implementation of China’s sustainable development strategy.

16. The programme should focus on the procedural and institutional arrangements necessary for China to achieve sustainable development. It will make practical recommendations for mechanisms to integrate economic, social and environmental factors in the formulation and implementation of comprehensive policies at different levels of government in the State.”

17. At a later stage, in 1998, the main objectives were updated as:
to assist in establishing an integrated decision-making mechanism for economic planning and environmental protection in China, through research and demonstration activities;
- to develop recommendations for the development of the Tenth Five-year Plan for National Economic and Social Development and the Long-term Development Programme to 2010;
- to establish supporting measures such as regulations, policies, management systems and institutional arrangements;
- to improve the implementation of China’s sustainable development strategy.

**Main Activities**

18. In order to achieve these objectives, the programme was organised around four main sets of activities, each providing a different perspective of the complex and inter-related issues involved.

1. A major study was undertaken to identify the strategies and measures required to introduce an integrated system for decision-making on economic planning and environmental protection in China. A large number of Chinese universities and research institutes were involved in undertaking this theoretical and practical research. This report can be found in Annex 3.

2. Five specific topics related to integrated decision-making for economic planning and environmental protection were analysed.

   - Defining and implementing the framework for integrated decision-making for environment and development.
   - Review of strategies for the integration of economic planning and environmental protection in China and in other countries.
   - Assessment of the consequences and major problems caused for environmental protection by current policies and programs for China’s economic development.
   - Information systems and analytical methods for integrated decision-making on environment and development.
   - Combining the efforts of central, provincial and local government, of enterprises and of the public for the integration of environment and development.

3. Demonstration projects were undertaken to test the introduction of integrated decision-making in four selected regions: Beijing City; Yangzhou City; Zhuhai City; and the Guangzhou section of the Pearl (Zhujiang) River.

Each demonstration project included:
(a) an environmental impact assessment of the present situation;
(b) review of the planning, goals and measures for an integrated policy for environment and development;
(c) the establishment of institutional arrangements to implement a comprehensive policy for environment and development;
(d) a comparison of the relationship between the comprehensive policy for environment and development and the existing policies;
(e) an analysis of cross-sectoral decision-making;
(f) the role of public participation;
(g) training and communication for government departments and interest groups;
(h) monitoring and evaluation of the demonstration project.

4. Analysis and international consultations were undertaken on issues in three high priority sectors critical to China’s long-term sustainable development, in which the integration of environmental and economic considerations is of major importance:

- The conservation and long-term development of forest resources.
- A strategy for the systematic development of an industry to provide environmental products and services in China.
- A strategy for investment and technology choice to increase the efficiency and the output of the energy sector in China.

19. In undertaking the Programme, the Chinese government considered that the integration of these four aspects – (i) a major theoretical and practical study; (ii) the analysis of five specific policy and institutional issues; (iii) work on four practical demonstration projects; and (iv) the analysis of issues in three specific sectors – would help to define strategies and measures for the institutional and policy changes required to facilitate an integrated system of economic and environmental decision making.

20. The Programme has achieved this objective to a considerable extent in that the preparation of the Tenth Five-year Plan, under the leadership of SDPC, has been based on a process in which environmental aspects have been considerably more integrated with economic and investment planning than in the past.

I.3. Organisation and Finance

21. As outlined above, the main driving force of the Programme has been the inter-ministerial Project Group established by the Chinese government in 1996. Under the leadership of the SDPC and with the full participation of SEPA, this internal group has successfully implemented the research and consultation activities required between September 1996 and May 2000. A number of other Ministries, Commissions and Agencies have been involved as have experts and senior officials from Provinces and municipalities, particularly in the four case studies. Also, a large number of universities and research centres have been engaged in the Programme, as have leaders from Chinese enterprises and economic organisations. Thus, a considerable network of officials and experts has been created within China, focused on the reform of institutions and decision-making procedures to integrate economic and environmental plans and policies.

22. The successful completion of the Programme is principally the achievement of the Chinese officials and experts who have committed their efforts to it, and this is entirely appropriate in view of the complexities of the institutional and procedural issues involved. However, the Programme has been based on the premise that international co-operation and dialogue would be necessary to provide China with the insights and experience of other countries. As China moves towards a market economy, the experience of other countries in using policies and instruments to guide the economy towards sustainable development would be of real value. International dialogue also serves to identify opportunities for co-operation and investment.
23. A major component of the Programme was therefore a series of international meetings between senior Chinese officials and experts with officials, experts and business leaders from the international community. In addition, carefully selected representatives of international organisations – both inter-governmental and non-governmental – brought their perspectives and experience into the discussions.

24. Each meeting was intensively prepared and the participants were selected to ensure the exchange of experience, insights and ideas and the identification of opportunities for practical co-operation. These exchanges were of value to both sides: the international participants became better informed of the policies, activities and aspirations of the Chinese side while the Chinese participants obtained access to experience and insights from other countries. In this way, the Programme contributed to co-operation and mutual understanding at a high policy level between China and the world on issues of fundamental importance for the future.

25. The China Council played a central role in the implementation of the Programme. Members of the Council and Co-Chairmen of its Expert Working Groups participated in all the meetings of the Programme, and all Members were informed of progress and results. The institutional issues on which the Task Force was focused cut across the topics of the Expert Working Groups. For this reason, special efforts were made to inform and invite their Co-Chairmen to the international meetings of the Programme and to obtain their advice and inputs. The substantive advice and inputs of Members of the Council and of the Co-Chairmen of its Expert Working Groups contributed greatly to the success of the Programme.

26. In order to ensure the effectiveness of the preparations on the international side, a not-for-profit Association was established in Geneva in late 1998. Three important organisations which have major, long-term commitment to China joined in the launching of this Association: the World Conservation Union (IUCN); WWF International, and the World Business Council for Sustainable Development, (WBCSD). The four Directors of the Association are: Dr. Claude Martin, Director General of WWF International and President of the Association; Dr. Maritta von Bieberstein Koch-Weser, Director General of IUCN; Mr. Björn Stigson, President of WBCSD and Mr. Martin Lees, International Co-Chairman of the Programme. All four are Members of the China Council. The three organisations made important substantive contributions and provided institutional support to the Programme.

27. A small staff of the Association, under the leadership of a Programme Co-ordinator, Ms. Dale Campbell ensured the successful organisation of the international activities and the proper accounting and use of the available funds.

28. Although unusual, the organisational arrangements for the implementation of the Programme have worked well. A high-level, inter-ministerial Project Group in China, under the leadership of SDPC, has co-operated with a not-for-profit Association in Switzerland in which three major international organisations collaborate: one, IUCN, has a membership of both governmental and non-governmental organisations; another, WWF, is a major NGO with considerable technical expertise; and the third, WBCSD, is a key international organisation whose members are multinational corporations which are committed to improving the prospects for the global environmental future. Drawing on these unique relationships and experience, the Association could provide a valuable base for further activities.
Finance

29. The major financial contributions, which made possible the implementation of the Programme were made by the European Commission. A contribution of ECU 500,000 was made to the China Council in April 1997. This made it possible for the China Council to finalise the definition of the Programme, to launch the Project Group and to undertake the major research programme carried out by the Chinese side.

30. In December 1998, the European Commission made a grant of ECU 281,000 to the Association to support the intensive international activities to be carried out in 1999 and 2000. In addition, the government of Norway contributed $48,000 for the conference on environmental industries in May 2000. The WBCSD, together with a number of its member corporations made financial contributions and provided substantive and organisational support for this meeting, particularly by ensuring strong participation from the world business community. The government of Japan also made a contribution to the support of the meeting.

31. Throughout the Programme, the Chinese government has also made important commitments of financial and other resources. For example, the results and recommendations of the Programme have drawn heavily on a widely-based programme of research and consultation across China, drawing on many sources of expertise. Also, the four case studies have required the commitment of substantial personnel and financial resources in each case. The organisation and convening of the international meetings has drawn heavily on the time of busy officials and experts of SDPC, SEPA and other Chinese Agencies. These efforts and other specific contributions demonstrate the commitment and the priority assigned to the Programme by the Chinese authorities.

32. Together, these contributions which have made possible the successful completion of the Programme, leading to recommendations to the Chinese government on issues of major importance. However, it is important to make clear that the results of the Programme have been greatly limited by financial constraints. If additional funds had been available, it would have been possible to achieve a great deal more.

33. Sustained efforts were made to obtain additional resources from a number of donors, who expressed strong interest and commitment to the objectives of the Programme. However, for a variety of reasons, none of these negotiations resulted in significant contributions, which would have made it possible to take full advantage of specific opportunities opened up by the Programme. The financial aspects of the programme will be the subject of a separate financial report to the European Commission once all the financial transactions are completed.

34. In conclusion, the Programme created many opportunities for follow-up action, and although some opportunities might have been lost owing to a lack of funds, others remain to be realised in the future. A number of these, for which the Programme has been a catalyst, are outlined in Section II below.
Section II

II.1. Programme Implementation

35. Following the establishment of the inter-ministerial Project Group in September 1996, a major internal programme of research and consultation was initiated by the Chinese Project Group on three of the Main Activities outlined in paragraph 18 above: The major theoretical and practical study of an integrated decision-making system; the analysis of five specific topics; and the undertaking of four demonstration projects. (The analysis of the three high priority sectors – forests, energy and environmental industries – was left to a later stage.)

International Meeting of the Project Group, July 1998

36. As this work proceeded, SDPC decided to convene an international meeting of the project group, so as to expose the preliminary ideas and results to international comment and obtain the benefit of international experience and advice to orient the Chinese research programme. With the support of the international secretariat, an International Meeting of the Project Group was held in Beijing on 10th and 11th July 1998. The meeting was successful, providing an opportunity for intensive discussions on the main issues of the integration of economic and environmental policies.

37. The meeting endorsed the research strategy adopted by the Chinese side, emphasising that the Programme should clarify the major strategic choices, opportunities and risks in its recommendations to the Chinese leadership. The meeting reviewed reports by the Chinese side on the establishment of an integrated decision-making system, on the long-term development and conservation of forest resources, on strategies for investment and technology choice to improve efficiency and output of the energy sector, and on strategies for the development of environmental industries in China. The meeting strongly proposed that the development of environmental industries in China should be identified as a specific priority sector in the Tenth Five-Year Plan (2001-2005).

38. A report on the discussions and conclusions of the meeting (Document JP1/5) was then made to the China Council at its meeting in November 1998. This document is available upon request.

Restructuring of the Chinese Government

39. Starting in March 1998, the Chinese government embarked on a major restructuring programme, which led to considerable downsizing of Ministries and Commissions, including SDPC and SEPA. Thirteen Ministries and Agencies were eliminated completely. Additionally research institutes and other bodies, which had previously operated as part of government were spun-off so as to operate on a more or less independent basis. These major changes in the structure of the Chinese government had three important consequences for the implementation of the agreed Programme. First, they inevitably gave rise to a considerable delay while the new arrangements were brought into operation. Second, the downsizing implied that a smaller number of officials were required to carry an increased work load. And third, the restructuring gave rise to new financial requirements and conditions.

40. As a result of these major changes within the Chinese government, it became clear in early 1999 that it would not be possible to complete the Programme by the end of the year as
originally planned. With the approval of the main donor, the European Commission, the Programme was therefore extended by six months, to be concluded by 30th June 2000.

**International Review Meeting on the Development of an Integrated System for Decision-making on Economic Planning and Environmental Protection in China, 29 & 30 July 1999**

41. As the Chinese Project Group continued its work towards specific conclusions and recommendations, the SDPC called for the convening of a second international consultation, an International Review Meeting on the Development of an Integrated Decision Making System in July 1999. This meeting was considered to be of especial importance as it would assist in finalising the recommendations to the Chinese government on the elements of a new decision-making system to be used in the formulation of the Tenth Five-Year Plan. The preparation of the Plan is under the leadership of SDPC and the intensive phase of its formulation began in the second half of 1999, with the Plan coming into operation in January 2001.

42. The International Review Meeting was held in Beijing on 29th and 30th July 1999 with strong participation on both sides. The Chinese side presented a draft of the Major Study prepared under the Programme with its related analytical elements, entitled: “General Report on a Comprehensive Decision-making Mechanism for Economic Planning and Environmental Protection in China”, which can be found in Annex 3. The international participants expressed their appreciation of the wide coverage and frank nature of the report and made a number of comments and suggestions.

43. The Chinese side also presented the results of the four case studies, which were very thorough and indicated a strong interest at municipal level to use economic instruments to promote environmental protection and a commitment to solve and prevent environmental problems. A Summary Report of this meeting is available, as well as the case studies prepared by the 4 selected areas.

**International Meeting on Energy Technology and Finance for Sustainable Development in China, 26 and 27 July, 1999**

44. The development of the energy sector in China is central to the impact of China’s economic growth on the environment, both within China and for the world as a whole. For this reason, particular importance was attached to the analysis of the integration of economic and environmental aspects of energy sector development within the Programme. A major international meeting was convened, also in July 1999, so that the conclusions and recommendations could be taken into account in formulating the objectives and strategies of the Tenth Five-Year Plan. The Energy Research Institute of SDPC, key proponents of energy policy in China, played a crucial role in the substantive preparation and the organisation of this meeting.

45. Around 55 key Chinese planners, experts and decision makers met with some 40 prominent international officials, experts and business leaders for intensive discussion of key aspects of China’s energy strategy. Chinese presentations, again unique in their frankness, outlined current strategy and its environmental consequences and the environmental impacts of energy production, transportation and utilisation. An environmentally sound financing strategy and conditions for foreign investment for the development of China’s energy sector were then considered, leading to proposals for building capacity for comprehensive policy-making for energy investment in an environmentally responsible manner.
The recommendations and proposals of both the Chinese and international participants are contained in the Summary Report of the meeting. A Report on the conclusions of both these meetings was made to the China Council at its Session in November 1999. The Chairman's Summary is contained in Annex 2 and the list of recommendations in Annex 4.

The conservation and long-term development of forestry resources in China

47. The forests of China provide enormous direct and indirect benefits to the Chinese people. Studies by the Biodiversity Working Group and the Environmental Economics Working Group of the China Council have demonstrated that the economic contribution of forests to the national economy far outweighs their value as timber alone. The 1998 floods in China and the role of forest cover in relation to watershed management has made the issue of forest conservation and development a strong priority of the Chinese Government. But with an ambitious plan to double forest cover in China, Claude Martin, Director General of WWF International pointed out at the 1999 China Council Meeting, that there are significant risks for biodiversity. For these reasons, one of the priority sectoral issues to be analysed in the Programme was “the conservation and long-term development of forest resources in China,” an issue which precisely demonstrates the need for a clear strategy and for institutional change to reconcile the economic and environmental aspects of forestry policy.

48. A considerable effort was therefore made during 1998 and in early 1999, to define a constructive approach in this complex and difficult area, drawing on the expertise of a number of collaborating organisations, in particular, WWF and IUCN which contributed their substantive expertise, WBCSD, FAO, ADB the World Bank and the relevant working groups of the China Council. As a result, an Agenda was developed and approved by SDPC for a high-level meeting to initiate follow-up activities on strategic and institutional issues, and to prepare recommendations to the Chinese government. The agenda is contained in Annex 8.

49. Among the interesting and important strategic issues on the Agenda were:
   • evaluating and controlling the impact of policies and trends in other sectors on forest resources;
   • the linkage between China’s policies for forest conservation and international trade in forest products;
   • lessons to be learned from natural disasters in China and elsewhere for the conservation and long-term development of forests;
   • the elements of a coherent strategy for the sustainable development of forests; defining an effective institutional structure and decision making process to implement a coherent strategy; and,
   • financing a strategy for the sustainable development of forests in China.

50. However, in May 1999, a major financial contribution which had been anticipated was cancelled due to the urgent need to redirect it towards support the Kosovo refugees. In these circumstances, Mr. Liu Jiang, Chairman of the Programme, decided that the meeting on forestry issues which had been fully prepared, should be postponed so that the available resources could be devoted to the two meetings with immediate relevance to the Tenth Five-Year Plan, already scheduled for July, on Energy Finance and Technology and on the Integrated Decision-making Process.

51. Unfortunately, in spite of extensive discussions, resources had not become available to convene the planned meeting under the Programme within the time available. Dr. Claude Martin, President of the Association and Director General of WWF International has been
active in discussions with the World Bank to address some of the concerns regarding forest policy and the National Forest Conservation Programme in China to address some of the elements that were contained in the agenda developed by the forest programmes of IUCN and WWF. Some of the themes included alternative livelihoods for those affected by the logging ban and looking at plantation management and biodiversity issues in reforestation. Additionally the China Council established a Task Force on Forests and Grasslands, which held its first meeting in July 2000 and the WWF China Representative is a member of both this Task Force and the Biodiversity Working Group of the China Council. The stage is therefore set for a comprehensive initiative on forests in China, involving expertise from a variety of sources.

**International Meeting on Government and Business Strategies for the Development of Environmental Industries in China, 15-17 May 2000**

52. The concluding event of the Programme was the meeting on environmental industries in May 2000, which brought together Chinese officials and environmental experts with representatives from multinational corporations, international financial institutions and NGOs totaling almost 130 experts. The State Environmental Protection Administration and the China Association of Environmental Protection Industry (CAEPI) were the chief Chinese organisers of the meeting. It is clear that, in order to achieve a sound balance between economic growth and environmental protection, China must develop modern, competitive environmental industries to provide the environmental hardware, technologies and services needed on a vast scale. The development of such industries can best be achieved through enhanced national efforts coupled with systematic international co-operation, particularly with the world business community which can provide the technologies and know-how required.

53. In this perspective, the Chinese government has introduced the sector of environmental industries as a specific focus in the Tenth Five-Year Plan. The main purpose of the meeting was to provide an opportunity for Chinese officials and experts to outline the strategies envisaged to promote the development of environmental industries on a sound demand-led basis and to obtain the advice and insights from other countries and from business leaders. The comments and proposals arising from the meeting have been presented to the Chinese government as a contribution to framing the strategies for the development of environmental industries in the Tenth Five-Year Plan. The Executive Summary of the Summary Report of the Meeting is found in Annex 7.

54. The meeting also sought to increase the interaction between the international business community, the Chinese business community and the officials responsible for environmental policy and programmes. International contributions indicated how China could define a strategy to improve the environmental performance of its industries and encourage the flows of overseas investment, technology and know-how.

55. A Summary Report of the meeting is available which includes recommendations distilled from the presentations and also submitted directly by participants, then finalised after intensive discussions. The recommendations are contained in Annex 6. The insights and recommendations from the meeting will be presented to the China Council at its session to be held at the end of October 2000. One of the main recommendations of the meeting was the possible establishment of a Business Council for Sustainable Development in China, which will promote the exchange of best practices and facilitate the adoption of more eco-friendly production processes and management methods.
56. The World Business Council for Sustainable Development, under the leadership of its President, Björn Stigson, played a key role in preparing this highly successful meeting and in raising the necessary funds, of which a significant part was contributed by Member corporations of WBCSD. On the Chinese side the counterpart institution for this topic was the State Environment Protection Administration, which took responsibility for the substantive content and organisation on the Chinese side and a number of leaders of Chinese enterprises attended including the Chinese member of WBCSD, SINOPEC. The meeting was productive, bringing together officials and experts, as well as business leaders from both the Chinese and international sides, to look not only at technology and end-of-pipe solutions, but also at important issues like the financial, legal and normative frameworks, as well as the overall strategic planning to promote environmental industries and best practice. Additionally in this context a number of international presentations demonstrated the benefits of private-public partnerships.

57. One of the main recommendations was to establish a Chinese Business Council for Sustainable Development, to provide a forum for government officials and business leaders to address environmental issues. The Brazilian Business Council for Sustainable Development hosted a Chinese Delegation from the Chinese Enterprise Confederation in Brazil after the meeting, so the Chinese have had an opportunity to see the operations of a National Business Council firsthand. A delegate from the Brazilian Business Council for Sustainable Development made a presentation at the meeting, as well as the Programme Manager of the Regional Network, to demonstrate the benefits of a National Business Council for Sustainable Development. Shortly after the meeting negotiations were started for the establishment of a Chinese Business Council with the Chinese Enterprise Confederation and WBCSD and the launch of the Chinese BCSD will take place November 1, 2000.

Concluding Conference

58. By undertaking this Programme, focusing on practical issues of the integration of economic policy and environmental protection, China has broken new ground and developed constructive approaches through thorough research, sustained internal consultations and international dialogue. The knowledge and experience acquired should now be consolidated, disseminated within China and made available to other countries which are confronted by similar problems but have not yet made progress in resolving them. For these reasons, and after consultations with the Chinese authorities in 1999, a proposal was developed for the convening of a concluding conference with four objectives:
  - to consolidate and integrate the varied results of the Programme into a coherent form;
  - to draw conclusions for the priorities and strategies of the Tenth Five-year plan;
  - to promote the dissemination of the results and the new decision-making approaches to provinces, municipalities and local authorities throughout China; and
  - to convey the conclusions and ideas to other countries.

58. The European Commission generously committed a financial grant of Euro 194,000 to support the convening of this conference and the definition of follow up activities. However, this grant has not been taken up for two reasons. First, it has not been possible to obtain the counterpart funding required, and second, SDPC is currently committed to the final stages of preparation of the Tenth Five-Year Plan and has indicated that it is not in a position to take on the responsibility for the preparation of the proposed conference. For these reasons, the funds have been declined.

II.2. Opportunities for follow-up Activities
The Programme has made a considerable number of specific recommendations, which have already been presented through various channels to the Chinese government. The recommendations arising from each international meeting and from the Chinese reports and presentations are set out in each of the relevant Summary Reports. This Section is intended to draw attention to a few major proposals to demonstrate the value and potential of the work undertaken within the framework of the Programme.

1. **The integration of economic and environmental policy making and the adaptation of administrative structures to achieve sustainable development in the framework of a market economy.**

2. **Energy and climate change**

The extensive research and consultation undertaken through the Programme have identified a number of important issues where international experience is of immediate relevance to China. Some of these, identified at the International Review Meeting in July 1999, are for example:

- the use of financial and other incentives and targets to guide the economy towards sustainable development.
- the development of a simple but useful system of indicators to provide sound monitoring of progress towards sustainable development.
- the establishment of a Policy Office – or other institutional innovations within the Chinese government – to encourage the proper co-ordination of economic and environmental policies on a continuing basis.
- the design and implantation of financial mechanisms to channel resources effectively into energy and environmental investments.
- the development of explicit and coherent macro-economic policies to ensure that the next phase of Chinese economic growth is oriented towards less energy intensive and environmentally damaging activities, as was achieved in several European countries and Japan from the 1950’s onwards.

Two main issues were specifically identified by the Chinese in July 1999 at the conference on Energy, Finance and Technology for Sustainable Development in China as the focus for increased international co-operation:

- The development of a coherent, longer term strategy for the sustainable development of the energy sector in China, properly linked to macro-economic, investment and reform policies, and to social, demographic, financial, technological and environmental considerations etc.
- The strengthening of the capacity of China, at different levels in the State, to develop and implement integrated policies in which, environmental considerations can be optimally combined with economic, energy, financial, technological and social policies. This implies a range of activities, including training, the creation of
institutions with the capacity to manage new approaches and new policy processes as well as the development of databases, indicators and the development and alignment of research capacities.

63. Co-operation and exchange of experience on these two issues – drawing up a sustainable energy strategy and building up China’s capacity to formulate and implement integrated policies – would be certain to make a major contribution to reducing the environmental consequences – both locally and globally - of the rapid growth of the Chinese economy.

64. The Chinese have also expressed an interest in international advice and co-operation on other important issues, specifically citing:

- the restructuring of the national energy sector to encourage the effective role of market forces in resource allocation, demand and supply. (Similar issues have been identified in relation to forests and water management.)
- preparation for new financial instruments, such as the Clean Development Mechanism under the Kyoto Protocol assuming eventual ratification of the Protocol). Considerable efforts will be needed in training, modelling, data and indicator development, standard setting and analysis to lay a sound basis for the implementation of CDM projects.

3. Co-operation in the development of environmental industries in China

65. China will require environmentally beneficial technologies, processes, products and services on a vast scale if the environmental and energy efficiency of the Chinese economy is to be substantially improved in practice. The international meeting demonstrated that there is substantial interest in the business community in co-operating with China in the sector of environmental industries to mutual benefit. Co-operation in this sector – which has for the first time been identified as a sector to be promoted in the Tenth Five Year Plan – would cover a wide range of activities on a substantial scale. The prospect of China’s membership of the WTO opens up further important possibilities for co-operation and exchanges of experience. Many specific proposals emerged from the meeting, among which were:

- A strategic programme should be implemented to enhance the capacity of Chinese industry to develop and produce environmental technologies best suited to Chinese circumstances and to increase the local content of technological approaches that are applied in China, in collaboration with the international business community. Multilateral, intergovernmental and non-governmental organisations, together with bilateral co-operation institutions, research centres and universities can all be expected to contribute significantly to China’s efforts to develop and implement such a strategy.
- The Chinese government should engage in dialogue with industrialised countries to establish how to encourage the transfer of technology, in the mutual interest. Policies to encourage the flow of investment, technology and skills into China should be reviewed, and any tariffs on the import of environmental and energy-saving technologies should be eliminated.
- A specific programme should be developed to promote collaboration between Chinese and international corporations and organisations for training in specific areas, so that China can acquire the necessary skills in marketing, management, design, production,
insurance and finance etc., which would underpin the growth of the environmental industry sector. This key programme could be developed and guided by such organisations as CCICED (China Council), SEPA and WBCSD.

- The sound development of environmental industries in China will depend on close cooperation between the government and enterprises – both Chinese and international – through a variety of channels. The practical experience of enterprises is critical to the design of sound policies. The establishment of a China Business Council for Sustainable Development should be explored, as a means of improving the flow of knowledge and technology, the acquisition of best practice and skills and to facilitate the links between China and the international business community to improve environmental performance.

- The Chinese side suggested cooperation in a number of broader policy areas, such as: the design of financial and legal instruments and incentives, the exchange of experience on financing mechanisms, the establishment of standards and the role of advertising and marketing to stimulate the development of a market for environmental products.

- The Chinese side also made specific proposals for co-operation under five headings: (i) Specific suggestions for the Tenth Five-Year Plan and for the long-term targets to 2015 for environmental industries; (ii) Policies and mechanisms to promote the market-based development of China’s environmental industries; (iii) Investment mechanisms for environmental industries best suited to the market economy system; (iv) Survey and analysis of China’s market for environmental products and services; and, 
  (v) Joint research on “The Implications of China’s Accession to WTO for the Development of Environmental Industries.”

66. In this key area of mutual interest, the Programme has demonstrated that international cooperation will play an essential role in the transfer of the varied policy experience of other countries to China, in promoting practical projects of co-operation in investment, research and training and in developing links between public policy makers, the business community and other members of civil society.

4. The conservation of forests and biodiversity

67. At the meeting of the China Council with Premier Zhu Rongji in 1999, the Premier emphasised at length the fundamental importance of forests to China. The serious flooding in recent years has underlined the urgency of taking effective action to renew and conserve forests. Also, the continuing growth of China’s economy will put increasing stress on China’s forests and also on forests throughout the world as China’s demand for timber increases: this is already emerging as a major issue.

68. In spite of increased efforts, China’s rich biodiversity is under threat, as is that of China’s neighbours due to Chinese demand for both timber products and non-timber forest products. Forests play a vital role in the preservation of biodiversity, as they provide the habitat for many of China's unique species, but population pressure and a combination of rising consumption patterns in the wealthier coastal areas and poverty in the inland areas and around the protected areas and biosphere reserves mean that even protected species are threatened. Habitat loss is a major factor, as well as poaching and illegal trade, despite stiff penalties.
Many international institutions are deeply concerned and are seeking ways to assist the Chinese authorities in the development of sound long-term programmes to increase forest cover, to preserve biodiversity, to create alternative livelihoods compatible with the conservation of forests, and to supply the growing demand for forest products from plantations. With the establishment of the Task Force on Forestry and Grasslands, the China Council will be strengthening its role in assisting China with policy development, institutional reform, investment and technology transfer to ensure the sustainable exploitation of forests and the preservation of biodiversity. IUCN also has co-operation through its Commissions in particular the Species Survival Commission (SSC), the World Commission on Protected Areas (WCPA), the Commission on Communications and Education (CEC) and the Commission on Environmental Law (CEL). Established in 1980, the WWF China Programme opened an office in Beijing in 1996. WWF China provides support to field demonstration projects, policy research and advocacy and capacity building.

Although the Programme was unable to implement the forestry component due to financial constraints, it has helped open up a number of major strategic issues at the level of national and regional policy for the conservation and development of forests. At the Review meeting, the Chair of the IUCN Commission on Environmental Law made a presentation and there was a presentation at the Environmental Industries Meeting on Timber Imports by the Director of a Regional FAO Programme. The IUCN Regional Programme Co-ordinator on Environmental Impact Assessment also attended the meeting and developed some follow-up project proposals, which are presently under consideration by the IUCN Asian Regional Directorate. As previously mentioned the WWF China Representative has been active on the Biodiversity Working Group and Task Force on Forestry and Grassland of the China Council. There is an important opportunity to move ahead on the important issue of strategy for the conservation and long-term development of China’s forest resources.

II.3 Conclusions

Launched effectively in 1997, the Programme on Economic Planning and Environmental Protection has largely achieved its primary objectives over the past three years. The procedures utilised by the Chinese government in formulating the Tenth Five-Year Plan have taken serious account of environmental considerations. Increased attention is now focused on the need for better integration of economic, investment, social and environmental policies, particularly in regard to energy strategy, forest conservation and also water resources. The sector of environmental industries – in a broad definition – has been explicitly included for promotion under the Tenth Five-Year Plan.

The Programme has focused on the procedural and institutional aspects of government policies and has made a large number of specific proposals towards a more integrated decision making system not only at the level of central government but also at other levels in the State. It has also identified the importance of effective and sustained co-operation between government and the business community as the role of market-oriented enterprises in the economy increases.

The Programme has demonstrated the commitment of the Chinese leadership to facing the practical problems of achieving a better integration of economic and environmental policies, so that China can gradually move towards sustainable development. This has been done with remarkable openness to international experience and advice.
74. The Programme has helped to define and to advance a major area of mutual interest between China and the international community where there are many opportunities for enhanced co-operation. And, as a result of the international activities, a substantial network of experts, officials and business leaders has emerged, both within China and at the international level with a deeper understanding of the issues and opportunities involved.

75. Co-operation at a high policy level between China and other countries on such strategic policy issues as those outlined above would bring enormous benefits to both sides through improved mutual confidence and understanding at relatively little cost. This can be expected to greatly improve the prospects for the sustained and sustainable development of China. The China Council demonstrates the openness of the leadership to international dialogue and their willingness to take action in consequence.

76. Through the sustained support of the European Union and the other donors, the Programme has been able to open up and develop an important area for enhanced co-operation between China and the world community with the potential to reduce the impact of China’s rapid and sustained economic growth on the global environment. It is regrettable that the continuing lack of international support prevented the Programme from taking advantage of many exciting opportunities. Now that the Programme is concluded, it is hoped that many partners, will capitalise on the progress that has been made under this Programme and support China’s determined efforts to integrate economic planning and environmental protection.