

## **ACSF Topical Lunch Summary**

### **China's Environmental Policies: Can They Lead to Sustainable Development?**

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After three decades of double-digit per annum economic growth, China is now the world's largest trading nation and its largest manufacturing economy. A major guiding force behind this impressive growth is China's industrial policies, ranging from direct subsidies to indirect monetary policies. In the meantime, China is paying a tremendous environmental cost for this growth record. Recent official reports and academic studies find that 20% of the country's farmland, 16% of its soil, and an estimated 60% of its groundwater are polluted, less than 1% of its 500 largest cities meet the WHO's air quality standards, and the health cost of air pollution amounts to 5% of GDP.

China has put in place several national-level environmental policies, which include control zones for acid rain and SO<sub>2</sub> (in place since 1998), pollution taxes (in place since 2003), and various policies enacted during the 2006-2010 Five-Year Plan (e.g., closure of dirty establishments).

The objective of this lunch meeting is to have a discussion of how effective China's environmental policies are and what kind of policies are more likely to lead to sustainable development. In particular, how are the environmental policies implemented? How do they interact with other policies, most crucially industrial policy, in shaping firm behavior and protecting the environment?

Topics include:

China's environmental challenges (air, water, soil, etc)

China's major environmental policies (history, major progress in the past couple of decades, current status, limitations in existing policies and gaps in environmental protection between China and developed countries)

Governments' conflicting objectives (growth-oriented policies often at odds with environmental policies)

Environmental protection and economic growth (is there a tradeoff between economic growth and environmental quality; how do we measure benefits of environmental protection; leakage issues in environmental regulation; different approaches to regulation: command-and-control vs. market-based solutions)

There is a brief discussion at the end of the topical lunch on reaching out to non-academic institutions. We are planning to visit Chinese Academy Science in the fall of 2016 or spring 2017 and present research findings to policies maker in the central government.