

operate their pollution control equipment. In Shenyang, for example, there have been reports that firms routinely pay a RMB300,000 a year fine for polluting, rather than install and operate new pollution abatement equipment. Another problem is that part of the fees collected by local environmental agencies goes into their budget, thus creating an incentive to tolerate pollution to maintain the budget. With these problems and with an eye to reform, in June 1994 the NEPA began a two-year study of the pollution levy system.⁸³

Most environmental protection policy is implemented at the subnational level. Unfortunately, under the current system in many situations the government is both the principal polluter and the environmental manager/regulator. As a result, it is often difficult for regulators to carry out objective reviews or assessments of the actions of state entities, or to take contrary positions. It has also been reported that Chinese environmental officials place a high priority on the large-scale polluter, which are often large state-run enterprises. Lack of staff and resources hinder action on smaller enterprises, which may use older, less environmentally sound equipment and often lack pollution control equipment.⁸⁴ In practice, China does not have a strong, consistent and effective environmental enforcement agency.⁸⁵

5.7 Political Succession and Stability

The future political path of China is unclear. For many westerners, the political disintegration of the USSR and the collapse of communist regimes in Eastern Europe have raised the spectre of when, not if, a similar upheaval would end Communist Party rule in China. This is an overly simplistic scenario, although the decline or rethinking of traditional socialism, increased political pluralism and liberalization, and

⁸³Robert Livernash, "The Future of Populous Economies: China and India Shape Their Destinies", *Environment*, Vol., 37, Number 6, July/August 1995, p.26.

⁸⁴*Ibid.*, p.26.

⁸⁵A short story illustrates the vagaries of environmental enforcement in China. When residents near a large American-Chinese joint venture, a building materials manufacturing plant, complained of noise levels exceeding set standards, the firm not only paid the requisite fines, but followed the environment officials' suggestion to hire the bureau's consulting firm to help build a sound barrier. A year later, when the environment officials declared that the barrier was ineffective, the firm once again employed the consulting firm to help find a solution. Throughout the period, a steel-rolling factory located beside the building materials plant "spewed out so much smoke that it left a thick layer of black dust" on the joint venture's general manager's desk. Source: "Green Rules", *China Trade Report*, December 1995, p.5.