



Map of China's Central Environmental Inspections.

-  1st Round: 12 July–19 August 2016.
-  2nd Round: 24 November–30 December 2016.
-  3rd Round: 24 April–28 May 2017.
-  4th Round: 7 August–10 September 2017.

China's Environmental Crackdown

The Case of Chengdu

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The recent Party Congress has seen an outpouring of support for strengthening environmental protections. This has come amid an intensified environmental crackdown that has seen surprise inspections of mostly smaller and older factories across the country. While these activities have received some attention in the Chinese media, at present very few reports can be found in English. To fill this gap, this essay explores the implications of the campaign for workers and business in Chengdu.

The Nineteenth Congress of the Chinese Communist Party (CCP) has seen an outpouring of support for strengthening environmental protections—a theme which was central to Xi Jinping's opening speech (Huangping Aihaozhe Wang 2017). This event comes amid an intensified

environmental crackdown across the country. Beginning in July, drawing on the vivid metaphor of ‘cutting with a single knife’ (*yi dao qie*), the Ministry of Environmental Protection (MEP) began a surprise round of environmental inspections of factories in the Jing-Jin-Ji region, the area that encompasses Beijing, Tianjin, and Hebei province. The focus was primarily on smaller and older factories, which are recurring violators of environmental regulations. These inspections quickly expanded to all the provinces, with the MEP publishing notices in the People’s Daily explaining that this protracted period of strict observation will become the ‘new normal’ (Liu 2017). While these activities have received some attention in the Chinese media, at present very few reports can be found in English (Schmitz 2017). In this essay we focus on the implications of this latest campaign in Chengdu. However, it is clear that this is a nationwide shift in policy implementation with implications for all of Chinese society.

A Play in Four Acts

While the past three months have seen the implementation of stricter controls, a four-stage series of routine environmental investigations began in July 2016 (Gan 2017). The real crackdown began during the third-stage, with an especially damning report of Tianjin officials on 29 July 2017 (Zhuang 2017). The critique of the typically powerful Tianjin officials resulted in an unprecedented number of follow-up environmental inspections orchestrated by local Environmental Protection Bureaus across the country. As a consequence, an increased number of factory closures occurred in provinces that had been visited by the central inspection teams over the previous months. These recent closures have already begun to impact China’s export business (Knowler 2017). On 13 September,

while one of us was interviewing a logistics manager for a vehicle manufacturer in the United States, the manager asked us for information about the recent factory closures in China. He had received multiple emails from suppliers in China explaining that deliveries would be delayed and prices would be increased due to the environmental inspections. Additionally, suppliers in China informed the manager that these price hikes would be permanent, as the environmental policies now in place were intended to be enforced indefinitely. Similar reports have been published on cargo shipping blogs (Vineyard 2017). Bloomberg has also recently noted that with thousands of factories suddenly closing there will be major logistical disruptions as the peak consumerist period in the US and Europe arrives before Christmas (Standaert 2017). However, as of yet very little information about what is actually happening on the ground in China has been reported.

Since we have both conducted research in Chengdu, we will draw from recent concrete examples found in that city. As we will show below, some factories were closed even before the completion of the fourth and final stage of the central environmental inspections, which began on 7 August 2017 and included Sichuan, with a heavy focus on Chengdu (Zhang and Gu 2017). The local authorities issued an urgent call for all government agencies to collaborate with the inspectors, but insisted that factories were not to be shut down without proof that the law had been broken (Shi 2017). Any violators were to be fined heavily and potentially forced to close. In total, the inspection team ended up disciplining 1,023 officials. According to one of our informants within the Sichuan Environmental Protection Bureau, there is a great deal of fatigue within the various local environmental protection agencies. This is due to the fact that these offices are forced to continually implement follow-up inspections with the same number of people

and same limited resources that they had before the central inspection teams arrived. Regardless of this, as of the time of writing, the local inspections continue with no apparent end in sight.

Naturally, the business community has greeted this pressure with mixed feelings. This was evident in the circulation of many fake news reports of damages to China's economy due to the delays and price increases caused by the inspection teams. One informant who spread such information admitted the inspections had no impact on their own business, but simply felt it was important to support other business owners in China by reposting calls for the removal of the strict policies. There have also been false reports that the MEP reversed these policies in response to the outcry from business owners. One report—which is not available online any longer—construed the purpose of an MEP press conference to claim that the central authorities had never required local governments to use a 'cutting with a single knife' style in the implementation of the new policies and that factories could now return to normal operation. In fact, the conference made no mention of allowing factories to restart operations, but stressed that the crackdown would not tolerate the closure of entire economic sectors without proper evidence. As mentioned above, from the very beginning the provincial authorities in Sichuan province issued a warning to inspectors not to close factories without proof of a law violation. When the business community started complaining about 'unfair' practices during the inspections, *China Environmental News* sent a reporter to provide in-depth coverage of the impact of the policies on different industries (Huo 2017). The reporter claimed that not all factories or businesses of a given industry or service were being closed, but rather that environmental bureaus in Chengdu were specifically going after those companies that were in violation of the law. However, none

of this reporting has paid any attention to the impact of the crackdown on the workers within the factories or businesses that have been closed.

Evidence from the Footwear Industry

To gain a better understanding of the impact these environmental inspections have had on local businesses and workers, we will now take a closer look at Chengdu's footwear industry. The local footwear sector experienced a period of successful economic development in the first decade of the 2000s. Industrial relocation from China's coastal provinces and a large, relatively cheap, skilled workforce have enabled Chengdu—together with Chongqing—to become the fourth largest footwear production base in China, behind the traditional and primary production centres in Zhejiang, Guangdong, and Fujian provinces. Footwear companies in Chengdu focus on the production of medium to low-end quality women's leather shoes. In particular, the industry cluster in Wuhou district has been officially labelled 'China's Capital of Women's Shoes' (*zhongguo nüxie zhi du*). The structure of the industry—consisting mainly of small and medium enterprises, and many unregulated or unregistered workshops—as well as its proximity to the city centre, has unsurprisingly made this footwear cluster a major target for environmental inspections.

According to official media reports, by 30 June 2017, 7,600 'scattered, polluting enterprises' (*sanluanwu qiye*) in Chengdu had been 'temporarily' closed because of environmental inspections (Zou 2017). By the end of October 2017, this number should reach a total of 9,400 firms. While we do not have access to independently verifiable figures with regards to the footwear industry, several online accounts point to a massive wave of closures. By mid-August,

more than 90 percent of the estimated 3,000 footwear companies in Chengdu's Wuhou and Shuangliu districts had been ordered to halt production. In addition, the few remaining firms that had been allowed to stay in business were confronted with difficulties in doing so, as most of their supplier factories were also affected by production stoppages.

It is important to note that 'temporary' closures of footwear firms are in line with environmental policy, but also with broader urban planning objectives and local industrial development strategies. Since 2007, with the adoption of the so-called 'one capital, two parks' (*yi du liang yuan*) guideline, it has been official policy to focus on the establishment of an R&D base as well as a trade, information, and service center for the footwear industry in Wuhou District (Huang and Hu 2008). Manufacturing facilities were encouraged to undergo industrial upgrading and/or to relocate to footwear industry parks in the peri-urban counties of Chongzhou and Jintang. This policy of upgrading and relocating has since then intensified with the establishment of industrial parks in rural parts of Sichuan province (for example, Anyue, Lezhi, and Santai) and the urban planning objective of transforming Wuhou District into a development hub for creative industries (Wuhou District Media Office 2017). Seen from this perspective, the recent rounds of environmental inspections highly increased the pressure on business owners who have, thus far, been reluctant to either invest in upgrading, or to move further away from Chengdu. This pressure weighs more heavily now that even the MEP has explicitly linked the environmental inspections to the broader national objective of industrial upgrading (Xiakedao 2017).



'Stand firm! Shoe factories, we are with you'. This picture was circulated during the environmental crackdown by the footwear supplier company and B2B platform Zhao Mi Dou, which is operating in Chengdu.

Collective Resistance

Confronted with forced production halts, business owners have organised themselves under the guidance of the so-called 'Chengdu Footwear Business Association' (*chengdu xieye tongye gonghui*), a platform for local footwear producers and suppliers established in 1998. The Business Association undertook an investigation across the local industry, and on 21 August sent a detailed report to the municipal authorities urging them to pay attention to the extent of the closures, the number of workers driven into unemployment, and the economic losses generated by the environmental inspections (Operational Centre of the Capital of Women's Shoes 2017a). Over the

感谢政府的努力，以环保之名，化工厂停了，塑料厂停了，砖瓦厂停了，沙石场停了，铸造厂停了，楼也停了，矿也停了，木板厂也停了，养殖业也停了，各种货物价也涨了，货源还断了，货车也停了，工人也都停工了，做生意的也快关门了，今年成立乡里的空气质量达到了可食用级别了，大家可以放心喝西北风了！被点赞转发下去。

A frequently shared comment found in WeChat groups discussing recent factory closures.

Translation: Thanks to the hard work of the government, in the name of environmental protection, chemical plants, plastic factories, brick factories, gravel pits, steel foundries, construction sites, mines, lumber yards, and the livestock industry have all been shut down. The price of all kinds of goods have increased, sources of goods have dried up, trucks have stopped deliveries, workers have all been laid off, even business owners are about to close shop. This year's air quality in the city and the countryside has reached a 'safe to eat' level of cleanliness so everyone can relax and 'drink up' that Northwest Wind! If you like this, share it.

following weeks, several meetings between business and government representatives took place (Chengdu Footwear Business Association 2017a). While acknowledging the unavoidability of large-scale relocations out of Wuhou and Shuangliu districts, the Business Association demanded more time to prepare for the relocations and was granted permission to resume production in the meantime (Chengdu Footwear Business Association 2017b; Operational Centre of the Capital of Women's Shoes 2017b). Arguably, one of the most interesting aspects of this collective effort by business owners was how they tried to advance their position by pointing to the danger of social instability. In another report delivered on 21 August, the Business Association warned that the current situation of tens of thousands of unemployed shoe factory workers might lead to 'mass incidents' (*qunti shijian*) (Operational Centre of the Capital of Women's Shoes 2017a).

In fact, collective protests by workers pushed into unemployment due to recent environmental inspections have been documented in Tianjin, as well as Shandong, Hunan, and Hebei provinces (Zhang 2017). However, similar public protests could not be verified in Chengdu's footwear industry. Since the beginning of August, workers

in several factories where we conducted research started to express their anger at the closure of their workplaces and the ensuing uncertainty they faced. One way of expressing their frustration was to share videos of protests by unemployed workers elsewhere. They would also share unverified accounts and rumours about physical clashes between inspection teams and workers in the area. The most widespread form of articulating dissent on social media was to write and share cynical comments and poems (See the example above) directly criticising central state policy and the 'specialists' sent to enforce environmental protection at the expense of the livelihood of the workers.

Besides expressing their frustration on social media, the immediate reaction of many shoe factory workers was to go back to their rural homes and wait there until work in Chengdu could be taken up again. Many are rural migrant workers who can easily reach their villages within hours. This has been a common strategy for local shoe production workers in recent years when there is no work available due to reduced production orders. Towards the end of August, as it became clear that most of the small- and medium-sized factories in Wuhou district would not resume production, an increasing number of

workers began to move on to new footwear industrial parks further way from Chengdu. Whether these relocation processes succeed remains to be seen. Fieldwork conducted prior to the environmental crackdown suggested that the majority of rural migrant workers employed in the footwear industry were determined to stay in the urban area, while the younger generation (under the age of thirty) is particularly reluctant to take up these precarious factory jobs.

It should also be stressed, however, that the local government(s) in Chengdu deployed a broad range of measures to ease tensions and aid unemployed workers. According to official media reports (Zou 2017a), by the first week of August, the municipal authorities had already organised forty-nine job fairs in the districts that were most severely affected by company closures and successfully provided six thousand new job opportunities. In addition to job fairs, a special government hotline that promised to help workers find re-employment within forty-eight hours was set up. Finally, every company that agreed to employ workers affected by the recent closures has been promised subsidies of five thousand yuan per job/year over a period of three years, with the government paying the employer's share of social security contributions for the newly employed workforce.

Beyond Formalism

The recent environmental crackdown will likely have real, long-term consequences for both China's business owners and workers. While it may take some time to know for sure, we do not expect that factories will be allowed to return to business-as-usual once they restart production or move to a new peri-urban location. Reports that were issued during the central inspections in Sichuan show that while Chengdu was the initial focus of the crackdown, ultimately

the whole province was strictly scrutinised (Sichuan Provincial Government 2017). The Sichuan Provincial MEP continues to collect complaints from the public and strictly enforce the law by punishing violators with fines and litigation. Moreover, all of these activities are continuously being updated online with a remarkable degree of transparency, including what appear to be full formal complaints made to local MEPs across the province, along with explanations of how the agencies have responded. Against this background, available media reports suggest that environmental inspections (including factory closures) have also taken place in the more recently established footwear industry parks (Sun and Zhu 2017). This is also referred to by a representative of the new industry park in Anyue who was quoted in the *Sichuan Daily* as saying: 'In the admission process [of firms intending to relocate to the park], we are also demanding that company owners upgrade with regard to production and environmental protection' (Jiang and Shi 2017).

In other words, this does not appear to be an example of local officials engaging in 'formalism' by requiring factories to close while investigators from the central government are in town. Instead, the local government appears to recognise that environmental closures are tied to larger calls for upgrading manufacturing systems and reforming economic production. While it will undoubtedly not be a perfect transition, the state is clearly attempting to pair re-employment services with strict enforcement of environmental regulations. Perhaps this is a prelude to the kind of governing strategies to expect from both the central and local governments now that the Nineteenth Congress of the CCP has concluded. In the near term, we will all need to pay closer attention to this intersection between environmental protection and industrial transformation.

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