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From the Los Angeles Times

REGULATION

China relaxes business regulations

Environmental, copyright and labor advocates bristle at the looser rules meant to help companies through the economic downturn.

By Don Lee

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Reporting from Shanghai — During hard economic times, American businesses often implore government to ease up on regulations to help them survive. In China, officials are more than happy to oblige.

Need an environmental impact review for your project? No sweat. Compliant regulators are delivering them in as little as three days. And for Chinese law enforcement cracking down on company bosses, the message from higher-ups is clear: Lighten up.

In recent months, government bodies in various places have issued notices or policies calling for authorities to adopt more flexible and soft measures "to help enterprises pass the winter," as one such edict put it.

The business-friendlier approach is ostensibly aimed at growing the economy, preserving jobs and social stability. Thousands of Chinese factories have closed in the last year, putting millions of migrant workers on the streets.

But the vaguely worded orders have drawn fire from some lawyers and rights groups, who fear they will foster a more permissive climate and lead to a rollback of hard-won gains in protecting workers, the environment and intellectual property. Pinched budgets already have taken a toll on private parties that fight piracy and pollution.

"It gives too much freedom for local authorities to interpret the policy, which is not a good thing," said Liu Kaiming, director of the Institute of Contemporary Observation at Migrant Workers Community College in Shenzhen. "I mean, I don't know what kind of small crimes or illegal things would be let go. Is it tax evasion, labor rights, pollution?"

The Industry and Commerce Administration of Zhejiang province, an important economic region south of Shanghai, earlier this year released what local media called the "three noes" policy. Two of the noes have to do with minor licensing and registration issues. The third one, though, states that there should be no punishment for businesspeople who make "common violations that don't directly cause harmful consequences." Instead they should be given suggestions and admonitions to correct their errant behavior, officials said.

In China's southeast industrial hub of Guangdong province, where numerous exporters have shut down factories during the global downturn, the government cautioned investigators about detaining or taking other action against entrepreneurs or key company managers that could disrupt business. Even if authorities have gathered all the evidence, action may be delayed until the manager has finished conducting business.

"In circumstances of minor crimes, it could be postponed at discretion," said the notice, which was issued shortly after the national Ministry of Public Security told economic crime inspectors not to use a heavy hand on high-level managers.

At least five provinces, including Guangdong, Sichuan and Liaoning, say on their websites that government regulators should increase their work efficiency and accelerate the environmental impact review of large projects.

"We should put serving a stable and fast economic development as priority of our environmental protection work," said Wu Xiaoqing, vice minister of the central government's Ministry of Environmental Protection, in remarks posted on the agency's website.

Even during ordinary economic times, giving privileged policies to businesspeople in China is common. Some smaller locales have offered investors immunity for traffic violations and other misdemeanors. But the recent orders at the provincial level and higher speak volumes about officials' concern about keeping people employed.

Even college graduates are struggling to find work as China's economy has been walloped by the recession in the U.S. and Europe. Beijing's massive \$585-billion stimulus package is starting to take hold, but economic growth in the first quarter still fell to 6.1%, the lowest on record and below the 8% threshold that some analysts say is needed to create enough jobs to meet society's needs in China.

Company executives welcomed the government's pro-business policies.

"Especially under the current financial crisis, some private companies have weak resistance, so the government should give them more support and reduce pressure on them," said Wu Shouzhong, vice president of Aokang Group, a major shoe manufacturer in Wenzhou, an entrepreneurial city in Zhejiang province.

Wu said, however, that he hadn't noticed local officials loosening up on campaigns to stop activities such as making pirated goods -- an assessment shared by several sellers of fake products and private investigators who work in the field.

The Motion Picture Assn., the international counterpart of the Motion Picture Assn. of America, has long struggled with rampant piracy in China.

Michael C. Ellis, MPA's Asia-Pacific head, says he wouldn't be surprised if the Chinese government, in this economy, pulled back in cracking down on bootleggers of DVDs and other entertainment. But so far, he says, he hasn't seen a change.

That's not the case with labor and environmental groups.

Activists had worried that the government's efforts on the environment would weaken after last summer's Olympics in Beijing, for which authorities undertook a massive cleanup, forcing many coal mines, metal-processing and other heavy-polluting companies to shut down or stop operations temporarily. The push now is to launch projects to stimulate growth -- and in some cases, the environment seems to be an afterthought.

In China's southeast, Jiangxi Copper Corp. is expected to begin work next month on a \$730-million lead-zinc smelting operation along the Yangtze River. People have voiced concerns about the potential harm to the area, including a nearby lake, but provincial authorities fast-tracked the approval process. In fact, Jiangxi province's environmental protection bureau boasted that it had finished the environmental-impact review in just three days, although it could have taken up to 60 days under regulations.

For some local agencies, "the priority is not to protect the environment but to accelerate economic development," said Tom Xiaojun Wang, a spokesman for Greenpeace in China.

Ma Jun, director of the Institute of Public and Environmental Affairs in Beijing, fears the new policies will rob China of a golden opportunity.

"In past years, China always had the problem of an overheated economy . . . which exerts a very large pressure on the environment," he said. "Because of the financial crisis, the Chinese economy is finally slowing down. . . . Shall we take this opportunity to realize our economic transition and upgrade our industry, or shall we reopen those closed plants for economic growth's sake?"

Workers see their interests compromised as well.

Zhang Jianbo, 36, a security guard at a metal plant in Shenzhen, claims that his employer cheated him out of \$2,300 in overtime pay and violated other provisions of the country's 15-month-old labor law. Zhang says he has filed complaints with labor authorities to no avail, even though less than a year ago, a fellow worker who brought a case almost identical to his collected \$1,600 in compensation.

"Right now all that the [government] staff tells you is that all the companies are having a hard time and no job is easy," Zhang said. "The best they could do is to call the company and ask them to do better."

Guangdong's law enforcement office, which issued the notice to treat businesses with caution, didn't respond to requests for comment, although a vice director of the procuratorate department told local media that the policy was not meant to protect wayward businesses. Zhejiang officials also didn't answer written requests for an interview about their "three noes" policy.

Scholars say that however well-intentioned, these policies are fraught with problems. They undermine the country's efforts to establish a rule of law, they say, and the ambiguous language is ripe for abuse.

Liu, of the Migrant Workers Community College, says he knows how a lot of employers in the region are interpreting the policies: very loosely.

"I talked with many manufacturers, and their reaction after the policies was all like, 'Now it's OK even to give a lower salary than the standard or not pay social welfare.' . . . As long as workers do not cause a disturbance, these are all small problems."

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Cao Jun in The Times' Shanghai bureau contributed to this report.

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