

Stalley, Phillip. 2010. *Foreign Firms, Investment, and Environmental Regulation in the People's Republic of China*. Stanford, CA: Stanford University Press.

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China's re-emergence as a political and economic power on the world stage has been accompanied by growing concerns about the effects of its economic development on the natural environment. Scholarly books on China's environmental policies in the Maoist and early reform eras were able to cover a wide range of environmental problems and policy responses within a single volume. But as China's industrializing economy and civic institutions have grown more complex, so have the environmental challenges. In recent years, scholars and journalists have necessarily focused more narrowly on specific sectors or regions, with books appearing on such topics as water pollution, dam construction, and a nascent environmental movement in China. The best of these use their research carefully to say something about the broader trends of China's environment and its system of governance. Phillip Stalley's book is a strong addition to this field.

Before turning his focus to the intersection of foreign direct investment and pollution control efforts, Stalley provides a comprehensive overview of China's systems of environmental governance. The initial chapters offer a thorough review of environmental politics in China, explaining the evolution of laws, regulations, and bureaucratic structures. Stalley explains that while "China has an admirable set of environmental laws" (p. 22), conflicting priorities and insufficient capacity within a fragmented state apparatus makes for spotty enforcement of these laws. Constraints on civil society—despite some openings for news media, environmental NGOs, and public participation in the environmental impact assessment process—give local officials and factory owners wide latitude to violate pollution standards and misuse natural resources.

The arrival of billions of dollars in foreign direct investment into this weak regulatory environment has led many to speculate about the effects foreign-backed economic development on China's natural environment. Stalley gathers evidence to test hypotheses from the global environmental governance literature: Is China a "pollution haven," competing in a "race to the bottom" to attract investments through lax standards? Does the competition for foreign firms induce a "regulatory chill?" Contrary to the expectations of some economists, Stalley's research on the environmental behavior of multinational corporations operating in China does not support these hypotheses; instead, he finds that multinationals overall demonstrate better compliance with environmental regulations than their domestic counterparts, and may exercise some "normative authority" (p. 126) in improving environmental practices in their sectors beyond the level of mere compliance. Similarly, Chinese firms with partial foreign ownership have better than average environmental behavior, with Japanese- and European-controlled firms leading the way; however, Stalley finds some

support for the “pollution haven” hypothesis in the behavior of Hong Kong financiers, who are more likely to invest in pollution-intensive sectors and demonstrate substandard environmental practices. Hong Kong accounts for some 30 percent of foreign direct investment in China, making this trend a cause for concern.

Readers with a general interest in China’s environment or in global environmental politics will want to know how Stalley’s case studies of foreign-influenced corporate behavior in specific sectors can be generalized across China or to other developing countries. He resists the temptation to overstate his findings; he makes it clear that his survey methods do not allow for statistical generalization, and that available data limit the range of comparisons that can be made. Nonetheless, the case studies are well contextualized and the findings are largely consistent with prior academic and journalistic reports. The conclusion that Chinese firms improve their environmental behavior when they aspire to reach international standards is not surprising, but better documented here than before. For comparativists, Stalley’s finding that home country environmental governance and standards affect the behavior of multinationals abroad is striking—all the more when Stalley points out the growing volume of foreign investment dollars coming *from* developing countries like China. A lesson here is that “the private authority of [multinationals] can only be a supplement to and never a replacement for government enforcement” of environmental protections (p. 206).

While the author concludes by proposing a comparative research agenda to see how China’s experiences translate to places like Vietnam or Brazil, there is also room for additional attention to regional patterns within China—a weakness of this book that the author seems to recognize. Graphs and tables (pp. 91–92) make the unfortunately common error of relying on gross values of foreign direct investment by province, overlooking the tremendous variation in the size of China’s provinces in terms of area, population, and economic output. Stalley cites at least one study that uses more detailed prefectural- or municipal-level data; he notes that “there is significant room for *intra*-provincial [economic] competition,” and thus the danger of regulatory chill “may be fiercer *within* provinces than across provincial boundaries” (p. 108, emphasis added). As a longer time series of disaggregated data on pollution and enforcement becomes available, we may be better able to contextualize or generalize the findings presented here.

Foreign Firms, Investment, and Environmental Regulation in the People’s Republic of China is well worth examining even for readers whose main interests may not be in all four of the elements of the title. The treatment of foreign firms and investment in a rapidly developing country will have resonance beyond the environmental sector (or China), while the book’s review of Chinese environmental policy will serve as a general reference and baseline for international comparisons for some time to come.