Multinational Enterprises and the 'One Belt, One Road' Initiative: Sustainable Development and Innovation in a Post Crisis Global Environment

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Introduction

The New Silk Road or the 'One Belt, One Road' (OBOR) initiative aims at nothing less than creating a comprehensive trading network across three continents – Asia, Europe and Africa – thereby integrating around 60 countries with a total of about 63 per cent of the global population, presently generating 29 per cent of worldwide GDP (Wang 2014). The concept of the '21st Century Maritime Silk Road' as a means to intensify China's maritime cooperation with Asian countries and to develop new trade routes via Africa to Europe was introduced in October 2013 by the Chinese president in a speech at the Indonesian parliament...

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Important additional performance regulations come from the financing institutions. All financing institutions involved in the OBOR initiative provide regulatory frameworks that address environmental goals; the most comprehensive has been formulated by the AIIB (Asian Infrastructure Investment Bank). Its Environmental and Social Framework (AIIB 2016a: 14) requires, inter alia, private and public clients to undertake environmental and social assessments, including evaluations of environmental data and risks as well as prescribing monitoring and reporting measures for ongoing projects to ensure compliance with the framework. These regulations are complemented by an exclusion list, which expressly precludes the financing of socially or environmentally harmful projects (AIIB 2016a: 46-47). On the whole, the formulation of the guidelines nonetheless leaves considerable room for manoeuvre. They allow for mitigating, offsetting and compensating for adverse impacts, and so on. Being firmly committed to the principles of green growth, the regulations aim to deal as effectively as possible with negative effects, without losing the primary focus on economic growth. While supporting environmentally sounder behaviour among clients, and thereby providing comparatively soft regulatory push, the guidelines cannot be expected to encourage the waiving of unsustainable practices on this basis.

Particularly in connection with multinational transport and construction infrastructure providers, the envisaged AIIB Energy Strategy could theoretically be an important instrument as the energy mix promoted in this context could have a substantial and direct impact on the CO2- intensity of the project units. But here again, the effectiveness of the guidelines depends on the actual strength of the focus on sustainable energy sources. The preliminary issues note (AIIB 2016b) provides for the support of renewable
energy, but does not exclude active support of technically advanced fossil fuel based energy production. Push impacts to adopt major sustainability-relevant innovations are restricted within the broad limits of the issues note, thus limiting the immense potential of the regulating strategy.

Conclusion

In sum, economic pressure for European and Chinese multinationals to leave the current path due to slower economic growth in China and a weak economy in the eurozone is apparent as a potential push factor. Investing in 'green economy' strategies as an alternative to business as usual holds forth the promise of economic success. This does not, however, really translate into a need to profoundly change routines or to embark on innovative paths for the industry sectors addressed in this article. One reason is that current stimulus programmes, especially the OBOR initiative, maintain the prospect that a fundamental shift will not be necessary.

Moreover, against the background of enormous demand, particularly as many Asian and European regions are under pressure to catch up economically, the lack of orientation towards sustainable development objectives is unlikely to negatively influence the economic success of the companies involved. The main incentives generated by the OBOR initiative focus on economic growth. Although there are also some environmental goals, they are generally assumed to be compatible with economic growth targets. Without exception, for the industry sectors considered here this results in environmental goals ranking second to efforts to stabilize and promote economic parameters.

Ecological improvements that are triggered by national provisions or self-regulatory initiatives certainly improve environmental performance but they do not bring about structural change. Past experience has clearly shown that quantitative innovations incur a high risk of rebound effects – which are in this case very likely to arise, given the scope of the envisaged project. Multilateral financing institutions generally have great potential to stimulate behaviour changes. But as the example of AIIB shows, these potentials rarely reach fruition; environmental frameworks aiming at innovation push are provided, but they leave much scope for companies to remain on unsustainable paths.

Ultimately, both push and pull factors within the framework of governance arrangements remain weak, as in the preceding discussions of the transport and cement industries. A change of the modal split or a shift towards more environmentally sound building materials are therefore not to be expected on the basis of currently available governance instruments. Instead, institutional regulation and incentive systems support minor 'green' changes but have – on the whole – a rather reinforcing effect on the orientation towards conventional development paths for the multinational enterprises involved in the OBOR project.

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