Analysis of the Causes of Environmental Barriers along the Belt and Road Countries

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Abstract. The Belt and Road Initiative provides a new path for Chinese companies to go global, but with the increase of host countries’ environmental awareness and the urgency of protecting their own resources, Chinese companies will inevitably encounter national ecological environment risks along the route. At the same time, because Chinese companies ignore environmental protection in the investment process, causing environmental pollution in the countries along the route, people in some countries have questioned Chinese investment. They restrict Chinese enterprise investment and product exports by setting environmental barriers. Some developed countries along the Belt and Road also use environmental barriers as a means of trade protection to protect their own markets and restrict exports from other countries.

1. Questions
In 2013, China proposed the "Silk Road Economic Belt" and "Strategic Conception of the Maritime Silk Road", which promoted the positive interaction and complementary advantages of the countries along the Belt and Road, and provided the best path for Chinese companies to go global. The Belt and Road strategy connects the economically developed European and East Asian economic circles, there are more than 60 countries along the route. In recent years, China’s investment in countries along the Belt and Road has increased year by year [1]. But the investment industries are mostly concentrated in infrastructure industries and energy supply industries. These highly polluting and energy-consuming enterprises are transferred to other countries, which is likely to cause ecological damage in other countries.

With the increase of host country's environmental protection awareness, Chinese enterprises’ investment also faces the risk of host country's ecological environment. On the one hand, cooperation projects between Chinese companies and countries along the Belt and Road are often forced to be suspended due to environmental issues. For example, the shelving of the China-Myanmar Myitsone Dam Project [2]. In the Lee & Man Paper Company's pollution case, the company was punished for

1 The proportion of direct investment increased from 5.96% in 2005 to 10.54% in 2015. For details, see Zheng Lei and Liu Zhigao: "Spatial Pattern of China's Direct Investment Along the Belt and Road", "Progress in Geographical Sciences", 2015 Issue 5, Pp. 563-570.
2 The Myanmar Biodiversity Conservation Association released an EIA report on Myitsone Dam, pointing out that the project has caused serious negative impacts. Once the report was published, it triggered strong public opposition to the Myitsone Dam project, and the government eventually put pressure on the project to shelve it.
violating environmental protection regulations. Some countries along the route have also adopted certain domestic regulations to implement environmental regulations to regulate high-pollution enterprises. For example, India announced a model bilateral investment agreement in 2015. The model mentions environmental issues in the terms of "national treatment" and "expropriation". It indicates that the environmental control right of the country will be strengthened in response to the behavior of overseas investors. In the 21st century, Kazakhstan has promulgated "Environmental Code", "Water Code" and "Land Code", all of which involve environmental protection clauses. Kazakhstan also proposed a "green economy" plan in 2013 to raise environmental protection requirements. Environmental protection fees such as environmental pollution charges and pollution-free drilling fees have gradually increased, which not only increased the economic burden of enterprises, but also may become a barrier to foreign investment.[3]

On the other hand, in the process of going abroad, the commodities exported by Chinese enterprises also face the risk of host countries' environmental barriers. For example, the European Union has strict regulations on environmental protection and standard research. Only products that comply with European Union safety, health and environmental protection standards are allowed to enter the market. Among the countries along the Belt and Road, Greece, Slovakia, the Netherlands, and Italy are members of the European Union. Russia uses green trade barriers to reduce the agricultural trade deficit with China. Its Food Quality and Safety Law, Consumer Rights Protection Law, Federal Resident Health and Epidemic Prevention Safety Law, Plant Quarantine Law, and Plant Quarantine Laws and Regulations include clauses with evident green trade barriers.[4] Xinjiang’s main export targeting countries of fruits and vegetables are Kazakhstan, Kyrgyzstan, Tajikistan, the Russian Federation, the United States, and Uzbekistan. Apart from the United States, the other six countries are countries along the Belt and Road, but Xinjiang's fruits and vegetables are also subject to green trade barriers impact of the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS for short), the export future is grim.[5]

2. Environmental barriers of countries along the route and their causes

2.1. Environmental barriers and their main forms

Environmental barriers, also known as green trade barriers, ecological barriers, and green barriers, appeared in the 1980s and developed rapidly in the 1990s.[6] Environmental barriers refer to the protection of the ecological environment, natural resources, and the health of humans, animals and plants by the governments of importing countries. Such protection is usually set up by promulgating complex and diverse environmental laws and regulations, establishing strict environmental technology standards, and formulating fussy inspection and approval procedures to establish trade barriers on imported products and restrict exports from other countries. The WTO's environmental exception clause “Any member country has the right to take trade protection measures under the pretext of protecting people, animal and plant life, health, or effective protection of natural resources that may be exhausted,” is the main basis for the creation of environmental barriers. This also makes

3 See Chen Huiping: "Silk Road Economic Belt Central Asian Countries' Investment Access Barriers and Legal Countermeasures", "Jiangxi Social Science" Issue 5, 2017.
4 See Sun Hongyu, Xu Guangyu: "Study on the Influence of Green Trade Barriers on the Export Trade of Chinese-Russian Agricultural Products", "Reform" Issue 2, 2019
5 Li Dongmei, Qi Chunjie: "Analysis of the Impact of Green Trade Barriers on the Export of Xinjiang Melons and Fruits Based on the Belt and Road Initiative", "China Agricultural Resources and Regional Planning", Issue 04, 2019.
6 November 3, 1999, at the Third Ministerial Conference of the World Trade Organization, Seattle, USA. The members have conducted extensive discussions on environmental and trade issues, and the absolute trade barrier of the environment has become an unavoidable reality issue in world trade. Trade and environment, two issues that were originally irrelevant in the history of world trade, have been linked as a green chain, and since then environmental barriers prevail.
Environmental barriers legitimate and reasonable. Environmental barriers were first implemented in developed countries. However, with the increasing awareness of environmental protection in various countries, some developing countries along the Belt and Road have adopted international treaties and domestic legislation to establish green trade barriers for the purpose of restricting Chinese products and investments.

Environmental barriers take many forms, mainly including international environmental protection conventions, product green standards, environmental inspection systems, extended liability systems, green labeling systems, green packaging systems, green logistics systems, and green tariffs. (Table 1)

| Type                        | No. | Restriction system                        | Main content                                                                 |
|-----------------------------|-----|-------------------------------------------|-----------------------------------------------------------------------------|
| National Environmental Guidelines | 1   | International Convention on Environmental Protection | Multiple countries jointly sign an environmental protection treaty that recognizes their commitment |
| Extension Regulation        | 2   | Green Product Standard                    | In the name of environmental protection, the requirements for the production materials and technology are imposed to the import of products |
|                            | 3   | Environmental Inspection System           | Establish a strict environmental inspection system and fussy inspection procedures for products, making imported goods hard to pass such inspection |
|                            | 4   | Extended Liability System                 | Requirements for subsequent recycling and reuse of products, making it impossible for products that have not implemented circular economy practices to gain access |
|                            | 5   | Green Labeling System                     | The product label system promoted by the government or social institutions in the name of environmental protection has become an invisible passport to enter the market |
|                            | 6   | Green Packaging System                    | Clear requirements for product packaging materials, processes and quantities to restrict the import of related products |
| Green Tax                   | 7   | Green Logistics System                    | In the name of environmental protection, put forward high-tech threshold requirements for product transportation, thereby increasing logistics costs and combating trade |
|                            | 8   | Green Tariff                             | Additional taxes on imported products that may cause environmental threats and damage to increase trade costs |

2.2. Reasons for "countries along the route" setting up environmental barriers
First, it is because of the urgency of environmental resource protection in host countries and the improvement of environmental awareness.
The Belt and Road Initiative involves more than 60 countries along the route, and economic development, resources and the environment vary from country to country. In general, the countries along the “Belt and Road” have less than 40% of the world’s total land area, but their population accounts for more than 70% of the world’s total population. The per capita ecological footprint in these areas exceeds 80% of the ecological capacity.[7] On the Silk Road Economic Belt, the five Central Asian countries region is rich in mineral resources but has serious desertification, scarce forest coverage and poor environmental carrying capacity. In the areas along Russia, the industrial model is extensive, plus the uncontrolled expansion of the former Soviet Union model, causing serious ecological and environmental problems. The environmental problems of the Maritime Silk Road Economic Belt are the reduction of marine resources caused by the uncontrolled exploitation of resources by coastal countries, and the large population bases and high environmental pressures in Southeast Asia and South Asia. With the awakening of environmental protection consciousness of the host country in recent years, the issue of local environmental protection has gradually received attention. The countries along the route, due to their own needs for environmental protection, are putting increasing emphasis on investors’ environmental regulations and environmental exceptions in bilateral trade agreements and regional investment agreements.

Second, some developing countries restrict foreign investment by strict environmental standards.

Previously, Chinese companies had poor environmental awareness and non-translucent environmental assessment, which caused environmental pollution in host countries. Many foreign media have labeled China an "environmental threat theory". The public was under such impression and started to misunderstand and question Chinese investment. For example, Chinese investment in the construction of a water plant near Lake Baikal has been halted due to suspicion from the Russian public about ecological damage. Some scholars have also pointed out that because of the country's mobilization and organization shown by China's investment in the Belt and Road Initiative, some countries have doubted that these state-owned enterprises have political attributes, and for the sake of their own national security, they have formulated more stringent environmental standards to boycott such foreign investment.[8]

At the same time, the rise of nationalism in recent years and the rise of the "resource nationalism" trend have also led host countries to find ways to obtain greater benefits from their natural resources, while limiting foreign investment. For example, the Mongolian state has a serious nationalist tendency. The Law on Coordination of Strategic Significance of Foreign Investment, promulgated in 2012, restricts foreign investment in the mineral industry.

Finally, environmental barriers as a means of trade protection restricts exports from other countries.

With the significant increase in productivity, the deepening of the international division of labor, and the rapid development of international trade, more and more countries have entered the international market. In order to cope with increasingly fierce international competition, under the circumstance of increasingly limited tariff protection measures, developed countries have set environmental technology standards far higher than those of developing countries in the name of environmental protection to restrict the export of products from developing countries. The above is essentially to protect domestic enterprises and domestic markets.

3. Summary

The environmental barriers are reasonable. Non-discriminatory environmental barriers are conducive to protecting the fragile ecological environment of the countries along the Belt and Road. In the long run, incorporating environmental costs into the internal costs of enterprises will help exporting industries to attach importance to environmental protection and rationally allocate resources, promote

7 See Chen Yunfeng's "Integrated Performance Evaluation of Resources and Environment in Major Countries Along the Belt and Road", Science Press, 2015 Edition.
8 Quoted from Xiao Bei: "Research on Ecological Environment Risk and Legal Countermeasures of Chinese Enterprises' Investment in Countries Along the 'One Belt and One Road'", "International Forum", Issue 4, 2019.
the upgrading and transformation of enterprises and produce high-quality green products. However, if environmental barriers are not properly regulated, it will easily become a means for the host country to protect its own market and products and restrict the export of other countries' goods in the increasingly fierce international competition. While developing countries along the Belt and Road are seeking domestic economic development, attracting foreign investment, and importing products, if they cannot coordinate the relationship between economic development and environmental protection, and set excessively high environmental obligations standards, without considering the actual trade development of the country, it will not be conducive to their own development. We respect every country’s independent environmental right, free from interference by other countries, and we should strive for better implementation of the Belt and Road Initiative. To this end, Chinese companies must adhere to the openness and transparency of environmental information disclosure, attach importance to the protection of the environment of other countries in their communication with countries along the Belt and Road, shoulder their own environmental obligations, and strive to upgrade and transform in a greener direction. The Chinese government also needs to formulate special legislation on environmental protection for overseas investment, make up for the shortcomings of strong enforcement of related norms and low levels of effectiveness, timely update bilateral investment agreement treaties with other countries, establish new regional free trade agreements and modify domestic legislation in the spirit of international treaties. At the same time, we must make reasonable use of environmental protection exceptions to prevent environmental protection exceptions from becoming a protective screen for abuse of environmental barriers in other countries.

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