ENVIRONMENTAL IMPLICATIONS OF THE BELT AND ROAD INITIATIVE
PRC RHETORIC AND REALITIES
Environmental Implications of the Belt and Road Initiative: PRC Rhetoric and Realities

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Acknowledgements

This report is a collaboration between the International Republican Institute’s Countering Foreign Authoritarian Influence (CFAI) Team and TextOre. The report was written by TextOre Analysts led by Johan van den Ven (second author prefers not to be named) under the editorship of IRI CFAI Director Caitlin Dearing Scott. We are grateful to the National Endowment for Democracy for its ongoing sponsorship of this initiative.

About the CFAI Initiative

Over the past five years, IRI has developed and implemented a framework to build resiliency against growing foreign authoritarian influence and interference through its Countering Foreign Authoritarian Influence (CFAI) practice. Under its Building Resiliency for Interconnected Democracies in Global Environments (BRIDGE) initiative, funded by the National Endowment for Democracy (NED), IRI deploys three-pronged approach to mitigate the impact of Chinese Communist Party (CCP) authoritarian influence on developing democracies:

1. Sharing research on how CCP influence impacts democratic processes with IRI’s global network of partners;
2. Equipping local stakeholders with the means to conduct similar research independently, the skills to craft and message targeted advocacy campaigns based on research findings, and the tools and resources to devise and advocate for locally appropriate policy solutions to bolster democratic resilience and counter PRC authoritarian influence;
3. Catalyzing the development and adoption of policy solutions through productive dialogue with stakeholders and policymakers and targeted advocacy campaigns.

By engaging stakeholders across sectors — including government officials, political parties, media, private enterprise, and civil society activists — IRI’s work promotes broad awareness of authoritarian tactics and the keys to shoring up vulnerable democratic institutions. The research presented in this report is part of a growing compendium of case studies documenting the CCP’s varied authoritarian influence tactics across countries and the elements of effective democratic resilience, which directly informs BRIDGE programming.

About TextOre

TextOre (textore.net) is an open-source intelligence (OSINT) solutions provider with deep expertise in international security and geopolitics, media monitoring and analysis, influence and interference operations, leadership and organization tracking, and geospatial and network analysis. TextOre’s work for clients spans multiple areas and languages across the globe, with extensive depth and experience in the China/East Asia and Russia/Eurasia regions.
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INTRODUCTION

The launch of the BRI in 2013 unleashed a wave of infrastructure development funded principally by development banks owned by the PRC. Many BRI projects have addressed energy shortages, weak transportation networks, and poor water supply. But this surge in infrastructure development has come at a cost to the natural environment and has circumvented regulatory processes in host countries. Against this backdrop, the PRC began rebranding the BRI as a green Silk Road or green BRI as early as 2015. In years since, the PRC has signaled that it is attempting to address some of the root causes of environmental damage associated with the BRI. An example is PRC President Xi Jinping’s September 2021 announcement at the United Nations General Assembly (UNGA) that China will no longer build coal power plants overseas.\(^1\) However, negative environmental impacts persist.

This report assesses the mismatch between the PRC’s green rhetoric and Chinese-financed development projects’ impact on the environment. The first section provides an overview of the CCP’s evolving environmental policy, regulations on PRC foreign direct investment, and corporate initiatives that address environmental-related reputational risks. The second section includes four case studies that are illustrative of the differences between PRC policy and practice. Case studies on infrastructure development in Central and Eastern Europe and among the members of the Shanghai Cooperation Organisation (SCO) expose the environmental impact of the BRI and how Chinese companies have sought to present themselves as environmentally responsible even when local civil society groups have exposed shortcomings and protested environmental damage. Examinations of the battery supply chain and renewable energy sector, and how they are often advanced via a close-knit relationship between PRC officials and local political elites, highlight the sometimes-damaging repercussions for local communities of investment in so-called clean energy.

The persistence of these problems is baked into the BRI: it encourages the development of new projects, regulates their implementation, and defends them from scrutiny.

The PRC helps move projects forward by sending its senior political leaders to meet with host country officials and company representatives. It also provides access to financing through its banks. The PRC does not, however, assign clear responsibility for regulating projects. Some policies put the onus on the companies themselves, even though they are not required to comply with Chinese environmental laws.\(^2,\)\(^3\)

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1 Xi also serves as CCP General Secretary and Chairman of the Central Military Commission.

2 The March 2022 Opinion on Promoting the Joint Green Development of the Belt and Road Initiative calls for companies to be “forced... to take responsibility for being the agents of ecological and environmental protection [压効企业生态环境保护主体责任].”
As the case studies in this report demonstrate, PRC or CCP inspections of these projects and their compliance with policy has been inconsistent.\(^6\)

While government–industry coordination might fall short in regulating overseas projects, it is more successful when defending projects from criticism. In these instances, companies act in concert with PRC diplomats and official media to deflect or deny. In many of the cases covered in this report, lobbying even persuades local officials to offer support. Close relations between the PRC and local leaders are a major impediment to proper oversight of overseas projects. PRC authorities are more invested in promoting and advancing overseas projects than in making tangible efforts to implement a truly green BRI.

There is, nevertheless, domestic Chinese interest in the environmental impact of overseas projects. This includes civil society pushback. NGOs reduced the height of the dam and the number of turbines to be built for a hydropower plant in Argentina, which the Chinese official media eventually celebrated as a green development success story. The PRC’s desire for legitimation from international organizations and industry bodies also factors into improved practices. This is clearly the case in the Democratic Republic of the Congo, where Chinese mining companies are part of international groups such as the Fair Cobalt Alliance.

Domestic pressure in project countries could lead to improvement in the conduct of Chinese companies. For instance, the Green Development Guidelines for Overseas Investment and Cooperation, issued by the PRC’s Ministry of Commerce (MOFCOM) and MEE in 2021, encourages companies to follow international standards or Chinese standards if local standards are too low.\(^6\) While these guidelines are only advisory, the idea that Chinese or international standards could supersede local standards offers some hope for a green BRI.

While current practice is, at best, inconsistent, there is potential for improvements that could result in a green BRI. Support for NGOs in communities with environmentally damaging projects seeking to engage their Chinese counterparts, may encourage positive trends. International exchanges on environmental management, promoting Chinese corporate participation in initiatives such as the Fair Cobalt Alliance, and allowing host country governments to review and monitor Chinese investments would also help.
EXECUTIVE SUMMARY

The unveiling of the Belt and Road Initiative (BRI) in 2013 set in motion a tide of financing that enabled global infrastructure development projects. It also increased environmental risks because it involved energy projects with negative environmental impact (e.g., coal power plants, hydropower facilities). The BRI also created an incentive structure for the People's Republic of China (PRC) and host country stakeholders to prioritize infrastructure development over the protection of sensitive ecosystems.

Due to criticism from the international community, civil society pressure in host countries, and the growth of environmental awareness in China, PRC authorities have overhauled their political rhetoric regarding BRI’s impact on the environment. Environmental protection has become a prominent theme in the political and policy framework surrounding the BRI. From the 2013 Ministry of Commerce Guidelines on Environmental Protection on Foreign Investment and Cooperation, which calls for companies to meet the standards required by host countries, to the 2015 Ministry of Environmental Protection’s (since re-named the Ministry of Ecology and Environment) first official reference to a green Silk Road, China has disseminated “green” narratives and a professed abandonment of the previous development model that resulted in environmental degradation.

This rhetoric, however, has not improved the implementation of Chinese-financed development projects. PRC authorities are more interested in promoting international infrastructure projects than in making tangible efforts to design a truly green BRI. This finding is supported by TextOre open-source intelligence (OSINT) research. TextOre determined that overall PRC development lending has fallen significantly since its peak in 2016, but the share of lending to countries with the lowest environmental performance peaked in 2020. This shows that Chinese investments were greatest where environmental governance was weakest.\(^1\)

The PRC, however, is still deeply involved in financing new projects, some with a deleterious impact on local environments:

- The PRC develops new projects and promotes them by sending senior political leaders on international trips and by extending financing through state-owned banks.
- The PRC is not consistent when it comes to regulating overseas development projects. Responsibility for regulation is not clearly assigned, and much of the onus for environmental protection falls on the companies building the projects. The PRC does not require companies operating overseas to comply with Chinese environmental law.
- Drawing on its diplomats, state media, state-owned enterprises, and the Chinese Communist Party (CCP), the PRC is able to orchestrate its response to controversies facing its overseas development projects.

\(^1\) Detailed later in this report.
Encouraging Chinese companies to take responsibility for environmental performance has not produced a consistent impact on corporate behavior. Many of the companies surveyed in this report have professed concern for the environment, and many issue annual environmental reports. But, in some cases, non-governmental organizations (NGOs) have challenged their sincerity. Some Chinese companies also try to quell environmental protests rather than address the concerns motivating them. Some companies try to coopt protest leaders by offering them jobs, providing benefits to the local community, and by building relationships with local politicians. Clearly, some companies working on BRI-related projects use environmentally friendly rhetoric to improve their reputations without making substantive changes to their conduct.

The CCP and Chinese companies have been inconsistent in their approach to environmental protection, but external pressure from host-country pressure groups and local affected populations has led to some project modifications that addressed environmental impact concerns. More broadly, the PRC's desire for international legitimation may influence both policy and project development. Interaction with host-country and international NGOs have had an impact on PRC policy; for example, the PRC's Ministry of Ecology and Environment endorsed the World Resources Institute's design of a “traffic-light” rating system for projects. Chinese companies have joined international sustainability initiatives in the pursuit of legitimation from international organizations and industry bodies.

The transition from the BRI to a greener BRI has been slowed by new, more sustainable policies inconsistently implemented, but there is momentum toward improvement. This momentum could be accelerated by China imposing more stringent environmental regulations on companies, including requiring them to comply with PRC environmental laws while operating overseas.
POLICY DEVELOPMENT

Since 2015, the PRC has used domestic and international fora to showcase its policies – and associated rhetoric – on a green BRI and environmental protection. Central to this is an emphasis on green assistance; sustainable development and South–South cooperation. In August 2015, the PRC’s Ministry of Environmental Projections referenced a green Silk Road, in part to deflect concerns from participant countries regarding BRI projects’ degradation of their environment.\(^4\)\(^5\) In September 2020, Xi announced at UNGA that China would aim to start reducing its domestic CO\(_2\) emissions by 2030 and achieve carbon neutrality by 2060 (known as the “N+1” policy).\(^6\) At the September 2021 UNGA meeting, Xi announced the Global Development Initiative, designed to speed up the realization of the UN’s 2030 Sustainable Development Goals (SDGs).\(^7\) Xi also announced that China would no longer build coal power projects in other countries (although expansion of domestic coal power continues).\(^8\) These moves signal that the PRC intends to use environmental protection as a major theme in its diplomatic outreach. They may also offer the PRC a strategic opportunity to position itself as a global leader on the issue amid a widely perceived U.S. retreat on climate change during the Trump Administration (2016–2020).

Table 1: Unilateral PRC Positions on Green BRI: 2015–2021

<table>
<thead>
<tr>
<th>Date</th>
<th>Statement</th>
</tr>
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<tbody>
<tr>
<td>April 2015</td>
<td>China issued Opinions on the CCP Central Committee (CCP-CC) and the State Council on Accelerating the Building of an Ecological Civilization, which stated a need to “strengthen South–South cooperation, carry out green assistance, and provide support and assistance to other developing countries.”</td>
</tr>
<tr>
<td>May 2015</td>
<td>The PRC’s National Development and Reform Commission (NDRC), MOFCOM, and MFA released a white paper stating that the BRI would lead to “balanced and sustainable development.”</td>
</tr>
<tr>
<td>August 2015</td>
<td>The PRC’s Ministry of Environmental Protection (MEP) first referenced the concept of a green Silk Road. The statement indicated that the concept was developed to respond to what the MEP described as a “new argument in the China threat theory,” namely that BRI would degrade environments and deplete the natural resources of participant countries. The statement countered that BRI would employ a “cooperation model that places equal emphasis on economic and ecological benefits.”</td>
</tr>
<tr>
<td>2015</td>
<td>China’s Nationally Determined Contributions (NDC) called for the creation of the South–South Cooperation Fund on Climate Change, while the NDC Updates submitted in 2020 called for the establishment of the BRI International Green Development Coalition.</td>
</tr>
<tr>
<td>2020</td>
<td>The China Council for International Cooperation on Environment and Development (CCICED), cooperating with the MEE, suggested collaborating with environment ministries in BRI countries to establish conservation areas.</td>
</tr>
<tr>
<td>September 2020</td>
<td>Xi announced at the UNGA that China would aim to peak domestic CO(_2) emissions by 2030 and achieve carbon neutrality by 2060 (known as the “N+1” policy). This is also referenced in the 14th Five-Year Plan (2021–2025).</td>
</tr>
<tr>
<td>September 2021</td>
<td>Xi announced the Global Development Initiative, which aims to speed up the UN’s 2030 SDGs. Xi also announced that China would no longer finance or build coal power plants in other countries.</td>
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4 The MEP was reorganized into the MEE in 2018.
5 The phrase “China threat theory” is used by PRC-affiliated media to counter Western criticism of certain actions by the PRC state or CCP.
6 The MEP was reorganized into the MEE in 2018.
7 The phrase “China threat theory” is used by PRC-affiliated media to counter Western criticism of certain actions by the PRC state or CCP.
8 While there is no official list of BRI countries as of January 2022, the PRC claims to have signed BRI cooperation agreements with as many as 147 countries and 32 international organizations.
In October 2021, the State Council Information Office (SCIO) issued a white paper on the PRC’s policies related to climate change. The white paper stated that “China has abandoned its previous development model that damaged or even destroyed the eco-environment,” and highlighted China’s “green transition.” However, the white paper maintains the PRC’s emphasis on different approaches to climate change, given the different development needs and capabilities of each country, and rejects efforts to enforce uniform restrictions. The white paper also refers to China as a developing country, and as such, subject to different approaches based on its own development needs.

Table 2: PRC Commitments to Collective Action to Address Climate Change

<table>
<thead>
<tr>
<th>Date</th>
<th>Statement</th>
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<tbody>
<tr>
<td>2010</td>
<td>During the 2010 UN Millennium Development Goals high-level meeting, China proposed building 200 clean energy and environmental protection projects by 2015.</td>
</tr>
<tr>
<td>June 2012</td>
<td>At the 2012 UN Conference on Sustainable Development, then-PRC Premier Wen Jiabao announced a 200 million Chinese yuan contribution for a three-year South-South cooperation initiative on climate change.</td>
</tr>
<tr>
<td>2015</td>
<td>At the Forum on China-Africa Cooperation (FOCAC) meeting in 2015, the PRC delegation announced that “China will never follow the old path of colonialists in its cooperation with Africa and will never proceed at the expense of sacrificing Africa’s natural environment or long-term interests.”</td>
</tr>
<tr>
<td>December 2016</td>
<td>The MEP signed a Memorandum of Understanding (MoU) with the UN Environment Programme on Building a Green Belt and Road.</td>
</tr>
<tr>
<td>2017</td>
<td>The 2017 Joint Communique of the Leaders’ Roundtable of the Belt and Road Forum for International Cooperation highlighted the importance of economic, social, fiscal, financial and environmental sustainability of projects, and of promoting high environmental standards, while striking a good balance among economic growth, social progress, and environmental protection.</td>
</tr>
<tr>
<td>2019</td>
<td>The 2019 Joint Communique of the Leaders’ Roundtable of the Second Belt and Road Forum called for improving cooperation in project preparation and implementation, to promote projects that are investable, bankable, economically viable, and environmentally friendly. We call on all market players in BRI cooperation to fulfill their corporate social responsibility and follow the principles of the United Nations Global Compact.</td>
</tr>
<tr>
<td>June 2021</td>
<td>China ratifies the Kigali Amendment to the Montreal Protocol, which aims to reduce the production and consumption of hydrofluorocarbons. At the 15th Biodiversity Conference of the Parties (COP) in Kunming, Xi announced a 230 million U.S. dollar biodiversity protection fund.</td>
</tr>
<tr>
<td>November 2021</td>
<td>At COP26 in Glasgow, China signed the Glasgow Declaration on Forest and Land Use, to “halt and reverse” forest loss and land degradation by 2030.</td>
</tr>
<tr>
<td>November 2021</td>
<td>The MFA White Paper on China–Africa Cooperation in the New Era noted that countries need to work together on climate change and the sustainable energy transition.</td>
</tr>
<tr>
<td>December 2021</td>
<td>Participants at the 8th FOCAC Ministerial Conference issued a climate change declaration agreeing to establish a “China-Africa partnership of strategic cooperation of the new era for the fight against climate change.”</td>
</tr>
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</table>
THE PRC’S ECONOMIC ACTIVITY AND COMPLIANCE COSTS

Since the unveiling of the BRI in 2013, reporting on Chinese overseas economic activity has highlighted damage to the natural and human environments. This reporting provides an anecdotal sample from which to draw aggregate conclusions, in particular to assess whether China tends to invest in countries with lower environmental standards and/or higher levels of corruption. To investigate this question more empirically, TextOre relied on the Global Chinese Development Finance Dataset produced by AidData and Yale University’s Environmental Performance Index. TextOre also factored in criteria such as corruption and human development. The analysis below examines the value and percentage of Chinese-financed development projects implemented within a given range of scores on the aforementioned indices. In all cases, higher index scores indicate better performance.

ENVIRONMENTAL PERFORMANCE OF RECIPIENT COUNTRIES

These graphs show that, within the first two years after BRI’s launch, China committed to development finance projects in countries at the lowest or second-lowest quintiles of the environmental performance index. PRC financing for these countries came to an almost complete stop in 2015–2016, during which time countries represented by the second–highest quintiles received around USD 20 billion. The dramatic nature of these trends suggests that China may have considered host countries’ environmental conditions in its lending decisions. However, financing for countries in the two lowest quintiles began to grow in the 2017–2018 period, with the amount given to countries in the second–lowest quintile reaching its high-water mark. Despite a drop in net lending in 2019–2020, China’s lending went entirely to the lowest and second–lowest quintiles. This indicates that the PRC’s change in lending destinations between 2015 and 2018 was only temporary, and lending for countries with low environmental performance scores rose in 2019–2020.

9 Other sources of data on international investment and lending by Chinese financial destinations include the China Global Investment Tracker, published by the American Enterprise Institute, and a proprietary database published by Janes IntellTrak. TextOre used the AidData dataset for its rigorous research process, its focus on lending (rather than other forms of investment), and its availability as an open-source resource.

10 Due to the two-year release cycle of Yale’s Environmental Performance Index, the analysis uses a two-year interval (i.e., project commitments made in 2013 and 2014 are matched to index placements from 2014). Discrepancies in value totals between the three themes covered in this section are explained by the fact that some countries did not receive certain index scores in each year covered by this analysis.

11 The quintile ranges have been adjusted to reflect the fact that no country received an Environmental Performance Index score lower than 20 throughout the period studied.
As this data demonstrates, since BRI began China has directed the bulk of its development finance toward countries rated as moderately corrupt, according to their scores on the Corruption Perceptions Index. Countries represented by the lowest quintile or second-highest quintile of the index received very little finance, and none went to countries represented by the highest quintile. These observations suggest that reducing corruption in recipient countries has not been a priority for the various PRC stakeholders with input on BRI-related lending and may indicate that corrupt officials in host countries are seeking finance related to BRI.

12 The quintile ranges have been adjusted to reflect the fact that no country received a Human Development Index score lower than 0.35 throughout the period studied.
Since the BRI began, the most underdeveloped countries have received little Chinese development finance, and the share of financing allocated to countries represented by the second-lowest quintile also declined steadily throughout that period. Unsurprisingly, Chinese policy banks did not make commitments to countries with human development index scores in the highest quintile. However, countries with the second-highest quintile consistently received at least 40 percent of Chinese development finance allocations, indicating that stakeholders with input on Chinese development finance may prefer more developed investment environments, rather than prioritizing raising living standards in the world’s poorest countries.

**KEY TAKEAWAYS**

- The fall and subsequent resurgence of lending to countries with poor environmental index scores indicates that Chinese development lenders may have attempted to prioritize recipient environmental performance in their lending decisions from 2015 to 2018, but they appear to have abandoned that effort by 2019 and 2020.
- Countries classified as moderately corrupt received the most Chinese development finance from the beginning of BRI to 2020. The share given to countries represented by the lowest quintile (most corrupt) peaked in 2017–2018 but declined to its lowest point in 2019–20.
- Little lending is directed to countries represented by the lowest quintile in the Human Development Index, and none goes to countries in the highest quintile. This suggests that BRI–associated lending is principally directed at middle-income countries, and that stakeholders in the BRI financing ecosystem may be averse to the risks that come with investing in low-income countries.

**ENVIRONMENTAL REGULATION AND FOREIGN INVESTMENT**

Since 2013, PRC regulation of the environmental impact of Chinese companies’ overseas operations has centered on the “host country principle,” under which Chinese companies are only required to adhere to the environmental protection requirements of the country in which they are operating. Stronger regulations for domestic environmental protection mean that China’s own regulations may be stricter than those of the host country. Beginning with the BRI Ecological and Environmental Cooperation Plan in 2017 and continuing with the Green Development Guidelines for Overseas Investment Cooperation in 2021, PRC entities including the MEE, MFA, NDRC, and MOFCOM have made steps to tighten environmental regulations for Chinese companies operating overseas. Key initiatives have included:

- The 2017 BRI Ecological and Environmental Cooperation Plan [“一带一路”生态环境保护合作规划], which implements the Guidance on Promoting the Green Belt and Road [关于推进绿色“一带一路”建设的指导], which calls for environmental protection standards and codes for infrastructure construction, including environmental rules in free trade agreements and tightening environmental management overseas.
- The 2021 Green Development Guidelines for Overseas Investment Cooperation requires PRC–based companies to adhere to green development in their foreign direct investments. This includes incorporating environmental standards at the planning and design stages of infrastructure projects, engaging with host country governments, media, local people, and environmental protection organizations, and investment in clean energy.
- The 2021 Measures on Management of Foreign Aid [对外援助管理办法], issued by the China International Development Cooperation Agency [国家国际发展合作署], the MFA, and MOFCOM, identifies sustainable development as one of the purposes of foreign aid, but the Measures are classified as regulations, rather than law.
In March 2022, the NDRC, MFA, MEE, and MOFCOM issued the Opinion on Promoting the Green Development of the Belt and Road (关于推进共建“一带一路”绿色发展的意见), calling for strengthening coordination of green standards with Belt and Road countries. It states that companies should consider overseas environmental conduct as their main responsibility. The opinion also includes guidance on messaging around BRI investments, demands the strengthening and improvement of Belt and Road international propaganda work, prompt clarification and refutation of negative stories and false hype, strengthening of positive opinion guidance, and telling the “China Story” of the Belt and Road’s green development well.

Such efforts, however, have not resulted in new laws. As the PRC considers ways to improve Chinese companies’ environmental conduct overseas, it faces a dilemma of whether to require PRC environmental standards as part of investment agreements with partner countries.

**CORPORATE MEASURES TO REDUCE ENVIRONMENT-RELATED REPUTATIONAL RISK**

While Chinese companies do not have to comply with more stringent standards, some companies, both state- and privately-owned, are burnishing their green credentials and mitigating reputational risks. The Asian Infrastructure Investment Bank (AIIB) has, since at least 2015, referred to itself as “lean, clean, and green.” The AIIB also announced an end to coal finance 12 months before Xi’s announcement at its UNGA. The AIIB has an environmental and social safeguards framework, but NGO monitoring groups have expressed concern that the scope of the framework is not comprehensive and that the accountability mechanism is not used as intended. The China Development Bank (CDB) and Industrial and Commercial Bank of China (ICBC) signed on to the Green Investment Principles, which call for “acute awareness of potential impacts of investments and operations on climate, environment, and society in the Belt and Road region.”

Nineteen Chinese companies announced the Initiative on Corporate Environmental Responsibility Fulfilment for Building the Green Belt and Road and other Chinese companies and industry associations have worked together to advance environmental standards. Examples include the China International Contractors Association’s efforts to offer best practices regarding environmental management to its members, which include state-owned enterprises. The CICA has cooperated with the German Agency for International Cooperation (GIZ), the World Wildlife Fund, and the U.K. Third Country Infrastructure Cooperation Fund, and has produced reports on international best practices for environmental, social, and corporate governance (ESG) evaluations and assessments for overseas projects and community consultation. Although there is no evidence regarding the impact of its work, the collaboration between companies and industry associations points to an intentional and collaborative effort at improving the environmental impact of foreign projects.

Some companies rely on better environmental practices to manage their reputational risk, but AidData’s dataset shows other companies which use confidentiality clauses to prevent disclosure of the terms under which they operate. This approach is particularly common among Chinese banks involved in BRI-related lending. Additionally, all loan contracts identified by AidData involving the Export-Import Bank of China (referred to hereafter as the China Exim Bank) or the China Development Bank contain cross-default clauses. These clauses stipulate that a default on one project would cause a corresponding default on other projects referenced in the clause. In some cases, actions deemed adverse to the interests of the PRC could trigger a default. Furthermore, 100 percent of CDB contracts contain stabilization clauses that may insulate loans from changes in host country environmental regulations and their enforcement.
CASE STUDIES

CENTRAL AND EASTERN EUROPE

Launched in April 2012, the China–CEEC Cooperation [中国—中东欧国家合作] is a coordination platform addressing economy and trade, agriculture, tourism, and science and technology.\textsuperscript{xlv} China–CEEC and BRI efforts often complement each other, such as by promoting sustainable development that is compatible with green BRI ambitions. At the 2021 China–CEEC Summit in Beijing, Xi acknowledged that participants had “taken steps early on to explore the possibility of aligning cross-regional cooperation with Belt and Road cooperation, making Central and Eastern Europe the first region where all countries have signed agreements on Belt and Road cooperation.” Xi also called for a “focus on green development” in accordance with the Paris Agreement.\textsuperscript{xlvi}

Despite such declarations, citizen activists and civil society groups have exposed the polluting practices of Chinese companies operating in the region. Examples range from toxic gas emissions to discharging waste into water supplies. In December 2020, a group of European NGOs including the Belgrade-based Renewables and Environmental Regulatory Institute (RERI), submitted a report to the UN’s Office of the High Commissioner for Human Rights that detailed concerns over China “exporting its pollution” to the Balkans.\textsuperscript{xlvii} According to the report, during a UN Universal Periodic Review in 2018, the PRC accepted recommendations to extend “Chinese laws, regulations, and standards... to Chinese companies operating beyond China’s borders” and ensure that Chinese companies operating abroad “observe local laws and regulations and refer to the UN Guiding Principles on Business and Human Rights.” However, the NGOs expressed concern over “legal and administrative harassment and intimidation of CSOs in some of the investment receiving countries.” They cited examples of Chinese companies and host country governments ignoring or denying public participation in several projects, some detailed in this case study. Beyond the case studies in this report, other dynamics in the region include the Serbian Commission for State Aid Control approving projects for Chinese companies before assessing whether the project complied with environmental regulations, in violation of Serbian law.

Some examples of environmentally damaging BRI projects in Central and Eastern Europe are found in Serbia; the country appears to be “embracing the Chinese model of politics in which the elite sacrifices environmental safety and public health for the sake of economic growth and to stay in power,” as Vuk Vuksanovic, a senior researcher at the Belgrade Center for Security Policy has noted.\textsuperscript{xviii} Echoing Xi’s call in February 2022 to “continuously amplify the economic and social benefits of projects like the HBIS Smederevo Steel Plant and Zijin Bor Copper,” Serbian President Aleksandar Vučić promised that “Serbia will always stand firmly with the Chinese people on issues concerning China’s core interests, including issues relating to Xinjiang and Taiwan.”\textsuperscript{xlix}

ZIJIN COPPER IN BOR, SERBIA

The Zijin Copper mine in Bor, Serbia, is a prominent example of a polluting BRI project in Eastern and Central Europe. The case demonstrates how a company can attempt to discredit accusations of environmental malfeasance with claims of “historical problems” predating acquisition and with efforts to portray itself as an environmentally responsible stakeholder. Zijin claimed the problems with the copper mine pre-dated its ownership. Public protests and election campaign promises to curb emissions were left unresolved. The case shows that civil society can expose host government inaction to, ultimately, compel officials to hold companies accountable.
**Project Background**

In August 2018, the Serbian Ministry of Mining and Energy announced the sale of RTB Bor, the operating company of a copper mining and smelting complex in the eastern city of Bor, to Zijin Mining Group Co., Ltd. [紫金矿业集团股份有限公司].

In return for an investment of USD 1.26 billion, Zijin acquired 63 percent of the company. Renaming it Serbia Zijin Copper DOO [塞尔维亚紫金铜业有限公司], Zijin set a goal to double its smelting capacity within three years. According to Zijin, “it is the largest-ever project in Serbia invested by China.” By April 2022, Serbia Zijin Copper was a leading Serbian exporter, third only to Serbia Zijin Mining DOO, [塞尔维亚紫金矿业有限公司] another Zijin subsidiary.

**Promotion of ESG Credentials**

Zijin’s annual ESG reports claim the company is committed to the goal of “zero environmental and ecological incidents” and compliant with “environmental protection laws and regulations of the regions where the Company’s projects are situated.” The reports go on to name relevant laws in the PRC and Serbia. The reports build a narrative that portrays the company as a diligent steward of environmental protection.

For example, as highlighted in its 2021 ESG report, Serbia Zijin Copper worked with the Serbian government to mitigate wastewater pollution in Bor’s Lake Robule. Before Zijin acquired the mine, the reports claim that “insufficient investment in environmental protection and poor management had resulted in historical problems, including the failure of effective interception, control, and treatment of wastewater from the ore dump and municipal landfill.” Zijin subsequently built a neutralization system to treat Lake Robule’s wastewater.

Chinese and Serbian officials used Chinese state media to support Serbia Zijin Copper’s self-projected image as an environmentally responsible company working to address purportedly inherited environmental issues. In October 2021, at a Chinese-run copper mine investment event, Serbian President Vučić praised the Zijin-owned Čukaru Peki copper and gold mine in Majdanpek, Bor, declaring that its environmental standards set it on track to become the country’s first “green mine.” At a subsequent online safety inspection tour, PRC Counsellor in Serbia Liu Kai [刘恺] called on Serbia Zijin Copper to “strictly follow local laws and regulations” and carry out “green mine propaganda work.” In January 2022, at a work meeting with Serbia Zijin Copper, Serbian Minister of Mining and Energy Zorana Mihajlović praised the company as a model of Sino–Serbian cooperation and said she hoped to see continued adherence to all laws and environmental standards.

Amid accusations of Serbia Zijin Copper’s environmentally damaging practices, PRC Ambassador to Serbia Chen Bo [陈波] repeatedly came to the company’s defense. In interviews with Serbian media and meetings with Serbian officials, Chen emphasized that Zijin Copper’s operations followed the law. He directed attention to the socioeconomic benefits of joint projects, consistent with statements by the PRC regarding other projects covered in this report. In an October 2020 interview with Radio Television of Serbia (RTS), Chen reiterated China’s requirement that “all Chinese companies operating abroad [are] to strictly adhere to relevant laws of the host country.” He attributed protests against Zijin and HBIS to “decades-old environmental issues.” Official PRC coverage of the interview notably omitted the interviewer’s mention of protests, instead promoting Zijin and HBIS as examples of how Chinese companies in Serbia are dedicated to protecting the environment.

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13 In September 2020, Serbia Zijin Copper responded to reports of excessive flue gas from a smelter, claiming the problem persisted for decades, dating from before Zijin’s ownership. Zijin reported investing over USD75 million in “environmental treatment and ecological restoration,” which included installing a flue gas hood and the applying weak alkali deacidification. Zijin claimed a 40 percent drop in the copper smelting emission index per ton, compared to two years before it acquired the mine. In July 2021, Serbia Zijin Copper reported completion of an exhaust gas collection and desulfurization system to address excessive flue gas emissions resulting from “historical problems” such as “backward process[es], aging equipment, and insufficient investment.” Compared to measurements taken before the system’s installation, Zijin reported a near 25 percent drop in sulfur dioxide concentrations.
**Intersectionality between United Front Work Department and the Green Belt and Road**

TextOre’s study of the environmental impact of Chinese foreign investment uncovered material at the intersection between this topic and the practice of United Front work. The most prominent example is that of Zijin Mining Group Company Ltd. [紫金矿业集团股份有限公司]. The company shows clear connections to the CCP’s United Front Work Department (UFWD) [统一战线工作部]. These connections originate in Shanghang County [上杭县] in Fujian Province, where Zijin is headquartered and a sister–city partnership is held with Bor, Serbia.[xi] It also hosts Minxi Xinghang State-Owned Investment and Operation Co., Ltd.’s [闽西兴杭国有资产投资经营有限公司] headquarters, which holds approximately 29% of Zijin.[xii]

A former government official of Shanghang County, Lin Shuiqing [林水清], served as UFWD Director of the County Party Committee before joining Zijin as Supervisory Committee Chairman [监事会主席] in November 2009.[xii] In July 2010, following a seepage incident that occurred at a Zijin mine in Shanghang County and remained unreported for over a week,[xiii] Lin was identified as one of several retired officials who had recently accepted high–paid positions at Zijin.[xiii] The China Youth Daily [中国青年报] labeled these as “corruption options” [腐败期权], in which officials issue favors they financially benefit from after leaving office, and called for a thorough investigation. A 2013 publication by the Unirule Institute of Economics [天则经济研究所] cites the example of Lin to illustrate that the cooptation conducted by Zijin and other state–owned enterprises renders them “no longer capable of providing ruling foundations” for the CCP.[xiv]

**Civil Society Opposition**

Belying Serbia Zijin Copper’s image as an environmentally responsible Chinese–owned entity, citizen activists, and civil society groups have highlighted instances of the company’s environmental negligence.

In December 2019, shortly after production rose at the copper mine, Irena Živković, a member of the opposition Party of Freedom and Justice, led local activists and town councilors to file criminal charges over increased pollution levels.[xv] They filed the suit with the Basic Public Prosecutor’s Office against Zijin Vice President Long Yi [龙翼], Bor Mayor Aleksandar Milikić, and Serbian Minister of Environmental Protection Goran Trivan.[xv] Measurements by Serbia’s Environmental Protection Agency (SEPA) indicated sulfur dioxide (SO₂) emissions beyond permitted levels. In September 2020, after announcements on social media calling for protests, Milikić himself signed off on an additional criminal complaint against Zijin.[xvi] In the run–up to elections in June 2020, Zijin representatives met with Serbian Prime Minister Ana Brnabić and then–Minister of Energy and Mining Aleksandar Antić and promised to curb emissions. These promises were short–lived and seemingly for political show, as emissions later returned, at even higher levels.[xvii]

Zijin’s responded by claiming, again, that the environmental challenges predated the company’s takeover of the mine. However, Zijin’s efforts to mitigate pollution have not always worked. In August and November 2019, Zijin announced it was installing SO₂–neutralizing equipment, but SO₂ levels remained unchanged: SO₂ measurements by the Center for Investigative Reporting in Serbia found pollution dropped only during and immediately following days of protest.[xviii] The Serbian Ministry of Environmental Protection (MOEP) began proceedings against Zijin over hazardous emissions in November 2019 and January 2020.[xix]

NGOs such as Belgrade’s RERI played a notable role in exposing and publicizing regulatory negligence.[xx] In September 2020, RERI appealed a MOEP decision allowing Zijin to increase flotation capacities,[xxi] at its

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14 The Unirule Institute of Economics was a Beijing–based independent think tank founded in 1993 to promote economic liberalization and political democratization in China. In August 2019, the Institute announced that it had received a local government order to shut down due to allegedly operating as a private non–enterprise without proper authorization.

15 Flotation cells use a solution containing oils that generate a froth to which copper particles cling, allowing the copper to be separated from other materials.
Majdanpek mine from six to 11 million tons without an environmental impact assessment (EIA) and without publishing documentation of the decision on its website. RERI called on the Serbian government and MOEP to “ensure consistent application of regulations and oblige all polluters to abide by the law in the field of environmental protection.” RERI filed a criminal complaint against Zijin in January 2021, after MOEP chose not to act against the company’s violation of national anti-pollution regulations.

Civil society efforts to expose government inaction appeared to gain traction by March 2021, when Minister of Mining Mihaјlović announced the Serbian government ordered Zijin to halt production and finish building a wastewater treatment plant at the facility. In April, Minister of Environmental Protection Vujović announced that Zijin agreed to develop a plan to address its pollution and to meet with ministry officials monthly to ensure proper implementation. The plan, adopted in July 2021, required the municipal government to publish air quality readings online and notify the MOEP and Zijin immediately if readings indicated excessive pollution. To date, enforcement mechanisms remain unclear.

DONGFANG ELECTRIC THERMAL POWER PLANT IN STANARI, REPUBLIKA SRPSKA

Dongfang Electric’s lignite coal thermal power plant in Bosnia–Herzegovina’s Republika Srpska produced emissions beyond applicable EU standards. Despite this, officials from the PRC and Bosnia–Herzegovina saw the plant as politically important enough that they left it alone. Like Zijin, Dongfang Electric met with opposition from civil society groups concerned about emissions and environmental permits. Faced with government inaction, activist groups successfully appealed to the Energy Community, which required the host government, as a signatory of the Energy Community Treaty, to follow EU environmental directives. The Energy Community maintained that it ensured the plant complied with environmental impact assessments and environmental permit standards, showcasing how an international organization can hold a Chinese-based company and its host government accountable.

Project Background

In April 2013, with financing from the China Development Bank, the Dongfang Electric Corporation began construction on a lignite coal thermal power plant in Stanari, in the Republika Srpska region of Bosnia and Herzegovina (BiH). The plant began operations in August 2016. Chinese government publications promoted the plant as the first large-scale infrastructure project since the two countries established diplomatic relations in 1995 and as a major achievement in China-CEEC and BRI cooperation. While the plant’s owners claimed its emissions came in well under EU standards, in 2013 the Center for Environment in Banja Luka estimated that its emissions may have been two to ten times higher than EU limits. Despite critiques of its environmental track record, Dongfang Electric highlighted the Stanari plant in its 2020 Social Responsibility Report as the “light” of clean energy and Sino–Bosnian friendship.

Endorsement by the PRC and Bosnia–Herzegovina

The PRC and Bosnia–Herzegovina governments tout the Dongfang Electric Stanari plant as eco-friendly and a signature project of bilateral cooperation. At a 2015 meeting in Beijing with the Chairman of the Council of Ministers Denis Zvizdić, PRC Premier Li Keqiang touched on the Stanari plant as a key collaborative project. In a 2020 article published by Xinhua, the project is credited with putting Stanari “on the map,” by attracting international attention with “energy-saving and emission-reducing technology” to control SO₂ and nitrogen oxide emissions. In March 2021, after the UN High Commissioner for Human Rights raised environmental concerns over the Stanari plant and other Chinese projects, the PRC’s Permanent Mission to the UN claimed that the environmental indicators of the Stanari thermal power plant project meet the requirements of local laws and are in line with the relevant norms and directives of the European Energy Community.

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16 The Energy Community is an international organization consisting of EU members and other countries trying to extend EU energy market rules and principles to Southeast Europe: https://www.energy-community.org/aboutus/whoweare.html.
The Bosnian–Herzegovinian government has offered similar support for the project, with the Foreign Investment Promotion Agency hailing the plant as the “most important energy project in the last 30 years,” and claiming that the operating company “will work exclusively in accordance with the European regulations in force.”\footnote{xci} Most notable, however, are statements made by Milorad Dodik, then-Chairman of the Presidency of Bosnia and Herzegovina, in a 2021 interview with Xinhua:

Some people have been attacking this power plant on the issue of emissions and labeling Chinese technology negatively, but the test results show that Chinese technology can effectively reduce (greenhouse gas) emissions, and the relevant data [are] also better than the standards of the parties concerned, and in recent times we don’t hear such criticism anymore because they have nothing more to say… I support China’s policy not because China asks me to do so, but because China never attaches political conditions, yet it provides us with the same support (as the West) to advance major economic and trade projects.\footnote{xci,17}

Monitoring by Local NGOs and International Organizations

CEE Bankwatch, a Prague-based network of over a dozen NGOs in Central and Eastern Europe, and the Center for Environment challenged government claims that the Stanari plant met EU standards. According to CEE Bankwatch, by the time the plant became operational in September 2016, its environmental permit was already out of date. It complied with the older EU Large Combustion Plants Directive and not the newer Industrial Emissions Directive.\footnote{xciv} As a signatory of the Energy Community Treaty in 2006, the Bosnia and Herzegovina government is required to comply with EU energy legislation. Furthermore, when Dongfang reduced the plant’s capacity from 420 megawatts (MW) to 300 MW, Republika Srpska authorities did not require a new environmental impact assessment to account for the change and reduction in efficiency.\footnote{xcv}

Problems with the plant’s permitting began early. Republika Srpska authorities reportedly did not include emissions limits in the plant’s environmental permit. Instead, they used domestic standards allowing emissions levels two to three times higher. In January 2014, CEE Bankwatch filed a complaint with the Energy Community.\footnote{xcvi} The Energy Community responded in July 2015 that the plant’s environmental permit would be updated in accordance with changes to Republika Srpska’s environmental legislation, which is “several years behind EU legislation,” according to CEE Bankwatch.\footnote{xcvi} In its 2015 annual report, the Energy Community Secretariat determined that “the authorities of Republika Srpska conducted a proper environmental impact assessment procedure” and that Energy Community’s intervention ensured that the plant’s environmental permit reflected the proper emission limits.\footnote{xcvi}

SHANGHAI COOPERATION ORGANISATION

The Shanghai Cooperation Organisation (SCO) [上海合作组织], formed in 2001 by China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan, aims to promote cooperation in politics, economics, and environmental protection.\footnote{xcix} SCO countries are also involved in BRI projects. At the 2020 Global Energy Interconnection Conference [全球能源互联网（亚洲）大会] in Beijing, SCO Secretary-General Vladimir Norov called the organization’s activity “fully in line with the goals of the UN Sustainable Development Agenda until 2030, in accordance with the Paris Agreement on the standards and norms of global nature management, as well as with the spirit of the Belt and Road Initiative aimed at promoting sustainable development in the world.”\footnote{c}

The BRI’s goals sometimes overlapped with domestic infrastructure projects in SCO countries. This is the case with Kazakhstan’s Nurly Zhol State Infrastructure Development Program and Mongolia’s Blue Horse Project. In these projects, public opposition to Chinese-funded projects extends beyond environmental concerns to a more general resistance to the PRC’s expanding economic influence and outrage over the treatment of ethnic Kazakh and Kyrgyz people in Xinjiang.\footnote{ci} In Kazakhstan, 6.5 percent of protests related to China...
(making it the seventh-highest concern), while 7.3 percent of protests in Kyrgyzstan stemmed from issues tied to China (ranking it as the sixth-highest concern).\textsuperscript{ciii} While Kazakhstani officials regard their country as the “buckle” of the Belt and Road, the Oxus Society for Central Asian Affairs in Washington, D.C., counted 25 protests against China-Kazakhstan joint ventures between January 2018 and August 2020.\textsuperscript{civ} Similar public discontent in Kyrgyzstan has been strong enough to cancel a deal with China for a logistics center in the country’s central Naryn Region.\textsuperscript{cv} The protests have left the two governments trying to address public discontent while maintaining relations with Chinese officials and companies as a prerequisite for continued investment.\textsuperscript{cv}

GEZHOUBA SHIELI CEMENT PLANT IN KYZYLORDA, KAZAKHSTAN

The Gezhouba Shieli cement plant in southern Kazakhstan provides an example of a company selectively monitoring emissions in response to public concern over air pollution. It also highlights issues of bureaucratic transparency and alleged cooptation of local officials. Activists, concerned about pollution near the cement plant, tried repeatedly to get documentation on the plant’s compliance with environmental regulations.\textsuperscript{cvvi} Kazakhstani officials denied these requests, claiming the documents contained confidential commercial information. An activist managed to get hired at the plant and alleged that the cement plant hired a district-level official. If true, this former government official would be working for a company over which he previously had oversight.

Project Background

The cement plant, in southern Kazakhstan’s Kyzylorda Region, is operated by Gezhouba Shieli Cement Company LLP. The company was formed from a three-party joint venture including China Gezhouba Group Co., Ltd., China Gezhouba Group Overseas Investment Co., Ltd. [中国葛洲坝集团海外投资有限公司], and Danake Company of Kazakhstan. The consortium engaged with China Exim Bank and China Development Bank as early as October 2017.\textsuperscript{cvii} The cement plant was built by China Triumph International Engineering Co., Ltd. [中国建材国际工程集团有限公司] and began production in December 2018 with then-President Nursultan Nazarbayev’s endorsement.\textsuperscript{cviii} Although an environmental impact assessment and state-level environmental review were conducted for the plant, people living near the plant expressed concerns about the plant’s pollution,\textsuperscript{cix} which consists of nitrogen oxide, sulfur dioxide, and carbon monoxide emissions known to cause respiratory problems and degrade air and water quality.\textsuperscript{cx}

Promotion of ESG Credentials

Gezhouba has publicized company officials’ visits to its Shieli site. In August 2019, a delegation from the Gezhouba Group inspected the plant and urged its managers to vigorously engage in safety management and environmental protection.\textsuperscript{cxi} In October 2019, Deputy Prime Minister of Kazakhstan Berdibek Saparbayev led a delegation, including representatives from the Ministry of Labor and Social Protection of the Population, the Kyzylorda Region, and the Shieli District to inspect the plant. They expressed approval of its safety and environmental protection measures.\textsuperscript{cxii} Employees participated in World Environment Day and in March 2022 they planted over 600 trees at the facility.\textsuperscript{cxiii}

Activist Involvement in Exposing Environmental Regulation Infringements

According to a 2021 report by Crude Accountability, an environmental and human rights NGO focused on the Caspian and Black Sea regions, a group of environmentalists asked the Kyzylorda Regional Department of Ecology for copies of the environmental impact assessment, public hearing minutes, and the State Environmental Review report on the plant.\textsuperscript{cxiv} This request was forwarded to the Ministry of Industry and Infrastructure Development, which denied access to the documents. The Ministry of Industry and Infrastructure Development and the Ministry of Ecology, Geology, and Natural Resources rejected subsequent requests, claiming that the paperwork contained confidential commercial information. Crude Accountability contends that this violates the country’s Environmental Code, which gives the public a right to environmental information.\textsuperscript{cxv} A November 2020 lawsuit filed with the Esil District Court in Nursultan was dismissed in February 2021, as was the appeal in June 2021.
An activist claims to have uncovered evidence that Gezhouba coopted local officials. Almas Duisenbayev, who got a job at the plant in order to uncover the facility's environmental violations, maintains that Ashim Orazbekuli, a former official involved Gezhouba's land acquisition, was later hired at the plant. Following its interview with Duisenbayev, U.S.-based Eurasianet asked for, but did not receive, a response from Orazbekuli.

Shieli plant management has been perfunctory at taking responsibility for the plant’s pollution. In April 2020 and March 2021, following protests and media coverage, management sent teams to do air quality tests, but only after shuttering the plant for several days and taking measurements in areas upwind of it. When the plant’s neighbors complained about skin and respiratory problems, management blamed Covid-19. Crude Accountability claims that the government, alongside Chinese companies operating in Kazakhstan, used the pandemic to ward off public interest in their operations.

Kazakhstani and Chinese officials are quick to defend their projects. At the Second Belt and Road Forum for International Cooperation in Beijing in 2019, former President Nazarbayev defended the 55 joint projects in the country. Nazarbayev insisted that the projects were in line with domestic development goals and regulations and under the control of Kazakhstani officials and business people. He also defended the PRC government as a development partner, saying that “unlike the West, China never teaches us how to live.” In April 2019, PRC Ambassador to Kazakhstan Zhang Xiao condemned demonstrations, claiming that “forces” behind them were trying to stoke a “negative mood of the population against China and against the development of [China-Kazakhstan] bilateral relations.”

ZHONG JI MINING SOLTON SARY GOLD MINE IN NARYN, KYRGYZSTAN

The case of Solton Sary gold mine in central Kyrgyzstan stands out, as unrest eventually led to a suspension of mining operations. Neighbors accused mining runoff of poisoning livestock. The government inspected the mine and the company made concessions. But violent clashes broke out between Kyrgyz protesters and Chinese workers at the mine, and 20 Chinese nationals were hospitalized. The Kyrgyz government suspended Solton Sary’s mining operations, arrested mine officials accused of embezzlement, and ordered environmental rehabilitation, demonstrating its commitment to striking a balance between accountability and continued investment.

Project Background

The Solton Sary gold mine in central Kyrgyzstan was operated by Zhong Ji Mining, Co., Ltd., a subsidiary of China National Gold Group Co., Ltd., established in Bishkek in May 2015. In August 2019, environmental protests over reports of toxic spills degenerated into a physical conflict between mine workers and villagers. Locals claimed that pollution from the mine killed livestock, while authorities claimed that soil samples did not show hazardous chemicals or radiation. Kyrgyz government officials subsequently announced a month-long suspension of the mine's operations pending a government investigation.

Public Discontent

The violent protests of August 2019 were not the first. As early as August 2011, when Zhong Ji was conducting exploratory work, locals reportedly beat three Chinese miners at the site, accusing the company of neglecting environmental regulations and mistreating domestic workers. The incident prompted Prime Minister Almazbek Atambaev to call for a more transparent process for licensing foreign companies. The company reportedly offered monetary compensation for the loss of livestock, despite state inspections that claimed there was no correlation between the deaths and the mine. Nonetheless, an estimated 300 to 500 people gathered at the mine to protest and a fight broke out that sent 20 Chinese workers to the hospital. Citing findings by the state environmental and technical security inspectorate that they declined to disclose, Kyrgyz officials announced a month-long suspension of the mine's operations, pending an investigation.
PRC Government Response

The day after the clash, a spokesperson for the PRC Embassy in Bishkek issued a statement emphasizing the contributions of Chinese-operated enterprises and their strict adherence to local laws. The statement called on the Kyrgyz government to treat the injured, conduct an investigation, and severely punish all perpetrators. The PRC Ambassador to Kyrgyzstan, Du Dewen, visited Chinese workers injured in the fracas and assured them the Chinese government and the CCP were paying close attention. An article posted by the Shandong Provincial Chamber of Commerce made unsubstantiated allegations that the protestors were provoked by people spreading “rumors” about the mine.

Protests have led the PRC government to issue warnings to Chinese companies. The 2021 Foreign Investment Cooperation Country (Region) Guide for Kyrgyzstan, jointly issued by the Chinese Academy of International Trade and Economic Cooperation, MOFCOM’s Department of Outward Investment and Economic Cooperation, and the PRC Embassy’s Economic and Commercial Office includes the following in a list of the risks of foreign investment:

Kyrgyzstan highly values environmental protection: relevant laws and regulations are comprehensive, the requirements of its environmental protection department are high, and environmental regulations on the exploitation of mineral resources are especially strict. The violation of such environmental regulations will result in high penalties and can easily trigger protests and demonstrations among the local population.

Despite this and other similar guidance in PRC guidebooks for other countries, including Bosnia and Herzegovina, Montenegro, and Kazakhstan, the China-CEEC and SCO case studies suggest that several Chinese companies have not heeded it.

Kyrgyz Government Response

As with the 2011 protests at the Solton Sary mine, the Kyrgyz government’s response to the 2019 protests tried to hold investors accountable while also protecting the Zhong Ji mining staff. At a meeting after the 2019 protests, Prime Minister Mukhammedkalyi Abylgaziev made the following statement: “If investors violate the requirements and rights of our citizens, we will take appropriate measures against them. But everything should be within the law. If people demand to close the enterprises because of each such incident, then all investors will turn away from us. The actions of individuals, who want to take advantage of this incident, instantly jeopardize what we achieve through great effort. The everyday situation should not be transformed into the political one and one should not demand to ban something or kick someone out. All disputes should be resolved in a legal framework.”

While walking a delicate line between holding Chinese companies accountable and ensuring continued investment, the Kyrgyz government acted against corruption and environmental degradation related to the Solton Sary mine. In 2020, Kyrgyzstan’s State Committee for National Security announced the detention of Solton Sary officials suspected of embezzling gold ore. In April 2021, Chairman of the Cabinet of Ministers Ulukbek Maripov ordered the government to do environmental rehabilitation and waste processing at the mine’s tailing dumps.

BATTERY SUPPLY CHAIN

Chinese companies’ involvement (both state-owned and private) in the battery supply chain provides evidence with which to assess whether they prioritize sustainability in their pursuit of clean energy development. Chinese nickel, cobalt, and lithium extraction and processing offer examples of how Chinese companies navigate host country political environments to advance their projects. The companies often cooperate with other PRC and CCP actors as well as local government officials. Chinese companies publicize their sustainable resource extraction, and they emphasize how these efforts intersect with international corporate campaigns with similar agendas. Lastly, this study offers insight into how the Chinese dominance of certain parts of the battery supply chain impacts environmental sustainability – in other words, whether
Chinese market dominance helps or hinders environmental protections and sustainability. This report will address these via an examination of the following examples:

- The Ramu NiCo nickel plant in Papua New Guinea (PNG), owned by the Metallurgical Corporation of China (中国冶金科工集团) (MCC).
- Chinese cobalt mining in the DRC, China Molybdenum Company (洛阳栾川钼业), China Nonferrous Metals Company (中国有色矿业集团公司) (CNMC), and Zhejiang Huayou Cobalt (浙江华友钴业股份有限公司).
- The pursuit of lithium resources in Argentina by companies such as Ganfeng Lithium (江西赣锋锂业股份有限公司), Tsingshan Holding Group Co., Ltd. (青山控股集团有限公司), and Zijin Mining (紫金矿业集团).

### RAMU NICO NICKEL MINE IN PAPUA NEW GUINEA

Since the early 2000s, MCC, a subsidiary of China Minmetals Corporation (中国五矿集团公司), has operated the Ramu nickel mine in Madang Province, PNG, which provided 12.5 percent of China’s overall nickel imports in 2020. The project is operated by MCC subsidiary Ramu NiCo Management (MCC), Ltd. The mine is significant for its use of deep-sea tailings placement (DSTP) technology. Instead of leaving tailings at the mine, this technology pumps tailings out to sea via a pipeline at a refinery in the coastal town of Basamuk. The technology is environmentally risky and no Chinese mining companies use it. Mining Watch Canada asserts that every DSTP system to date “has suffered documented, unpredicted environmental damage or system failures.” This method is controversial: while the country’s Mineral Resource Agency approved it, activists have contended that its use contravenes PNG law.

The Ramu nickel project highlights the PRC’s and host country politicians’ key roles in building access to resources and in generating public support. This project shows how stakeholders, including MCC, the PRC government, and the local population responded to controversy. It also provides an example of CCP disciplinary bodies’ role in managing overseas project development.

### The Role of Political Influence

Contact between political leaders from China and from the host country laid the foundation for the Ramu NiCo nickel mine project. During March 2004 meetings in Beijing between then-PRC President and CCP General Secretary Hu Jintao (胡锦涛) and then-PNG Prime Minister Michael Somare, MCC agreed in principle to develop the project. In February 2009, MCC President Shen Heting (沈鹤庭) met Deputy Prime Minister Puka Temu, who thanked Shen for continuing with the project despite the global financial crisis. Puka’s comment points to the competitive advantage that access to state-owned policy banks offers Chinese companies. This access allows them to get the financing they need, even when market-based lending might not be available to competitors from other countries.

Support for the mine spanned multiple administrations in both the PRC and PNG. In 2009, then-Vice Premier Li Keqiang (李克强) celebrated the start of construction and described the mine as a “symbol of China-PNG win-win cooperation.” This was echoed by then-PNG Prime Minister Peter O’Neill at the mine’s completion ceremony in December 2012. President Xi Jinping discussed Ramu NiCo when he met with then-Prime Minister O’Neill during a meeting in Fiji in 2014.

National-level CCP organizations have also helped advance the mine project. On August 23, 2019, the CCP’s International Liaison Department (对外联络部) visited MCC’s headquarters with the PNG’s National Parliament. During the meeting, Minmetals Party Committee Member and Deputy General Manager Zhang Zhaoxiang (张兆祥) said that to make Ramu to global leader, MCC was boosting production. He

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18 As explained in a study published in Science of The Total Environment, “Deep-sea tailings placement (DSTP) involves the oceanic discharge of tailings at depth (usually >100 m), with the intent of ultimate deposition of tailings solids on the deep-sea bed (>1000 m), well below the euphotic zone. This slurry can potentially affect both pelagic and benthic biota inhabiting coastal waters, the continental slope and the deep-sea bed.”

19 Somare served as prime minister from 2002 to 2011 and represented the National Alliance Party. He died in 2021.

20 O’Neill served as prime minister from 2011-2019 and represents the People’s National Congress party.
added that, he hoped that the PNG government would provide strong support. He also said MCC would use its strengths in technology, human capital, and resources to support socio-economic development in PNG. Peter Numu, Member of the National Parliament of Papua New Guinea for Eastern Highlands and leader of the PNG One Nation Party, noted strong support for MCC’s future projects in PNG and for expanding production at Ramu.

Responding to Controversies

The use of DSTP technology at the Ramu nickel mine is the greatest source of controversy around the project, both because of the risks posed by pumping slurry into the ocean and because of spills at the Basamuk refinery (where the slurry is processed before entering the ocean). The PNG government, as well as its PRC counterparts, have worked to insulate MCC from legal consequences related to DSTP and to improve public sentiment regarding the mine. At times, however, relations with the local community deteriorated, most notably in August 2014 when armed villagers attacked the mine, injuring Chinese workers and damaging equipment.

Efforts to reduce MCC’s regulatory burden began in May 2010, when the Somare government passed an amendment to PNG’s Environment Act. The amendment protected resource extraction companies from prosecution over environmental damage and it allowed the Department of Environment to approve investments without a free and independent environmental plan. A report by Papua New Guinea Mine Watch at the time said that the Somare government amendments to the law meant that it “may not be challenged or reviewed in any court or tribunal.” The O’Neill government later revoked the amendment, but it showed the lengths to which some host-countries will go to maintain positive relations with Chinese stakeholders.

Regardless of the language on judicial review, locals used PNG’s legal system to challenge the project. In July 2011, a local man named Louis Medaing brought a lawsuit against the MCC-owned operating company Ramu NiCo before the National Court of Papua New Guinea. The lawsuit sought an injunction against the DSTP system, which was not granted; however, the court found that DSTP is contrary to National Goal Four of the PNG Constitution, which is for “Papua New Guinea’s natural resources and environment to be conserved and used for the collective benefit of us all, and be replenished for the benefit of future generations.” The Supreme Court of Justice denied Medaing’s subsequent appeal of the National Court’s ruling but required quarterly public consultations with Medaing and the other plaintiffs on tailings and waste disposal issues. Ultimately, the company found a different route to defuse Medaing without having to address the substance of his complaint: TextOre discovered that, at this writing, Medaing is employed by Ramu NiCo.

PRC diplomats played a key role in managing public opinion regarding the mine. In August 2010, then-PRC Ambassador to PNG Qiu Bohua commented, “It is my firm belief that with the completion of the Ramu Nickel project, the foreign confidence to invest in PNG will be boosted, and the bilateral economic relations will be lifted to a higher level. No matter how many difficulties [lie] before us, we will move forward for the benefit of our two peoples.” In February 2011, Ambassador Qiu defended DSTP as “the most suitable method bearing in mind the frequency of earthquakes in PNG and is the most environmentally friendly and economical choice.”

MCC also played a role in managing public relations. On August 30, 2019, Ramu NiCo General Manager Wang Baowen, flanked by PNG Minister for Mining Johnson Tuke and Governor Yama, apologized for a slurry overflow on August 24. Wang said,

“Company management is extremely concerned about this incident and will not treat it lightly. Even though the slurry spillage occurred accidentally and not out of the Company’s negligence of industrial requirements and standards, we will take this incident up to the management level and work very hard to improve so we do not face similar incidents in the future. To our local communities who are our friends and have been our most important hosts and who have been very cooperative to date, we want to continue working with you as we are committed to ensuring a harmonious relationship. We are committed"
to addressing any compensation in line with the existing Compensation Agreement as a result of the incident including carrying out awareness of the situation once all the facts have been provided to us by the agencies responsible.\textsuperscript{clxii}

In addition to public outreach, PRC stakeholders provided cash payments and other benefits to the local community; this is a model that placates stakeholders instead of resolving problems. In October 2015, locals living near Ramu NiCo facilities in Madang received payments of 50-80 PNG Kina (PGK), a payment for nine-years of mine operations.\textsuperscript{clxiii} In a statement, Ramu NiCo said, “The current land use payments by Ramu NiCo Management (MCC) Ltd is strictly in compliance with the Occupational Fee (land compensation) payment component of the land and environment compensation agreement in 2000.”\textsuperscript{clxiv} More recently, Ramu NiCo has provided free medical care to the local community and donated Covid-19 supplies.\textsuperscript{clxv, clxvi} However, none of this mollified the local community. In February 2020, the government of Madang Province (where the mine is located) and thirteen landowners sued Ramu NiCo for 18 billion PGK and 1.6 billion PGK, respectively. They alleged that Ramu NiCo is liable for dumping tailings and other mine waste into Basamuk and Astrolabe Bays, claiming that the use of DSTP is illegal under the Environment Act (2000).\textsuperscript{clxvii}

The \textit{Mining & Exploration Bulletin}, published regularly by the PNG Mineral Resource Agency (MRA), also functions as a way to manage the Ramu NiCo’s public reputation and, in particular, DSTP technology. This dates back to 2012, when published a defense of the mine, “Despite recent controversies relating to the waste management plans of the company relating to mine waste discharge which led to court hearings on the matter, the company was issued an environmental permit by the Minister for Environment and Conservation in 2000.”\textsuperscript{clxviii} In 2015, the \textit{Bulletin} found that “the operation of the DSTP system had no major impact on the marine environment.”\textsuperscript{clxix} Nonetheless, it should be noted that while the \textit{Bulletin} defended DSTP, the Mineral and Resources Authority closed the Basamuk refinery after a slurry spill in October 2019, which came after Ramu NiCo failed to comply with 16 remedial measures to rectify defects from a slurry spillage on August 24, 2019.\textsuperscript{clxx} The halt was brief: on October 29, 2019, Ramu NiCo received permission from the MRA to resume operations at Basamuk, following an inspection.\textsuperscript{clxxi}

The PNG government’s varied responses to DSTP illustrate the fact that the Chinese government and companies, even in supportive host countries, face challenges in using governments for their purposes, particularly when political actors see an advantage in opposing them. Although Somare and the MRA tried to reduce concerns about DSTP, other PNG political actors have drawn attention to its downsides. During a 2019 parliamentary debate, Governor Peter Yama of Madang claimed that the Conservation and Environment Protection Authority (CEPA) had not inspected the site in “a very long time” and that the toxic spillage coming from Basamuk was “enough to destroy all the marine life in Madang and in the Bismark Sea.”\textsuperscript{clxxii} Yama also alleged that MCC reneged on its commitment to build a tailings dam and 600 houses, was exporting limestone and cobalt illegally, and tried to commit bribery.\textsuperscript{clxxiii} His concerns were echoed by Dr. William Tongamp, member for Jikawa Province, who alleged that “The MRA is controlled by the mining operators. They control the board of management so when MRA comes out and talks about toxic content and materials in the water, the mining companies know about this beforehand.”\textsuperscript{clxxiv}

What the PRC government and companies do understand, however, is that elite interests are malleable. Later that year, during a meeting with Ramu NiCo General Manager Wang Baowen, Yama said “I as the governor of Madang have the responsibility towards my little people and nothing else. When you (Ramu NiCo) do the right thing, my people are happy, I am happy, and you will be happy doing business. Simple as that.”\textsuperscript{clxxv} This switch, from calling for environmental compliance to implying that donations to the local population can secure his support, shows that Chinese investors can successfully rely on transactional behavior. After all, local leaders’ primary concern may be the compensation of local people (and the political capital accrued by securing it), rather than protecting the environment.
COBALT MINING IN THE DRC

The Democratic Republic of Congo (DRC) is the source of the vast majority of China’s cobalt imports. This relationship has intensified since the signing of the Sicomines agreement in 2008, in which China got access to mining resources in exchange for funding infrastructure construction in the DRC. The relationship between the two countries is interdependent: China is by far the biggest buyer of DRC cobalt exports, and the DRC delivers most of China’s cobalt. This interdependence means each side has limited ability to set the terms for managing the environmental impact of the cobalt supply chain. The DRC cannot impose burdensome regulations on the large Chinese-owned mining companies for fear of damaging relations with a country that accounts for the largest single share of its exports. On the other hand, Chinese cobalt buyers and mining companies have nowhere to turn if relations with the DRC became strained.

While governments and civil society groups in other case studies in this report have pressured Chinese companies to be more environmentally friendly, that has not been the case in the DRC. DRC authorities, particularly since the inauguration of President Felix Tshisekedi in 2019, have focused on assessing whether Chinese companies are reporting production volume, and whether they are paying accurate royalties. Civil society has focused on workplace safety and child labor. However, Chinese mining companies in the DRC have joined in sustainability efforts, including international initiatives aimed at improving workplace safety and avoiding child labor. Chinese companies in the DRC cobalt sector prioritized sustainability because of two factors. The first is a desire for international legitimation (a “pull factor”) and the impetus to follow the PRC’s guidance on environmental protection. The second is to respect host country laws.

Despite DRC authorities’ limited interest in environmental protection, a 2018 revision of the country’s mining code imposed stringent rules on the mining sector. Mining companies now have to get an environmental certificate in order to receive an operating permit. The revision also made license holders responsible for environmental rehabilitation and liable for damages, even after the license expired and in the absence of fault or negligence. The revised mining code’s requires companies to contribute to projects to improve living conditions. This requirement highlights the emphasis that host countries put on the socio-economic benefits

21 Sinolytics Radar judges that the DRC extracts 73 percent of global cobalt and that about 80 percent of Congo’s cobalt is shipped to China, which owns 15 of the DRC’s 19 cobalt producers.

22 2022 U.S. International Trade Administration statistics indicate that the DRC’s top exports are refined copper and unwrought alloys, cobalt, unrefined copper, copper ores or concentrates, and crude oil, and that the PRC purchased 41 percent of the output, almost four times as much as the next-ranked buyer.
Themes examined in this case study include Chinese companies’ strategies to manage relations with the DRC government and public opinion, sustainability initiatives, and PRC and CCP environmental oversight.

**Securing Access to Cobalt Resources**

The Sicomines deal was China’s first foray into mining DRC cobalt (and copper). The China Exim Bank issued a line of credit to Sino-Congolaise des Mines, a China-DRC joint venture, to finance infrastructure construction. Revenues from mining projects managed by the joint venture repaid the loans. Such loans receive a sovereign guarantee from the DRC government. CNMC’s offers an additional approach to securing access to resources by reportedly providing an equity stake in its local subsidiary, China Nonferrous Metals Industry Foreign Engineering and Construction Corporation (NFC), to the DRC government.

**Promoting Sustainability Initiatives**

Chinese business networks help promote sustainability in the DRC. The local subsidiaries of CNMC, Sicomines, Zijin Mining Group, and China Molybdenum are members of the DRC Chinese-Invested Mining Companies Association. The association is, in turn, a member of the Alliance of Chinese Business in Africa for Social Responsibilities, whose secretariat is housed in the Chinese Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC). CCCMC acts as the secretariat for other initiatives related to sustainability in the extractives industry, such as the Responsible Cobalt Initiative, launched in 2017. The initiative aims to construct and promote a due diligence management system for the cobalt supply chain to increase transparency and improve risk awareness, in compliance with the OECD Due Diligence Guideline for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, as well as the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains. The initiative has secured multinational members like Apple, BASF, BMW Group, Dell Technology Group, HP Inc., and Sony Corporation. It has also cooperated with the Responsible Minerals Initiative to publish the Cobalt Refiner Supply Chain Due Diligence Standard, which helps companies comply with London Metals Exchange Responsible Sourcing Requirements. CCCMC is also part of international sustainability initiatives including the Responsible Mining Foundation and the Global Battery Alliance, and Amnesty International has credited it with recognizing the importance of due diligence regarding supply chains and human rights. CCCMC is also a member of the Fair Cobalt Alliance (FCA), which works to improve working conditions and infrastructure in the artisanal and small-scale mining cobalt sector. China Molybdenum and Huayou Cobalt are also members of the FCA. Likewise, China Molybdenum is also a member of ReSource, an industry organization that seeks to ensure that cobalt is sustainably sourced, and the Cobalt Institute, which promotes the sustainable use of cobalt.

In addition to the Responsible Cobalt Initiative’s reliance on OECD standards, international standards and organizations figure prominently in the ESG reports published by DRC-based Chinese mining companies. China Molybdenum’s 2020 ESG report indicated that Tenke Fungurume Mining (TFM), in which China Molybdenum owns an 80 percent stake, did a self-evaluation against the OECD Due Diligence Guideline on Conflict-Affected and High-Risk Areas. Other references to international ESG standards include the Voluntary Principles on Security and Human Rights, which aims to impose rules on security forces at mine sites, and the European Union Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) regulation, which protects human health and the environment by properly identifying chemicals. The report also says that “TFM operations in the DRC comply with international standards in areas where local laws

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23 Similarly, it also requires that mining companies contribute 0.3 percent of turnover to community development projects managed by the communities themselves.
and regulations are weak or absent,” reflecting the company’s adherence to PRC policy mentioned earlier in this report. China Molybdenum’s reference to this set of international ESG standards indicates that, even where local authorities do not place a major priority on sustainability, Chinese mining companies do engage with the topic.

This dynamic also applies to CNMC. The company’s 2020 annual report refers to the Global Reporting Initiative (GRI) Standards, the United Nations Global Compact, and the United Nations Sustainable Development Goals. The CNMC report also conforms to the Notice of the Shanghai Stock Exchange on Strengthening the Social Responsibility of Listed Companies and Guidelines for Environmental Disclosure of Listed Companies, potentially pointing to a role for stock markets to improve Chinese companies’ environmental performance.

The China Molybdenum ESG report is particularly notable for the detail it offers on corporate social responsibility measures at the TFM mine. For instance, the company maintains a community grievance system, which received 249 complaints in 2020; 116 were resolved. TFM reported that 68 percent of the complaints it received pertained to environmental issues, primarily water discharge from mine pits. The report also identified degradation of local flora due to high concentrations of metals as the primary biodiversity conservation issue. In response, China Molybdenum launched a program to monitor endangered plants and ran educational events for the community. TFM also operates a Community Development Forum for input regarding the community’s development needs. In 2020, TFM reportedly consulted with all nearby communities with guidance from the Provincial Ministry of Mines and participation from NGOs such as Bureau Diocésain de Développement (BDD) and Southern Africa Resources Watch (SARW).

Managing the Government and Public Opinion

Chinese mining companies in the DRC have provided benefits to local communities in order to foster goodwill. In April 2020, the TFM mine donated USD400,000 to Lualaba Province for Covid-19 relief. In July 2020, in conjunction with the Federation des Enterprise du Congo and the PRC Embassy, the mine gave more Covid-19 donations to the Denise Nyakeru Tshisekedi Foundation, a charity run by President Tshisekedi’s wife. According to its 2020 ESG report, TFM’s contributions were, in part, shaped by the requirements of the revised mining code. Changes in the code prompted TFM to develop programs “tailored to the economic development priorities and needs of local people.” As a result, TFM will invest USD 31 million in community development between 2021 and 2025 and operate a social community fund to invest in road resurfacing.

Chinese cobalt mining in the DRC faced a significant challenge in February 2022 when the Commercial Court of Lubumbashi suspended operations at the TFM mine amid accusations that China Molybdenum was under-reporting new finds. However, a month later DRC government spokesman Patrick Muyaya Katembwa said the court case had been “suspended with a view to restoring a climate of exchange and harmony between the parties.” The decision came after China Molybdenum’s (CMOC) Chief Executive Officer Sun Ruiwen met with DRC Prime Minister Jean-Michel Sama Lukonde Kyenge. Sun and Lukonde agreed that a “world-recognized third-party will be engaged by the two parties to perform evaluations to ensure a fair and just resolution, protection of investor’s interests, and win-win cooperation.” Lukonde added that he was “looking forward to the expedition of the projects and creation of more local job opportunities to drive greater social and economic growth in the country.” Lukonde’s reference to social and economic growth is part of a general trend of officials prioritizing socio-economic benefits. This example demonstrates the importance of royalty payments, rather than environmental protection, as the main topic of concern between CMOC and the DRC.
Environmental Oversight from PRC and CCP Organs

To maintain positive relations with DRC stakeholders, Chinese diplomats remind companies to act sustainably. PRC Ambassador Zhu Jing’s visit to Lualaba and Haut-Katanga provinces in April 2022, provides an example of this dynamic. During his visit, he sought to “understand the details related to operations management, technological equipment, security guarantees, environmental protection, [and] Covid prevention.” He also congratulated CNMC for its “innovative cooperation model at Deziwa,” which “puts into practice the green development concept and establishes [the concept of] the green mine.”

When DRC officials criticized Chinese mining companies’ environmental protection efforts, PRC officials committed to holding the offending companies to account. For instance, after the governor of South Kivu Province, Theo Ngwabidje Kasi, suspended operations by six Chinese mining companies because of environmental damage, Director-General of the Department for African Affairs of the Ministry of Foreign Affairs Wu Peng said that “the related companies will be punished and sanctioned by the Chinese government... we’ll never allow Chinese companies in Africa to violate local laws and regulations.” Wu also said that, following Ngwabidje’s claims, provincial authorities from Zhejiang and Jiangsu inspected the companies in question and ordered them to leave South Kivu.

While not directly related to the DRC, oversight by the Central Ecological and Environmental Inspection Group appears to have pressured CNMC to improve its sustainability practices across the board. In December 2021, after a tailings pond overflowed into the Yangtze River, the group complained that CNMC was not upholding environmental standards. In April 2022, CNMC announced that it was working to become a leader in green development and corporate social responsibility. CNMC said that it donated 45 million Chinese yuan to charitable projects in Zambia and the DRC in 2022. It also announced that it would engage with local communities, including environmental organizations, benchmark its progress against international environmental standards, and use a third-party to evaluate its environmental management.

LITHIUM RESOURCES IN ARGENTINA

Chinese companies angling to win lithium mining concessions in Argentina relied on the help of the PRC government, other state-owned or private Chinese companies, whether, and other PRC actors for help. The Argentine government welcomed this investment, but it may have calculated that by building relationships with many Chinese companies, it could use competitive pressure to generate high standards and drive Argentina’s transition to clean energy. The following is a list of the Chinese lithium-related companies whose representatives have met with Argentine government officials since 2017: Tibet Huayu Mining, Chinalco, China Jinchuan Investment, Minmetals, Zijin Mining Group, Shandong Zhaojin Group, China Gold Association, Jiangxi Copper Corporation, Shandong Gold, China Minmetals, Zijin Mining Group, and Zangge Mining Co., Ltd. Representatives from the China Geological Survey, a government-owned non-profit which does mineral resources research, also met with Argentinian officials. Chinese executives and government officials mention green development in their discussions in Argentina, but they also reference the socio-economic benefits of potential investment. This is a selling point in other examples detailed in this report (i.e., Chinese companies providing ancillary benefits to local communities impacted by energy-related investments).
State Coordination of Investment Activity

Since 2010, when Deloitte Argentina published advertisements seeking to coordinate investment opportunities with MOFCOM, there have been signs that PRC state organizations manage Chinese investment in Argentina’s lithium sector. MOFCOM has done surveys of Argentine mining, issued information about potential business partners for Chinese companies, such as Altos Americas, and publicized Panorama Minero’s, an Argentine mining magazine, business development events. Chinese investment in Argentina’s lithium sector moved forward in 2015, when then-Argentine President Cristina Fernandez de Kircher met with Xi in Beijing, where they agreed to boost cooperation in mining.

Following this, an Argentine government delegation led by Undersecretary of Mining Development Mario Osvaldo Capello attended the China Mining Congress and Expo 2017, where they met with Vice Minister of Land and Resources Cao Weixing. Capello led a delegation to the China Mining 2018 Congress and Expo as well, building on a bilateral agreement regarding business development in the lithium sector and leading to meetings with many of the companies mentioned at the outset of this case study. Capello’s efforts were reciprocated by PRC Ambassador to Argentina Zou Xiaoli, who attended the September 2019 China-Argentina Business Forum, where he said that “the cooperation between China and Argentina is heading towards a green, ecological, and sustainable development, and is already showing an encouraging trend.”

At times, personalities in both countries drove agreements. Matias Kulfas, who served as Minister for Productive Development from December 2019 to June 2022, was a major promoter of cooperation, particularly of investment by Ganfeng Lithium. Kulfas met with representatives of the company and its subsidiaries at least three times in 2021 alone. In May 2021, Kulfas signed an agreement with Jujuy province and Ganfeng Lithium to manufacture lithium batteries. Representatives from the PRC Embassy in Argentina and the Argentine Embassy in the PRC attended the signing ceremony. As Kulfas came closer to the end of his tenure as minister, senior Argentine officials began joining the talks. This culminated in a November 2021 meeting between President Alberto Fernandez and Daniel Chavez Diaz, CEO of Eramine South America, which is partnering with Tsingshan Holdings Group on to develop a lithium mine in the Centenario-Ratones salt flat in Salta Province. During his time in office, Kulfas met with representatives of CATL and the governors of Jujuy, Salta, and Catamarca provinces, all of whom were interested in new investment.

Public Relations Strategies

Concerns about the impact of lithium extraction date back to 2011 but have risen since President Fernandez’s inauguration in 2019. Some of these came in response to a United Nations Committee on Economic, Social, and Cultural Rights report expressed concern about the impact of lithium extraction on indigenous peoples and the environment in Salinas Grandes, salt flats located in Jujuy and Salta provinces. Chinese mining companies’ public relations reflect a sensitivity regarding these topics. Ganfeng Lithium issued a release that read, “the Cauchari-Olaroz project is the answer given by Ganfeng on how to make humans and the earth’s ecology coexist harmoniously on the premise of maintaining development.” However, indigenous groups objected to being forcibly relocated because of the project’s environmental impacts. The groups also claim that MineraExar has violated their right to free, prior, and informed consent, contravening protections from the International Labour Organization and the Argentinian constitution. Ganfeng Lithium and Lithium Americas’ option for Jujuy Energia Minera Sociedad del Estado (JEMSE) (owned by the provincial government) to purchase 8.5 percent of MineraExar’s Class B shares gives local authorities an incentive to push the project through, possibly at the expense of indigenous groups. This dynamic is similar to NFC’s operations in the DRC, where it is reported to have provided national authorities with an equity stake in the company.

27 Capello received a delegation of officials from Hubei province, including Zhang Meng, the director of the province’s Department of Land and Resources. Capello presented investment opportunities in copper, gold, silver, and lithium.
The Exar battery production agreement demonstrates China’s emphasis on its investment projects’ green credentials, which are combined with references to economic benefits. Ganfeng Lithium Chairman and President Li Liangbin [李良彬] said, “We promise to work with a commitment to environmental care.” The Ganfeng-organized Green Supply Chain Summit in June 2021 featured green development. The company’s mission statement promoted using “limited lithium resources to create a green, clean, and healthy life for the development and progress of mankind.” However, Li’s comment that Ganfeng “wants to support the industrial development of Argentina so that it becomes one of the most important lithium-producing countries in the world” is in keeping with other companies’ emphasis on socio-economic development, sometimes at the expense of environmental protection.

In February 2022, Kulfas touched on socio-economic development and environmental protection after Zijin Mining Group’s announced it would invest USD 380 million, via local subsidiary Liex SA, to build a lithium carbonate plant as part of the Tres Quebradas project. Kulfas said its “mining development policy has two fundamental aspects: on one hand, it has to be mining that cares for the environment, that applies the best practices so that it develops sustainably; on the other hand, we want mining that generates development in the region where it is located, that generates employment in the communities, in the provinces, that investments in works and that uses local suppliers to strengthen the local productive framework.”

Alongside an emphasis on socio-economic development, Chinese companies tout their benefits in Argentina. As part of the Exar battery production agreement, the project’s investors, including Ganfeng Lithium, contributed equipment to a local hospital and provided Covid-19–related support. In 2020, they donated 35 million Argentine pesos to build basic infrastructure for people living near the project, including expanding the electricity grid, building a school and a sports hall, and renovating assisted-living housing for the elderly.

**PRC and CCP Environmental Oversight**

PRC provincial authorities review investments by Chinese companies in the lithium sector. In April 2020, the Jiangxi Development and Reform Commission (JDRC) approved Ganfeng’s investment in the Llullaillaco salt flat research and development project. The project, extracting lithium and other minerals from brine, will be run by Litio Minera Argentina SA, which is part-owned by Ganfeng subsidiary Ganfeng International. JDRC requires Ganfeng to provide notice if serious problems arise. JDRC also stipulates that the project must not violate Chinese law and must not threaten its national interests or national security. TextOre research suggests that the JDRC review documents are based on a form issued by the NDRC, which is used by other provincial development and reform commissions.

**RENEWABLE ENERGY**

Since BRI’s launch, renewable energy infrastructure has been an important part of Chinese engineering, procurement, and construction (EPC) companies’ work overseas. This case study examines Chinese companies’ work to assess its environmental impact and also looks at how the CCP and the PRC respond to accusations of environmental damage. It focuses primarily on hydropower rather than wind or solar energy because Chinese companies control more than 70 percent of the hydropower plant construction market. Also, hydropower projects can be controversial, and the turbulent trajectory of some projects reflects this. The PRC’s National Energy Administration banned the construction of small hydropower plants in regions with an electricity surplus or which are in “ecologically fragile” areas, like parks, scenic spots, or habitats for rare fish. Hydropower projects can be so sensitive that the BRI International Green Development Coalition lists hydropower in the red section of its project classification system. Red signifies “stricter supervision and regulation” due to a “risk of causing ‘significant and irreversible’ environmental damage or major negative environmental impacts.” This case study will focus on the Karot hydropower plant in Pakistan, the San Gaban project in Peru, and the La Barrancosa – Condor Cliff project in Argentina.
KAROT HYDROPOWER PLANT

The China Three Gorges Group [中国三峡集团] developed the Karot hydropower plant via its holding company, China Three Gorges South Asia Investment Limited (C-SAIL). On the Jhelum River in Pakistan’s Punjab province, the plant is held up by Chinese state media as an example of environmentally friendly project development and successful coordination with international financial institutions (i.e., the International Finance Corporation (IFC), part of the World Bank, is co-financing the project). An SCIO white paper titled “Energy in China’s New Era” [新时代的中国能源发展] used Karot to show China “actively working towards green and low-carbon global energy transition by engaging in extensive cooperation in renewable energy.” The same line was reiterated in a report by the Beijing-based Center for International Knowledge on Development [中国国际发展知识中心] titled “China’s Progress Report on Implementation of the 2030 Agenda for Sustainable Development” (2021).29

Karot hydropower’s development trajectory was heavily influenced by PRC organs and officials. The Joint Statement between the Islamic Republic of Pakistan and the People’s Republic of China on Establishing an All-Weather Strategic Cooperative Partnership mentions the project.29 It also demonstrates that working with international financial institutions and requiring ESG standards does not necessarily insulate a project from transgressions.

Project Background

The Karot hydropower plant has a designed capacity of 720 megawatts. The project cost of USD 1.74 billion was funded with a debt-to-equity ratio of 80:20. This includes a USD 316 million investment by the China Three Gorges Corporation, a USD 100 million loan from IFC, and the remainder lent by a consortium that includes the China Exim Bank, the China Development Bank, and the Silk Road Fund.29 Karot is the first project to receive funding from the Silk Road Fund.29 The plant is operated by a special-purpose company named Karot Power Company Limited (KPCL). KPCL is 93 percent-owned by C-SAIL, which is owned by the China Three Gorges Corporation. The plant began commercial operations on 29 June 2022.29

Within months of agreeing to the all-weather strategic relationship, PRC state media and its Pakistani counterparts advertised the Karot project’s green credentials. This reflected a definition of green development as it pertains to mitigating carbon dioxide emissions, rather than net environmental impact. In August 2015, the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC) published a report claiming that every China Three Gorges project in Pakistan was a “clean energy project.” This can mean small-scale initiatives, such as representatives of China Three Gorges, IFC, the Silk Road Fund, and China Exim Bank planting three trees at a closing ceremony in September 2018. Then-PRC Ambassador to Pakistan Yao Jing [姚敬] attended the ceremony and said it was part of a bid to support the environmental policies of the Pakistani government.

Chinese state media and its public diplomacy outreach focused on IFC’s role at Karot and its ESG requirements. MOFCOM, in an article published in 2018, portrayed IFC’s involvement as a positive development for Chinese infrastructure financing:

As a member institution of the World Bank, IFC attaches great importance to the attitude and performance of potential investment targets in terms of environmental protection and social impact. Any negative evaluation report will vote down the investment project. Therefore, this development model of introducing international capital to serve Chinese enterprises “going out” has effectively reduced various risks in overseas operations, significantly reduced financing costs, and is of great significance to the global promotion of China’s hydropower technologies, standards, and concepts.

The Center for International Knowledge on Development report, “China’s Progress Report on Implementation of the 2030 Agenda for Sustainable Development (2021),” also referred to the role of IFC in setting project

29 The statement was agreed to during Xi’s visit to Pakistan in April 2015.
standards. “The Karot HPP [hydropower plant] adopts the IFC Sustainability Framework. Before the construction work began, a social and environmental assessment consultancy firm was appointed to provide the Social and Environmental Impact Assessment Report based on Pakistan’s policies and regulations concerning occupational health, environmental protection, and labor management."

In 2019, SASAC published an article about the Karot project highlighted its associated $6 million investment in local infrastructure and raising living standards in nearby communities through projects such as improving water supply systems, and building libraries, leisure facilities, and a health clinic. Perhaps as an indication of the messaging strategy’s success, at a celebration of community development initiatives held by Pakistan’s National Electric Power Regulation Authority in 2022, Karot was named a top performer for social responsibility. In February 2022, Karot won the CSR Award from the National Forum for Environment and Health, a Pakistani NGO working for conservation and the protection of the environment.

Labor Rights

IFC’s support of the Karot project meant it had to be reviewed by and pass an Environmental and Social Review Summary (ESRS). IFC Performance Standard Two requires fair treatment of workers and a safe working environment. IFC’s compliance advisor ombudsman (CAO) received a complaint in July 2020 from the Awami Labour Union (which represented workers at the project) regarding freedom of association, the right to organize, and a right to good faith collective bargaining. The complaint also noted violations of IFC standards on health and safety and working conditions. The CAO found the complaint eligible for further assessment, but the lack of agreement between Awami and KPCL over a dispute resolution process left it unresolved. Karot demonstrates how cooperation between international financial institutions and their Chinese counterparts can result in better project standards. However, it also shows that when the co-financing international institution has a minority stake in a project, it does not have enough leverage to intervene when disputes arise.

THE SAN GABAN HYDROPOWER PLANT

Located in Peru’s Puno department, the San Gaban III hydropower plant further demonstrates political leaders’ important role in generating momentum for projects under the “Green Belt and Road.” President Xi and then-President of Peru Pedro Pablo Kuczynski signed a memorandum of understanding including the project during Xi’s visit to Peru in November 2016.

Project Background

San Gaban III is financed via both debt and equity and was awarded to Hydro Global Peru (with 50 percent owned by China Three Gorges Corporation and 50 percent owned by Energias de Portugal) under a build-own-operate-transfer agreement. Ownership will be transferred to Empresa de Generación Eléctrica San Gabán S.A. after 30 years. China Three Gorges Corporation owns approximately 20 percent of Energias de Portugal and launched a failed takeover bid for the company in 2019. The China Development Bank provided debt financing for the project. Local authorities approved it environmental impact assessment on 17 October 2017. Parts of the project are contracted to the China International Water and Electric Corporation, a wholly owned subsidiary of China Three Gorges Corporation.

Community Relations

In May 2018, the local community started a sit-in at China International Water and Electric Corporation housing in Puno to protest against pollution they blamed on the San Gaban III project. Protesters also blocked access to roads and overturned cars. The protesters’ main demand was to extend the project-defined impact area from the town of Chacaneque to the entire San Gaban district. Hydro Global Peru representatives met with several protesters, but the two sides did not reach an agreement. The subsequent evolution of community relations provides insight into how Chinese companies and the PRC government respond to environmental protests related to infrastructure development projects.
In the years that followed, China Three Gorges established a community liaison group and launched a program to train locals for employment. By 2021, 71 percent of Peruvian employees employed on the project came from the surrounding area.\textsuperscript{ccliv} China Three Gorges also built a sports field, a drinking water access point, and renovated a local school. In addition, according to an article posted on the SASAC website, the company provided Christmas gifts for local children and organized a Mother’s Day celebration, emergency rescue services, Covid–19 prevention and control measures, and baby showers.\textsuperscript{cclv}

China Three Gorges seems to be aware of concerns about the San Gaban III project’s environmental impact. In 2021, China Three Gorges held a virtual open house called “Greener Hydropower, Greener Day.” Open house attendees learned that even before construction began, China Three Gorges monitored air, water, noise, flora, and fauna in the surrounding area. It recorded 334 species of animals and 105 species of plants. The company also stated that it sent animals to a nearby rescue center, rescued fish, built diversion facilities for fish, compensated owners or replanted 9,000 square meters of vegetation, transferred important species of plants to other habitats, and moved the project’s utility poles by helicopter rather than road to minimize deforestation at a cost of USD200,000.\textsuperscript{cclvi} SASAC reported on the open house, and its article was translated into English and published on the CCP-owned Beijing Review’s website.\textsuperscript{cclvii} San Gaban III shows that China Three Gorges has tried to address environmental concerns, and it provides a window into how Chinese state-owned enterprises respond to public relations problems encountered amid China’s infrastructure development activities.

**CONDOR CLIFF AND LA BARRANCOSA**

Argentina’s Condor Cliff and La Barrancosa dams are both part of one hydroelectric power plant project. This project provides further evidence of how Chinese state-owned enterprises, the PRC government, and the CCP respond to challenges: the Supreme Court of Argentina [Corte Suprema de Argentina] suspended the project from 2015 to 2017 after reviewing the environmental impact assessment.\textsuperscript{cclviii} After construction resumed in 2017, the PRC and officials from China Gezhouba Group Corporation visited the project site, and PRC official media extolled Chinese stakeholders’ care for the local ecology. The Condor Cliff and La Barrancosa dams also shed light on cross-default clauses in lending by state-owned policy banks, under which the China Development Bank could pressure Argentine authorities to resume work on Condor Cliff and La Barrancosa or risk the Chinese canceling another, different project in the country. However, Condor Cliff and La Barrancosa show how a combination of factors, including civil society activity, political support, and judicial review, can force changes in project specifications in order to protect the environment.

**Project Background**

Also known as the Nestor Kirchner – Jorge Cepernic hydro project, the project is in Santa Cruz Province, part of the Patagonia region and the home of Cristina Fernandez de Kirchner. Since the project began in 2013, Kirchner has served as president, senator, and vice president. The USD 4.7 billion project is financed by a syndicated loan provided by the China Development Bank, the Industrial and Commercial Bank of China, and the Bank of China.\textsuperscript{cclix} The project was contracted to China Gezhouba Group Corporation \textsuperscript{[中国葛洲坝集团股份有限公司]} (CGGC), Electroingeniera, and Hidrocuyo. The loan contract requires that the Republic of Argentina, as the named borrower, “comply in all material respects with all Environmental Law.”\textsuperscript{cclx}

**The Role of Political Relations**

Political leaders supported Condor Cliff – La Barrancosa from the outset, although that support has ebbed and flowed with their political fortunes. Then–Argentine Vice President Adamo Boudou met with Gezhouba International General Manager Chen Xiaohua \textsuperscript{[陈晓华]}\textsuperscript{30} in August 2013 in Beijing, where they agreed to

\textsuperscript{30} In 2021, Chen was promoted to Deputy General Manager and Party Secretary of China Energy Engineering Corporation \textsuperscript{[中国能源建设集团有限公司]}, which controls China Gezhouba Group Corporation.
deepen cooperation, beginning with the Condor Cliff – La Barrancosa project. Gezhouba published news of the meeting on its website, which is hosted by China Daily; an example of how PRC state media plays a role in Chinese companies’ public relations. Boudou and Chen met again in Beijing in September 2015, when the Argentine Vice President attended the September 3, 2015, military parade held to mark the 70th anniversary of the end of World War II. In this meeting, Boudou told Chen that the “Argentine Government welcomes CGGC to fully participate in the social and economic development of Argentina and will provide wholehearted support in this regard.” Boudou’s comments reflected a common theme in development: communication about a project emphasizes its long-term and large-scale benefits while downplaying specific environmental concerns. Boudou met with Chen again after then-PRC Ambassador to Argentina Yang Wanming [杨万明] visited the site. Yang, echoing Boudou, said that the dams would “enable social development,” once again highlighting the socio-economic benefits.

President Fernandez de Kirchner’s term ended in 2015, and she was succeeded by Mauricio Macri of the Republican Proposal [Propuesta Republicana]. Though Chen had received Boudou just weeks before the October 2015 general election, Macri suspended construction on the dams in December 2015, pending evaluations of cost and environmental impact. In response, three months later, China told Argentina that defaulting on the project would jeopardize financing for the Belgrano Cargas railway, because of the cross-default clause in the loan contract.

Civil Society Opposition

Despite that threat, the Macri administration continued its review of Condor Cliff – La Barrancosa. In December 2016, the Supreme Court upheld the work suspension on the project following a complaint brought by the Association of Argentine Environmental Lawyers of Patagonia [Asociación Argentina de Abogados Ambientalistas de la Patagonia] and the Banco de Bosques Foundation for the Sustainable Management of Natural Resources [Fundación Banco de Bosques para el Manejo Sustentable de los Recursos Naturales]. The two organizations, which named the Province of Santa Cruz and the national government as defendants, argued that environmental studies had not examined the project’s impact on Argentino Lake or the Perito Moreno, Spegazzine, and Upsala glaciers. The two groups also said that citizen consultations had not been carried out and noted concerns about the hooded grebe, a critically endangered bird found only in southern Argentina. The suspension did not apply to exploratory or preparatory work, but it shows that pressure from NGOs and judicial review can alter the course of projects even if they have already begun, especially when the host country supports a review. In September 2017, construction on the project resumed in full after the Macri government approved the project’s environmental impact assessment and agreed to lower the height of the dam and reduce the scope from 11 turbines to eight. In September 2017, the Macri government approved the project’s environmental impact assessment and construction resumed in full.

Political Support and China’s Official Media

PRC official media figured prominently in the Condor Cliff – La Barrancosa project’s public relations management. In September 2015, China Daily published a Xinhua op-ed saying that “Chinese-built dams are poised to spur the local economy.” After the agreement to modify the hydropower sites, Chinese state media ran more stories on the project than it had previously. This could mean that state media gatekeepers saw the changes as a good news story that showcased China’s role in global green development. In September 2021, Xinhua published an article titled, “Argentina’s Energy Dreams, supported by a Hydropower Project,” which said that “protecting the ecology and the environment in the vicinity has become an important factor in the design and planning of the project. Chinese engineers have applied rich experience and advanced technology to... avoid affecting the local environment.”

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31 Boudou was imprisoned in 2018 after being convicted of corruption on charges unrelated to the Condor Cliff – La Barrancosa project. Several other members of the Kirchner government were also convicted of corruption.

32 A cross-default clause stipulates that an event of default on one project tied to the clause would automatically lead to a default on any project referred to in the clause. The application of a cross-default clause to the Condor Cliff-La Barrancosa project and the Belgrano railway project meant that Argentine authorities could not cancel one project without terminating the other as well.
Xinhua ran a story about the changes to the project’s scale and surmised that “China’s experience and advanced technology have guaranteed the environmental sustainability of the project.”

Chinese and Argentine politicians have also stressed the importance of the project. Through high-level visits to the dam site, including President Macri in January 2019, Vice President Fernandez de Kirchner in January 2020, and PRC Ambassador to Argentina Zou Xiaoli in March 2020, political leaders also expressed their support for the project to lend it legitimacy. Neither Chinese state media nor PRC leaders mentioned Condor Cliff – La Barrancosa’s work suspension. Instead, they framed the changes to the project as coming from Chinese stakeholders eager to mitigate its environmental impact. The project has been politicized in Argentina, however. Under President Fernandez’s, Argentinian officials have criticized their predecessors for temporarily stopping work on the projects. When he met with the president of the China Energy Engineering Corporation, Ambassador Vaca Narvaja said, “after the almost total paralysis that the works had during the previous administration, the national government, through the Argentine Embassy in China, has assumed a firm commitment to provide Argentina with the largest number of energy works possible.” Vaca Narvaja also said at the time that the Argentine Foreign Ministry was working with the NDRC on an “integrated five-year plan” that may lead to more projects with Gezhouba. While current President Javier Milei, who assumed office in December 2023, threatened to cut ties with China during his campaign, his stance has since softened, leaving open the possibility of future developments in the energy sector and beyond.

**Continued Oversight**

Civil society groups and Argentina’s judiciary have continued to monitor the project. In 2017, local NGOs requested the project’s environmental impact assessment be thrown out. The Supreme Court recognized their objection in October 2020 and asked the National Parks Administration, the National Institute for Seismic Prevention, and the Institute of Nivology (the study of snow), Glaciology, and Environmental Sciences to provide environmental assessment reports. As of December 2021, only the National Parks Administration and National Institute for Seismic Prevention responded. The Parks Administration said that the environmental impact assessment lacked sufficient data on the migratory patterns of birds and exotic fish; the latter pointed to “questionable” data on geology and earthquakes.
CONCLUSION

The launch of BRI in 2013 reframed the PRC’s relationship with the developing world. The accompanying surge in financing put Chinese policy banks on par with multilateral development banks such as the World Bank. However, China’s weak compliance rules around good governance, anti-fraud, and environmental safeguards meant that concerns quickly arose about BRI’s impact on the environment. The PRC government responded with the green Belt and Road. Since then, Chinese companies have operated under new official guidelines and responded to key policy shifts, most notably Xi’s 2021 announcement that the PRC will no longer finance new coal power plants overseas.

However, environmental concerns continue to afflict BRI. The Chinese government pays uneven attention to environmental concerns and focuses instead on encouraging new projects, inspecting and overseeing projects, and responding to criticism. The PRC has consistently prioritized project development and responding to criticism over environmental inspection and regulation. When the PRC does ramp up its oversight of overseas development projects, the number of PRC and CCP organizations involved points to a responsibility that is not clearly assigned. Coordination between PRC state authorities, official media, and Chinese companies is, in fact, most evident when overseas projects face criticism. Furthermore, the PRC’s longstanding reluctance to require Chinese companies overseas to follow the country’s own environmental laws points to a preference for leaving oversight and enforcement to host-country authorities, who have, for the most part, ignored environmental protection. Whether this is due to corruption (over 80 percent of BRI lending goes to moderately corrupt countries) or a host country’s bias in favor of Chinese-backed projects’ socio-economic benefits, this is a consistent dynamic.

Recent initiatives such as the March 2022 Opinion on Promoting the Joint Development of the Green Belt and Road have not addressed these problems. Instead, they put pressure on companies to manage environmental standards on their own. That some Chinese stakeholders might yearn for international legitimation prompted some sustainability initiatives, but in general, Chinese companies rely on token gestures and offering local communities improvements and ancillary benefits. In most cases, the Chinese companies studied in this report have not gone beyond the surface in regard to their environmental protection initiatives, particularly in the absence of exogenous factors such as civil society pressure. This is because, despite the PRC government’s talk of a green Belt and Road, it has not prioritized regulating and inspecting Chinese companies involved in overseas infrastructure construction. For the green Belt and Road to become a substantive environmental initiative, the PRC must consider overhauling its regulatory framework for the companies building the Belt and Road. As the ban on financing for new overseas coal power plants shows, policy changes with the full backing of the PRC government apparatus can quickly yield change.

Civil society pressure, particularly at the local level, has helped expose Chinese-funded projects’ environmental impact, generate discussion about the cost of such projects and, in some instances, spurred legal, regulatory, or policy changes. Across the range of cases studied here, civil society has been instrumental in raising awareness about the environmental impact of BRI projects. Looking ahead, China could adopt policies to pursue a genuinely environmentally friendly Belt and Road Initiative. To encourage this, external stakeholders should consider supporting NGOs in areas where environmentally harmful projects are not uncommon. Additionally, assistance for NGOs seeking to engage with their Chinese counterparts could play a pivotal role in encouraging these constructive trends.
TRANSLATION: MARCH 29, 2022: NDRC AND OTHER DEPARTMENTS ISSUE OPINION ON PROMOTING THE JOINT GREEN DEVELOPMENT OF THE BELT AND ROAD

For the attention of all provinces, autonomous regions, direct-administered municipalities, specially designated cities, the Xinjiang Production and Construction Corps, the Leading Small Group on Promoting the Building of the Belt and Road, the member work units of the Leading Small Group, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission, the National Railways Administration, and the Civil Aviation Administration of China:

Promoting the green development of the Belt and Road is a core requirement for putting into practice the concept of green development and promoting the development of an ecological civilization. It is a major step toward proactively responding to climate change and protecting global biosecurity and a key vehicle for promoting the high-quality development of the Belt and Road Initiative and the formation of the common destiny of humankind and nature. Since the announcement of the Belt and Road Initiative, and particularly in the five years since Xi Jinping raised the idea of a Green Silk Road, the joint building of the Belt and Road’s green development has made positive progress, conceptual leadership has continually strengthened, as have exchange mechanisms and practical cooperation. China has become an important participant, contributor, and leader of the building of a global ecological civilization. At the same time, the risks and challenges faced by the joint building of the Belt and Road’s green development are self-evident. Global cooperation on ecological and environmental has room to grow. The constraints on responding to climate change are growing stricter. With the approval of the BRI Leading Small Group, the following ideas are presented to ensure that the Green Belt and Road succeeds and to let green become the fundamental color of the Belt and Road:

Overall requirements

Guiding ideology: with Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, comprehensively implement the spirit of the CCP’s 19th National Congress and its plenary sessions, deeply implement the spirit of Xi Jinping thought on ecological civilization and Xi Jinping’s major speeches on jointly building the Belt and Road; establish new stages of development, improve, clarify and comprehensively implement new developments concepts, establish a new structure of development, continue to make progress while ensuring stability; implement the principles of joint discussion, joint building, joint benefit in accordance with the requirements of the Third Symposium on Building the Belt and Road Initiative [第三次“一带一路”建设座谈会]; work towards the goals of high standards, sustainability, and public benefit while maintaining the ideas that “green is gold,” and that man and nature can coexist in harmony, build closer green development partnerships, and promote the development of a shared community of common destiny between mankind and the natural world.

Basic Principles

Green in the lead, mutual benefit, and win-win: with the concept of green development as the lead, emphasize finding a balance between socio-economic development and environmental protection and continually substantiate and improve the implications and theoretical system of Green Silk Road Thought. Persist with multilateralism and continue with the principles of common but differentiated responsibilities and respective capabilities, give proper respect to the realities of Belt and Road countries, learn from one another, and cooperate. Promote a balance between socio-economic development and environmental protection and share the successes of green development.

With the government as the leader and companies as the agent, launch a green exchange and cooperation platform, and establish an environmental risk control system. Improve the role of companies as the agents:

33 Not to be confused with the Belt and Road Forum on International Cooperation.
force companies to take responsibility for being the agents of ecological and environmental protection, establish market mechanisms, and mobilize the positivity of corporate participation in the building of the green belt and road, encourage the whole of society to play a role.

Overall planning for progress, use demonstrations to create momentum: insist on the system concept, strengthen the top-level design and standards system for all departments, localities, and companies to jointly improve Belt and Road green development. Undertake overall planning to promote cooperation on green infrastructure, green resources, green transportation, and green finance. Improve the cooperation platform for green development, strongly develop major projects in the green sphere, and form demonstrations to drive forward effectiveness.

Respect laws and regulations, guard against risks: strictly obey host country ecological and environmental protection laws and regulations, place importance on the demands of local people regarding green development and ecological protection, strictly prevent and control disorderly competition between companies overseas, strengthen control of environmental risks related to overseas projects, strengthen the development of companies’ capabilities, and conscientiously safeguard biosecurity.

**Goals**

By 2025, continually deepen ecological and environmental protection under the Belt and Road Initiative and international exchange and cooperation on climate change, achieve recognition of the concept of a "green silk road," solid progress in areas such as green infrastructure, green energy, green transportation, and green finance, clarify the guiding role of green model projects, clearly increase the environmental risk management capacity for foreign projects, attain clear successes for the building of the Green Belt and Road.

By 2030, further integrate the concept of jointly building Green Belt and Road development into people's hearts, deepen green development partnerships, clearly increase the green development capabilities of companies "going out," further improve the environmental risk management system for overseas projects, and fundamentally establish the structure of green development under the Belt and Road Initiative.

**Overall planning for cooperation in key sectors for the promotion of green development**

Strengthen the interconnectivity of green infrastructure. Guide companies to promote green environmental standards for infrastructure and first-class implementation, make rational decisions at the design stage, and reduce impacts on all types of protected areas and ecologically-sensitive areas, carry out environmental impact assessments, carry out feasible ecological and environmental protection measures during the construction and operation phases, continually raise the green low-carbon development level of the operation, management, and protection periods of infrastructure. Guide companies to apply energy-efficiency and water-efficiency standards when undertaking infrastructure construction projects overseas, reduce wastage of materials, energy, and water, increase resource utilization rates, reduce emissions, and strengthen waste management.

Strengthen green energy cooperation: deepen green and clean energy cooperation, promote the development of international energy cooperation and the green low-carbon transformation, encourage companies working on renewable energy types such as solar and wind to "go out," promote the implementation of a program for the construction of first-class green energy projects. Deepen cooperation on energy technologies and equipment – focusing on joint development research and training exchanges on high-efficiency, low-cost renewable energy power generation, advanced nuclear power, smart grids, hydrogen power, power storage, and carbon capture applications.

Strengthen green transportation cooperation: strengthen international cooperation in the green development sphere and help Belt and Road countries to develop green transportation. Actively promote low-carbon development in the international aviation and shipping sectors. Promote energy-saving and low-carbon transportation such as new energy or clean energy vehicles and boats and promote the China model for smart transportation. Encourage companies to participate in the electrification, upgrading,
and transformation of overseas railways, and consolidate, stabilize, and expand the positive development direction of China-Europe railways, and develop many types of through-transport and green logistics.

Strengthen green manufacturing cooperation. Within multilateral frameworks such as the United Nations and G20, promote voluntary standards and first-class examples related to green finance, and promote capacity building in the green finance sector. Make effective use of lending from international financial institutions and direct the public to engage in green finance. Encourage financial institutions to implement the BRI Green Investment Principles.

Strengthen green technology cooperation: strengthen efforts to make major advances in green technology and promote their application, strengthen the layout of basic research and frontier technology, accelerate the research and promotion of advanced applicable technologies, and encourage companies to prioritize the adoption of materials and technological practices that are low-carbon, energy-efficient, and environmentally friendly. Develop the role of mechanisms such as the Belt and Road Technology Action Plan, and support the development of cultural exchanges, joint research, and platform development in the green technology space.

Strengthen green standards cooperation: actively promote the formulation of green standards and strengthen coordination of green standards with Belt and Road countries. Encourage trade associations and other relevant bodies to formulate and publish internationally aligned green standards, regulations, and guides.

Strengthen cooperation on climate change. Promote the comprehensive implementation of the United Nations Convention on Climate Change and the Paris Agreement, actively seek the “highest common factor” with Belt and Road countries, strengthen dialogue, exchange, and cooperation with relevant countries, and promote the establishment of a fair, rational, cooperative, and mutually beneficial global climate management system. Continue to implement the BRI South-South Cooperation Plan for Countering Climate Change, promote the construction of low-carbon model areas and the implementation of projects that mitigate or adapt to climate change, provide material assistance for responding to climate change (with characteristics such as green low-carbon, energy-efficient, or environmentally-friendly), and help Belt and Road countries respond to increase their ability to respond to climate change.

**Overall planning for the green development of overseas projects**

Regulate the environmental conduct of companies overseas. Force companies to take their overseas environmental conduct as their main responsibility and direct them to strictly observe host-country laws, regulations, and standards related to ecological and environmental protection, and encourage companies to carry out environmental protection work in accordance with common international standards or China’s higher standards. Strengthen the operations capabilities of companies in accordance with laws and regulations and encourage companies to issue environmental reports at a defined interval. Guide relevant industrial associations and chambers of commerce to establish standards on corporate overseas environmental behavior, and guide companies to standardize environmental behavior via commercial self-discipline.

Promote the green and low-carbon development of coal power projects. Completely stop new coal power construction projects overseas and cautiously proceed with overseas coal projects that are already under construction. Promote the green, low-carbon development of overseas coal projects, encourage relevant companies to use clean and efficient coal, and apply advanced technologies related to the removal of sulfur and saltpeter, dust elimination, and capture and sequestration of CO2. Relevant companies should also be encouraged to upgrade energy efficiency and environmental protection facilities. Research and promote international cooperation on green, low-carbon development in the steel sector.

**Overall planning for the improvement of the support and guarantee system for green development**

Improve capital support and guarantees. Promote the two-way opening of green finance markets in an orderly manner, encourage financial institutions and other relevant companies to open up green financing to international markets, and support international financial organizations and cross-border companies to register green bonds on Chinese markets and make green investments.
Improve support and guarantees for the green development cooperation platform. Further improve the Belt and Road International Alliance on Green Development, actively establish a Belt and Road Green Development Policy Dialogue and Communication Platform, and continually increase its international influence. Strengthen the building of Belt and Road Ecological and Environmental Big Data Service Platform, strengthen information-sharing and technology exchange and cooperation related to ecological and environmental protection and countering climate change. Strengthen research into ecological and environmental protection law and common international standards. Develop cooperation platforms such as Belt and Road energy cooperation partnerships, and Belt and Road Sustainable Cities partnerships, and establish multilateral exchange and communication platforms.

Improve support and guarantees for green development capabilities. Support the development of platforms such as environmental technology exchange and transfer bases, green technology promotion areas, and green technology zones. Strengthen technological innovation capability guarantees and strengthen the demonstration role of the Belt and Road Environmental Technology Exchange and Transfer Center (Shenzhen). Implement the Green Silk Road Envoys program, strengthen exchanges among environmental management staff and specialized technology experts, and upgrade the environmental protection capability and level of Belt and Road countries. Develop specialized training for Belt and Road green development and increase the level of human resources support for Belt and Road green development. Set up a new type of think tank for the Green Silk Road and establish a knowledge support system for Belt and Road green development.

Improve the support and guarantees for the environmental risks of foreign projects. Lead companies to increase their understanding of environmental risks, strengthen the environmental management of foreign projects, carry out environmental impact assessments before investment and construction, promptly identify and guard against environmental risks, and adopt effective ecological and environmental protection measures. Organize and establish a green and sustainable development guidebook for key industries, and lead companies to properly manage the environmental impacts of overseas projects. Strengthen environmental guidance and services during the construction and operations phases through measures such as positive guidance and tracking services.

**Overall planning for strengthening organizational measures**

Strengthen organization leadership. Strengthen the Party’s concentrated and unified leadership of the green development of the Belt and Road. Strengthen the Belt and Road Leading Small Group General Office’s coordination of overall planning and promotion of systems for the green development of the Belt and Road. Every locality and relevant organ should prioritize the work of the green development of BRI, strengthen leadership and integrated deployment and guarantee that related important tasks are implemented in a timely manner and have the desired effect.

Strengthen propaganda leadership: strengthen and improve Belt and Road international propagation work, promptly clarify and refute negative voices and false hype, strengthen positive opinion guidance, and tell the “China Story” of the Belt and Road’s Green Development well.

Strengthen tracking and evaluation: the General Office of the Leading Small Group for Promoting the Belt and Road should strengthen its tasks related to the green development of the Belt and Road as a guiding model, promptly master the circumstances for progress, and organize and develop evaluations in a timely fashion. All localities and relevant organs should thoroughly implement conditions and make reports to the General Office of the Leading Small Group for Promoting the Belt and Road.

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Ministry of Foreign Affairs
Ministry of Ecology and Environment
Ministry of Commerce
March 16, 2022
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