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Can the Belt and Road Initiative reinforce the multilateral agenda for sustainable development?

Authors

Sébastien Treyer

Executive Director

Aleksandar Rankovic

Sciences Po

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The Second Belt and Road Forum for International Cooperation was held on 25-26 April in Beijing, China. Bringing together many heads of state and government representatives from around the world, along with experts and economic actors, this forum was particularly aimed at taking stock of achievements since the announcement of the initiative in 2013, and at launching a number of actor coalitions to guide its development, especially towards the realization of the 2030 Agenda for Sustainable Development. However, this initiative has been subject to much criticism, particularly in Europe and the United States, relating firstly to the environmental impacts of its initial accomplishments, and secondly to uncertainties over China's willingness to strengthen the existing institutions of international governance through this initiative, or

whether it seeks to replace these institutions with new ones through which it could exert more control over the agenda. The first forum held in 2017 highlighted these issues. Has the 2019 event achieved any progress?

Launched in 2013 to guide China's foreign policy and to affirm its global role, the Belt and Road Initiative (BRI) aims to improve global connectivity (terrestrial, maritime and digital infrastructure, and also the coordination of policies, financial flows, innovation, and of cultural and academic exchanges), with the objective of ushering in a new phase of globalization and thus of trade intensification, in support of peace and, explicitly, of the 2030 Agenda for Sustainable Development.¹ While the need for infrastructure and basic services are a reality and urgency for a large part of the world, an issue that is at the heart of the 2030 Agenda, under what conditions could this project, whose impacts will be structuring at the global level, be truly compatible with all of the Sustainable Development Goals (SDGs)? Without trying to answer this question directly, this second forum has focused on three political commitments: non-discrimination on markets, the fight against corruption, as well as greening and the contribution to the implementation of the Paris Climate Agreement.

A necessary realignment with climate objectives

During this second forum, most of the analyses presented emphasized the potential for future economic growth linked to the enhancement of trade fluidity. Several achievements were claimed: development policy synergy, increased infrastructure investment, establishment of economic corridors and cooperation on commercial, maritime, financial, innovation, etc. issues. However, only a limited number of studies have examined the environmental and social impacts of the initiative's projects. A study by the China Council for International Cooperation on Environment and Development (CCICED – *Special Policy Study on Green Belt and Road and 2030 Agenda for Sustainable Development*, 2018²) highlights the opportunities, and especially the major challenges, in terms of alignment with sustainable development: risk of low environmental requirements from the governments of countries receiving investments, difficulty of accessing data and evaluating the impact of complex and transnational projects, bias of risk assessment frameworks against green investments.

Another study by the World Resources Institute (WRI) and the Global Development Policy Center (Boston University)³ provides figures based on investment data from major Chinese banks abroad. In the energy sector this portfolio comprised 66% of investments in coal and only 24% in renewable energies in the period between 2007 and 2014, i.e. prior to the BRI launch. During the first investment wave under BRI auspices (2014-2017), the substantial increase in the amount of funding to this portfolio in the energy sector has been largely (60 to 90% according to the financing instruments considered) directed towards investments in fossil fuels, while the nationally determined contributions (NDCs) of the countries involved in the Paris Agreement indicate a great need for investment in renewable energies.

Initiatives launched to green the BRI

In light of this situation, there is an urgent need to put into practice political commitments aiming to green the BRI, which are already numerous. The BRI Ecological and Environmental Cooperation Plan of the Chinese Ministry of Ecology and Environment includes the respect of sustainable infrastructure standards, the promotion of eco-designed products and services to green international trade and the promotion of green finance instruments. Several additional announcements were made during this second forum:

- the BRI International Green Development Coalition (25 countries, several UN organizations including the United Nations Environment Programme, academic institutions and businesses);
- three initiatives of a more operational type: the BRI Green Cooling Initiative on the environmental performance of air conditioners, the BRI Green Lighting Initiative on lighting devices, and the BRI Green Going-Out Initiative on investments by Chinese companies abroad;
- the BRI Green Investment Principles, announced at the end of 2018 by the City of London Corporation's Green Finance Initiative (GFI), in partnership with the Chinese Green Finance Committee (GFC);
- the BRI Environmental Big Data Platform, which aims to centralize and share data on the environmental performance of BRI projects, and to promote the sharing of good practices.

In doing so, China is giving a boost to a number of key initiatives, particularly regarding finance and air conditioning equipment. But these initiatives are being launched without sufficient emphasis on current environmental performance, and do not therefore consider the magnitude of the challenge to be addressed or the obstacles to be surmounted, and thus do not seek to identify how improvements can be made on the first investment wave. This cannot be achieved without critical evaluation, even if, above all, we seek to maintain the spirit of cooperation fostered by the BRI.

A crucial process of evaluation, learning and emulation to reinforce sustainability ambitions

To make rapid progress towards alignment with the 2030 Agenda and the Paris Agreement, it is first necessary to monitor and understand the BRI's impacts on sustainable development. A programme is therefore required to assess the sustainability impacts of projects, one that as much as possible brings together academic experts and think tanks from several continents as well as China, so that potential criticism, as objective as it may be, cannot be rejected on the grounds of coming only from Western countries. A fund to finance studies, launched within the framework of the Belt and Road Studies Network, could be used to finance such work. This programme should aim for ex-post as well as ex-ante evaluations at the project level, but also on the scale of programmes, policies and entire corridors, targeting environmental and social due diligence procedures, alignment with long-term structural transformation trajectories of the economies of countries that are compatible with SDG achievement and Paris Agreement objectives, and the analysis of debt sustainability. Ultimately, it should also question the compatibility of massive trade intensification with the carbon neutrality objective.

Standards of green finance and social and environmental responsibility are another action lever; a growing number of Chinese operators and investors abroad seem ready to implement them, under the pressure of the central government – the latter indeed affirms its commitment to environmental multilateralism on both climate and biodiversity and it could have an interest in exporting not only its technologies, but also the standards it applies internally. The example of the Asian Infrastructure Investment Bank (AIIB) shows that new institutions launched by China can position themselves in a dynamic of increasing the ambition for sustainability and rapidly meeting the international standards in this respect. The G20's work on Sustainable Infrastructure and Quality Infrastructure is another interesting point of reference. The major argument that should have an impact on both financial institutions and on Chinese operators abroad is that of financial and reputational risk: in the event where they fail to demonstrate environmental and social due diligence, the risk relating to the project would be strongly increased, especially in the face of growing criticism from civil society in the countries of intervention. The logic of emulation between global finance operators is another major driver for increasing sustainability ambition, and any possibility of co-financing with multilateral or bilateral development banks is an opportunity for the convergence of these norms and standards.

This operational perspective of progressive alignment of projects and standards on the 2030 Agenda should not, however, hide the fact that in terms of global governance institutions, policy coordination forums are becoming institutionalized around the BRI. China's current international positioning as a champion of environmental multilateralism, in contrast to the renunciation of the United States, must be used strategically to encourage these nascent organizations to strengthen, rather than to replace, multilateral institutions and the 2030 Agenda.

¹ See official communiqué: <https://eng.yidaiyilu.gov.cn/qwyw/rdxw/88228.htm>

² A second Special Policy Study is in preparation, based on field study missions in two countries.

³ See official communiqué: <https://eng.yidaiyilu.gov.cn/qwyw/rdxw/88228.htm> A second Special Policy Study is in preparation, based on field study missions in two countries. L. Zhou, S. Gilbert, Y. Wang, M. Muñoz Cabre, and K.P. Gallagher (2018). "Moving the Green Belt and Road Initiative: From Words to Actions", Working Paper. Washington, DC: World Resources Institute. Available online at <http://www.wri.org/publication/moving-the-green-belt>

GOUVERNANCE

IDGM : GOUVERNANCE MONDIALE

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