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CHINESE COMPANIES' OPERATIONS ABROAD: OUTLOOK ON CHINESE GOVERNMENT'S GUIDANCE FOR FOREIGN INVESTMENTS

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2. **Social environmental Governance**
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1. Introduction

In both the Going Global Strategy and the Belt and Road Initiative (BRI), the presence of Chinese companies and investments across the world has increased in the past two decades due to the government's incentive for the internationalization of their companies. This is why China becomes an important player in the international investments arena.

In Latin America as in other continents, the Chinese footprint has been marked by intensifying trade and investment relations with local countries. Added to increased Chinese commercial operations in the region, the increasing flow of Chinese investments geared for Latin countries has brought about various economic and social impacts.

If, on the one hand, large infrastructure projects and economic incentives for certain sectors being favored by the Chinese presence in the region can contribute positively, on the other hand, diverse investments may cause social and environmental risks in the absence of a detailed process for the handling of socialenvironmental impacts and for effetive accountability, which can affect local communities and protected environmental areas.

Various claims and complaints made by those who have been affected, due to the disorderly process of Chinese investments, have severely damaged China's international image. Those demands have thus compelled the Chinese government to reflect about the importance of establising guidelines to drive the behavior of those foreign investments in order to set up a certain level of control over extraterritorial funding.

In this scenario, should the Chinese strategy remain focused on international activities, protection against the negative impacts from large scale foreign investment operations will be required to avoid future problems and risks. By strengthening project regulation and supervision, Chinese policymakers can help reduce the impacts of Chinese companies across the world.

It is therefore relevant to discuss the commitment Chinese companies have with the sustainability agenda and to understand their operations in the region. To that end, it is important to study how the Chinese government presents social and environmental guidelines to the companies around the world and how those guidelines are understood and implemented by those corporations in Brazil.

2. Chinese companies around the world: strategies and policies

As the Chinese economy opened up, in a process that started in the 1980's, incoming foreign investment and trade liberalization became relevant factors in China's political-economical strategy. In the process, Special Economic Zones (SEZ) were not only established as sites that appealed to foreign investments, but they also showed, as China joined the World Trade Organization (WTO) in 2001, the country's endeavor to build strong international engagement in trade and investment.

Among other reasons, this trajectory is related with various incentives approved by the Chinese government in order to foster dynamism in their economy, with the end of export and import control legislations and a tariffs reduction that would attract investment (MARTINS, 2005, p. 71).

With their economy's expressive growth, the Asian country became, as of 2010, the second largest GDP in world (WORLD BANK, 2021) and ranks among the top in direct foreign investment input and output (IED) (UNCTAD, 2021, p. 05; 07).

However, the government observed that this export-driven model could not hold out too long, so several policies focused on growing Chinese companies were gradually implemented to make China achieve greater integration in the global economy (ALON, WANG, SHEN, ZHANG, 2014, p. 03).

Since the 1990's, therefore, Chinese government policies have been crucial for the country's emergence as a powerful global investor. They progressively evolved from restriction to liberalization, and then to supporting and encouraging Chinese companies expansion abroad.

In the beginning of the 21st Century, the Chinese government consolidated their interest in the Going Global Strategy, which consisted in a series of incentives to the process whereby Chinese companies were going international by simplifying the procedures and facilitating Chinese direct investment across the world, which grew 30 times as big between 1990 and 2007 (ACIOLY, ALVES, LEÃO, 2009, p. 02; 04). In addition to encouraging their corporations to tap from the advantages of world trade, this policy also provides the Chinese economy with opportunities to adapt to globalization tendencies (GIRADO, 2017, p. 25).

More recently, this strategy was updated and reviewed, particularly with Xi Jinping's leadership that sought to enhance the dynamism of their domestic economy and to restructure incentives and objectives with a greater focus on stimulating internal demand (CHINA POLICY, 2017, p. 04). This characteristic is reflected in the 14th Five Year Plan, launched in 2021, with the concept of double circulation[1], and with the *Made in China 2025* strategy that "seeks to respond to domestic challenges and prepare China for the new industries developing internationally" (ARBIX, MIRANDA, TOLEDO, ZANCUL, 2018, p. 150).

With that, a relatively small drop in Chinese foreign investment can be observed. According to UNCTAD's reports, China's mergers and acquisitions slowed down, with an 18% DFI drop in 2019, in comparison to the previous year (UNCTAD, 2020, p. 15).

(1) In the context of the 14th Chinese Five Year Plan, the concept of Double Circulation consists of jointly integrating and developing both the internal and the external markets by means of a circular dynamics where domestic market incentives will foment international market dynamics (ALMEIDA et al, 2021, p. 10).

Even with reduced Chinese foreign investment reductions[2], several Chinese multinational companies stood out in the global scene. In 2011, three state-owned companies ranked high among Fortune Global 500's top ten and more than 40 companies ranked among the rest (FORTUNE, 2011). In 2020, 10 out of the 100 largest companies are Chinese, 7 of which are state-owned and 3 are private, representing sectors that include technology and communications, energy and chemicals, in addition to the sector of oil, transport and mining (UNCTAD, 2020).

Table 1 – Chinese companies ranking among the world's top 100 non-financial multinational companies classified by foreign assets, 2020

Company	Position	Legal Nature	Sector
China National Petroleum Corp (CNPC)	18°	State co.	Mining, extraction and oil
Tencent Holdings Ltd	30°	Private co.	Computer/data processing
Sinopec - China Petrochemical Corp	45°	State co.	Oil refining and others
China COSCO Shipping Corp Ltd	47°	State co.	Transport and storage
China National Offshore Oil Corp	54°	State co.	Mining, extraction and oil
Huawei Investment & Holding Co Ltd	55°	Private co.	Communication equipment
Sinochem Group	76°	State co.	Mining, extraction and oil
China National Chemical Corp	83°	State co.	Chemicals and others
Legend Holdings Corp	88°	Private co.	IT Equipment
State Grid Corp of China	100°	State co.	Electricity, gas and water

Source: UNCTAD, 2020 (author's own).

It is therefore important to show how the Chinese government plays a crucial role in the process of their companies internationalization and growth.

The financial support and sponsorship of the Chinese state in various spheres are key factors to facilitate the process of expansion Chinese companies have been through in the globalization scenario, with greater emphasis on state-owned companies, which "enjoy a series of governmental benefits, including information sharing networks, internal fiscal incentives and state bank funding at low interests" (ALON, WANG, SHEN, ZHANG, 2014, p. 05, free translation). Most state-owned companies usually operate in industries that are important for the national security and/or the lives of people, including defense, oil and petrochemical, energy production and transmission, communications, transport and civil aviation.

(2) A China vem apresentando queda nas taxas de investimento no exterior em anos consecutivos (UNCTAD, 2021, p. 07). China has been presenting low foreign investment rates in many consecutive years (UNCTAD, 2021, p. 07).

However, private Chinese companies have also been increasing their international reach, with highlights particularly in the technology and communication sectors, understood by the Chinese government as strategic.

Those companies' operations is mostly remarkable in the process of acquiring assets in different regions. In Brazil, for instance, Chinese company acquisition of corporate assets has led the statistics in recent years, reaching 35% of acquisition amounts in Brazil in 2017 (PUTY, 2018, p. 40).

However, the increasing flow of Chinese investments geared for Latin countries, with the addition of increased operations by Chinese companies in the region, may indicate complexities related to negative impacts, causing social and environmental risks.

3. Chinese foreign investments and the government's recommendations

With the process of international introduction of Chinese players, China's investment flow to the world grew in a disorderly manner. Chinese companies expanded their operations to various countries, setting up large funding projects in sectors that included social and environmental risks.

Due to the high demand for natural and energy resource driven by the Chinese domestic growth, those companies' operations had been concentrated in extractivist sectors such as mining. It is just so that those players' operations caused considerable local impacts, thus affecting the environment as well as local communities (HAN, 2010, p. 380).

When the Chinese companies started to expand internationally, global competition was intense. This is why those corporations took to developing countries that are characterized by a somewhat weaker system of governance as well as political instability and high levels of corruption (HERBERTSON, 2011, p. 23). Because Chinese companies had been instructed to respect local legislations, there was high risk of socioenvironmental impacts in the big infrastructure projects that were under way.

In that scenario, problems and conflicts eventually got a lot of international media, because the Chinese approach was so different from western companies, since corporate social responsibility criteria were not part of the plan they implemented, in such way that Chinese companies did not interact with the local communities nor with civil society organizations (HERBERTSON, 2011, p. 23-24).

Furthermore, it is important to say how economic, social and environmental risks that come along with investment projects may harm the strategic objectives and operational results of Chinese companies, causing delays as well as significant damage to institutional reputations and even affecting China's image abroad (RAY et al, 2019, p. 04).

Socioenvironmental Impacts and Human Rights Violations in Latin America

In the Latin American region, China's footprint has been associated to various cases of human rights violations, affecting local communities and protected natural territories. Various socioenvironmental conflicts may be pointed at in Ecuador, Brazil, Peru, Bolivia and Argentina, particularly those caused by the construction of hydroelectric powerplants and by mining as well as oil extraction operations (KOOP, SOUTAR, 2018).

That context was conducive to the debate on the accountability of transnational corporations and to the greater visibility afforded to extraterritorial investments, by the Chinese government too. As such, China's political officials started to understand the importance of giving guidance to Chinese players abroad, who cannot ignore the socioenvironmental impacts caused by those investments and should take upon themselves the responsibility to protect the environment and prevent social issues in the areas where they operated (HAN, 2010, p. 376-377).

After a lot of criticism passed on the nature of Chinese investment, a bit more concerned with socioenvironmental issues, their government established a series of guidelines, principles and criteria to guide both the operation of their companies in the target country and the investments made around the world in order to mitigate the negative impacts of their projects (GARZÓN, 2018, p. 17).

Those mechanisms were implemented with the given social, environmental and human rights risks in investment projects implemented by Chinese players. Furthermore, many affected communities and civil society groups indicated how difficult it was for them to secure information and influence in project design (IDI, 2019, p. 02).

3.1. Chinese Government Initiatives to Guide Foreign Investment

The first instrument was created in the 1970's, as the "Popular Republic of China's Environmental Protection Law" was passed. But only in 2003 was the "Popular Republic of China's Environmental Impact Evaluation Law" passed to encourage and underpin the issuance of various guidelines geared for Chinese operations abroad, which eventually coincided with the same period of increasing Chinese player funding in various regions (GARZÓN, 2018, p. 17). After that law, environmental impact studies have become a core requirement to ensure project feasibility (GARZÓN, 2015, p. 16).

In addition to these two mechanisms, there are various international guidelines and standards enforced by the

Chinese government, particularly to the companies but also to other players such as banks, financial institutions and industrial groups. Those guidelines are therefore very broad and address issues that include impact assessment, resettlement, public participation and legal compliance.

After 2006, with the nine principles to encourage and standardize China's outgoing investments in place, as communicated by the Chinese State Council, the projects took to more intense considerations around important commitments to social and environmental responsibility and decided to abide by local regulations as well as by local community and employee rights (IDI, 2019, p. 38). Other mechanisms related to those principles include the "Guidelines for Environmental Protection in Foreign Investment and Cooperation" issued in 2013 to address issues beyond environmental protection, with remarkable importance to respecting local religions, traditions and customs in projects affecting indigenous peoples and ethnical minorities (IDI, 2019, p. 53).

Guidelines to Chinese companies ought to be observed too, since those institutions are players that enjoy greater visibility in this field, because they operate directly on foreign territories. With the growing footprint those companies are leaving on the world, particularly in the state realm, pressures to enhance operation standards also increased, thus leading to greater efficiency and transparency. As a result, those institutions are being supervised by the State-owned Assets Supervision and Administration Commission (SASAC), which can be understood as the commission in charge of international projects' audits and inspections (IDI, 2019, p. 49; 51).

Furthermore, there are sector-specific guidelines when those sectors are considered relevant and/or critical. One of those sectors is mining, considered one of the industries that receives the most Chinese investment, however high-risk it may be, particularly in countries where the regulatory system is weaker. The China Chamber of Commerce on Metals, Minerals and Chemicals Importers & Exporters (CCCMC) issued guidelines for the Social Responsibility in Mining Investment Abroad in 2014, which was updated in 2017 (IDI, 2019, p. 60).

In August 2017, the National Development and Reform Commission (NDRC) issued the "guidelines on foreign investments" that classify those investments in three categories: 1) incentivized investments; 2) restricted investments; and 3) forbidden investments. The guidelines, for instance, restrict investments in real estate, hotels, entertainment and sports clubs, and forbids them in gambling and "obscene industries" as well as investments that provide access to sensitive sectors, such as the military core. On the other hand, incentivized investments include those that promote the Belt and Road Initiative (particularly in infrastructure and connectivity projects, check previously observed increase in Chinese OFDI in those countries), or strengthen cooperation with foreign companies operating in high technology or advanced manufacture.

Later on, in December 2017, the National Commission on Development and Reform, along with another four agencies, unveiled a code of conduct for private companies investing abroad.

However, since there are no binding laws, those instruments are mere recommendations and voluntary standards, so they should be respected in the operations, but they have not been internalized by Chinese companies (GARZÓN, 2015; HAN, 2010, p. 390). Furthermore, those guidelines refer to broad guiding principles and often not thoroughly disseminated amid stakeholders (IDI, 2019, p. 02). As such, lack of specificity and insufficient knowledge of those guidelines cause low adherence to them, showing that their level of social influence is reduced (WANHONG, ZHONG, 2019, p. 36).

In spite of that, however, there are many incentives causing Chinese companies to act that way now. Given China's great introduction in the global economy and their intention to continue with this commercial and financial expansion, the country has been committed to improving their players' socioenvironmental governance since financial market eyes are all focused on them. It is thus relevant for those companies to mitigate potential social and environmental conflicts in order to avoid risks involving their investors and their credit instruments (GARZÓN, 2015, p. 19-20).

One of the factors that may contribute and encourage companies to abide by those recommendations is public bank funding. The international expansion of Chinese corporations has been supported, mostly, by funding provided by China Development Bank (CDB) and Export Import Bank of China (China Exim). Those financial institutions may, as such, play an important role encouraging Chinese companies to implement policies and to make more responsible investments (HERBERTSON, 2011, p. 25). In the long run, incorporating social and environmental standards and guidelines in those banks' policies may benefit the reputation of Chinese financial institutions and avail the Chinese market as a whole (GALLAGHER, 2013, p. 10).

However, some of those banks' practices are associated to lack of transparency, with no clear information about credit lines and funding objectives, which facilitates engagement in corruption practices (MYERS, RAY, 2019, p. 4). The banks, themselves, ought to enhance their governance structures if they are to effectively contribute to foreign investment responsibility.

3.2 Global Tendencies and the Sustainability Agenda

In addition to improving China's image abroad, the guidelines and recommendations introduced by country officials also favor an introduction of Chinese companies in the financial and environmental system structure. When large corporations seek to explore market opportunities, a whole series of recommendations are made to them so they can follow international standards and requirements.

One of the most important criteria under consideration is related with the sustainability agenda, which is currently present in a variety of political and economic spheres. Both in international discussions on the impacts of climate change and in actions by companies as well as their corporate and financial sector governance, sustainable development and stakeholder responsibility are always in the debate.

Given their international position as a major economy in the current scenario, China must understand the contemporary challenges and act in according to with the demands, showing consideration for the sustainability issue, if it is to consolidate its international leadership position.

On the one hand, Chinese governmental policies and initiatives signal towards a commitment with climate change related issues. That Asian country's engagement with global governance mechanisms and institutions indicate that they are geared for multilateralism. The goals and commitments they have set are indicative of their intention. Additionally, they have given considerable importance to ESG in their investments and corporate operations.

What is ESG?

ESG stands for *Environmental, Social and Governance* and represents three best practice terms for organizations to adopt principles that will guide not only the preservation of natural resources but also reductions to social inequalities and to governance that is free of corruption, discrimination and harassment. These commitments eventually make their way into market spheres and become a major guideline for investors and consumers alike, thus increasing their relevance in both the financial sector and the companies' social responsibility (BETHÔNICO, 2021).

As such, in addition to political and governmental commitment, China must also consider aspects of the sustainability agenda around the international inclusion of their corporations. Those companies' position in the sustainability agenda ought to be understood if we are to understand their operations in territories across the world.

From this perspective, we should point at the various instruments implemented by the Chinese government to encourage green credits, that is, mechanisms that promote more sustainable investments and that consider ESG aspects.

One such early initiative was the creation of "Green Credit Guidelines" in 2012 by the China Banking Regulatory Commission (CBRC), whose core objective is to encourage financial institutions to develop green credits and to adopt a more forward looking socioenvironmental risk management. Banking institutions are thus encouraged by key guidelines, such as greater socioenvironmental risk control and increased visibility to green credit instruments, and are also more prone to evaluate those initiatives (GREEN FINANCE PLATFORM, 2022).

Back in 2016, China laid the "Guidelines for the Establishment of a Green Funding System" in order to mobilize and promote capital for investment in green sectors, pushing the green transformation in the Chinese economy, at the same time as it collaborates to environmental protection and accelerates the development of new economic potentials. This instrument offers not only specialized green collateral programs but also interest bonuses for green projects, among other incentives (PAGE-UN, 2022).

Considering the relevance of green development, China's Ministry of Ecology and Environment (MEE) presented, in 2020, a document "Green Development Guidance for BRI Projects", promoting recommendations to investment projects within the One Belt One Road Initiative (WANG, TANG, 2021).

Furthermore, in 2021, the Ministry of Commerce (MOFCOM) and the MEE issued the "Green Development Guidelines for Foreign Investment and Cooperation". This document underlines how important it is for Chinese companies to incorporate the "concept of green development" (WANG, TANG, 2021).

Another Chinese government initiative was to require ESG related environmental and social information in reports issued by companies in the stock exchange. This 2021 move by China Securities Regulatory Commission (CSRC) indicates the relevance of Chinese companies' Social and Environmental Responsibility. As such, companies are now encouraged – but not forced – to unveil initiatives that are geared for environmental protection as well as for ensuring the rights of stakeholders in their operations, among other actions (PEIYUAN, 2021).

Chinese Government Guidelines and Recommendations in years

Year	Institution	Guidelines
2003	AEPA	Popular Republic of China's Law on Environmental Impact Assessment
2006	Chinese State Council	9 principles to encourage and standardize China's outgoing investments
2012	CBIRC	Green Credit Guidelines
2013	MOFCOM and MEE	Guidelines for Environmental Protection in Foreign Investment and Cooperation
2014	CCCMC	Guidelines for Social Responsibility in Mining Investment Abroad
2016	7 Ministerial Agencies	Guidelines for the Establishment of a Green Financial System
2017	CNDR	Foreign Investment Guidelines
2017	CNDR	Code of Conduct for private companies investing abroad
2020	MEE	Green Development Guidance for BRI Projects
2021	CSRC	Corporate reports must include information on environmental and social issues
2021	MOFCOM and MEE	Green Development Guidelines for Foreign Investment and Cooperation

Note:

AEPA = State Agency for Environmental Protection

CNDR = Popular Republic of China's National Commission for Development and Reform

MOFCOM = Popular Republic of China's Ministry of Commerce;

MEE = Popular Republic of China's Ministry of Ecology and Environment

CBRC = China's Bank and Insurance Regulatory Commission

CSRC = China's Securities Regulatory Commission

CCCMC = China's Chamber of Commerce on Metals, Minerals & Chemicals Importers & Exporters ina

4. Guidelines and Operations of Chinese companies in Brazil

Despite all of the instruments presented here, there are still claims and complaints against human rights and socioenvironmental violations committed by Chinese companies in various parts of the world, particularly in Latin America.

In recent research by the Business & Human Rights Resource Centre (2021), "679 claims of human rights abuse were identified in Chinese corporate conduct abroad and 102 corporate responses to those claims" (RESOURCE CENTRE, 2021, p. 3). 236 of those claims were related to the metals and mining sector, 152 were in the construction sector, and 118 were in the fossil energy sector.

Furthermore, it is important to say that, despite Chinese efforts to honor their climate commitments, various renewable energy related investments were also included in many claims, totaling 87 instances (RESOURCE CENTRE, 2021, p. 4). As such, even if there is socioenvironmental concern in ESG practices, many problematic cases continue to be encountered.

Along with many civil society organizations from Latin America, the CICDHA report indicates cases of human rights violations related with Chinese corporate activities in the region. After evaluation of cases in Argentine, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru and Venezuela, the following was reported:

> in at least 24 cases, violations of the right to live in a healthy environment are recurrent; in 18 cases, violations of the collective rights of indigenous peoples are recorded; in 8 cases, there were violations of labor rights; and, in another 10 cases, there were also civil, political and economic rights violations (GANDARILLAS et al, 2022, p. 17, free translation).

In face of that, the role of socioenvironmental guidelines and Chinese government instruments ruling Chinese companies has to be analyzed both nationally and abroad.

Even when there are risk management mechanisms in place and norms to mitigate potential cases of socioenvironmental rights violations, we must assess how aware Chinese players are of those instruments and if the guidelines have been internalized in Chinese company operational processes across the world.

Are Chinese companies using that guidance as a baseline? And do they factor environmental and social considerations in their decisions around investment and project life cycle?

In order to help reflect upon and further understand those issues, the next section will look into Chinese company operations in Latin America, particularly in Brazil.

4.1 Operations of Chinese Companies in Brazil

In order to analyze the core socioenvironmental governance elements of Chinese companies, the analysis has to focus on a given region so that the more concrete aspects can be investigated as they materialize. Chinese companies will therefore be evaluated in what their operations and investments eventually emerge in Brazil.

The presence of Chinese corporations in Latin America has picked up in intensity in the first decades of the 21st Century with increasing investment flows to the region and expanding Chinese player operations as offices, manufacturing facilities and productive structures were started.

Chinese Multinational Companies in Brazil

In Brazil, the footprint of Chinese multinational companies grew abruptly after 2009 due to many factors. One of the conditions conducive to that was an increase in bilateral exchanges between the two countries, which enabled for tighter business bonds (COSTA et al, 2019, p. 83). More importantly, those commercial exchanges provided incentives that helped the Brazilian economy to fend off the massive effects of the 2008 financial crisis. That was due to the various complementarities in both countries' foreign policies, so that China became Brazil's main economic partner in 2012, surpassing the United States (BECARD, MACEDO, 2014, p. 143).

In this scenario, it is important to say that, in number of projects, Manufacturing Industry, Energy and the Extractivist Industry were the sectors receiving most projects between 2010 and 2020. On the other hand, seen from the perspective of invested amounts, Energy and the Extractivist sector stick to their position, but the agricultural sector stands out (ALMEIDA, RODRIGUEZ, 2022, p. __).

Remarkably, Chinese state-owned companies invested more than 80% in Brazil during that period. Two of those companies in the energy sector ought to be mentioned. Entering in Brazil in 2010, State Grid invested more than US$ 12 billion, building 2 Belo Monte lines to Sergipe and acquiring equity in CPFL as well as assets in energy generation, transmission and distribution in Brazil. Meanwhile, China Three Gorges entered the Brazilian market in 2013 and invested more than US$ 6 billion, with major acquisitions. The latter company built various hydroelectric powerplants, with a total installed capacity of more than 8.3 GW (ALMEIDA, RODRIGUEZ, 2022, p. __).

With this remarkable footprint in Brazil, we must reflect about the impact and the challenges posed by increased Chinese investments in the country.

An issue emerges that requires a lot of attention: how much do Chinese government guidelines influence the executive behavior and decisions of large Chinese companies in Brazil?

Do the companies have incentives to fulfill their environmental responsibilities, not only in identifying potential risks and complying with host country's legislation but also in following Chinese government recommendations?

If, on the one hand, the large corporations in the financial market – which is the case of various Chinese multinational companies – go all the way to achieve the best ESG practices by following parameters and standards that may earn them market advantages, on the other, the socioenvironmental guidelines mentioned in the previous section are yet unknown to a good deal of Chinese players operating in Brazil.

4.2 The China Three Gorges (CTG) and State Grid cases

In an attempt to unveil indications and information that could help respond to the question above, several interviews were held with Chinese corporate executives with expressive operations in Brazil. Interviews with representatives from different Chinese corporations include: *China Three Gorges* (CTG Brasil) and *State Grid*.

Those interviews sought to address and understand executive perspectives on the potential socioenvironmental conflicts raised by their operations and caused to the mechanisms that sought to prevent and mitigate those impacts.

Points made by those representatives include, first, that the Chinese origin of the investments was identified as a potential source of conflict in Brazil, which was perceived as of low quality, and, second, that those responsible for the investments had low regards for the environment and for safety.

Concerning the environmental legislation per se, the executives of those companies showed that it includes instruments that help hedge the Chinese investments by clearly presenting the requirements and seeking to mitigate potential socioenvironmental conflicts, which eventually affected those companies' images in the market. So, instead of interpreting the national laws as hurdles and bureaucracy along their way, those corporate representatives corroborated Chinese players' respect for local regulations.

Remarkably, Brazilian environmental legislation is made ever more flexible by laws being accepted such as the legal framework license that was passed in the Brazilian House of Representatives in May 2021 (PL 3729/2004) and is awaiting Senate vote soon. Weaker socioenvironmental criteria in the national regulations may cause potential risks to the environment, to local communities and to the image of those Chinese companies.

This is why the guidelines presented by the Chinese government become relevant in this context, since they represent a mechanism to help prevent and mitigate risks. However, the executives who were interviewed all said they were unaware of any type of document referring to those Chinese guidelines, unveiling the level of significance those mechanisms had for their operations in Brazil and the slight adherence they enjoyed.

However, despite their unawareness of the Chinese government documents, those corporate representatives indicate the various initiatives implemented to build stronger socioenvironmental responsibilities for their organizations. As such, both China's introduction in the sustainability debate at the international level and the private sector practices as well as ESG relevance were brought about in those interviews.

On the one hand, even if those executives did not acknowledge China's top-down sustainability policies and guidelines, President Xi Jinping's incorporating that agenda in his discourses eventually provides the grounds for discussions on the theme and is conducive to similar initiatives.

When it comes to the ESG indicators, they have been said to encourage corporations to achieve results that go far beyond what is provided in the law. So, in addition to trying to secure all environmental licenses and documentation required by the normative framework, the companies are encouraged by the financial sector ambience to achieve concrete social, environmental and governance results. This is further highlighted by these two companies' annual sustainability reports, where evidence of their social responsibility progress was clear and related initiatives were presented.

Issued in 2021, State Grid's last report presents the company's various strategies to look after the environment that include ensuring biodiversity, dam safety, waste management and full compliance with environmental license requirements. Furthermore, in the social realm, the Chinese company made donations in support of the fight against the COVID-19 in Brazil, and also promoted social investments with their own resources and incentives, supporting culture, education, sport and health projects (STATE GRID, 2021).

In their 2020 annual report, CTG Brasil also pointed at some of the initiatives they implemented, presenting information on their Sustainability Policy and on their 2030 Agenda SDGs. The company also openly commits to the goal of becoming carbon neutral, zeroing in on their direct emissions by purchasing Carbon Units. Furthermore, the report underlines the positive impacts of the investments in local communities, with other investments as well on various social projects (CTG BRASIL, 2020).

5. Final Considerations

With Chinese economy's tremendous growth in the past two decades and Chinese companies' expansion across the globe, the Asian superpower's increased investments in many regions is an ever more present phenomenon in today's international political economy analyses.

A major factor contributing to that is Chinese government's strategy to support the country's introduction around the world, with policies encouraging structures that are conducive to foreign investment.

However, if the Chinese economy is to remain included in the rest of the world, the issue of sustainability and a greater concern with potential socioenvironmental risks have to be an indisputable priority for the Chinese government.

The expressive footprint of Chinese companies brings about both challenges and impacts to local players. The implementation of large projects in the main sectors where China usually invests – energy, extractivism and manufacture – eventually affects not only local communities but also ecosystems.

Chinese foreign investment policies are mostly voluntary, provided the companies comply with the host country's regulations. Even if there is any violence of host country's policies, there are apparently no serious consequences for the Chinese companies. Furthermore, disclosure and transparency of China's investment information are fuzzy, which makes civil society control and monitoring ever more difficult.

As China gets more deeply involved in the world economy, there is an emerging need to restructure state-owned companies and to promote better private practices in order to avoid conflicts with other economies and mitigate local investment impacts. Thus, increasing the transparency of corporate governance is paramount if the dividing line between government and companies is to become clearer.

In order to evaluate the applicability and effectiveness of Chinese guidelines, interviews were conducted with Chinese corporate representatives with large operations in Brazil. Based on the information they shared, we could conclude that relevance of those mechanisms in their Brazil operations is still small, with low adherence to those mechanisms. So much so that the national legislation was presented as more influential for companies than the guidelines issued by the Chinese government.

Therefore, even if China secures a foothold as a sustainable super power, reinstating their commitment with mitigating socioenvironmental risks and presenting various mechanisms to prevent their investments' impacts across the world, the instruments the government put in place do not possess so much influence as the incentives coming from the financial market.

As such, credit conditions and the criteria established by the private financial structure and by the ESG indicators are eventually more effective than the guidance documents.

Good food for thought is the idea that China may be willing to show the world some sustainable and accountable commitment, but the country eventually gives rise to a narrative that is void of more palatable substance. In order to implement greener foreign investment policies, the Chinese government could start by converting their policies into mandatory provisions, instead of merely voluntary guidelines, so that there is greater adherence to those instruments.

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