

Notes of the AEPF open space

Resource and social justice: Impacts of the New Silk Road' strategy on local communities in Eurasia

Time: Tuesday, 5th of July, 4:30-6 pm, Room: 330 National University, Ulaanbaatar, Mongolia

Organized by Stiftung Asienhaus (Cologne/Germany), speaker:

- **Sukhgerel (OT Watch, Mongolia)**
- **Nora Sausmikat (Stiftung Asienhaus)**
- **Wen Bo (GGF and Air and Water Conservation Fund, China)**

The new Silk Road strategy (abbreviated: OBOR: One-Belt-One-Road) extends already existing ecological corridors and infrastructural investments, in e.g. Myanmar and Laos. This creates a comprehensive regional economic and political initiative.

The open space focused on the social, environmental, economic and human rights developments which have been accelerated by the new dynamics of the Silk Road strategy. China's development model as well as the global hunger for resources and markets can intensify current conflicts and increase inequality and injustice. On the other hand, more potential for development is being created.

Sukhgerel from OT Watch, Mongolia and Nora Sausmikat from Stiftung Asienhaus gave a comprehensive overview on the meaning of the China-Mongolia-Russia Economic corridor for the populations. We noted the individual opinion voiced during the Open Space.

Our final conclusions made it into the final declaration of 11th Asia- Europe People's Forum in Ulaanbaatar, page 9:

Strengthen Local Voices in Silk Road Strategy of China

Besides the above recommendations, there were specific recommendations from the Strengthen Local Voices in Silk Road Strategy of China (One Belt One Road) Open Space.

In the annual meeting of the Asian Infrastructure Investment Bank (the Investment Bank financing One Belt One Road projects) in June 2016 it was declared that the One Belt One Road would integrate the sustainable development goals and Paris declaration.

We call on ASEM Member governments to:

Highlight and monitor this and we call on Asian leaders to endorse the development of a "Masterplan on sustainable connectivity in Eurasia" (which includes environmental social framework for bank loans with, for example, strategic environmental and social impact assessments for investments).

Experience sharing and discussion:

- The feasibility study of the Gobi Industrial Complex has shown, that there are not enough water resources and the construction of the industrial complex would cause a new water contest. Therefore, the project moved more North.
- Ferrostaal Industrial Projects GmbH, a German industrial services company, has taken a major stake in a 52 megawatt wind farm project in Mongolia's Gobi Desert. The \$120 million Sainshand Wind Farm Project is located in East Gobi province and near the planned site of the Sainshand Industrial Complex, a \$10 billion project that will process Mongolia's raw materials. It will be finished in October 2017.
- Mongolian government does everything to mobilize Chinese investments
- G-20 meeting in China 2016-influence on investments?
- Among Mongolian population there are strong reservations against the Chinese, "not friends of Mongolian people"
- **AIIB annual meeting Beijing 2016 report:**
 - Rayan Hassan (NGO Forum on ADB) reported from AIIB-Annual meeting in Beijing, civil society only had a one day slot (26th of June 2016) with involvement of civil society, ADB NGO Forum participated, Greenpeace China and Urgewald e.V. and others, in the panel organized on the private sector, Jin Liqun pointed out, that the strategy is that bank investments alongside OBOR have priority, later in other productive sectors. This was not further specified although civil society asked for
 - It was highlighted in the AIIB annual meeting that "irrational communities" who refuse to leave their land/pastures to make way for investments are consisting of only 1%, "rational communities" who accept compensation and leave their land consists of 99 %. Civil society representatives intervened here.
 - Chief negotiator in the EU delegation for the AIIB meeting was the German government, which promised to respond to civil society demands and develop a new law (?), but they also highlighted to be patient because there are only 45 people working in AIIB.
- The participants in the open space complained that EIAs not always were applied for all projects, water resources and herd pasture are endangered
 - It is necessary to proof the local EIA when bank insists to use these as standards for the local investment/ if these are lower than bank standards bank should use its own standards and take care for higher standards
 - Also it should be proved what kind of infrastructure project makes sense. For example the China-Russia railroad project doubles existing railroad-no need for another one

- Another example: Maintenance of Railroads in Mongolia to expensive.
- General question: who initiates proposals for investments? Who selects proposals? Very often the PPP's are business models which do not support social development or protection of environment.
- China exports outdated industries
- China exports infrastructure which supports mining
- Kazakhstan is main receivers of Chinese lead investment/ 4 out of 5 projects go to Kazakhstan/ CEE Bankwatch and other NGOs monitor the environmental standards
- Kyrgyzstan experienced the negative outcome of resource exploitation: mining industry for many years, minerals were brought out of the country, roads and railways were built for the transport/ today hydropower-2015 Russia finishes big hydropower project, there is no transparency / esp. for decision making processes. Investors are Canadians, backed by Chinese. Participants have been worried: Can "Stans Energy Ltd." now sue Kyrgyzstan for losses?
 - Background: Kyrgyz parliamentary committee revoked the company's license for Kutessay, claiming the acquisition process was tainted. The license was issued in 2009, during the corruption-riddled tenure of President Kurmanbek Bakiyev, and then revoked in 2012, after the leader was overthrown. Stans Energy was able to prove its innocence and won the arbitration case in 2014 and claimed compensation. 24.7.2015 Ontario Superior Court of Justice has set the date to hear the company's appeal to a Moscow decision that prevents it from getting a \$118 million compensation granted in 2014/ As a kind of revenge Canadian Centerra / Stans freezed Kyrgyz shares / Kyrgyz Republic's economy is highly dependent on gold and other precious metals and stones exports, which account for about 34% of the country's shipments. In July 2016, Kyrgyzstans shares at Cebterra got unfreezed).



Locations of the company's projects in Kyrgyzstan (Image courtesy of Stans Energy)/
<http://www.mining.com/canadian-court-to-hear-stans-energy-appeal-over-kyrgyz-republics-unpaid-118m/>

- All these problems are not only AIIB specific, ADB did the same concerning the investments into resources
- CSOs look far beyond OBOR
- There is a big implementation gap concerning EIA (Greenpeace China)/ also information is not passed to citizens
- But: Now there is the huge opportunity to influence decisions and voice suggestions (Greenpeace)
- Suggestion: It would be sufficient when the Chinese standard would be applied in all cases (Chinese activist)
- Suggestion: German government should provide information on the bilateral projects and share them with CSOs/ in Frankfurt just recently a MoU was signed between AIIB-ADB to finance coal projects
- Therefore: Key interventions must address energy policies, no more coal projects/ no more support by the ASEM to foster coal projects in SEA-migration of coal industry to SEA)
- Helmut Scholz (policy advisor Bernd Schneider) requested proper assessment of the value chains, no processing in the countries, only mining, without processing in the countries of resources there will be no development or way out of dilemma.

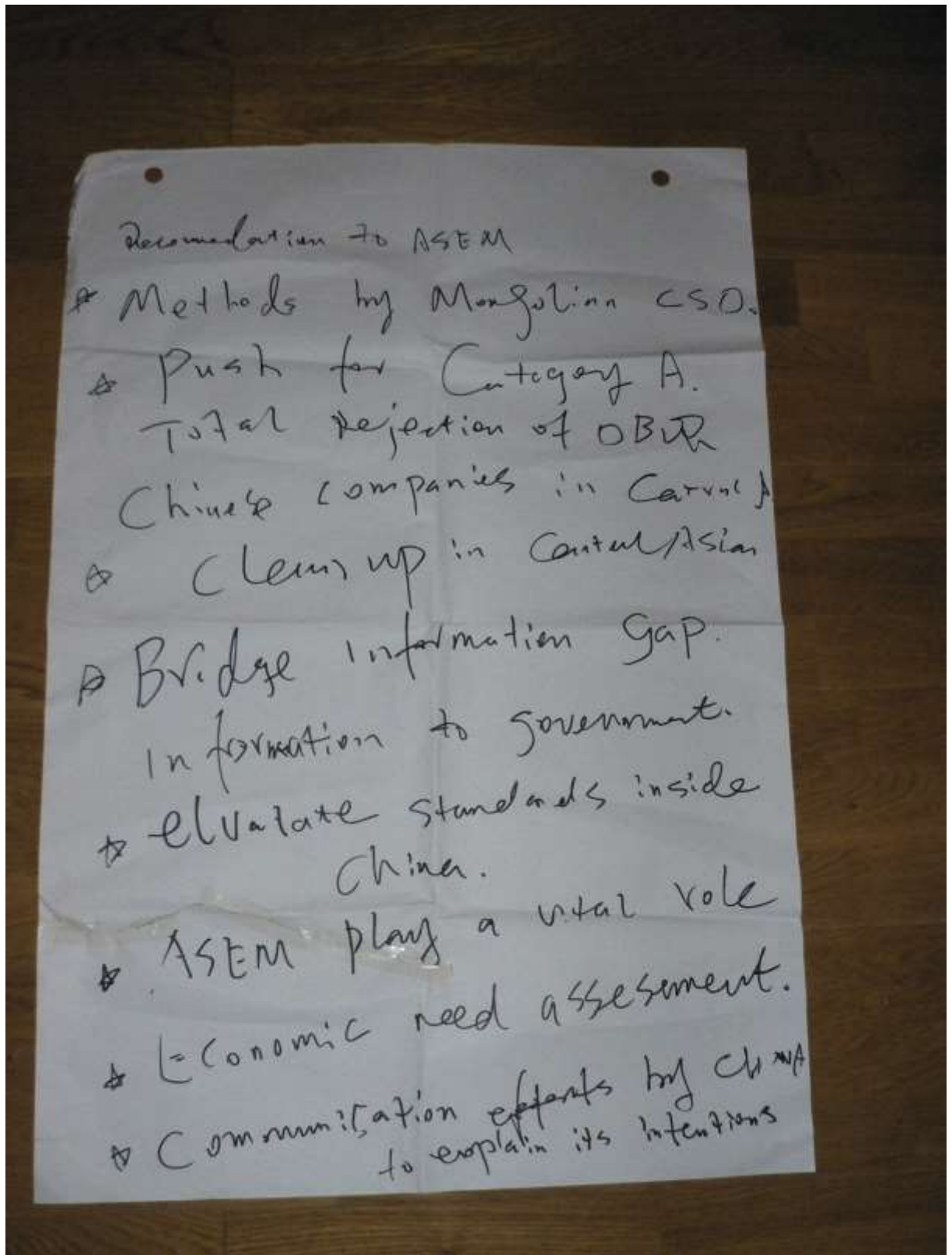
Joint strategy:

The AIIB wants to showcase the highest standards concerning environmental and social framework (ESF).

- I. AIIB made statement to integrate OBOR in SDGs (f.e. clusters “Social just trade and investment”, “Equal access to water and land”) and Paris agreement. We should insist on that promise!
- II. ASEM codes on Asian leadership to endorse development of a “Masterplan on sustainable connectivity in Eurasia” by foreign ministers. It is necessary to put focus on local community in overall strategy.

Recommendation to ASEM (noted by Wen Bo):

- ❖ Push for Category A-Total rejection of OBOR/ Chinese companies in Central Asia
- ❖ Clean-ups in Central Asia
- ❖ Bridge information gap
- ❖ Evaluate standards inside China
- ❖ ASEM plays a vital role
- ❖ Economic need assessment
- ❖ Explain Chinas intentions



OBOR

"One belt one road" is a developing program for Asia investing offshore and exporting manufacturing capacity and providing investment for infrastructure. AIIB is the big player in OBOR, planned as "green development" promising to raise the GDP, growth and creating

jobs, yet with potentially destructive repercussions. Coal will play an important role especially for Mongolia.

Role of Mongolia:

M. wants to get involved in the OBOR strategy and is currently in talks about the “Steppe Road Initiative” (road project). Yet there is a controversy on Chinese involvement amongst the population. M. is extremely dependent on resource industry (70% of the state budget comes from the mining sector, generally state companies) and in great debt; tax rates for mining companies are very low.

The monitoring safeguard policies of the AIIB are not established yet: there is no EIA, no information and transparency, no grievance mechanism, bad compensation, not well prepared relocation sites. Also, there is no clear guidance on how to implement the Environmental and Social Framework (ESF). In two cases the AIIB took up the standards of the European Bank for Reconstruction and Development (EBRD), which was the co-financing partner, having quite good standards.

To improve its standards the AIIB would do good to use the spectrum of environmental and social standards of UNECE (United Nations Economic Commission for Europe) and other European institutions complimentary. A strong green development policy is needed.

AIIB was established in order to build/realize OBOR. Staff: 45 employees with chief negotiators in every member country; Communication/meeting 4 times a year. The first step in the strategy will be the focus on infrastructure. But the bank didn't release any project information yet. The European part of the AIIB is willing to have a dialogue with civil society.

Further reading:

The new China-led investment bank AIIB and its geo-strategical meaning (2016), Korinna Horta (Urgewald e.V.), Wawa Wang (CEE Bankwatch) und Nora Sausmikat (Stiftung Asienhaus), April 2016

<http://www.eu-china.net/materialien/blickwechsel-the-new-china-led-investment-bank-aiib-and-its-geo-strategical-meaning/>

© Nora Sausmikat, Stiftung Asienhaus