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The Framework for the Introduction of Transnational Corporations' Low-carbon Foreign Investment in Zhejiang Province in China

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Abstract:

Low-carbon Foreign Investment has gradually become the hot issue of the new round of international investment, and it is significant that Zhejiang introduces transnational corporations' Low-carbon Foreign Investment. This paper shows that the framework for it should include motivation, influencing factors, introduction models, weighing the pros and cons of promoting LFI, policy option, and low-carbon industrial cluster should be the focus issue among its.

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1. Background

Low-carbon Foreign Investment has gradually become the hot issue of the new round of international investment. Low-carbon Foreign Investment (LFI) can be defined as the transfer of technologies, practices or products by Transnational Corporations (TNCs) to host countries – through equity (Foreign Direct Investment, FDI) and non-equity forms of participation – generate significantly lower green-house gas (GHG) emissions than would otherwise prevail in the industry under business-as-usual circumstances. It also includes FDI undertaken to access low-carbon technologies, processes and products (UNCTAD, 2010). Since international financial crisis broke out in 2007, developed countries generally have regarded low-carbon economy as the new economic growth engine. The direct investment in cross-border low-carbon field operated by TNCs not only is line with the direction of host countries' industrial transformation and upgrading, but also is in accordance with TNCs strategies, which can result

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in all-win. In 2009, low-carbon FDI flows into three key low-carbon business areas (renewables, recycling and low-carbon technology manufacturing) alone amounted to \$90 bn (UNCTAD, 2010).

China is becoming the very important area of Low-carbon Foreign Investment. In late 2009, the Chinese government announced its commitment to reduce the country's carbon dioxide emissions per unit of GDP within the next 10 years by at least 40 per cent compared to 2005 levels. To reach these targets, the Government has allocated significant financial resources to support the development of a range of renewable energy technologies. China invested \$34.6bn in the clean energy in 2009 and became the biggest renewable energy investment country in the world, but USA only invested \$18.6bn in it. China came top of Ernst&Young's league table, the "renewable energy country attractiveness indices". It predicts that China would reach a newly-increased investment of 5 trillion yuan in clean energy field from now to 2020.

It is significant that Zhejiang introduces TNCs' Low-carbon Foreign Investment. Zhejiang is an important area of carbon emission, export and industrial cluster, where there is a big pressure on energy-saving and ejection-decreasing, whose export-oriented enterprises urgently need develop low-carbon economy, and whose industrial clusters are lack of low-carbon international competitiveness. Facing the double impact on its congenital defect and world economic crisis, Zhejiang need foster a new economic growth point and finish its economy transformation. Zhejiang hasn't formed any significant low-carbon industries and enterprises in the world, so it is lack of low-carbon international competitiveness. It is significant for Zhejiang how to integrate resources from the angle of globalization and advances its development of low-carbon economy by means of "outside force" (LFI).

2. Motivation

External motivation. Now global economy is imbalance and trade protectionism is emerging. With the uncertainty on global market demand increasing, Zhejiang must make good preparation for the rapid change in oversea market demand. The low-carbon competitiveness conditions between provinces in china are jumping change as USA foreign trade policy changes. Under the sharp edge of low-carbon barrier, the prospects for province's export are poor in China. It is a positive relationship between export amount/province GDP and export risk, that is to say, the bigger export amount/GDP is, the more the province bears the shock from the low-carbon barrier. Export amount/Zhejiang's GDP is 56.2% in 2009, which formed a lot of sunk cost related to foreign trade and low-carbon pressure on its export, so Zhejiang need realize low-carbon export as soon as possible.

Internal motivation. Zhejiang is always good at export-oriented economy, industrial cluster and SME (Small and Medium enterprises), and it is at a transformation and upgrading crucial stage where GDP per capita breaks through from USD 6000 to USD 10000. However, it is facing manifold challenges, for instance, the decreasing international market demand and the rapid change of province export competitiveness because of low-carbon barrier, its industrial clusters focusing on resources-consuming and labor-intensive traditional industries and its sustainable development are lack, and SME need find own right position of "profession, preference, speciality and innovation", so it is necessary to depend on independent innovation, further "outside force"(LFI) could advance Zhejiang economy transformation and upgrading.

3. Influencing factors

Drivers are factors that push TNC to invest abroad. Government policies, market conditions, costs of production and business conditions all influence TNC decisions to invest abroad. This includes climate change-specific factors, such as green branding strategies, regulations and pressure from consumers and

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