Proceedings of the 3rd International Conference on International Law and Legal Policy
DOI: 10.54254/2753-7048/65/2024MU0026

# *Regulation of Environmental Responsibility by Multinational Enterprises: From the Perspective of Host States*

**Qixuan Zeng**[1,a,*]

[1]*Haide Bilingual School Dongguan, No. 301 Qingxi North Ring Road, Dongguan, China*
*a. fengwenjun@xhd.cn*
**corresponding author*

***Abstract:*** With the vigorous development of the global economy, the global ecology and environment are deteriorating. As one of the main economic activities in the world, transnational corporations greatly promote the economic development of the home country and the host country. However, at the same time, when transnational corporations conduct business activities overseas, due to various reasons, their activities in the host country have a great impact on the surrounding environment, and have caused actual environmental harm to the local environment. This paper uses the method of case analysis and comparative analysis to study. Therefore, this paper discusses the environmental regulation of multinational enterprises from the perspective of the host country. It examines how host countries implement local environmental standards and the impact of MNE's activities on the local environment. The analysis includes a discussion of the effectiveness of the current regulatory framework and its ability to hold multinational corporations accountable for environmental degradation. At the same time, taking the environmental impact as an example, the problems existing in the current legal regulatory framework are pointed out. Finally, the paper proposes strategies to strengthen the environmental responsibility and sustainability practices of MNE operating in host countries.

***Keywords:*** Multinational enterprises (MNEs), Host states, Environmental problems.

## 1. Introduction

As a development trend of high economic development to a certain stage, transnational corporations first appeared in the 16th century and developed rapidly after World War II. Now transnational corporations have developed into important participants and promoters of world economic progress. S. H. Hymer, an early American economist, compared transnational corporations as a "ghost" wandering in the sky of today's world in his works, which shows that transnational corporations are a very special entity [1]. A corporation that manages manufacturing or provides services across numerous nations is known as a multinational enterprise (MNE). These companies typically have a centralized head office where they coordinate global management but maintain regional branches, subsidiaries, or affiliates in other countries. Multinational enterprises have significant global influences. Economically, they drive international trade and investment, creating jobs and stimulating growth in various regions. Politically, they can influence government policies and regulations through lobbying and partnerships. Socially, they spread cultures and practices across borders, contributing

DOI: 10.54254/2753-7048/65/2024MU0026

to globalization. Additionally, they can lead to technology and knowledge transfer, fostering innovation and development worldwide.

Environmental science views the environment as a very basic idea, but environmental law views the environment as an extension of the law [2]. Although there is no clear legal definition of the environment in various international and domestic laws at present, the scope of environmental protection has been stipulated in many legal documents. Generally speaking, the scope of environmental protection is very wide, including water, land, air quality, human, animal and plant health. Environmental pollution is the opposite of environmental protection, it is an act of destruction to the environment, and this behavior exceeds the maximum bearing capacity of the environment, thus causing harm to it, is not conducive to human survival and social development. This paper's definition of environmental pollution primarily refers to the harm that multinational businesses' illicit activities inflict on the environment and resources of the host nation. The types of environmental pollution produced by MNEs are also very different, mainly including the following aspects: The first is more common, often appearing in the chemical production of MNEs, air pollution, mainly refers to the transnational companies may emit sulfur dioxide, nitrogen oxides, in the production process, these gases will form acid rain in the atmosphere after chemical reaction. The impact on the local environment is severe. The second is water pollution, the main source of water pollution is the discharge of industrial wastewater and domestic sewage, which is also closely related to the production activities of multinational companies. Soil pollution is also caused by improper disposal of industrial waste. In addition, there are noise pollution, radioactive pollution, Marine pollution and so on. These types of pollution are often caused by improper practices or lack of environmental awareness during production and transportation by MNEs.

The aforementioned multinational firms are primarily responsible for environmental protection, as evidenced by the environmental pollution they have generated in the host nation. The development of economic benefits of enterprises should be consistent with the development of local environment, strengthen the management of transnational corporations from the aspect of legal regulation, increase the cost of transnational corporations violating environmental protection regulations, reduce environmental pollution, promote the harmonious development of transnational corporations, and minimize the impact on ecology. This includes reducing emissions, managing waste responsibly and conserving resources.

For the environmental pollution caused by transnational corporations, the internal management of MNEs cannot be relied on only. International regulations and host country supervision are the most important means of supervision. To host states, it's important for host states to regulate multinational enterprises to ensure that their operations benefit the local economy and society while minimizing negative impacts. Effective regulation can protect the environment, ensure fair labor practices, and prevent exploitation of local resources. It can also ensure that MNEs pay appropriate taxes, contributing to the host country’s revenue. Moreover, regulation helps maintain market fairness, preventing monopolistic practices and ensuring that local businesses can compete. By setting clear rules and enforcing them, host states can maximize the positive impacts of MNEs while mitigating potential downsides.

Based on the existing legal framework and the analysis of the environmental impact of MNEs on the host country, this paper analyzes the legal reasons for the increasingly serious environmental pollution in the host state from the perspective of the supervision of the host state and the multinational enterprises themselves, finds out the balance between improving environmental quality and maintaining stable economic development, and improves the laws and regulations that coordinate the utilization of foreign capital with environmental protection. Strengthen the production supervision of foreign capital in the host states to achieve the dual goals of improving the quality of foreign capital utilization and environmental protection.

DOI: 10.54254/2753-7048/65/2024MU0026

## 2. Existing Legal and Regulatory Framework

This part will introduce the existing legal framework, which is mainly divided into the legal system of the host country and the legal framework formulated by international organizations and organizations. It will find the similarities and differences in these laws and regulations, and seek a better solution to the environmental supervision of transnational corporations.

### 2.1. The Existing Regulatory Framework for the Environmental Protection Liability of Multinational Corporations in Domestic Law

#### 2.1.1. An Overview of the Host Country's Existing Regulatory Framework

Regulatory frameworks for environmental protection in host countries typically include a combination of legislative measures, administrative oversight, judicial enforcement, and public participation. These approaches aim to balance economic development and environmental sustainability, ensuring that multinational companies comply with established environmental standards. This section will take the legal frameworks of the United States, Japan and China as examples to elaborate in the next paragraph of the article.

#### 2.1.2. Legal Framework of the Host States (eg. America, Japan and China)

In most countries, the regulations on environmental pollution by multinational enterprises largely overlap with the environmental laws and regulations that have been promulgated, which means that the host country generally lacks exclusive regulatory measures for multinational enterprises. Only in the overlapping regulations can be seen that some clauses refer to the attitude and stance of the host country on environmental pollution by multinational enterprises .

The National Environmental Policy Act (NEPA), which was the first rule to make environmental protection a national policy in the US, was passed in 1969 and has played a significant role in the development of environmental protection legislation in the country. The law clarifies the principle of maintaining a balance between economic development and environmental protection. This regulation establishes the Environmental Quality Committee and establishes the national environmental protection objectives, and clarifies the legal status of the national environmental policy. It is a progressive decision made by the United States on environmental issues, marking the gradual change from governance to prevention in environmental protection in the United States. In 1970, with the rise of the environmental movement, the United States created the National Environmental Protection Agency, and a number of environmental related laws have been introduced. For instance, the Resource Conservation and Recovery Act regulates waste treatment, storage, and disposal activities; the Comprehensive Environmental Response identifies polluters and the need for their legal removal; the Clean Air Act fights air pollution; and the Federal Insecticide, Fungicide, and Rodenticide Act regulates the use of pesticides. The Compensation and Liability Act.

It is easy to see that the United States has entered the "post-industrial era" when it comes to handling environmental issues. Instead of pursuing economic development blindly, the country has started using various measures to protect environmental resources at the expense of developing the economy blindly. The goal is sustainable development, which is the pursuit of a balanced state of both environmental protection and economic development at the same time, without conflict [3]. In addition, the federal government of the United States has publicly stated that it adopts a "neutral" policy toward multinational enterprises in terms of corporate management, that is, multinational enterprises enjoy the same treatment as domestic companies. It can be seen that in the United States, although there are policies indicating that multinational enterprises and domestic companies are subject to the same constraints and management in the regulation of environmental protection

DOI: 10.54254/2753-7048/65/2024MU0026

responsibility, there is still no specific bill to make clear and targeted provisions on the environmental protection responsibility of multinational enterprises. It is only today that the environmental protection provisions of multinational enterprises have been further developed.

Japan entered a period of economic recovery after the Second World War, and it was the rapid economic development at that time that caused serious pollution hazards to the environment of Japan. The Japanese history of the horrific "four major pollution events" involves the following events: in 1956, Kumamoto Minamata City generation by the factory directly discharged process wastewater caused by Minamata disease event; in 1965, Minamata Disease II in Niigata, the cause of which was the same as the previous Minamata disease. Later in the 1960s, there were serious pollution incidents that were followed by the frequent occurrence of diseases. Yokkaichi City, Mie Prefecture, saw an increase in respiratory illnesses, including asthma, between 1960 and 1972 due to sulfur oxide-induced air pollution. Cadmium-induced water contamination in the Shitongawa valley of Toyama Prefecture gave rise to "pain pain disease" between 1910 and 1970. During the period of rapid economic development in Japan, the heavy chemical industry has developed rapidly, so the environmental pollution has expanded. As the price of economic prosperity, many patients suffer from public hazards.

The Japanese government started creating a number of environmental laws and regulations in response to a growing number of serious environmental issues. Japan passed the Air Pollution Prevention Law in June 1967 after passing the Basic Law on Countermeasures against Public Hazards in July of the same year. In 1962, Japan enacted a national air pollution control law, the Smoke Emission Regulation Law, which absorbed the management means of air pollution control implemented by local governments based on emission standards. However, because the legislative purpose of the law stipulates that the control of air pollution should be coordinated with economic development, its implementation has been greatly affected. For example, in order to mitigate the economic impact, the law adopts a "designated territory system", so that air pollution control measures are limited to certain areas. In 1968, this law was repealed and replaced by the Air Pollution Prevention and Control Act. The Air Pollution Prevention and Control Law has been amended several times since then, forming the basic legal framework for controlling air pollution in Japan today (mainly for stationary sources such as factories). The revised law defines air pollutants from fixed and mobile sources, allows local governments to set stricter standards than the state, establish a total volume control system, and stipulate liability for damages without fault. In the same year, Japan enacted the Noise Regulation Law to regulate factory noise and construction noise in response to the rapid increase in noise hazards. In 1970, Japan held the "National Assembly of Public Hazards", that is, the establishment of a task force to formulate regulations related to public hazards. Subsequently, the Law on the Prevention and Control of Polluted Water, the Law on the Prevention of Marine pollution and Marine Disasters, the Law on the Prevention of pollution of agricultural land and soil, the Law on the burden of Enterprises for the prevention of public nuisance, the Law on the disposal and cleaning of waste, and the Law on the punishment of public nuisance crimes against human health were enacted. Japan performed the "Pollution Diet" as a historic occasion to consider environmental issues at the national level. This time the Diet amended the 1967 Basic Law on Pollution Countermeasures, passed fourteen legislation pertaining to pollution, broadened the scope of pollutants and the areas covered by policies, and made it clearer what the national and local governments were responsible for. Additionally, it enables local governments to impose stricter environmental regulations than federal regulations. In order to conduct unified administrative management of public hazard issues and be in charge of formulating environmental policies and standards, Japan established the Environment Agency in 1971, changing the previous practice of establishing public hazard management agencies in various ministries and commissions [4]. In order to better protect the natural environment, Japan enacted the Natural Environment Protection Law in

DOI: 10.54254/2753-7048/65/2024MU0026

1972. The law clearly stipulates the concept and basic policy of natural environmental protection, and also stipulates specific environmental protection measures. Together with the Basic Law of Public Nuisance Countermeasures, it has become the two basic pillars of Japan's public nuisance and environmental law system. Later, in the mid-1980s and late 1980s, environmental problems gradually became prominent on a global scale, and health problems caused by environmental pollution became more and more serious. Human beings began to pay more and more attention to the destruction of the earth's ecological environment, and some international and regional environmental conventions and declarations also appeared one after another. In this international context, Japan has also begun to reform its legal system related to environmental protection.

In November 1993, Japan promulgated the Basic Law on the Environment, which stipulates some basic concepts of environmental protection: advocating sustainable development; To build an "environmental priority type society" with low environmental load, all parties in society, including the state, local governments, enterprises and citizens, should shoulder their due responsibilities fairly; Emphasizing the precautionary principle; Actively participate in solving global environmental problems [5]. After the introduction of this series of laws, Japan's environmental protection related legal system has made great progress and gradually placed itself in the forefront of the world. Japan has already established a relatively complete legal system of environmental protection, so relevant enterprises including multinational corporations in its territory are bound to establish legal environmental standards internally and assume their own environmental protection responsibilities in the process of production and operation. This self-regulation approach is undoubtedly of great importance. At the same time, the comprehensiveness of Japan's environmental protection legislation is also indispensable to effectively regulate the environmental protection responsibility of multinational corporations, and this comprehensiveness is very worthy of study and reference by other countries.

## 2.2. Existing International Legal Systems and Frameworks

Environmental issues have become an international concern, and many environment-related international conventions have been issued in response. These conventions have made principled, macroscopic and guiding provisions on various environmental problems that may occur, so that the behavior of citizens and enterprises that accede to the conventions is bound by the conventions.

### 2.2.1. International Environment-related Conventions and Norms

Adopted on March 22, 1989, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal allows States Parties and other relevant organizations to move wastes. It recognizes that tightening controls over the movement of hazardous wastes and other wastes will promote their environmentally sound disposal and decrease their transboundary movements. States are therefore persuaded to take appropriate action, including the appropriate exchange of information on and control over the transboundary movement of wastes to and from those countries. It is reasonable that the Convention has additional requirements on environmental protection obligations in the field of waste transfer and disposal, even though the text of the Convention does not specifically address transnational firms. For example, the act of "illegal transportation" has been defined in more detail, and the regulation method of "hazardous waste or other waste" has been formulated in special circumstances. These regulations have restricted the behavior of transnational corporations transferring waste materials to developing countries, to a certain extent, contain such behavior, and are conducive to the protection of natural environment in host countries.

In order to protect mankind from the threat of climate warming, many countries signed the Kyoto Protocol in 1997. Based on the principles of the Montreal Protocol, the Kyoto Protocol has more

DOI: 10.54254/2753-7048/65/2024MU0026

specific clauses that, while binding the specifically designated nations' greenhouse gas emissions, also establish some adaptable procedures to assist the listed parties in lowering their emissions. For example: investigating, advocating, creating, and expanding the application of novel and sustainable energy sources; carbon dioxide sequestration technologies; cutting-edge, environmentally friendly technologies; and employing technology to accomplish preservation of the environment. From the perspective of mankind as a whole, the Kyoto Protocol limits the greenhouse gas emissions of all contracting parties. Both developing and developed countries need to undertake corresponding emission reduction obligations. At the same time, multinational corporations, as part of the host country society, should undertake corresponding emission reduction tasks if their host country becomes a contracting party. Transnational corporations have the responsibility to assist the host country to achieve this goal, so the treaty also restricts transnational corporations to a certain extent.

### 2.2.2. Environmental Related Provisions of International Organizations

Sustainable development constantly calls for environmental protection, and MNEs should be responsible for it. The term "sustainable development" was first used by the United Nations World Commission on Environment and Development (WECD) in its report "Our Common Future"; it is defined as "development that meets the needs of the present without compromising the ability of future generations to meet the needs." These days, this idea is both fairly common and extensively acknowledged by the global society. Theoretically, this clarifies the intimate connection between environmental preservation and economic growth [6]. The United Nations and its affiliated organizations and other governmental organizations have also been working on the formulation of relevant rules trying hard. However, due to the lack of legal force, these regulations can only play a guiding role in regulating the environmental protection responsibility of transnational corporations.

In 1976, the Organization for Economic Cooperation and Development (OECD) established the "OECD Code of Conduct for Multinational Corporations". Governments of acceding countries should encourage transnational enterprises to develop their economies

Decrease the challenges that international corporations may face in a variety of corporate endeavors while making constructive contributions to exhibition, environmental preservation, and social advancement. Governments offer advice to multinational corporations in the form of guidelines. The Code provides a set of guidelines and expectations for ethical corporate behavior that abide by the relevant laws. The Code's goals are to guarantee that multinational enterprises operate in accordance with national and international policies; to build mutual trust between businesses and the areas in which they operate; to assist in enhancing environmental conditions for foreign investment; and to increase the role that transnational businesses play in sustainable development. Preface, ideas and principles, general policies, information disclosure, labor relations, environment, fighting bribery, consumer interests, science and technology, competition, taxation, and other significant sections are among the guidelines. According to the guidelines, multinational companies must take into account pertinent international agreements, principles, objectives, and standards when conducting their business, and they must, in general, conduct their business in a way that advances the larger sustainable development goals. This includes protecting the environment, public health, and safety within the bounds of the laws, regulations, and administrative practices of the nations in which they operate. It also offers recommendations on how to enhance environmental performance in eight domains, such as trade secrets and intellectual property protection, environmental management systems, and assessing and mitigating the predictable effects on the environment, human health, and safety of production processes, goods, and services over the course of an enterprise's life cycle. It can be seen that the regulation of the environmental protection responsibility of transnational corporations in the Code of Conduct mainly lies in two aspects: the constraint of the government's mandatory force and the enhancement of the responsibility consciousness of transnational corporations.

DOI: 10.54254/2753-7048/65/2024MU0026

## 2.3. Mechanisms for Monitoring MNEs Activities

Transnational corporations are increasingly paying attention to the environmental protection obligation as a result of the continuing growth of the global environmental protection legal system and the rise in environmental protection awareness. Transnational corporations have their own strength, occupy a dominant economic position, and at the same time, they have certain particularity. Therefore, there is a greater need for regulatory mechanisms for the activities of transnational corporations to ensure fairness for their own development and for the development of the host country's environment.

### 2.3.1. Internal Management Structure of MNEs

The Organization for Economic Cooperation and Development (OECD) created the "OECD Code of Conduct for Multinational Corporations" in 1976. While reducing the challenges that transnational firms may face in their varied activities, governments of acceding nations should encourage transnational enterprises to positively contribute to economic development, environmental protection, and social progress. Governments offer advice to multinational corporations in the form of guidelines. The Code offers a set of guidelines and expectations for ethical business behavior that are compliant with laws that apply [3]. This code for MNEs (draft) defines an MNE as a subsidiary corporation that is an enterprise made up of entities in two or more States, regardless of the legal structure or range of activities of those entities. The business of an enterprise of this type is managed by one or more decision-making centers, following a decision-making system, and as a result, it has standardized policies and common strategic initiatives. In National Joint Enterprise and National Sovereignty, Timberg S. Timber provided the first legal definition of the term "multinational company" in 1947. According to him, multinational corporations ought to possess three key attributes: first, they should conduct specific business activities across several nations; second, they should have a single, cohesive top management structure. Third, corporate groups are governed by a single high management team and are economically linked [7].

It is generally believed that multinational corporations have the following characteristics: first, there are at least two companies, and the companies have domicile or nationality in different countries; Second, adopt global strategic goals. The purpose is to maximize or maximize long-term profits of the entire company; Third, implement a highly centralized management system. Within the company system, the activities of all domestic and foreign branches, subsidiaries and subsidiaries must be subject to unified leadership and command, and major decisions are made by the parent company. A subsidiary is established in accordance with the laws of the country where it is located. According to the provisions of the laws of the country where it is located, it can independently enjoy the capacity of rights and conduct in its own name, and can independently conduct lawsuits and bear civil liabilities.

### 2.3.2. Multinationals Regulate Themselves

With the strengthening of global environmental awareness, people have begun to measure the gains and losses of environmental benefits while focusing on economic development. Protecting the environment and preventing transnational environmental pollution has become a universal obligation of the international community and an environmental responsibility that every member of the international community should undertake. Although the home country of a multinational corporation has a certain binding force on the behavior of a multinational corporation, in most cases the behavior of a multinational corporation reflects its own will and is a kind of non-state behavior. Under such circumstances, the multinational corporation should bear the responsibility instead of the home country bearing such adverse consequences. Some academics believe that businesses should actively

DOI: 10.54254/2753-7048/65/2024MU0026

contribute to finding answers to environmental issues in addition to handling public relations appropriately and successfully. They outline the stage of corporate social responsibility that is always developing and suggest that the third stage is the stage of environmental responsibility. This stage's primary ideas include the recommendation that businesses not offer dangerous goods for sale. Businesses must not harm the environment, invest in local communities, and work to help them [8]. Most of the investment of multinational corporations in host countries is concentrated in manufacturing, mining and other industries that seriously pollute the environment. The existence of these high-polluting enterprises makes the environment worse day by day. Due to the transnational nature of transnational corporations, environmental pollution disputes often involve two or more countries. Each nation is free to enact environmental laws within its own borders, in accordance with the principle of national sovereignty. However, the level of environmental protection must not fall short of the minimal level established by the international community. Because developed and developing nations have different environmental requirements, their environmental standards differ accordingly. Even nations with comparable economic development levels have different legal traditions, which causes differences in their environmental protection standards. To put it simply, environmental standards are unique and distinct. Since the nationality of the registered entities of transnational corporations is not the same, the laws of the home and host countries that they should comply with are also different. International laws should simultaneously govern and restrict the actions of transnational corporations.

In addition to the protection of external compulsory laws and regulations, multinational companies should also strengthen internal management, establish a link between the parent company and the subsidiary company, extract and combine the different environmental protection laws and regulations of the two companies, and find the internal management regulation method that best meets their own development interests but reduces environmental damage.

### 2.4. The Dilemma of the Existing International Regulatory Regime

A number of international documents in the international community specifically address the environmental pollution issues faced by transnational corporations, in addition to the majority of current international laws, regulations, and declarations that provide a clear definition of environmental pollution and its different forms. These legal requirements mostly target multinational companies who join pertinent international organizations' treaties or regulations and become directly obligated by them. However, the most of them are not operational in theory. The father of contemporary international law, Grotius, held that the authority of international law comes from the assent of all States, or at least a large number of them, and that international law is effective because of unalienable natural reason.The notion of coordination of will was advanced by Professor Zhou Gengsheng, who emphasized that finding common ground while reserving differences is what gives international law its effectiveness rather than the common will of nations. Fundamentally, however, in the lack of an authoritative legislative and administrative authority, it is challenging to successfully comply with conventions, treaties, and agreements made under conditions of mutual consent at the level of international law. Currently, conventions and agreements serve as the framework and advocates for the majority of international documents pertaining to the pollution control of transnational corporations. There are neither particular implementation procedures nor practical standards of behavior that can be used to effectively implement transnational corporations' pollution responsibility. Naturally, these "soft laws" have special benefits as well. They provide guidelines for future management of the pollution transfer practices of multinational firms and increase national focus on preventing and supervising such practices [9]. The Code of Conduct for Transnational Corporations formulated by the United Nations requires transnational corporations to assess potential environmental problems when investing, producing, operating and other activities. However, due to

DOI: 10.54254/2753-7048/65/2024MU0026

the different economic and legal bases of each country, and the environmental requirements of developed countries are also different from those of developing countries, which makes that although countries refer to the provisions of international documents when formulating environmental protection laws, the specific formulation and implementation are still uneven.

### 2.5. Problems with Domestic Regulations

The degree and level of economic development differs greatly between developed and developing nations, and the domestic standards for environmental protection of linked businesses also varies greatly. Therefore, there are also great differences in the formulation of environmental standards. Alan Muller pointed out in "Global versus Local CSR Strategies" that the environmental protection standards applicable to the business activities of multinational companies in their home countries and host countries are different. The environmental protection standards applicable to the subsidiaries set up by transnational corporations in developing countries may only meet the minimum standards of the host country, which is far lower than the environmental protection standards of transnational corporations in developed countries. Some transnational corporations claim that this phenomenon of differential treatment in environmental standards is the "localization" strategy of social responsibility adopted to adapt to the Chinese market. This difference is mainly caused by the incompleteness of the environmental legal system of the host country.

There are still problems such as low entry barriers for foreign investment, shortcomings in environmental protection laws and regulations, and insufficient environmental supervision measures, even though China has made some pertinent regulations on environmental protection and access for foreign investment projects. These regulations are also very dispersed. In short, the environmental protection law is not perfect, the environmental law enforcement is not enough, and so on, multinational companies in China caused environmental pollution reasons. It is also a common problem in most developing countries.

### 2.6. Instances Where Host States Struggled to Regulate MNE Activities Effectively

Taking China as an example, it can make a good analysis of the problems of environmental regulation of transnational corporations commonly encountered by host countries dominated by developing countries. Multinational corporations frequently face environmental degradation in China. In order to avoid higher environmental standards in China and lower pollution treatment costs, some multinational companies transfer production links or enterprises with significant pollution and high resource consumption to China, provided that China's environmental protection standard system is not adequately complete. A 2008 study by the worldwide environmental group Greenpeace found that 28 of the top 100 multinational corporations in the world's industrial facilities in China have implemented double standards for environmental protection. As of September 2010, over 290 Chinese multinational enterprises had broken environmental standards, according to the Institute of Public and Environmental Affairs' China Water Pollution Data Center website. These include: Guangzhou Honda Motor Co., LTD., GAC Toyota Motor Co., LTD., and China Overseas Shell Nanhai Petrochemical Co., LTD. In a research published on July 13, 2011, the worldwide environmental protection organization Greenpeace revealed that 14 major clothing brands have not been able to effectively tackle the issue of poisonous and dangerous compounds being dumped into China's water systems by their suppliers. Up to now, the most worrying environmental pollution incident is the oil spill in Bohai Oil field jointly built by Conocophillips, a Fortune Global 500 company, and CNOOC in June 2011. The marine ecological environment and marine ecological service functions suffered damage by the oil leak, which resulted in 6,200 square kilometers of seawater pollution. The area has not fully recovered. And in 2014, the incident of benzene exceeding

DOI: 10.54254/2753-7048/65/2024MU0026

the standard of the factory water of Lanzhou Veolia Water Group caused the pollution of the overall water quality of Lanzhou artesian ditch. The company undertakes the water supply work of the whole city of Lanzhou, so because of the benzene exceeded the incident, the water supply of Lanzhou city is in trouble. After the Lanzhou river pollution incident, it fully shows that China has certain deficiencies in environmental supervision. Compared with developed countries, China's market development is not enough, industry supervision agencies and systems are not perfect, the law is not perfect, consumers' legal awareness, awareness of rights protection and awareness of their own interests protection is weak. The moral failing of multinational corporations comes at a far lesser cost in China's laid-back social environment than it does in Western nations under tight regulation. The lack of discipline in China for offending multinationals is a case in point. To a large extent, the environmental pollution behavior of multinational corporations in China stems from the imperfection of Chinese policies and regulations and the weak supervision of government functional departments. China's lax environmental standards and inadequate environmental protection laws and regulations are reflected in the oil leak in the Bohai oil field. In order to create environmental protection standards that are in line with the European Union, strengthen supervision of multinational corporations operating in China, and create stringent environmental protection laws and regulations, the Chinese government should update pertinent laws and regulations as soon as possible. At the same time, this is also a solution that most developing countries can learn from.

## 3. Host State Obligations

### 3.1. The Role of the Host States in Environmental Regulation of MNEs

The host country plays a crucial role in the environmental supervision of transnational corporations. In order to reduce environmental violations by transnational corporations in the host country and strengthen environmental supervision, the host nation must establish a sound environmental legal system that includes, among other things, environmental information disclosure, environmental standards, environmental liability insurance, and strict liability principles. It must also actively participate in international cooperation, communicate with international organizations, formulate provisions on environmental issues, and promote relevant technological innovation. Through these measures, host countries can effectively regulate the environmental behavior of transnational corporations and promote sustainable development and environmental protection.

### 3.2. The Impact of Environmental Pollution by MNEs on the Economy and Society of Host States

The economic and social ramifications of transnational firms' environmental degradation on the host countries are intricate. On the one hand, environmental pollution may lead to resource depletion, ecological imbalance and public health problems, affecting the sustainable development of host countries. On the other hand, the investment activities of transnational corporations promote the economic growth, technological progress and employment increase of the host country, which brings economic benefits to the host country.

The following factors primarily show how MNEs affect the ecosystem of the host nation: scale impact, which states that as MNE investment rises in the host nation, so does the need for natural resources. The rise in production scale causes resource consumption and waste discharge when there is a certain pollution coefficient and production structure, which is harmful to the environment. However, the exact extent of this impact depends on the business strategies of MNEs and the environmental policies of host countries; Technological effect, that is, the direct investment of transnational corporations brings advanced technology to the host country. These technologies can improve production efficiency, reduce resource input and pollution emissions, and have a positive

DOI: 10.54254/2753-7048/65/2024MU0026

impact on the environment. However, whether the host country can effectively absorb and use these technologies depends on its intellectual property protection system and technological innovation capacity; Structural effect, that is, transnational corporations affect the economic structure of the host country through investment, and then affect the environment. Transnational corporation investment usually promotes the transformation of the host country from the heavily polluting primary and secondary industries to the less polluting tertiary industries, thereby improving environmental quality, however, the effect of this transformation depends on the economic policies and industrial planning of the host country. It can be seen that the impact of environmental pollution by transnational corporations on the host country is two-sided, depending on the coordination and cooperation between the host country and transnational corporations.

### 3.3. The Balance between Host Country Environmental Regulation and the Introduction of Multinational Enterprises

Seek a balance between environmental protection in the host country and ensuring foreign investment. Every country has stipulated foreign investment access in its foreign investment laws, which is an important part of foreign investment laws. Host countries have clear legal provisions on foreign investment, fields of investment, conditions for investors, application procedures, etc. While developing countries' foreign investment access regulations are closely related to the environmental damage they have suffered. Take China's foreign investment related laws as an example. The relevant provisions of the foreign investment access system under China's current foreign investment legal system are primarily found in the relevant laws and regulations, including the Foreign Investment Enterprises Law, the Law on Sino-Foreign Joint Ventures, the Law on Foreign Investment Enterprises Implementation Rules, the Provisions on Guiding the Direction of Foreign Investment, and the Catalogue for the Guidance of Foreign Investment Industries [10]. The fundamental purpose of these laws is to promote economic development. Since economies of developing nations desperately require financial support, the low entry threshold is intended to draw in as much foreign investment as possible and to encourage and assist international investors to make investments in the country that hosts them. Local governments have a duty to significantly lower the threshold for drawing in foreign investment, neglect environmental responsibility, and promote economic development at the expense of the environment because, in practice, many regions view the amount of foreign investment attracted as a very important criterion, and some regard it as an important criterion to measure the performance of government officials and the level of economic development. But now environmental pollution is increasing, which gradually begins to hinder the factors of economic development. However, there is a serious point, which is also a painful lesson that many countries have happened: economic development must be coordinated with environmental protection, and the environment cannot give way to economic development. Therefore, the host country should actively seek a balance between economic development and environmental protection, so as to achieve both economic growth and Hua Ning protection, and must not develop the economy at the cost of environmental pollution. The development of transnational corporations is also more due to the principle of balance, and actively cooperate with the internal management and the host country's regulations.

## 4. Conclusion

While host nations still have a far to go in terms of governing multinational firms' environmental practices, more and more individuals are becoming aware of the issue now and will do so in the future. The earth is the home of all mankind, involving environmental issues, every member can not stand idly by, for the environmental supervision of multinational companies, not only the coordination between the host country and multinational companies, but also the integration of various

DOI: 10.54254/2753-7048/65/2024MU0026

international organizations and elder brother countries, in environmental protection this matter, countries need to stand on the same front to jointly protect the beautiful home.

## References


[1] *Hymer, S. H. (1976) The International Operations of National Firms: A Study of Foreign Direct Investment. Cambridge: MIT Press.*

[2] *Wang Xi. (2005) International Environmental Law. Beijing: Law Press.*

[3] *Han Wei. (2014) The Environmental Protection responsibility of multinational corporations and its legal regulation. Guangdong University of Foreign Studies.*

[4] *Ding HW, Jiang MY. (2019) Reference from Japan's Air Pollution Control Experience to China: Based on the Social Competence Theory of Environmental Management. Environmental protection, 47(22),69-73.*

[5] *Shen X Y. (2006) Japan's Environmental Basic Law. World Environment, 5,75-77.*

[6] *Zhang Zongping. (2002) Tracing the source of "Sustainable Development Concept". Shandong Economy, 1,6-7.*

[7] *H. G. Angelo. (1968) Multinational Corporate Enterprises, Recueil des Cours III, Paris: Hachette.*

[8] *Huang YH, Liu HY. (2010) Strengthening Corporate Social Responsibility to Protect the Earth's ecological Environment: Environmental Protection from the perspective of Corporate Environmental Social Responsibility. Industrial Technical Economics, 29(4),49-51.*

[9] *Ye P, Zhang ZX. (2013) Legal governance on pollution transfer governance of transnational corporations. Forum on Political Science and Law,11.*

[10] *Kang Jingtao. (2013) Reflection on China's Foreign Investment access System from the perspective of Pollution transfer. Journal of Liaoning Administration College,11.*