

Analysis of the Environmental Legal Risk and Its Response for Multinational Corporations in Guangdong-Hong Kong-Macao Greater Bay Area from the Perspective of the Environmental Regulation Provisions

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Abstract. Guangdong-Hong Kong-Macao Greater Bay Area is one of the most attractive investment destinations with the highest degree of openness and the strongest economic vitality in China. This paper phases out the current state and prospect of environmental regulation in the GBA, especially unscramble the risks of environmental infringement and the benefits of proactively taking environmental responsibility from the standpoint of multinational corporations. Within the applicable environmental stipulates in international investment arbitration, the problems of the domestic environmental legislation, justice and governance include legislation gaps, professional barriers to the application of provisions in the judiciary, and the breadth of administrative powers. The underlying causes of these risks include the complexity of the environmental litigation triad, the unpredictability of the transition policies, and the all-encompassing developing of international investment arbitration. Against this background, multinational corporations are now coping with the most complex regulation system and bearing unpredictable risks for lack of adequacy comprehension. The anatomy in this paper is intended to assist multinational corporations fully consider the legal risks and costs during decision-making, and introduce the feasible methods in clarifying the corporation's internal liabilities.

Keywords: Multinational Corporations, Greater Bay Area, Environmental Legal Risk.

1. Introduction

Guangdong, Hong Kong, Macao and the Greater Bay Area (hereinafter referred to as: the Greater Bay Area) is one of the most open and economically dynamic regions in China. In March 2017, Premier Li Keqiang proposed in his government work report to promote in-depth cooperation between the Mainland and Hong Kong and Macao, and in July of the same year, the State signed the Framework Agreement on Deepening Cooperation among Guangdong, Hong Kong and Macao to Promote the Construction of the Greater Bay Area. The Greater Bay Area of Guangdong, Hong Kong and Macao is not only an upgraded version of the integrated development of the Pearl River Delta cities, but also an important pivot point to serve the "Belt and Road" initiative. The Outline of the Development Plan for the Greater Bay Area of Guangdong, Hong Kong and Macao, issued by the Central Committee of the Communist Party of China and the State Council in February 2019, calls for further deepening in environmental protection cooperation and collaborative governance. As one of the biggest investment destinations, the GBA would be the new crave among foreign investors ever since the concept of collaborative governance and green development in the GBA has a crucial strategic position in the overall development of China. Given China's growing recognition of the necessity of environmental protection, more and more international investment disputes of environmental issues likely involves China in the near future. However, the majority of recent studies conducted by academics in the Greater Bay Area are from the perspective of collaborative environmental governance or the development of environmental law, and they offer helpful professional data and references. A significant portion of the studies emphasize the risks of environmental pollution at the level of national governance or the risks related with legislative limitations from the national perspective [1]. The analysis of the costs of legal action and the direct costs of environmental penalties from the perspective of business interests is less comprehensive.

According to data of UNCTAD, ICSID and NAFTA, there are currently over 100 investment disputes involving the environment, mainly revolving around the determination by international arbitral tribunals of environmental measures taken by host countries. All research on international legal risk must therefore return to an understanding of the domestic laws of the host country. Due to the specificity of international investment disputes, the research methodology in this paper focuses on modeling and analyzing the legal risks that MNEs may face based on the current domestic laws and regulations in the Greater Bay Area, even though the analysis in this paper emphasizes the international law perspective of MNEs' investments in the GBA region. Under the premise of emphasizing environmental regulations in the Greater Bay Area, the causes of risk summarized in this paper are only based on the current situation during the transitional period and aim to remind MNCs to take good risk prevention and control measures for their investments at this stage. This paper hopes to draw the attention of MNCs to the development trend of the host country's domestic laws from the perspective of environmental pollution issues. However, the approach to the internalization of corporate environmental responsibility proposed in this paper is sustainable. This is because the analysis of the current situation in this paper takes full account of the changing trends in the development of environmental law in China as a host country over time; the negotiation points of international investment bilateral agreements in which China is the host country; and the value-oriented development of international investment arbitration itself. The approach to internalizing environmental-social responsibility proposed in this paper integrates multiple perspectives: the dynamic development of international investment disputes; the current state and trends of environmental protection within domestic law system; and the enterprises responsibilities in bilateral or multilateral agreements. The sufficient emphasis on the actual costs caused by the legal risks faced by enterprises, and the incentives mechanism on corporations' environmental responsibility, make this scheme somewhat replicable.

2. Current Legal Status that Multinational Corporations Coping With

Objectively speaking, there still are many problems within the China's current environmental regulatory system-as in the legislation, justice and enforcement perspectives. Inadequacy and development of domestic environmental legislation is the top-of-the-list problem that multinational corporations coping with. Based on the internationally accepted standard system and the multilateral environmental treaties to which China has acceded, the domestic environmental legislation of the host state still plays an indispensable role. In international investment arbitrations, the arbitrators might also apply the provisions of host state's domestic law in the tribunals, or at least introduce them as important evidence of the facts. For example, in proving an administrative measure been taken could be identified with a legitimate environmental measure, there is a greater likelihood of admitting where the action carried out in strict compliance with the host state's environmental domestic law. In recent years, China has enacted a series of environmental protection laws and regulations, which are extensive in scope and scale. They are mostly substantive laws such as the *Marine Environmental Protection Law*, the *Air/Water/Solid Waste Pollution Prevention and Control Law*, as well as procedural laws such as the *Interim Provisions on Punishment for Environmental Protection Violations*. However, legislative vacancy on electromagnetic pollution, vibration pollution, energy pollution and pollution by toxic and hazardous substances areas does obviously exist.

At the same time, Guangdong, Hong Kong and Macau are at different stages of development and economic levels, and therefore have different regional development goals, different standards and requirements for environmental governance, and differences in legal models and legislative systems in various aspects. Environmental governance in Guangdong Province mainly follows a system with the basic law, including environmental pollution prevention and control laws, natural resources protection laws, and energy conservation and emission reduction as the main content. For example, Guangdong Province has enacted or amended numbers of environmental protection laws and regulations, including the *Guangdong Environmental Protection Regulations*. Guangdong also issued

environmental protection policies such as the *Implementation Plan for the Guangdong Province Soil Pollution Prevention and Control Action Plan*. Environmental governance in Hong Kong, on the other hand, consists mainly of a series of ordinances, including three parts on pollution control (Air Pollution Control Ordinance, etc.), nature protection (Country Parks Ordinance, etc.) and environmental assessment (Environmental Impact Assessment Ordinance). In Macau, the Environmental Framework Law serves as the cornerstone of environmental protection while other laws, such as the *Macau Environmental Noise Control Rules*, *Measures for the Control and Reduction of the Use of Substances that Deplete the Ozone Layer*, and *The Characteristics and Conditions of the Use of Unleaded Petrol*, further regulate informational details for guidelines [2].

The fragmented nature of environmental legislation in the three regions makes it much more difficult for domestic judicial and law enforcement officials to systematically grasp the law. Real-life cases prove that both judges and law enforcement officers will take action to enforce legal documents that are more convenient for their work due to a lack of professionalism. The question of whether such legal actions are sufficiently in line with the legislative intent can only be explored at the remedy stage, a hidden risk that can be fatal during the expansion of a company's business. The fragmentation of legislation directly leads to an uncomfortable situation for enforcement agencies when it comes to rectifying pollution problems, with multinational companies having the opportunity to be subject to multiple and varying administrative penalties due to differing standards in the three jurisdictions. Although it is possible to claim improper environmental measures in the host country through investment arbitration, the fragmented environmental law system increases the burden of proof. In addition, the Unpredictable Policies brings deeper layer of potential risks. From the perspective of international investors, it seems to be an easier way to start up highly polluting industries in the locations with lax environmental protection standards, presumptuously taking advantages of loopholes in local environmental legislation and jurisdictions. However, it is precisely because of the inadequacy of environmental protection laws and regulations in the investment destination and the deficiencies in the enforcement and judicial system, the local governments are more likely to be arbitrary on choosing environmental measures. Uncertain policy poses even a greater potential risk to the MNEs, and decision makers are making the wrong move with insufficient legal directions.

The fragmentation of environmental legislation can also lead to a tendency for judges to apply general principles of civil law to make simple decisions. The *Environmental Protection Law (2017)*, like other separate environmental laws, cannot yet become the China's basic law de facto so the priority in application is obstructed. In fact, when implementing the Department Laws, authorities in charge of agriculture, forests, oceans, land, etc. are highly likely to challenge the specific provisions of The Environmental Protection Law and make it in vain. Environmental provisions are not useful or even usable to judges due to the undersupply [3]. As a result, even though there are plenty of environmental laws and regulations in hand, the judges are usually unconfident to rely on them. According to the precedents, they are more likely to apply procedural laws such as the Civil Procedure law, the Administrative Procedure Law, the Criminal Procedure Law, and the Criminal Law. China is well aware of this issue and working on the effectiveness and feasibility of existing environmental laws and make up for the missing parts of the domestic environmental laws.

3. Legal Risks and Causes Under the Environmental Regulation Provisions

3.1 Legal multiplicity of the environmental litigation

Vertically and horizontally speaking, the division of powers between Environmental Authorities and the Enforcement Departments in China is not scientific or reasonable enough. Environmental governance in China is currently fragmented and overlapping, usually the environmental enforcement is devolving to local governments. There are high-numbers of environmental disputes, but only few proceed into litigations or arbitrations. The disproportion of adjudications and mediations also lead to a high rate of appeals and retrials.

The complexity of environmental judicature in China does not give MNEs a fluke. Instead, MNEs should be aware of the multiple legal relationships in environmental cases, which inevitably leads to very lengthy litigation or arbitration processes. Once involved in an environmental infringement case, or subject to administrative penalties for violating environmental regulations, it can be heavily costly for an MNEs to get out of the mire. This is an unignorable and unpredictable risk for any company who wants to launch its business venture in the GBA with long-term plans. Investors tend to sue the environmental authorities or enforcement agencies for their administrative behaviors that are detrimental to their interests, and therefore commence administrative proceedings while the third parties who believe their interests have been harmed get implicated. Thus, the civil litigation and administrative litigation are intertwined on the environment issue and these two courts thereof might make completely different determinations out of the same decision made by the environmental authorities for the lack of expertise. If the civil procedure fails to keep compatible with the Administrative Court's qualitative judge on the administrative action, it could lead to a situation where the case is prolonged over and over due to the parties' repeated appeals. This might likely categorize as a judicial injustice from the perspective of investors who could initiate an international investment arbitration, arguing that the host state has breached the Fair and Equitable Treatment Standards of the investment treaty. Those lengthy litigation or arbitration procedures will certainly disrupt the operation, and cause irreversible impact on the company's financial chain. MNEs who take advantage of the loopholes in the current legal system of the GBA are laying up troubles for themselves.

Specialized environmental courts could shorten the litigation to a certain. Around the world, there are already some successful precedents in establishing specialized environmental courts/tribunals for the environmental disputes. According to researches, 354 environmental courts/tribunals have been established over 41 countries [4]. China has set up 2,426 environmental resource adjudication bodies nationwide, and environmental resource courts have been established in Nanjing, Lanzhou, Kunming and Zhengzhou, taking the specialization of environmental resource adjudication to a new level. In Guangdong province, eight courts have set up specialized environmental resource trial institutions, and more than 30 courts have set up environmental resource trial courts. The Da Peng Court of the Long Gang District People's Court has officially added the title of "Environmental Resources Court" and has been operating since June 1 to centralize the handling of first instance cases involving environmental resources in the city. The court is the first court in Guangdong Province to be approved by the SPC to centralize jurisdiction over civil, criminal and administrative cases "three in one pattern" involving environmental resources in the city. Although we have seen efforts to reduce the cost of environmental litigation in China, this development is still at a preliminary stage due to the overall environmental legislation, and the construction and improvement of specialized environmental courts or tribunals cannot be achieved overnight. It is because of the complexity of environmental law issues that the construction of environmental courts or tribunals will be taken seriously, one way or the other, and the cost of being involved in environmental litigation will be extremely high. When laying out their long-term plans, MNEs must consider the negative domino effect that may result from litigation or arbitration of an environmental infringement case, in case if an investment project runs out of cash flow due to litigation, resulting in a break in the capital chain.

3.2 Policies adjustment in transition

The General policies in the GBA have been adjusting and improving over the past few years. Even since the implementation of the Hong Kong/Guangdong Environmental Co-operation Agreement 2016-2020 and the Macao/Guangdong Environmental Co-operation Agreement 2017-2020, the cross-regional policy have been systematically optimized. Ecological and environmental protection and governance in the GBA are being advanced through the efforts of the "Hong Kong/Guangdong Joint Working Group on Sustainable Development and Environmental Protection" and the "Hong Kong/Guangdong Environmental Co-operation Task Force." These groups are working to improve the joint pollution prevention and control mechanism, the environmental quality forecasting and early

warning cooperation mechanism, the emission rights management and trading system, and the emission rights market. [5] Information sharing and emergency response linkage makes environmental damage and infringement extremely transparent under big data information management. It is becoming increasingly difficult to avoid legal liability for environmental pollution. Policies such as the environmental quality forecasting and early warning co-operation mechanism, the emission rights management and trading system, the carbon emission rights trading system have greatly enhanced the professionalism of investments when a system of environmental protection and governance is established. The establishment of the air monitoring network system, real-time air quality sharing platform and early warning and emergency response system, watershed water quality monitoring information sharing platform and early warning and emergency response system. Marine environmental management Information Sharing Platform and Early Warning and Emergency Response System in the GBA has substantially enhanced environmental law enforcement collaboration.

However, one of the biggest causes of the risks generate from the unfixed policies that highly relied only on the Environmental Administrative Enforcement Powers in the GBA in the transitional time. Environmental enforcement methods mainly include environmental administrative treatment, environmental administrative penalties, environmental administrative enforcement and environmental administrative supervision and inspection. When it comes to the discretionary Powers of Administrative Penalties in Guangdong Province, on 14 November 2021 the Provincial Department of Ecology and Environment formally issued the Provisions on the Discretionary Power of Administrative Punishment for Ecological and Environmental Purposes in Guangdong Province. It set out detailed provisions on the principles of discretionary administrative punishment for ecological and environmental violations and the circumstances under minor violations are not punishable. The document hereof has come into force since 1 January 2022. The discretionary power of ecological and environmental administrative penalties stipulated therein refers to the authority of the competent authorities to decide whether to punish the offenders. They also get to decide the type of penalty, and the range of penalty when investigating and dealing with violations, in accordance with the provisions of laws, regulations, and rules. The Regulations provides for 8 categories and 275 discretionary standards for common violations. The second Annex especially specifies for 20 minor violations not subject to penalty. For MNEs, the data on various indicators for environmental cases in the GBA are still being gradually collected based on the discretionary space for administrative penalties. At this point, any corporates' misbehavior that harms the environment is tantamount to sticking the head out, and due to the unpredictability of discretion, MNEs should be especially aware of the risk of heavy-fines.

Asynchronous Environmental standards and EIA systems in GBA is another blatant risky cause. *The implementation of different environmental standards systems and environmental monitoring systems in Guangdong, Hong Kong and Macao* is an important factor for the different effectiveness of environmental administrative enforcement in the three regions. Objectively speaking, the environmental standards in the Mainland lag behind those in Hong Kong and Macao, which are generally based on international standards [6]. China's Environmental Impact Assessment Law (hereinafter: EIA) only includes two major categories of planning EIA and construction project EIA, and lacks strategic EIA for policies and plans, and does not yet have a complete strategic EIA system. However, Hong Kong (Environmental Impact Assessment Ordinance) stipulates that the EIA system is only applicable to dry engineering projects and Macau's EIA system is still in the construction and promotion stage and is based only on a list of categories of engineering projects that require EIA) for a limited number of guideline projects. It is clear that MNEs need the assistance of specialized environmental legal consultants to study various EIA standards on the same pollution emission issue when dealing with cross-regional investment in the Greater Bay Area [7]. The highest environmental requirements should be absorbed when beginning to set up manufacture corporations or initial legal due diligence, in order to manage the legal obligations of future endeavors due to the significantly-increasing professional obstacles that cross-border investment confront.

3.3 International investment arbitration in progress

By analyzing the application of environmental clauses of the GBA environmental regulations, International Investment Arbitration No Longer Only Protects Investors' Interests. International investment arbitration metamorphoses from the general international commercial arbitration and it has a natural tendency to protect private property. However, according to data published by the United Nations Conference on Trade and Development (hereinafter: UNCTAD), among over a thousand international investment arbitration cases, as of 2015, arbitral institutions had rendered substantive awards in favor of investors in approximately 60% and in favor of hosts in 40% of cases [8]. International investment arbitration no longer unilaterally biased towards the interests of investors. Compared to other investment arbitrations in which the interests of the host state are at stake, the environment is a right that affects the basic health of human beings. Given the current global consensus to protect the environment, arbitral tribunal decisions will fully consider the pollution damages in the host state while determining if the environmental measures taken by the host state to protect the environment should be supported.

There are currently 104 BITs in force with China, 14 of which include environmental provisions. The total number of FTAs signed by China and in force is 16, and 13 of them (81%) contain environmental clauses. Canada, as a developed country that places emphasis on environmental regulation in its investment treaties, has, for example, 37 BITs in force, 33 of which contain environmental provisions, accounting for 89% of the total [9]. In contrast, the proportion of environmental provisions in China is seriously low and the quality is far from adequate. The environmental provisions in investment treaties are generally not comprehensive enough and must be underpinned by the host state's domestic environmental law to prevent the situation when there is no applicable law at hand. The BIT negotiations generally make it clear that the parties have the right to regulate environmental matters, so the host state's law would be at least presented as material evidence of the facts in the arbitration procedures and serve as the miscellaneous provisions. MNEs aiming to invest in the Greater Bay Area should take the initiative to learn and understand the relevant host state domestic laws. Overall, although the environmental law in the Greater Bay Area is still fragmented, as a cross-supplier company engaged in a specific industry, it is not unrealistically difficult to retrieve the corresponding environmental assessment standards with the help of environmental professionals such as legal advisors and engineers.

Moreover, Corporate social responsibility (hereinafter: CSR) provisions are the general trend of international investment treaties [10]. In accordance with Article 4 (Compliance with domestic laws) of the Foreign Investment Law (Draft for Public Comments) published by the Ministry of Commerce in 2015, it is mentioned that foreign investors and foreign-invested enterprises shall bear social responsibility. Article 20 of the Measures for the Administration of Foreign Investment issued by the Ministry of Commerce in 2014 requires foreign enterprises to fulfill their social responsibility and do a good job in environmental and other matters [11]. It is noteworthy that social responsibility provisions have started to appear in more recent investment treaties. Therefore, the environmental protection social responsibility is no longer shrouded in the void of public responsibility. Most of the BITs signed by Canada since 2014 include such CSR provisions. For example, these principles in the Article 14 and 17 of *The Corporate Social Responsibility of the US-Mexico-Canada Agreement* often cover labor, environment, human rights, community relations and anti-corruption content. The inclusion of CSR provisions in investment treaties would change the traditional pattern that investors' rights is one-sided emphasized, in line with new-trend focus on strengthening governments' right to regulate. It concretely corresponds to the enterprises' obligation of protecting the environment. Although the worldwide-accepted international standards such as ISO 26000[12] is not yet in force as an international treaty, CSR standards are currently only declared in a soft law, but they help to align corporate self-regulatory obligations, investment treaty obligations and the others obligations thereunder with host state's environmental laws and regulations. It is an appreciable tendency if the CSR provision become a hard law. MNEs should be the first batch to recognize and tread on the heels of this BIT negotiation tendency by understanding and internalizing the host state's environmental

provisions, which would help the enterprises laying out their business in the long term. MNEs who aim to gradually evolving into truly environmentally friendly enterprises, in an era of fierce competition, will become the industry benchmarks and model pioneers in the midst of economic difficult times.

4. Clarifying the Internal Responsibility of MNEs: Recommend that MNEs entering the GBA internalize international environmental provisions and domestic environmental provisions

It is self-evident that those developed economies would strictly demand the MNEs who do not comply with the environmental standards or regulations but fantasy about avoiding the liabilities. However, even in those under-develop regions, instead of taking the chance that the government of the host state might not adopt any environmental measures, it is more strategic for MNEs prophetically set out the industry standards in a scientific manner (with technical reports) in their articles of association. In-house legal department should also consider it as a preparation to provide the government with a certain standard for arguing the implementation of environmental measures or preparing for self-justification evidence. On the one hand, it demonstrates the attitude of a high-level company. On the other hand, it provides a basis for the government of the place of investment to exercise its right to regulate the environment, to write feasibility studies on the industry in which it operates with real operational data, to propose industry standards, and to obtain government subsidies and bank loans. Taking initiative in internalizing the provision into articles of association since the beginning of the investment, MNEs would be branded as environmentally friendly, and that would not be rejected by the host state, but also would be more market welcomed, policy respect and law protection.

By accelerating the Construction and Perfection of Internal Environmental Regulation and Accountability Mechanism, MNEs can maximized avoid unnecessary litigation or arbitration costs where executive liability is clarified in the letter of association. Taking social and environmental responsibility- in a short period of time- is an investment that does not make profits or even hinders profits. However, the investment is a risk-averse way to avoid lawsuits for environmental damage, compensation costs if lost, and a series of negative effects for the thriving enterprises. According to the results of studies with similar financial models, environmental risk, reputational risk and legal risk all have a negative and significant impact on company performance. Many experts recommend that manufacturing company management pay more attention to their reputational and legal risks on environmental infringement issues, ensure that these risks are properly managed with the help of enterprise risk management tools, and provide valuable intelligence to corporate decision makers through data-driven decision making [13]. Given the current international environmental situation, governments and people all over the world are increasingly focusing on environmental protection issues. The cases involve corporations' damage to the local environment received more and more public attention. MNEs can largely avoid relevant litigation costs and losses by taking social and environmental responsibilities as possible as they can.

The complex load of works is desperately in demands of a group of expertise where the most updated regulation and policies are comprehensively internalized, with professional engineering design scheme at its heels. In environmental matters, data of emissions requires the involvement of environmental science engineers. Members may draw on the composition of organizing committees such as the *San Francisco Air Quality Management District*, the Hong Kong or Macau Advisory Council on the Environment, and the Pearl River Delta Regional Joint Conference on Air Pollution Prevention and Control [14]. Forming an in-house expert panel selected from among legal advisors on environmental resource management, engineers and technicians, heads of industry associations, corporate executives, and members of trade union environmental organizations, their ability to anticipate changes in local environmental policy are much better than general managers, which will facilitate stronger corporate decision-making. Embedding the emission reduction targets and the

writing of project feasibility reports in the company's articles of association will help the project develop into a pre-intellectual property, in line with green finance policies. This will enable MNEs to have a more stable expectation of economic returns from their investment in the Greater Bay Area industries.

Excitation mechanism related is to be internalized by the expertise groups and all others employees, that could gain information of green loads, green grand and green tax preference. Other than Hong Kong, Macao and several other first-tier cities in the Greater Bay Area, there are also second and third tier cities that require foreign investment. China's challenge is to change its national policies and the IIAs' substance to reflect the new landscape of interests that has emerged as a result of these developments. China's actions could potentially have a big impact on how international investment law develops in the future [15]. Yet environmental regulations in these areas have not been perfected, most are referring to national standards and Guangdong Province standards. Local lines are also collecting industry data also being adopted by enterprises and engineering projects. MNEs that can participate in the development of standards, or even the drafting of legislation. Multinational companies are able to access lot of local government green finance subsidies. Specific environmental industries can be supported by tax breaks. Industries that receive government subsidies have a significant advantage when applying for bank loans. Companies that have environmental law specialist lawyers and engineering teams to react to the latest developments in environmental policy and make investment decisions that are beneficial to the business. The company's constitution provides for an internal incentive mechanism to reward employees with specialist knowledge or external teams with a certain amount of share dividends or bonuses, based on the amount of green subsidies or tax breaks received. Capital markets that wanting to seize the opportunities really need teams of experts with knowledge of local environmental regulations and green finance policies to protect the investments of MNEs.

5. Conclusion

The risks that foreign investors may face when entering the Greater Bay Area at the moment, mainly from inadequate legislation, complex judicial procedures and excessive autonomy of administrative powers, were discussed above, and the underlying causes of these risks were analyzed in the same way. The overall economic development of the Greater Bay Area is not yet even resulting in laxer environmental regulations in different cities and uneven environmental evaluation standards, especially in Hong Kong and Macau. This has led to difficulties in environmental legislation in the Greater Bay Area, which in turn affects judicial assistance. The inadequate supply of legislation for the administration of justice, coupled with the fact that environmental justice is inherently faced with the multiple nature of administrative, criminal and civil proceedings, makes environmental justice extremely complex, a rather lengthy process and extremely costly litigation (same for the claimant and defendant). Moreover, projects or companies involving foreign investment are subject to environmental infringements that trigger the issue of determining the host country's environmental measures in international investment arbitration, further complicating legal involvement. However, as the Greater Bay Area is one of the most developed regions in China, the government's emphasis on the environment will also be the fastest and most efficient in terms of control and administrative issuance. Therefore, the administrative enforcement powers relying on the environment are more discretionary at this stage, and multinational companies will receive heavy administrative penalties for breaches of environmental regulations. Considering the inclusion of environmental regulation in company charters would then be a sign of international social responsibility on the part of companies and would save themselves from being caught up in complex litigation and costly administrative fines that cost a lot of money in development. This paper has not been able to go into more detail about the profit model. How having an environmental science engineering research team with non-litigious lawyers familiar with local environmental regulations can effectively help MNEs isolate risks while generating specific data on environmental governance issues in the industry in a project, forming a

feasibility report, and obtaining government green subsidies and higher bank loans under the team's guidance. It will be a good investment opportunity for MNEs who already enjoy preferential policies to gain extra credits or cash flow. Those researches could also affect the valuation items when joint ventures targeting mergers and acquisitions. More interdisciplinary scholars will further explore its potential economic benefits in the future, guiding capable multinational enterprises to take on international environmental responsibility while obtaining higher returns and achieving a win-win situation with the host country.

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