Report on the Sustainable Development of Chinese Private-Owned Enterprises along the Belt and Road
2019 Report on the Sustainable Development of Chinese Private-Owned Enterprises along the Belt and Road
Acknowledgements

This report on the sustainable development of Chinese Private-Owned Enterprises (POEs) along the Belt and Road has been an inspiring and productive attempt to expand understanding of this relatively new area. The compilation of this report took more than a year, from planning, surveying and drafting, to finalisation. This report is a result of assiduous and collaborative efforts of all members of the research group. We would therefore like to express our sincere gratitude to everyone contributing to the report preparation process.

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All mistakes remain our own. We always welcome feedback and comments from all readers.

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Research Team

April 2019
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<tr>
<td>ACFIC</td>
<td>All-China Federation of Industry and Commerce</td>
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<td>ACFTU</td>
<td>All-China Federation of Trade Unions</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AHK</td>
<td>German Chambers of Commerce Abroad</td>
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<td>AIIB</td>
<td>Asian Infrastructure Investment Bank</td>
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<td>AML</td>
<td>Anti-Money Laundering</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>BIMSTEC</td>
<td>The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation</td>
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<tr>
<td>BOT</td>
<td>Build–Operate–Transfer</td>
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<tr>
<td>CAITEC</td>
<td>Chinese Academy of International Trade and Economic Cooperation</td>
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<td>CCI</td>
<td>Chamber of Commerce and Industry</td>
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<td>CCPIT</td>
<td>China Council for the Promotion of International Trade</td>
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<td>CHKD</td>
<td>Chinese Chamber of Commerce in Germany</td>
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<tr>
<td>COCZ</td>
<td>China Overseas Economic and Trade Cooperation Zone</td>
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<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>DIHK</td>
<td>Association of German Chambers of Commerce and Industry</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<tr>
<td>EIZ</td>
<td>Eastern Industrial Zone</td>
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<tr>
<td>EPC</td>
<td>Engineering, Procurement and Construction</td>
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<td>ESIA</td>
<td>Environmental and Social Impact Assessment</td>
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<td>ESS</td>
<td>Environmental and Social Standards</td>
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<td>EU</td>
<td>European Union</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>ICPO</td>
<td>International Criminal Police Organisation</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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UNGPs United Nations Guiding Principles on Business and Human Rights
UN-HABITAT United Nations Human Settlements Programme
UNHCR UN Refugee Agency
UNICEF United Nations Children’s Fund
UNIDO United Nations Industrial Development Organisation
UNODC United Nations Office on Drugs and Crime
WB World Bank
WFP World Food Programme
WHO World Health Organisation
WIPO World Intellectual Property Organisation
Preface

It is now over 40 years since China’s reform and opening-up policy was launched. In that time, China has undergone a remarkable transformation from a relatively small and isolated economy, dominated by small-scale production, to the world’s second largest economy, with a large and diverse production base that is very well integrated into the global economy. As China’s global economic integration deepened, China’s outward investment has also experienced tremendous progress. Today, China’s overseas investment and the Belt and Road Initiative are both linked to China’s vision of open, inclusive and shared development, injecting new vitality into the world economy.

The challenges of sustainable development continue to receive unprecedented attention from all sectors of society, and support for sustainable growth has become an important competitive tool for companies who operate around the globe. This is certainly the case for Chinese Private-Owned Enterprises (POEs), which are playing a large role in the implementation of the Belt and Road Initiative. At present, Chinese POEs with business activities along the Belt and Road are engaged in a variety of ways in a broad range of industries, and through their business have contributed to sustainable development abroad in all its key pillars: economy, society, environment and corporate governance.

The international community holds high expectations for Chinese POEs to support the sustainable development of host countries, and POEs themselves are increasingly aware of the importance of sustainability for their business. For government and the business community, guiding Chinese POEs to understand and practice sustainable development and establishing and maintaining clear communication platforms between host countries and stakeholders are essential to allow Chinese POEs to engage more effectively in international cooperation, to learn about international practices, and to participate in international dialogue.

In this context, the All-China Federation of Industry and Commerce (ACFIC), the Chinese Academy of International Trade and Economic Cooperation (CAITEC), and the United Nations Development Programme in China (UNDP) have forged a partnership to enhance the sustainability of Chinese POEs participating in the Belt and Road Initiative, and to help host countries to achieve the 2030 Agenda for Sustainable Development. In this collaboration, the three parties reached a consensus to make use of their respective networks, experience and resources both within China and around the world, to draft the 2019 Report on the Sustainable Development of Chinese Private-Owned Enterprises along the Belt and Road, and to carry out follow-up activities and country level dialogues.

Through a literature review, analysis of 727 corporate questionnaires, and face-to-face interviews with 55 companies, embassies, chambers of commerce, governments in host countries, research
institutions, and non-governmental organisations (NGO) across 9 countries in Africa, Europe and Southeast Asia, the report intends to address the following questions:

- In the context of sustainable development and the Belt and Road Initiative, why should Chinese POEs pay more attention to overseas sustainable development? What roles do Chinese POEs play? What are the potential opportunities and challenges? (Chapters 1 and 2)
- In which fields have Chinese POEs carried out sustainable development practices in overseas operations? And in which areas do challenges still persist? (Chapter 3 and 4)
- What international standards and regulations can help Chinese POEs identify potential risks in sustainable development, and develop relevant strategies and actions? (Chapter 5)
- What measures should be taken by key stakeholders such as the Chinese government, governments in host countries, Chinese POEs, and international organisations, to jointly support the sustainable development of Chinese POEs overseas, thereby contributing towards the integrated and balanced development of society, economy, and environment? (Chapter 6)

The report is expected to benefit the following types of readers:

- Managers and practitioners of Chinese private-owned enterprises committed to sustainable operations overseas;
- Chinese governmental institutions, business associations, and overseas supporting systems that promote the sustainable development of Chinese enterprises overseas;
- Governments of host countries, research institutions and civil society organisations that focus on the sustainable development of Chinese enterprises overseas.
Executive Summary

Synergies between the Belt and Road Initiative and the 2030 Agenda

The 2030 Agenda for Sustainable Development, adopted by all 193 member states of the United Nations in 2015, is built on humanity’s recognition that economic, social and environmental sustainability are the indispensable and inseparable core components of development. The Belt and Road Initiative, launched by China in 2013, opens up a window of opportunity for enhanced sustainable development at the global, regional and national levels, through its embrace of mutual benefits and inclusive partnerships, and its aim to fuel the global economy and generate shared prosperity.

There are synergies between the 2030 Agenda and the Initiative that could contribute towards sustainable development and growth for all, if a conscious effort is made to build on these synergies. This can be achieved by aligning Belt and Road investments and projects with the development needs of host countries, while embedding sustainability measures throughout implementation. Opportunities brought by the Initiative in terms of infrastructure improvement, trade facilitation, financing and cross-border exchanges could further accelerate progress in the realisation of the Sustainable Development Goals (SDGs). In addition, both the 2030 Agenda and the Belt and Road Initiative recognise the importance of multi-sector participation and the role of the private sector, especially in implementation, financing, technology advancement and innovation.

Chinese POEs as an Emerging Force in the Belt & Road Initiative and the 2030 Agenda

Private-Owned Enterprises (POEs), accounting for 90% of the total number of companies in China, have played a significant role in driving China’s economic growth and social progress. With their emerging global presence especially along the Belt and Road, Chinese POEs also shoulder more responsibilities in promoting and implementing the global sustainable development agenda.

In terms of trade cooperation, the foreign trade volume of Chinese POEs accounted for 38.5% of China’s total foreign trade volume in 2017, while the total volume of imports and exports between POEs with countries along the Belt and Road amounted to more than US$600 billion. In terms of investment cooperation, by the end of 2017, 25.7% of the enterprises in China that made direct outward foreign investment were solely private-owned. In terms of sectors, POEs are highly diversified. In terms of investment modes, mergers and acquisitions initiated by Chinese POEs with companies along the Belt and Road are gradually increasing.
In order to support and incentivise Chinese POEs’ effective participation in the Belt and Road Initiative and the 2030 Agenda, several Chinese government departments have introduced a number of policy measures to strengthen the policy framework, to liberalise and facilitate investments and trade. Emphasis has also been put on improving overseas compliance as well as the social, environmental and corporate governance sustainability of Chinese enterprises.

**Chinese POEs and Sustainable Development in Host Countries**

1. **Infrastructure Connectivity**

Chinese enterprises, both state-owned enterprises (SOEs) and POEs, work on infrastructure construction and upgrading in host countries. Many large-scale POEs participate in infrastructure construction projects through public bidding. Other POEs also participate as contractors or service providers.

2. **Industrial Cooperation**

Chinese enterprises engaged in overseas manufacturing investment are mainly POEs. During the process of developing international production capacity, Chinese POEs often draw on the successful experience of China’s domestic development. At the same time, making effective use of local resources and responding to differentiated needs can help the host countries to solve fundamental and key problems that restrict economic development and industrial construction, and subsequently drive forward the development of local industrial chains.

3. **Shared Platforms**

The “Going Global” strategies of China’s POEs not only aim to promote exchange of development experience, but also to utilise platforms such as industrial zones and to develop local industrial chains for increased cooperation with the host country. By the end of 2017, Chinese POEs had invested and established over 70 overseas economic and trade cooperation zones (COCZs). Many COCZs not only provide a platform for Chinese enterprises to “Go Global”, but also to bring large-scale industrial chains and related capital, technology and experience to support the development of host countries.

4. **Job Creation**

In the course of “Going Global”, Chinese POEs have provided jobs for local people, which helps boost livelihoods, increases local workers’ technical skills, reduces costs and improves workforce localisation. Analysis of the survey results found that many Chinese POEs believe that their influence on job creation in the host country varied between regions along the Belt and Road. Positive impact on providing new jobs is perceived to be more prominent in Africa, South Asia and Southeast Asia; however, in Central and Eastern Europe and the Middle East, more attention has been paid to enhancing the quality of employment.
5. Technology Cooperation
Technology transfer or spill-over from multinational corporations to local industries usually occurs in two ways: horizontally or vertically. In terms of horizontal transfer, investment and business cooperation by Chinese POEs increases the productivity of domestic firms, which occurs through three main channels: through the demonstration effect, through labour turnover and through the competition effect. Vertically, technology is transferred from Chinese POEs through buyer-supplier linkages towards upstream or downstream industries.

6. Social Welfare
The community relations and social responsibility projects of Chinese POEs can be divided into three categories; 1) projects that are initiated or supported by the economic and commercial counsellor’s office of the host country; 2) projects initiated by the chamber of commerce of the POEs and 3) projects independently initiated by enterprises. Most social responsibility projects initiated by POEs in Africa focus on benefiting surrounding communities near factories or construction sites, such as drilling wells, repairing schools, paving roads and providing drinking water. Some enterprises have also developed systematic corporate social responsibility strategies. In terms of supporting host countries to achieve the goals of the 2030 Agenda related to social sustainability, Chinese POEs note that they have focused more on internal decent and equal job opportunities and the maintenance and management of enterprises than on engagement with external stakeholders, an area where there is room for improvement.

7. Environmental Protection
The environmental sustainability of POEs is analysed from five key aspects in relation to the goals of the 2030 Agenda. The survey results show that POEs have focused more on energy consumption and waste disposal, with less being done in terms of minimising impacts on biodiversity, animal habitats and physical landscapes. In terms of environmental impact management, Environmental Impact Assessments are usually carried out in accordance with government requirements. In terms of investment and use of renewable energy, Chinese renewable energy POEs are expanding overseas and spreading related technologies worldwide. For some developing countries and least developed countries, Chinese technologies provide relatively clean energy solutions such as photovoltaic and wind energy.

8. Compliance
For Chinese enterprises operating overseas, compliance requirements are threefold: first is compliance with the standards of the host country, second is compliance with the requirements of relevant domestic industries, and third is compliance with the requirements of upstream enterprises in the supply chain. Some manufacturing POEs are optimising supply chain management in order to obtain
orders from internationally recognised brands and to meet the certification standards for upstream customers. Many POEs that have been engaged in overseas operations for a longer period realise that compliance can safeguard their own operations. The survey indicates that Chinese POEs consider “abiding by the laws and regulations of the host country”, “abiding by the UN Guiding Principles on Business and Human Rights” and “adopting responsible procurement-related policies” to be most important. However, “abiding by the relevant policies of anti-bribery and anti-unfair competition” was ranked lower.

**Challenges Faced in POEs’ Overseas Operations**

1. **“Difficult Middle Ground”**

When an enterprise’s global footprint becomes relatively large, there might be a “difficult middle ground” where incremental gains plateau but costs keep rising rapidly; therefore, companies find continued global expansion to be difficult. For “Going Global” Chinese POEs, this “middle ground” varies across industries, business models, markets and firms, but challenges are more severe in the middle and final stages of international expansion, especially for POEs with relatively weak corporate governance capabilities and limited experience in dealing with emerging risks. The study also finds that POEs’ overall risk perception is skewed towards economic, financial and commercial risks, compared to political, social, environmental and other sustainability issues.

2. **Financing Difficulties**

Most Chinese POEs operating in developing countries note that financing is complex. Chinese POEs, especially small and micro enterprises, lack collateral recognition from local banks and historical credit records in their host country, thus making it difficult to obtain efficient support from overseas financial services. Although China’s domestic financial institutions are gradually expanding overseas and more opportunities are open to Chinese POEs, financing support is still insufficient.

3. **Legal and Regulatory Challenges**

The major legal and regulatory challenges perceived by Chinese POEs include customs and trade restrictions, followed by lack of transparency and familiarity with market entry regulations, taxation, and contract disputes. Analysis shows that legal and regulation risks become less challenging for POEs as they operate longer overseas, familiarising themselves with the host country and global laws related to their business operations. Challenges also vary by geographical location. In more developed countries with mature regulation frameworks, the main difficulty for Chinese POEs is to have efficient mechanisms and structures in place to ensure compliance; in developing markets, however, the major obstacle lies in the enforcement of policies, laws and regulations.
4. Management Culture and Labour Relations

Language and communication barriers have a key influence on Chinese POEs’ overseas operations, posing challenges for management cultures. From the perspective of stakeholders, Chinese companies need to further improve their understanding of cultural diversity in different countries. In terms of labour relations, Chinese POEs tend to conform to local employment relations practices. However, challenges remain in understanding and complying with areas where there is a difference between Chinese and local labour law (such as discontinuity of employment contracts, setting up trade unions), as well as in the high turnover rate of both Chinese and local employees.

5. Community and Stakeholder Engagement

The management of stakeholder relationships is another challenge faced by Chinese POEs. Interviews with stakeholders show that local governments that have worked with Chinese companies in general have a positive attitude towards Chinese investors. They complimented Chinese contributions to the infrastructure development and industrial upgrading in their countries, although some officials did raise concerns on issues such as the quality of construction work and environmental impact management. NGOs and civil society organisations (CSO) and the media in host countries both had mixed views about Chinese investments. While acknowledging the contributions Chinese companies have made to economic and infrastructure development of their countries, they also highlighted a number of concerns. For example, some stated that POEs lack information transparency and sound reporting mechanisms need to be improved. Although some local stakeholders would like to assist Chinese POEs in responding to domestic concerns, communication barriers sometimes weaken such support.

6. Environmental Risks

Environmental and Social Impact Assessments (ESIA), widely accepted by stakeholders, are a common practice used by investment projects to evaluate environmental and social risks. Research findings identify two underlying causes of weak risk management of some outbound Chinese POEs: 1) the opportunistic perception of risks that sees risk management as a cost rather than a cost-reduction factor; and 2) insufficient support from both regulatory authorities and professional agencies in guiding and advising companies adopting appropriate risk reduction measures.

7. Overseas Cooperation Networks

Chinese POEs need to broaden their partnership networks and strengthen engagement with key stakeholders such as government entities, overseas business associations, international organisations, media, academic institutions and NGOs/CSOs. However, challenges encountered by stakeholders themselves may limit the opportunities for collaboration. For example, although Chinese chambers of commerce could potentially provide effective assistance to POEs’ overseas operations, they are
experiencing problems such as a lack of competent full-time staff and funding. Chinese “Going Global” CSOs can potentially help Chinese enterprises abroad to build bridges with local communities and other stakeholders, but their capacity and degree of internationalisation are still at an early stage.

**Recommendations for Chinese Policy Makers, Chinese “Going Global” POEs and Other Stakeholders**

1. **Chinese Government Entities**
   - **Improve overseas financial services for POEs.** Measures can be taken to speed up currency internationalisation, improve transaction security and legitimacy, encourage innovative financial models, and to reduce information asymmetry between the domestic and overseas financial industries.
   - **Enhance policy guidance to POEs on sustainable development overseas,** including but not limited to, actionable frameworks and tools to assess, monitor and measure the sustainability performance of Chinese POEs, and provide targeted and incentivised guidance for POEs’ overseas practices.
   - **Enhance support from the embassies and economic counsellors’ offices,** in particular: 1) organise training programmes and sharing of best practices on topics related to overseas business sustainability; 2) host open business and policy dialogues between China and the host country; 3) develop knowledge products together with academic institutions in the host country to provide information on the country’s development context.
   - **Strengthen training for POEs to “Go Global”** to improve the capacity of POEs to go abroad. Under the framework of the joint inter-ministerial meeting for “Going Global”, a joint capacity development coordination mechanism could be established with clear responsibilities and work plans, and special funds could be set up.

2. **Chinese “Going Global” POEs**
   - **Acquire technical support from professional agencies.** For example, professional lawyers, accounting firms and public relations companies can provide support to enhance compliance and risk management; partners working on sustainable development may help POEs to better engage with local communities.
   - **Cultivate international talents.** This includes encouraging Chinese employees to go abroad and develop their internationalised capacity as well as inviting overseas employees to be trained in China which allows them to take over greater responsibilities when going back to the overseas branches, and ultimately to resolve challenges in cross-culture management.
   - **Strengthen cooperation between POEs and SOEs** in order to make full use of their respective
advantages in areas such as efficiency in decision-making and resource allocation.

- **Improve corporate governance structures** by adapting domestic and international frameworks and interventions, learning from other multinationals’ best practices, and developing a corporate governance framework that is in line with their business context.

3. **International Organisations**

International organisations can utilise their convening power, global presence and networks, as well as knowledge and expertise on development to further guide Chinese POEs towards responsible and sustainable conduct, to support them in identifying potential social, environmental and economic risks as well as in formulating mitigation measures, to enhance policy coordination, and to facilitate dialogue and cooperation between multiple stakeholders.

4. **Host Country Governments**

Host governments can play a pro-active role in bridging national SDG efforts, Belt and Road projects and private sector business activities. Country-level coordination mechanisms could be set up to match interested partners with national SDG priorities, anchor private investments to fit into local development contexts, and to complement existing cooperation and coordination platforms to seek opportunities for joint design, co-financing and implement projects under the framework of the SDGs and the Belt and Road Initiative.
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Chapter 1  Call for Joint Action

—Opportunities and Responsibilities for Chinese POEs Participating in the Belt and Road Initiative and the 2030 Agenda for Sustainable Development
In September and October 2013, Chinese President Xi Jinping first announced the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative (the Belt and Road Initiative or the Initiative) while visiting Central and Southeast Asia. The Initiative, embracing the concept of a multipolar world, economic globalisation, cultural diversity and greater digitalisation, is designed to support the global free trade regime and an open world economy. In September 2015, UN member states adopted the 2030 Agenda for Sustainable Development (the 2030 Agenda). The Agenda urges nations to support united actions for long-term plans transcending national boundaries and provides a common blueprint for peace and prosperity for humanity and the planet.

The Belt and Road Initiative has similar principles and goals as the 2030 Agenda and aims to provide an international cooperation platform for a broad range of stakeholders, including Chinese POEs. As one of the key sets of actors in China’s “Going Global” strategy, the participation of Chinese POEs has the potential to build on synergies between the Belt and Road Initiative and the 2030 Agenda, in such areas as eradicating poverty and hunger, promoting gender equality, mitigating climate change and strengthening the global partnership for sustainable development, while achieving POEs’ own sustainable development overseas.

1.1 Synergies between the Belt and Road Initiative and the 2030 Agenda

1.1.1 “A Community of Shared Future for Mankind” and “Leaving No One Behind”

Rapid global transformations are giving rise to both opportunities and risks for humanity, including for developing countries. Countries have become more interconnected and interdependent due to increasing flows of people, trade, investment and ideas across national boundaries. Economic

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1 In this report, “private-owned enterprise”, or “POE” refers to all enterprises in China except for state-owned enterprises, state-owned assets holding enterprises, and foreign-invested enterprises. There are 4 types of POEs: individual proprietorship enterprises, partnership enterprises, limited liability enterprises and joint stock enterprises. From the perspective of the enterprise’s rights of management and control, limited liability enterprises and joint stock enterprises that hold a small share of state-owned assets and/or foreign-invested enterprises who do not acquire rights of management and control are also considered POEs.
globalisation, social digitalisation and cultural diversification have also all accelerated\(^2\). At the same time, the global challenges of resource depletion, ecological degradation and rising inequality are exacerbating instability and uncertainty. In the face of these opportunities and threats, reforms of the increasingly multi-polar global governance system are moving ahead, aimed toward the establishment of a robust environment that promotes peace and development. The continuation of these reforms is an ever more important global priority.

The Belt and Road Initiative’s stated goal is to support the idea of a “community of shared future” in which we work together to promote more active, inclusive and sustainable globalisation. With its emphasis on the principles of “joint consultation, mutual cooperation and shared benefits”, the Initiative embodies China’s commitment to collaborative development and to making the process of globalisation more energised, more inclusive and more sustainable. In Chinese President Xi Jinping’s keynote speech at the World Economic Forum in early 2017, he stated that China will adhere to “innovation-driven development”, and create a “fair and sound growth model for more equal opportunities and development results shared by everyone”. The Belt and Road Initiative aims to complement other global initiatives in strengthening the global governance framework to ensure that innovation, technological upgrading and economic transformation benefit all.

In the six years since the Belt and Road Initiative was proposed, it has been a platform for cooperation between China and other countries to promote policy coordination, facilitate connectivity and unimpeded trade, support financial integration and enhance people-to-people bonds for common prosperity and development. The 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) were adopted by all 193 UN member states in September, 2015. The 2030 Agenda is a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Achieving the 2030 Agenda will entail simultaneously delivering durable poverty reduction and economic growth as well as social and environmental sustainability. All stakeholders, including governments, citizens and businesses, need to act to bring about the changes necessary for the goals to be realised. The Belt and Road Initiative and the 2030 Agenda have synergies that if implemented complementarily, could contribute towards sustainable development and the growth for all.

1.1.2 Multilateralism and Inclusive Globalisation: A Common Vision and Key Priorities in Times of Change

Rapid advances in technology, knowledge and information exchange in global markets are driving unprecedented changes in global development. In the fourth industrial revolution, technological progress will fundamentally change the linkages between individuals, enterprises and governments.

\(^2\) This is reflected in President Xi Jinping’s comments in 2017 in his report to the 19th National Congress of the CCP in: Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era—Report to the 19th National Congress of the Communist Party of China.
Traditional industries are facing increasingly fierce competition and the digital divide is increasing inequalities within and between developing and developed countries, adding pressure to social and political structures. These challenges were addressed by former UN Secretary-General Kofi Annan during his speech at the 1999 World Economic Forum, in which he expressed the concern that we may have underestimated the fragility of globalisation, and that the spread of markets outpaces the ability of societies and their political systems to adjust to them.

At the same time, economic development is also now subject to ecological constraints, especially the threat of disastrous impacts from climate change. There is an urgent need to explore together and pursue new and sustainable paths to growth and prosperity. Continued efforts to strengthen multilateral cooperation through enhanced international coordination mechanisms are thus vital to make progress towards sustainable development. The 2030 Agenda provides a framework of goals and actions which can enhance the inclusiveness and effectiveness of multilateral mechanisms, ensure that the globalisation process benefits all countries and people, and that sustainable development “leaves no one behind”. In addition to the 2030 Agenda, the Addis Ababa Action Agenda on financing for development and the Paris Agreement on Climate Change, are two other global multilateral cooperation frameworks that promote inclusive globalisation. The Belt and Road Initiative emphasises cooperation among regions and strengthens the role of South-South cooperation to promote coordinated political, economic and social development with other developing countries for mutual benefit. Most of the countries along the Belt and Road are developing and least developed countries; thus cooperation between these countries and regions will have the potential to support worldwide sustainable development.

Globalisation offers a potentially strong impetus for world economic growth when it promotes the flow of goods and capital and speeds the dissemination of advances in technology. However, it also presents humanity with risks of more rapid environmental degradation and widening inequality. Solutions to development challenges also emphasise the importance of understanding the historical trends of globalisation, adapting to and guiding globalisation, and addressing its negative impacts to better benefit people of all countries. The 2030 Agenda was designed and adopted to respond to these pressing challenges, and requires a revitalised global partnership to ensure its implementation. Pursuing a collaborative and coordinated approach to global development, the 2030 Agenda encourages actions and national policies for sustained, inclusive and sustainable growth. China has been benefiting from and contributing towards globalisation, and advocates for multilateral cooperation. Over the past 40 years, China has pursued a policy of reform and opening up, under which it has actively participated in globalisation and the international division of labour, promoted sustained and rapid economic growth domestically, and made contributions to the stable growth of the global economy. The coordinated development of China and a large number of other countries is helping shape more balanced global economic development. China’s continuous reform and opening up has provided an important impetus for the development of an open world economy.
1.1.3 Sharing the Outcomes of Sustainable Development: The Belt and Road Initiative as an Opportunity to Accelerate the 2030 Agenda

China, the largest developing economy in the world, has had great achievements in the fields of poverty reduction, ecological protection, health and education. Shortly after the launch of the 2030 Agenda for Sustainable Development, the Chinese government pledged to “actively implement the Agenda” in the Outline of the 13th Five-Year Development Plan for National Economic and Social Development. The Chinese government also issued China’s National Plan for Implementing the 2030 Agenda for Sustainable Development and China’s Plan for Building Innovative Demonstration Zones for Implementing the 2030 Agenda for Sustainable Development. Through a variety of support mechanisms including institutional guarantees, government responsibility, financial support, progress monitoring and international cooperation, the Chinese government is realising these commitments to the implementation of the 2030 Agenda at home. At the same time, in the international arena, the 2030 Agenda has also provided new opportunities for emerging economies, including China, to engage more equitably in international development and governance. The Belt and Road Initiative can both utilise and complement existing South-South cooperation mechanisms to share China’s domestic experience in implementing the SDGs.

The Belt and Road Initiative and the 2030 Agenda both can contribute to inclusive global partnerships in different ways that will support countries’ efforts to achieve the Sustainable Development Goals by 2030. Although the scope and overall content of the Belt and Road Initiative and the 2030 Agenda are different, there are possible synergies between them. Aligning the implementation of the Initiative with the principles of the 2030 Agenda can create a shared vision that supports the diverse needs and interests of Belt and Road countries. Such alignment can also help to reflect the 2030 Agenda in concrete policies and integrate relevant projects into the national and local development agendas of governments based on their own needs. In addition, emphasising the greening of the Belt and Road Initiative aligned with the framework of the 2030 Agenda can assist developing countries in achieving more balanced development that incorporates both economic growth and ecological protection.

Most countries participating in the Belt and Road Initiative are developing countries, with highly varied economies, systems, cultures, languages, and levels of development. China can engage with regional and international cooperation platforms and mobilise more resources to promote the implementation of the Agenda within the framework of global governance. For example, the “Six Signature Solutions of the United Nations Development Programme” (see Figure 2 below) offer a comprehensive and multidisciplinary approach to eliminating poverty, strengthening governance, supporting disaster prevention and recovery, promoting nature-based development solutions, narrowing the energy gap and advancing gender equality.
The Belt and Road Initiative has established “facility connectivity” as its primary goal, which is in line with SDG 9 - to build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation. Over the past 40 years, China, as a developing country, has achieved strong progress in economic development that has demonstrated the central importance of adequate infrastructure in economic growth. China’s global strategy aims to expand the infrastructure financing options available to countries and regions along the Belt and Road, and also to share its experience with other countries to help them develop their own models for increasing economic growth. Moreover, infrastructure development, if promoted according to the principles of sustainability, could play a central role in fostering green development across regions. For example, given the long service life and intensive utilisation of energy infrastructure, the level of conservation and environmental protection in that sector will impact resources and environment for years to come. At present, multilateral development banks including the World Bank (WB), the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), the European Investment Bank (EIB), the Asian Infrastructure Investment Bank (AIIB), and the Nordic Investment Bank (NIB) have made commitments to restrict the financing of fossil energy projects. If put in line with these standards, the Belt and Road Initiative could promote decarbonisation and the application of renewable energy in developing countries, thereby helping counteract the growing challenges of climate change.

The Belt and Road Initiative features a coordinated package of both official developing financing and private capital, and holds the potential to narrow the financing gap for countries to realise sustainable development. However, when promoting financial cooperation, China and Belt and Road partner countries still face potential risks related to financial sustainability, social and environmental strains, or project failure. It is therefore important to strengthen risk management by applying social, economic and environmental sustainability criteria and integrating core international finance standards to effectively reduce risks for Belt and Road partner countries and for Chinese entities, thus promoting the long-term and stable flow of capital.

In terms of trade facilitation, participation in the Belt and Road Initiative may help countries expand the global value chain, deepen opening-up and innovation, and promote industrial upgrading, while also providing positive spill-over effects in employment, backward and forward linkages in industry, and improved logistics infrastructure. However, trade globalisation also causes inequality between
regions, countries and population groups. Therefore, in the process of promoting smooth trade, more emphasis should be placed on the principle of inclusive development advocated by the Agenda, which could strengthen technology spill-over effects and gains from greater access to the Chinese market.

In terms of people-to-people linkages, Goal 8 of the 2030 Agenda proposes the concept of “promoting sustained, inclusive and sustainable economic growth, achieving full employment and ensuring a decent job for all”. Quality job creation has become an important basis for the successful implementation of the Belt and Road Initiative. Effective communication and linkages with local communities in the host countries that build on mutual trust are also vital to enable the integrated development of social, environmental and economic sustainability.

1.2 POEs’ Linkages to the Vision of the Belt and Road Initiative and the 2030 Agenda

1.2.1 POEs as Key Partners in the 2030 Agenda

Private sector enterprises can play an important role in the realisation of sustainable development and the achievement of the 2030 Agenda. In order to do so they should fully familiarise themselves with the Agenda and its concepts and goals, and aim to reflect the expectations of government and civil society in the countries where they operate.

The survey results show that most Chinese POEs interviewed are willing to contribute to the achievement of the Sustainable Development Goals in host countries; for those POEs who believe that they have already made or are in the process of making an effort to achieve the 2030 Agenda in host countries, their contribution is mainly focused on social- and economic-related goals, while the contribution to environment-related goals remain relatively low.
Specifically, the roles of POEs in contributing to the achievement of the 2030 Agenda can be outlined in the following ways:

**Implementation:** The implementation of the 2030 Agenda highlights inclusiveness and diversified involvement, in which the key actors include not only governments, international organisations and non-government organisations, but also businesses. Private sector enterprises have the opportunity to play a major role in the 2030 Agenda by benchmarking their daily operations with the SDGs. “SDG 17: Partnerships for the Goals”, in particular, emphasises the importance of businesses especially in attracting financing, technology and trade to accelerate implementation of the goals.
**Communication:** Communicating the values of sustainable development has been crucial for the wide recognition of and involvement in the 2030 Agenda. As the most market-oriented actor, business can also play a significant role in raising public awareness and promoting public involvement in the SDGs, by integrating sustainability values into their goods and services. In addition, enterprises as a force of economic and social development can impact policy-making via recommendations and dialogue, which help lay a solid policy foundation for the 2030 Agenda.

**Innovation:** Innovation is critical in pushing forward the development of human society. Often POEs, with vast networks and resources, have major potential to innovate. These innovative ideas can help drive the implementation of the 2030 Agenda and solve social and environmental challenges, and at the same time bring major commercial rewards to POEs.

**Financing:** POEs can play a key role in filling the funding gap for SDG implementation. According to the *World Investment Report 2016*, it is estimated that achieving the SDGs requires an annual investment of US$5 to US$7 trillion, while the gap for developing countries is at US$2.5 trillion per year. Therefore, governments, UN agencies and international financial institutions are working to promote the involvement of private entities with the 2030 Agenda.

### 1.2.2 POE Capacity to Contribute to the Belt and Road Initiative and the 2030 Agenda

China's POEs have experienced many changes during their development and have become a key driving force for Chinese economic growth and social progress. POEs composed over 90% of the total number of companies in China, contributing over 60% of GDP, over 50% of tax revenues, over 70% of technological innovations and over 80% of urban labour employment (www.gov.cn, 2019). Among the Chinese companies that were included in the Fortune Global 500 in 2017, 24 were POEs, whereas in 2008, only one company, Lenovo, was listed.

**Investment size:** From 2012 to 2017, private investment has entailed over 60% (one year reaching 65.4%) of China's domestic fixed asset investment. Private investment has been a key driving force, especially in the manufacturing sector, where the share of private investment was over 80%.

**Industrial development:** POEs are often more flexible and sensitive to market changes. They have played a crucial role in optimising industrial structures, promoting technological innovation and stimulating economic transformations in China. 65% of registered patents, over 75% of technical innovation and over 80% of new product development in China are from POEs.

**Job creation:** POEs are key players in promoting employment in China. According to the All-China Federation of Industry and Commerce, employment created by the private economy consists of over 80% of urban employment and contributes to more than 90% of new employment.

**Economic contribution:** By the end of 2017, there were more than 27 million POEs in China and over 65 million individually-owned businesses. Their total registered capital reached over CNY 165 trillion (US$24.4 trillion). The private economy made up more than 60% of GDP.
POEs possess inherent strengths in implementing the Belt and Road and the 2030 Agenda. First, POEs are engaged in a wide range of industries, and those industries are closely linked to daily subsistence. Most developing countries hope to improve their economy and livelihoods, while China and the Belt and Road Initiative hope to work with surrounding regions to support this. Enterprises can form partnerships with other developing countries to strengthen the global value chain and achieve long-term sustainable development resulting in tangible benefits. Second, POEs have relatively flexible internal mechanisms. POEs are sensitive to markets, they respond quickly, are efficient decision-makers and are good at seizing fast emerging international market opportunities. Third, POEs are strong innovators. In foreign economic cooperation, the most effective and stable structure contains three dimensions—government for guidance, markets as direction and business as actors. Entrepreneurs are the most innovative group and the scarcest resource in this trifecta. POEs are sensitive to markets and can bring the will and the capability to innovate into full play (ACFIC, 2015).

1.3 The Belt and Road Initiative and the 2030 Agenda Provide POEs with an Enhanced Platform

As POEs have been increasingly engaging with the Belt and Road Initiative, more companies, especially those that have gone global on a larger scale, are recognising the necessity of localising business management, fulfilling corporate social responsibilities, and strengthening cultural integration in their overseas operations. Chinese POEs investing or cooperating overseas are not only associated with capital and markets, but are becoming increasingly important in boosting economies, integrating cultures, improving livelihoods, enhancing mutual trust and promoting shared growth.

Chinese POEs provide opportunities for the international community to develop a better understanding of China. Chinese POEs are well-positioned to support the implementation of the 2030 Agenda and to contribute to aligning the Belt and Road Initiative with sustainable development.

1.3.1 Market Potential

From a macro perspective, the 2030 Agenda and the Belt and Road Initiative can been seen as instrumental in promoting economic, social and environmental sustainability. Implementing the 2030 Agenda in countries along the Belt and Road will open up opportunities for Chinese companies to explore international markets, and long-term relationships can be formed between Chinese companies and those countries along the routes. Chinese entrepreneurs also recognise the commercial opportunities brought by the Initiative and the Agenda.

From a micro perspective, companies around the world have recognised the growing market opportunities stemming from innovative commercial solutions using new technology to promote sustainable development. For example, integrating internet use in the medical sector opens up new opportunities, which can provide low-income and remote communities with medical care services (SDG 3). Smart water sensor technology can support a city to efficiently manage water resources and
avoid supply interruption (SDG 13 and SDG 14). Companies can also utilise technologies such as drip irrigation and real-time weather data to improve productivity while reducing costs in the agriculture sector (SDG 2).

1.3.2 Social and Environmental Management Experiences

Integrating social and environmental considerations into POEs’ strategies and operations will support companies in observing global standards while working with countries along the Belt and Road and provide guidance for them to make contributions to the 2030 Agenda. For example, sustainable development requires POEs to interact with the local community where their projects operate, identify the enterprises’ responsibilities to the community and the wider public, and to maintain their Social License to Operate. These measures will not only help POEs in strengthening their interactions with stakeholders, but also reduce potential legal and reputational risks for the company. The SDGs also provide an opportunity for the companies to access low-income consumers through product development, services, technology and distribution channels, and create greater value for business and society (UN Global Compact and KPMG, 2017).

Countries and regions along the Belt and Road are highly diversified in their social conditions but all strive to achieve the SDGs. This provides opportunities for Chinese POEs “Going Global” to improve community and environmental development experiences, promote social growth and to become responsible global citizens.

1.3.3 Platform to Strengthen Corporate Governance

By working overseas and addressing the internal and external challenges of countries along the Belt and Road, Chinese POEs are likely to witness rapid internal growth in internationalised management, and improve internal governance and corporate management competitiveness. Recent trends highlight that companies are including the SDGs into their sustainability reporting. PwC’s publication SDG Reporting Challenge 2018, which covers 729 companies in 21 countries/regions across 6 sectors, reports that 72% of companies mentioned the SDGs in their annual corporate or sustainability reports. This means the SDGs have become a mainstream indicator for companies. The report also shows that 50% of the companies interviewed believe that the SDGs are vital to their business and should be set as a priority. The most mentioned SDGs include: decent jobs and economic growth (SDG 8), climate action (SDG 13) and responsible consumption and production (SDG 12).

Many Chinese POEs started small and expanded after considerable effort. Various governance challenges exist for their further development and POEs are therefore trying to explore effective management models that are suitable for their own growth. The countries along the Belt and Road Initiative are diversified in political systems, historical development, legal frameworks and values. As Chinese POEs accumulate experiences to strengthen their corporate governance structures, the Belt and Road Initiative also offers opportunities to learn and adapt good management practices.
from companies in other countries. This can then lead to innovation and reform of business models, operation strategies, and technologies with a sustainable lens, thus shaping enterprises as global corporate citizens.
Chapter 2  Striving for Progress

—Chinese POEs as the Emerging Force in the Belt and Road Initiative
Over the past 40 years of reform and opening up, private investment and the private economy in China have gradually developed and become an important force in promoting China’s economic development, optimising the industrial structure, supporting urban and rural markets, and expanding employment. With the continuous development of Chinese POEs, private entrepreneurs are now acquiring an increasingly global vision. In recent years, with the implementation of the Belt and Road Initiative, Chinese POEs have taken the initiative to “Go Global” to participate in cross-border value chains along the Belt and Road.

### 2.1 Collaboration Opportunities for the Belt and Road Initiative

#### 2.1.1 Expanding Economic and Trade Exchanges

2019 is the sixth year since China launched the Belt and Road Initiative. During these years China has shown its support for inclusive globalisation by working with surrounding countries to promote mutual political trust, economic connectivity and cultural exchange.

Bilateral trade between China and the countries along the Belt and Road has continued to grow. Data released by China’s MOFCOM show that the import and export of goods between China and the countries along the Belt and Road reached US$1.3 trillion in 2018, an increase of 16.3% year on year, 3.7 percentage points higher than China’s overall foreign trade growth for the same year, and accounted for 27.4% of China’s foreign trade.

Bilateral investment between China and the countries along the Belt and Road has been continuously improving. Chinese enterprises’ direct investment in countries along the routes exceeded US$90 billion from 2013 to 2018, with an average annual growth rate of 5.2%. In 2018, the direct investment made by Chinese companies in the countries along the Belt and Road reached US$16.27 billion, accounting for 12.5% of the total investment value of the same period. Top investment destinations include Singapore, Laos, Vietnam, Indonesia, Pakistan, Malaysia, Russia, Cambodia, Thailand and the United Arab Emirates. In terms of overseas contracted projects, from 2013 to 2018, Chinese companies signed over US$60 billion worth of overseas engineering contracts in countries along the routes, with a average annual increase of 11.9%. In 2018, Chinese enterprises signed 7,721 new contracts in countries along the Belt and Road with a total turnover of US$125.78 billion, accounting for 52% of the total value of all newly-signed contracts, down by 12.8% from the same period last year. The completed turnover reached US$89.33 billion, accounting for 52.8% of the total value of the same period, up by 4.4% year on year.

#### 2.1.2 Cooperation Mechanisms

Since the launch of the Belt and Road Initiative, China has been building mechanisms to achieve the objectives of enhanced inter-connectivity, trade and investment, capacity cooperation and cultural exchange.
Bilateral development cooperation is expanding. China is seeking to better align the Belt and Road Initiative with host countries’ own development plans. The Chinese government is also improving bilateral cooperation mechanisms by developing specific implementation plans and roadmaps, and by formulating and refining economic and trade cooperation agreements. By the end of 2018, China had signed Belt and Road cooperation agreements with 122 countries in areas such as capacity cooperation, infrastructure construction, trade facilitation, mutual assistance for customs enforcement and inspection and quarantine (Belt and Road Portal, 2019).

Cooperation with multi-lateral and regional institutions has also been pursued. China is working with related countries and international organisations to implement the Belt and Road and the 2030 Agenda. By the end of 2018, the Chinese government had signed cooperation agreements with 29 international organisations (Belt and Road Portal, 2019). In addition, the Belt and Road Initiative is also cooperating with many regional organisations. For example, on July 10, 2015, the Shanghai Cooperation Organisation (SCO) issued the Ufa Declaration, supporting China’s initiative to build an economic belt along the Silk Road. In September 2016, the G20 Leaders’ Communiqué: Hangzhou Summit approved China’s initiative to establish a Global Infrastructure Connectivity Alliance. Together with 10 ASEAN countries, the Joint Statement between ASEAN and China on Production Capacity Cooperation was reissued in 2016; and the Joint Statement on Production Capacity Cooperation among Lancang-Mekong Countries was also announced in the same year, together with 5 Mekong countries. Furthermore, the launch of the Strategic Framework for Action on Trade Facilitation and Investment in the Greater Mekong (SFA-TFI), a relatively comprehensive trade and investment facilitation plan has been formed between China and ASEAN leaders, which could further expand cooperation under the Belt and Road Initiative.

2.2 POEs as Emerging Actors in the Belt and Road Initiative

2.2.1 Trade Cooperation

The achievements of the Belt and Road over the past few years could not have been reached without the contributions of POEs. In terms of trade cooperation, the foreign trade volume of Chinese POEs accounted for 38.5% of China’s total foreign trade volume in 2017, and the growth rate of imports was significantly higher than that of exports. Compared with foreign-funded enterprises, POE trade partners include a higher proportion situated in countries along the Belt and Road. In particular, a large number of products have been imported through cross-border e-commerce, which has become an important component for China and countries along the Belt and Road to improve the quality of bilateral trade and promote the balanced development of imports and exports. Among the top 500 POEs in 2017, 274 of them participated in the building of the Belt and Road, and achieved an overseas income (excluding exports) of over US$790 billion, (ACFIC, 2018). According to the State Information Centre, in 2017, the total import and export volume of Chinese POEs with Belt and Road-related countries amounted to more than US$600 billion.
2.2.2 Investment Cooperation

During China’s 40 years of reform and opening up, the country has supported industrial transfer between countries, participated in the development of global value chains and provided services to global markets. In this process, some POEs have started to go abroad, with goals that include expanding overseas markets, seeking resources and improving their research and development capacity. POEs are now important actors in China’s outward investment cooperation and in building the Belt and Road.

Questionnaire results indicate that 80% of the POEs surveyed are satisfied with their overseas operations. One-third of the POEs believe that their overseas activities have helped them achieve expected business objectives and 32% of the surveyed enterprises felt that overseas operations promoted the development of their domestic businesses. Overall overseas business income accounted for 26% of the total for these companies. In manufacturing companies, overseas income accounted for 28% of their total income, slightly higher than that of other industries. As for the main causes of dissatisfaction, most POEs interviewed highlighted the uncertainties of overseas business and information asymmetry.

![Figure 4. POE Views on their Overseas Performance over the Past 3 Years](image)

POEs’ satisfaction with their overseas performance is also reflected in the expansion of their investment scale over the past three years. 61% of the surveyed enterprises have expanded their overseas operations, while another 32% have maintained their current operations levels. When asked about the scale of operations over the next three years, 76% of the enterprises believe that they would continue

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3 In order to acquire first hand data on the level of sustainability of Chinese POEs operating along the Belt and Road, a survey was conducted of 727 POEs overseas, complemented by 55 interviews with companies and stakeholders.
to expand, while another 21% expect that they would maintain the current scale of operations. As for the reasons for their confidence, growing demand in the international market and the policy stimulus of globalisation are the most important driving factors, followed by their positioning in the global supply chain and the diversification of enterprises. Fierce competition in the domestic market is also a key factor, as well as the pursuit of overseas competitive labour and other resources, including a sound business environment in the host country.

**Figure 5. Change in POE Overseas Operations Scale over the Past 3 Years**

- **61%** Increase
- **32%** Unchanged
- **7%** Decreased

*Valid responses: 669 (92%)*

**Figure 6. Anticipated Change in POE Overseas Operations Scale over the Next 3 Years**

- **76%** Increase
- **21%** Decrease
- **3%** Remain unchanged

*Valid responses: 667 (92%)*

POEs make up a considerable proportion of all existing Chinese enterprises that have “Gone Global”. Data from the 2017 *Statistical Bulletin of China’s Outward Foreign Direct Investment* shows that by the end of 2017, there were 25,529 enterprises in China that have made direct outward foreign investments, of which 6,570 were purely private-owned enterprises, accounting for 25.7%. There were also 10,577 limited liability companies, accounting for 41.4%; and 2,790 joint stock companies, accounting for 10.9%. Both limited liability companies and joint stock limited companies contain a
considerable proportion of private capital.

In terms of sectors, many Chinese POEs have operations in traditional agricultural industries and in the fields of machine tools, light textiles, automobiles and household appliances. Using agriculture as an example, by the end of 2017, 717 Chinese enterprises had established 851 agriculture-related enterprises abroad, with an investment of US$17.33 billion, quadruple the amount prior to the Belt and Road. 766 overseas enterprises were set up by POEs, accounting for 90% of the total number. However, as POE outward investment is usually small in scale, the total outward investment by agricultural POEs was only 1/8 that of State-owned Enterprises (SOEs). In the machinery sector, over the past decade there have been 20 overseas mergers and acquisitions, with eight led by POEs (MOFCOM, 2018). In the light textile industry, projects such as the Huajian International Light Industrial City in Ethiopia and the Sihanoukville Special Economic Zone led by Hodo Group in Cambodia have some good experience in creating mutual benefits between China and the host country. Chinese POEs have become an important component in the creation by China of a new type of international production network and have also promoted local economic development and industrialisation in host countries.

In terms of investment models, the number of POEs participating in the Belt and Road Initiative through mergers and acquisitions is gradually rising. By the end of 2017, Chinese POEs had acquired around 700 projects along the Belt and Road. Furthermore, in 2017, 76 acquisitions were initiated by Chinese POEs along the Belt and Road, of which the majority have been completed. In terms of the investment scale, in 2017, the average value of individual projects acquired by Chinese POEs in areas along the Belt and Road was around US$960,000⁴. Overseas mergers and acquisitions by POEs are widely distributed between different sectors but are mostly concentrated in traditional manufacturing industries. This is because most of the Chinese POEs first started their businesses in processing and manufacturing, and then expanded to the wider industrial supply chain. 60% of all POE mergers and acquisitions along the Belt and Road have been in the machinery manufacturing, rubber, non-metallic mineral products and food related industries. For example, Zhejiang Geely Holding Group Co., Ltd. recently acquired Malaysia’s Lotus Motor Company and Xoar Aerotech Industry (Wuhan) Co., Ltd. acquired the Czech Skyleader Aircraft Company. Apart from traditional manufacturing industries, Chinese POEs are also engaged in overseas mergers and acquisitions in clean energy, retail chains, biopharmaceuticals and other industries, such as the acquisition of India’s Gland Pharma Co., Ltd. by Shanghai Fosun Pharmaceutical (Group) Co., Ltd. In addition, Chinese POEs are also gradually expanding their transnational operations in the new service industry. In 2017, the Chinese e-commerce enterprise Alibaba Group invested US$1 billion in the Southeast Asian e-commerce platform Lazada Group, increasing its shareholding by nearly one third to 83%. Another example is Tencent Holdings’ acquisition of shares in ANI Technologies, an Indian taxi service company.

⁴ Estimates based on the Bureau van Dijk (BvD) Database
The cross-border business activities of POEs have become an important driving force to help local areas in China integrate into the international economy. For example, the majority of Shanghai enterprises involved in outward direct investment are POEs. Data released by MOFCOM show that, in 2017, there were 482 Shanghai POEs that made outward direct investments of US$9.24 billion, accounting for 79.3% of the total number of outward investment enterprises and 83.4% of the total amount of outward investment. Another example is Chongqing, where Chinese POEs are taking over the role of SOEs and becoming the main player in overseas investment. In 2000, of the 27 overseas investment enterprises in Chongqing, only 4 were POEs, accounting for 14.8%. With the development and growth of the private economy, Chongqing POEs’ outward investment has become increasingly active. In 2017, Chongqing's outward direct investment mainly came from POEs, accounting for 84.2% of the total (MOFCOM, 2018).

2.3 POEs’ International Areas of Focus

Currently, Chinese POEs’ engagement has spanned countries and regions around the world. In Southeast Asia, Central Asia and Africa, POEs are mainly focused on developing Chinese overseas economic and trade cooperation zones (COCZs), initiating international production capacity cooperation and resource development. However, in North America and Europe, POEs tend to focus on establishing marketing networks and R&D centres. In Hong Kong and Macao, many established Chinese POEs serve as platforms or channels for cross-border business. The majority of outbound POEs are large and medium-sized enterprises that have distinct advantages in capital, technology, talents and branding. Based on their own business goals, Chinese POEs have adopted various approaches in investing abroad.

First, POEs have been critical in establishing COCZs to achieve coordinated and cluster-type development of upstream-downstream industries and host country industries. Over the years, COCZs established by POEs overseas have become enablers for driving the coordinated development of outbound POEs, especially small and medium-sized enterprises (SMEs). For example, the Thai-Chinese Rayong Industrial Zone was co-developed by China's Holley Group and Amata Group in Thailand in 2005. After 13 years of development, the zone now hosts over 100 Chinese enterprises and has increased local employment opportunities and tax revenues in Thailand. The Sihanoukville Special Economic Zone established by Jiangsu Hodo Group in Cambodia has attracted enterprises from many countries and regions including China, the USA, Japan, South Korea, and Europe and created tens of thousands of jobs for local people. Other examples such as the Ussuriysk Economic and Trade Cooperation Zone established by Zhejiang Kangnai Group Co., Ltd. in Russia, the Hualing International Special Economic Zone and the Tax-Free Industrial Zone established by Xinjiang Hualing Group Corporation in Georgia, have promoted both economic development and improved employment in the host countries, while facilitating the overseas business operations of SMEs.

Second, POEs have been investing and building factories overseas promoting global cooperation
on production capacity and technology transfer. Some examples follow. The Power Construction Corporation of China and China Oceanwide Holdings Group worked with Indonesian enterprises KBN and KEN, and invested US$3 billion to construct a 2*1,000-megawatt power plant project in the Nusantara Bonded Zone in Djakarta. Fujian SHENGLI Group set up a large iron and steel enterprise with an annual output of one million tons of steel billets in Vietnam. Fujian Fuyao Glass Industry Group Co., Ltd. built automotive glass production bases in terminal markets including the USA and Russia. Hebei Great Wall Motors Co., Ltd. built automobile part assembly plants in over ten countries including Bulgaria, Ecuador and Malaysia to serve its automobile factories in Russia. Guangdong Huajian Group has combined the competitive capacity and technology of the Chinese footwear industry with the production advantages of Africa, independently developed an industrial park in Ethiopia and gradually formed a cluster of footwear industry firms, which have generated employment and promoted local technical progress.

Third, POEs provide support for overseas engineering construction and service cooperation projects. Chinese POEs can provide technology, products and services, which can improve local infrastructure. For example, Xinjiang TBEA Group Co., Ltd. has undertaken power grid, thermal power station, solar photovoltaic plant and other construction projects in several countries including Tajikistan, India, Pakistan, and Zambia. With the construction projects they have brought technologies, standards and experience on energy-saving, smart technologies and automation of power construction overseas. Shanghai Geoharbour Construction Group, has applied for patents in over 20 countries and regions for its innovative technology in the field of soft ground treatment engineering, which brought additional value to engineering construction with science and technology services. Liaoning YuanDa Group has undertaken overseas projects with its strength in curtain walls projects. Its scale of production and sales and its technical level have ranked at the top of the global industry for eight consecutive years. Shandong Qingjian Group Co., Ltd. has conducted engineering construction and service projects in more than 30 countries and regions. Jiangsu Hengtong Group has established 9 overseas industrial bases and more than 30 marketing technological service branches in Europe, South America, South Africa, South Asia and Southeast Asia, and has undertaken a number of international marine communications cable projects, contributing to the infrastructure of the host countries.

Fourth, through the development of overseas energy, mineral, agriculture and animal husbandry resources, Chinese POEs have extended their industrial value chains in their host countries to enhance mutual growth. For example, Yili Group is working with DFA, the largest milk company in the USA, to establish a local milk powder factory, and has established another integrated dairy production base in New Zealand. Sichuan New Hope Group has acquired KPC, a large beef enterprise in Australia, and established a pasture with 10,000 dairy cattle.

In general, China’s “Going Global” POEs have two distinct features: one is their flexibility. POEs often react promptly to the market, make decisions in an efficient way, make good use of talents, and can
capture business opportunities in the global market. The other is their non-public ownership. “Going Global” POEs can be an important force to strengthen people-to-people bonds by promoting local employment and increasing local income.

2.4 A Strengthened Policy Framework to Support the Sustainable Development of POEs along the Belt and Road

Over the past few years, the Chinese government has put equal emphasis on “Bringing In” and “Going Global”, and implemented the Belt and Road Initiative with the principle of “consultation and collaboration for shared benefits”. Policy measures have also been introduced to advance the Belt and Road Initiative while addressing changes in the global context as well as China’s domestic requirements.

2.4.1 Promoting Trade and Investment and Facilitating Outbound Investment

The report of the 19th National Congress of the Communist Party outlined the requirement for promoting trade and investment facilitation and making economic globalisation more open, inclusive, balanced and beneficial to all. As a result, China has issued a series of policies to advance the liberalisation and facilitation of trade and investment along the Belt and Road.

- Improving the regulatory framework and facilitating outbound investments

In order to enhance regulations for overseas investments, various Chinese government departments have released policies and regulations to promote liberalisation and facilitation of foreign trade. In 2014, in order to streamline administration and delegate implementing power to enterprises in outward investment, China's Ministry of Commerce (MOFCOM) reformed the original management system and developed the newly revised Administrative Measures for Outbound Investment. These new measures simplify the administrative process for outbound investments and set record-filing as primary requirement, while approval is now only needed in certain circumstances. The approval process has also been eased by narrowing the scope. In the same year, the National Development and Reform Commission (NDRC) of China also issued the Administrative Measures on Approval and Record-Filing for Outbound Investment Projects, replacing item-by-item approval with record-filing-based, management supplemented by verification. In 2018, to adapt to recent trends, NDRC implemented the Administrative Measures for Outbound Investment by Enterprises and launched eight reform measures to streamline administration, delegate power, and improve regulation and services, which has had a positive impact on optimising the services and promoting the sustained development of China's overseas investment. Furthermore, reform in the immigration and exit and entry administration departments across the country has supported China's “Going Global” strategy and the Belt and Road Initiative. The reform has improved services for exit and entry documents and customs clearance at ports for Chinese enterprises and personnel. Overall, the recent adjustment of applicable management measures has created a more supportive regulatory environment for overseas investment and played
an important role in promoting and regulating the development of overseas investment.

- **Optimising policies to promote the Belt and Road Initiative**

In 2016, the All-China Federation of Industry and Commerce (ACFIC), in collaboration with other departments issued *Opinions of the All-China Federation of Industry and Commerce on Guiding and Supporting Private Enterprises to Participate in the Building of the Belt and Road Initiative and Going Global*, which supports POEs in contributing to the Belt and Road Initiative. In 2017, in order to support SMEs in “Going Global” and “Bringing In”, the Ministry of Industry and Information Technology and the China Council for the Promotion of International Trade jointly issued a *Notice on Launching Special Actions to Support Small and Medium-sized Enterprises to Participate in the Building of the Belt and Road Initiative*. It proposed establishing a service system to support the internationalisation of SMEs in China, and deepen exchanges and cooperation between SMEs and countries along the routes, especially in the fields of trade investment, scientific and technological innovation, capacity cooperation and infrastructure construction. The notice highlights the important role of SMEs in building the Belt and Road, supporting Chinese SMEs in “Going Global” and “Bringing In” foreign SMEs to China.

### 2.4.2 Compliance Management for Shared Benefits with Host Countries

The Chinese government has also strengthened public services and guarantees and has provided a large number of public service products to support capable and qualified domestic enterprises in participating in international economic competition in line with commercial principles and international practices. This aims to enhance the transnational operations capability of enterprises, including POEs, and encourage them to integrate into global industrial and value chains, while also contributing to sustainable development along the Belt and Road.

- **Embedding sustainability requirements in the basic management service system**

The *Administrative Measures for the Outbound Investment of Enterprises*, implemented in 2014, stipulates that enterprises should abide by the laws and regulations of the host country, respect local customs and cultures, fulfil social responsibilities, support environmental protection and labour protection, develop an appropriate corporate culture and promote integration with local communities. The adjustments to *Administrative Measures for Outbound Investment by Enterprises* implemented in 2018 require enterprises to adhere to the principle of integrity management, avoid improper competitive behaviour, protect the legitimate rights and interests of employees, respect local public order and customs, fulfil necessary social responsibilities, pay attention to ecological and environmental protection, and create a good image for Chinese investors.

- **Improving enterprises’ understanding of business operation rules, cultural customs and environmental protection requirements of host countries**

MOFCOM has been updating and releasing public service products such as the *Guidelines for Outbound Investment Cooperation by Country (Region)* and the annual *Report on Development of China's Outward Investment Cooperation by Country (Region)*.
Investment to help enterprises understand the investment and business environment of the host countries (regions). China's State Taxation Administration has also successively issued the *Guidelines on the Taxation of Investment along the Belt and Road by Country* to help enterprises better understand the tax systems of countries along the Belt and Road.

- **Cultural and social challenges in enterprises’ overseas operations**

  In order to encourage Chinese enterprises to better adapt when implementing their “Going Global” strategy, and achieve sustainable development, MOFCOM and ACFIC formulated the *Opinions on the Cultural Cultivation of Chinese Enterprises Operating Overseas* in 2012. The document outlines specific requirements for POEs, such as legal compliance, enhancing ethical standards, strict integrity management, fulfilling social responsibilities, and strengthening integration with the local community, to promote in-depth integration and mutual development of Chinese enterprises and the local community.

- **Green development along the Belt and Road**

  At present, environmental protection is of great concern to the international community as well as a shared global challenge. The Chinese government considers environmental protection a critical focal area both within the country and for enterprises “Going Global”. In 2012, MOFCOM and the former Ministry of Environmental Protection of China issued the *Guidance on Environmental Protection in Foreign Investment and Cooperation*. In 2017, the former Ministry of Environmental Protection, the Ministry of Foreign Affairs, the NDRC and MOFCOM jointly issued the *Guidance on Promoting a Green Belt and Road*. The document calls for greening the Belt and Road, developing mechanisms for eco-environment-related cooperation, risk prevention measures, and support services. The guide also highlights the need to establish platforms for communication and dialogue, information support and industrial technological cooperation, and promotes the formation of multi-stakeholder cooperation patterns with the participation of governments, enterprises and civil society to make contributions to the green development of the Belt and Road Initiative.

- **Supporting the integrity of enterprises operating along the Belt and Road**

  In 2017, China’s NDRC, the People’s Bank of China (PBOC), and MOFCOM jointly signed the *Memorandum of Cooperation on Taking Joint Disciplinary Actions against Subjects with Serious Dishonesty in the Foreign Economic Cooperation Field*. The purpose was to speed up the development of a credit system in the field of foreign economic cooperation, establish and improve joint incentive and disciplinary mechanisms for credibility, and promote the cultivation of a good social environment that “upholds honesty and punishes dishonesty”. According to the document, all entities and responsible persons involved in outbound economic cooperation, such as those involved in the Belt and Road Initiative, international capacity cooperation and those implementing infrastructure, trade and
financing projects, should adhere to laws and regulations, including but not limited to, Chinese laws, legislations and regulations in the host country, international laws and conventions, as well as UN resolutions. Any subject, person or behaviours disrupting the order of foreign economic cooperation and causing serious adverse effects to the implementation of the Belt and Road Initiative, will be recorded by relevant government departments and penalties applied.

• **Guiding enterprises on compliance management processes**

In order to better guide Chinese POEs in addressing the challenges related to overseas sustainable development, NDRC, MOFCOM, PBOC, MOFA and ACFIC jointly issued the *Code of Conduct for the Operation of Overseas Investments by Private Enterprises* in December 2017. This document, a first of its kind, provides official guidance on overseas investment and the management of POEs from five key aspects: corporate governance, legal compliance and integrity management, corporate social responsibility, environmental protection and risk management. These guidance measures support the regulation of POEs’ participation in the Belt and Road Initiative. In December 2018, 7 government departments including NDRC together with MOFCOM, PBOC, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), State Administration of Foreign Exchange and ACFIC jointly launched the *Guidelines on Compliance Management in Overseas Operation by Enterprises*, which offers more practical guidance for Chinese enterprises “Going Global”.


Knowledge Box 1.

**Guidelines on Compliance Management in Overseas Operations by Enterprises**

In order to support enterprises in their overseas operations and encourage enterprises to strengthen compliance management, the *Guidelines on Compliance Management in Overseas Operation by Enterprises* (the Guidelines) was formulated in accordance with relevant national laws, regulations and policies and with reference to GB/T35770-2017 *Guidelines for Compliance Management System* and relevant international compliance rules. The Guidelines consist of 8 chapters and 30 articles, including compliance management requirements, a compliance management framework, compliance management regulations, a compliance management operations mechanism, compliance risk assessment and mitigation, compliance review and improvement, and development of a compliance culture. While emphasizing the whole process and overall compliance of overseas business operations, the Guidelines focus on four main types of activities, namely foreign trade, overseas investment, overseas contracted projects and overseas daily operations, and specifies detailed compliance requirements as follows:

“In carrying out foreign trade in goods and services, enterprises should fully understand the specific requirements for trade control, quality and safety and technical standards, intellectual property protection and other aspects, and pay attention to trade relief investigations carried out by the countries (regions) involved in the business, including anti-dumping, anti-subsidy and safeguard measures investigations.

In carrying out overseas investment, enterprises should fully understand the specific requirements on market access, trade control, national security review, industry supervision, foreign exchange management, anti-monopoly, anti-money laundering, and anti-terrorist financing.

In carrying out foreign contracted projects, enterprises should fully understand the specific requirements on bid management, contract management, project performance, labour management, environmental protection, joint risk management, debt management, donations and sponsorship, anti-corruption and anti-bribery.

In carrying out daily overseas operations, enterprises should fully understand the specific requirements on labour rights protection, environmental protection, data and privacy protection, intellectual property protection, anti-corruption, anti-bribery, anti-monopoly, anti-money laundering, anti-terrorist financing, trade control and financial taxation.”

Chapter 3  Beyond Profit

— the Intrinsic Value of Sustainable Business Development
The sustainable development of private businesses operating overseas is not only an opportunity, but also a responsibility. Chinese “Going Global” companies are increasingly aware of long-term sustainability and are trying to make contributions to sustainable development in their host countries’ economy, society, environment and governance. Drawing on results from the survey and interviews, this report aims to present the impact of Chinese POEs on the sustainable development of host countries with a focus on strengthened connectivity, capacity generation, employment opportunities, technical cooperation, social welfare, environmental protection and compliance management.

### 3.1 Infrastructure Connectivity

The Belt and Road Initiative identifies five areas of “connectivity” with infrastructure connectivity a priority and focus for the engagement of Chinese POEs. Beginning in the late 1970s, Chinese enterprises entered the international infrastructure construction market. With the accumulation of experience, the business model for Chinese enterprises to contract projects abroad has gradually grown and diversified. According to data from China’s MOFCOM, the turnover of foreign contracted projects increased from US$12.3 billion in 1980 to US$169.04 billion in 2018. The value of new contracts signed increased from US$33 million in 1979 to US$241.8 billion in 2018.

Since the Belt and Road Initiative was announced in 2013, China has further improved its level of cooperation with countries along the Belt and Road through infrastructure investment. According to statistics from the Ministry of Commerce, in 2018, the completed turnover of Chinese enterprises’ contracted projects along the Belt and Road was US$89.33 billion, accounting for 52.8% of the total for the same year. Main areas of cooperation include infrastructure construction, capacity cooperation, energy and industrial park construction.

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5 The research team carried out field research in 6 countries along the Belt and Road in South-East Asia and Africa, including Cambodia, Thailand, Vietnam, Kenya, Ethiopia, and Angola. In addition, the research team also visited three European countries (Germany, Denmark and Sweden) where Chinese POE investments are prominent, in order to gain first hand data for comparative analysis. More details can be found in Annex 1: Research Methodology.
The survey results show that Chinese enterprises, both SOEs and POEs, have undertaken many activities to promote infrastructure construction and upgrading in host countries. Many large-scale POEs participate in infrastructure construction projects through public bidding. Another common practice for POEs is to participate as contractors or service providers. For example, the Algerian Grand Mosque project, the tallest building in Africa, required strict international construction standards and was built and managed by a team of diverse cultural background. China Nantong Sanjian Construction Group was responsible for the project’s engineering construction, while the design and supervision team was from Germany, the project owner was Algerian, and the consulting company was from Canada.

**Case 1.**

**Qingjian Group Expands Livelihood-Related Projects in Indonesia**

Qingjian Group entered the Indonesian market in September 2014. The company has successfully developed a number of industrial parks, low-end and mid-end housing units, and regional logistic centres. The construction of the Karawang Industrial Park promoted the development of the local construction and building materials industries. The low-cost housing

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Chinese POEs are helping to improve the infrastructure of the countries along the Belt and Road through the building of roads, bridges, airports, ports, power stations and information and communication networks. If implemented in a sustainable manner, these can be of great importance to local economic and social development. For example, in communication infrastructure, Chinese POEs have supported cooperation projects such as optical cable and telecommunication transmission networks, intercontinental submarine optical cables and communication satellites in countries along the routes. This has promoted the upgrading of the overall communication facilities in these countries, expanding information exchange among countries, and improving the level of international communication connectivity. Huawei, one of China’s leading telecommunication providers, has operations in 54 Africa countries. Huawei’s Kenyan national optical fibre assistance project has supported transformations in the country’s information and communication industry, as the network speed has greatly increased, and communication costs have fallen by 90%. The number of network users has also dramatically increased. As a result, Kenya’s information technology industry has developed rapidly, becoming one of the fastest growing industries in the country. The “AAE-1” intercontinental submarine cable constructed by China Hairong International Communications Group, which is around 25,000 kilometres in length, is the world’s largest intercontinental telecommunications transmission system covering a large number of countries with the world’s longest transmission distance. Completion of the submarine cable project will allow Cambodia to have independent international broadband for the first time. In the past Cambodia’s international telecommunication business was transferred through Vietnam, Thailand and Malaysia. The project will then help Cambodia to narrow the digital divide with developed countries, and also promote the connectivity of ASEAN countries’ communication infrastructure.

Chinese POEs have also undertaken a wide range of social infrastructure projects such as social housing, health institutions and municipal facilities, important improvements to the basic living conditions of local communities in host countries.
3.2 Industrial Cooperation

In terms of economic sustainability, Chinese POEs were surveyed on their own perceived “positive influence” on their host countries in seven areas. Survey results show that Chinese POEs believe that they have the most influence in job creation, followed by promotion of trade and investment and boosting market competition. Influence through payment of tax contributions was rated somewhat lower by most of the surveyed POEs, and impact through skills training and technology transfer was rated as the area where influence was lowest.
In the process of “Going Global”, many Chinese private manufacturing enterprises surveyed have promoted the upgrading of local industries. At present, overseas engineering contracting projects are still dominated by state-owned enterprises; however, enterprises engaged in overseas manufacturing investment are mainly POEs. After decades of development, especially as a result of the introduction of technology and innovation during China’s 40 years of reform and opening up, the technological level of China’s private manufacturing industry has been greatly improved. According to a survey conducted by ACFIC of the top 500 POEs ‘above designated size’, their operations are mainly concentrated in secondary industries (60.76%) and tertiary industries (38.3%). In the secondary industries, POEs are mainly concentrated in manufacturing and construction. In the tertiary industries, operations are mainly concentrated in the commercial, catering, and general and real estate industries. According to the list of the “2018 Top 500 Chinese Private Enterprises” released by the ACFIC, the manufacturing industry still accounts for the majority, with 288 enterprises on the list. A number of modern enterprises with ‘large-scale’ production, advanced technology and equipment, and a certain ability to participate in international economic cooperation have developed in the private economy, especially in industries such as heavy chemicals, metallurgy, automobiles and electric power. Furthermore, the

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7 “Enterprises above designated size” is a statistical term used in China. According to ACFIC, the survey for the “2018 Top 500 Chinese Private Enterprises” is open to private enterprises with a total of business income of CNY ¥500 million or more, including purely private enterprises, limited liability companies and holding companies with non-public ownership. Total business income refers to all the income of an enterprise, i.e. income generated from the core business and non-core business, domestic and overseas.
willingness and ability of relevant enterprises to participate in international cooperation with countries along the Belt and Road has significantly increased.

In developing international production capacity, Chinese POEs have drawn on the successful experience of China’s own development. At the same time, they have effectively made use of local resource endowments and responded to differentiated needs. This helps countries along the routes to solve fundamental problems that restrict economic development and industrial construction, driving forward the development of local industrial chains. For example, in 2018, Zhejiang-based Hongshi Group invested nearly US$400 million in a cement production project in Nepal, which became the largest investment project in the country, and provides vital support to local infrastructure construction. In Cambodia, Shandong Ruyi together with 88 other companies, set up the China Textile International Capacity Cooperation Enterprise Alliance, forming an industrial cluster to “Go Global”. The alliance has supported Cambodia’s Sihanoukville Special Economic Zone to form an industrial structure dominated by light textile garment manufacturing, enhancing Cambodia’s participation in global production networks and increasing its foreign exchange income. The survey results have also highlighted a number of POEs that started with trade and later developed manufacturing businesses in the host country. These companies identify technology partners in China and bring Chinese domestic production technology to local production via established sales channels.

Case 3.

From Trade to Manufacturing: Yocean Transformer Factory in Kenya

Yu Yang, the founder of Yocean Group, came to Kenya with a state-owned enterprise project in 2006 as the project manager responsible for project operations and market development. After the end of the five-year project in 2011, Yu Yang registered his own enterprise in Kenya. Initially he mainly engaged in trade and supplied various goods to the Kenya Power Company and its Rural Power Bureau. By 2013, Yu Yang’s company was the main material supplier of the bureau. After Kenya’s new government came to power in 2013, it advocated industrialisation. Yu Yang found it more difficult to engage in trade, so he decided to localise the trade supply and began to engage in the local production of transformers. Several factories in China were invited to visit Kenya and discuss potential cooperation, and finally a three-year contract for the local manufacture of KPRC’s new transformer was signed in September 2016 after four bids. Over the previous decade or so, Kenya’s transformer market had mostly relied on imports. When Yocean Company started to manufacture transformers locally, it gradually drove the development of the entire transformer production industry.
3.3 Shared Platform

The “Going Global” strategies of China’s POEs not only aim to promote exchange of development experiences, but also to utilise platforms such as industrial parks to increase cooperation with the host country and develop local industrial chains. The industrial parks also share with host countries important experience and key lessons behind China’s rapid development. These overseas economic and trade cooperation zones have become an important tool to showcase the achievements of China’s reform and opening up policy. Growing in stages with limited resources and adopting flat and modernised management approaches when developing industrial parks are good examples of China’s accumulated experiences that can be shared with others. China’s industrial parks have gradually shifted from labour-intensive processing trade industries to capital- and technology-intensive high-tech zones, science parks and entrepreneurial parks. The industrial chains of these parks have also gradually developed and the industrial clustering effect has been effectively realised, significantly contributing to China’s reform and opening-up and economic take-off. China’s important experiences in developing these zones can serve as one of the country’s contributions towards global sustainable development, as examples for other developing countries.

Chinese overseas economic and trade cooperation zones (COCZs) provide another way for Chinese POEs to participate in international competition and cooperation. After years of development, Chinese POEs have achieved positive results in the construction of COCZs. These have become a significant part of China’s new economic structure to support sustainable development of countries along the Belt and Road. POEs are pioneers in establishing overseas COCZs. For example, at the beginning of this century, Fujian Overseas Chinese Industrial Company established an overseas processing trade zone with an area of 60,000 square meters in Cuba. According the Ministry of Commerce, by the end of 2017, Chinese POEs had invested and established over 70 COCZs.

POEs have also made various contributions to the sustainable development of overseas parks. Many economic and trade cooperation parks not only provide a platform for Chinese enterprises to “Go Global”, but bring large-scale industrial chains and related capital, technology and experience to the development of host countries. Economic and trade cooperation parks have become an important economic tool across regions, promoting the common development of industrial, logistics and value chains. POE overseas parks comprise a variety of formats such as resource utilisation, processing and manufacturing, and agricultural industries, becoming an increasingly important platform for Chinese enterprises, especially small- and medium-sized POEs, to “Go Global”.

Overseas parks can provide a good platform for POEs and host countries to realise mutually beneficial development. In China, after years of development, a relatively complete industrial system has been established in light industry, textiles, building materials, hardware and various other industries. Compared with similar industries in Southeast Asia and Africa, the industrial ladder has certain leading advantages. Through orderly transfer to COCZs and the promotion of international cooperation, the
relevant industrial technologies and equipment of POEs can be fully utilised. On the one hand, this step can prolong the life of some labour-intensive industries in China; at the same time, it can create a ‘Flying Geese Effect’\(^8\) and drive the overall effective promotion and development of the host country’s industrial chain. For example, Sihanoukville Special Economic Zone and Thailand-China Rayong Industrial Zone have become international hubs for China’s light industry and textile enterprises. Another example is Uzbekistan’s Pengsheng Industrial Park, which has become an important gathering place for international cooperation in China’s building materials products industry.

There are two major overseas Economic and Trade Cooperation Zones operation modes adopted by POEs. In one mode, the management committee of the industrial park is separated from the enterprises in the park. For example, in the Eastern Industrial Park in Ethiopia investment and management are handled by a POE from Jiangsu Province, which invites companies from China and other countries to invest in the park. In this model, manufacturing enterprises are sought to join the park for production purposes. The other method sees these zones grow more organically. After Chinese companies become bigger and stronger locally, their business expands to different industries through the operation of Special Economic Zones. For example, in the Huajian Industrial Park in Ethiopia, Huajian Group started as a shoemaking factory and later set up the Huajian International Light Industry City in a suburb of Addis Ababa. The Industry City is mainly composed of shoemaking factories and garment factories under Huajian Group, but is open to other Chinese enterprises. The Angola Guangde International Industrial Park is another example. Guangde Group started its business from trade in Angola, then gradually shifted to manufacturing construction materials and furniture, and then set up the Guangde International Industrial Park on the outskirts of Luanda.

\(^8\) This refers to the phenomenon whereby geese fly in formation, changing places as necessary, with the aerodynamics of this pattern making it easier for following geese to fly. This is used in Chinese management theory to describe industrial development phenomena for companies where pioneers make it easier for other companies to follow and companies can switch places as appropriate for the success of all.
is Thailand’s largest industrial property developer and has been engaged in the investment and development of parks for a sustained period. Amata currently has two parks. The Rayong Industrial Park initially adopted the development mode of “parks in park”. This model relies first on more mature industrial parks in the surrounding areas of Amata to develop parks that specifically serve Chinese “Going Global” enterprises, and then on moving towards establishing independently-operated new parks. At present, the enterprises in the park are mainly concentrated in industries such as rubber tires and auto parts, and are gradually forming an industrial chain in the park. Based on the research team’s interviews in the park, it appears that about two thirds of the enterprises in the park entered after the Belt and Road Initiative was proposed.

Many Chinese enterprises have encountered challenges in operations after entering the park. Some have occurred at the time of launching production, of which employee recruitment and environmental protection are the two main issues. In terms of employee recruitment, the main challenges for Chinese enterprises are in training local employees and high turnover rates. There are numerous ways the park is addressing these issues. In terms of training, the enterprises in the park usually employ technical experts from China and bring them to Thailand to train local workers. After training, the Chinese are expected to gradually withdraw and return to China. Holley Group is also currently exploring vocational education, hoping to train skilled workers for enterprises in the park by setting up vocational and technical schools in collaboration with both Chinese and local technical colleges and universities, based on the actual needs of the enterprises in the park. In addition to technical training, the industrial park also provides support services, including staff dormitories, law firms and accounting firms, and is setting up Chinese international schools to provide education for the children of Chinese employees working in the park so that families can also come to Thailand for longer-term placements with Chinese enterprises there. In order to help the enterprises in the park better integrate into the local culture, Holley Group also organises lectures to introduce the enterprises in the park to the local culture and etiquette so that newcomers to Thailand can understand and show respect to local employees and partners. Thailand is also an environmentally friendly country with abundant tourism resources. When there is a conflict between economic development and environmental protection, the Thai government prioritises environmental protection. The Rayong Industrial Park has positioned itself as an environmentally-friendly park. In the environmental impact assessment at the initial planning stage of the park, some highly polluting industries were banned. The industrial park has also signed a contract with the Thai government to establish clear environmental protection standards in the park. Enterprises must meet certain emission standards before admission, and the standards set by the park are higher than the environmental protection standards of the local government.
3.4 Job Creation

In the course of “Going Global”, Chinese POEs have provided jobs for local people in host countries. The POEs have often helped them to improve their livelihoods and also increased workers’ technical skills. Job creation also supports Chinese enterprises to reduce costs and improve localisation.

In the survey and interviews, the creation of jobs was analysed from two angles: quantity and quality. Chinese enterprises can provide good jobs in the host country, including by meeting the local minimum wage requirements, and providing employee welfare measures such as insurance and contracts, especially in labour-intensive engineering industries and manufacturing industries. Many of these jobs help alleviate the local unemployment rate and contribute to social stability.

Supporting job creation also protects the business development of the Chinese enterprises. Some interviewed enterprises indicated that although employing Chinese workers might mean relatively lower communication and training costs and higher efficiency, labour-intensive enterprises cannot be sustained without a large number of employees and bringing them all from China is too expensive. Therefore, hiring a construction or production worker locally costs up to one third of hiring a person in the same position from China.

During analysis of the results of the questionnaire, it was found that many of the Chinese POEs also believe that their influence on job creation in the host country differed between countries along the Belt and Road. Influence is perceived to be more prominent in Africa, South Asia and Southeast Asia; however, in Central Europe, Central and Eastern Europe and the Middle East where high-tech talent is relatively concentrated, their influence in creating jobs is weaker, and more attention is paid to enhance the quality of employment.

![Figure 9. POE Perceived Contribution to Job Creation in Different Regions](image)

*Valid responses: 601 (83%)

Note: The data come from the results of a survey question on POE self-assessment of their positive influences on job creation in host countries. The respondents were asked to evaluate on a scale from 1 to 5 with 1 referring to “No positive influence” and 5 referring to “have a positive influence on a large extent”. The data shown in the charts are the average value of evaluation results of POEs operating in different regions.
The positions occupied by local employees in Chinese POEs reflect the quality level of jobs provided for the local people. Whether local staff are in management and decision-making positions is an important measure of localisation. Reviewing the career development of local employees also illustrates an important aspect of job creation and localisation in Chinese POEs abroad.

Through interviews, the research team found that some labour-intensive companies prefer to hire women, such as in the textile and garment industries. The ratio of men to women in Shengtai Group’s garment factories in Vietnam is around 2:8, with female employees accounting for the majority. The same applies to Ethiopia’s Huajian Shoe Factory. The Chinese management of the Huajian Shoe Factory explained that they often employ female workers because they perceive that “women work more carefully and patiently”.

The survey found that Chinese manufacturing POEs have set up many factories in developing countries and have employed a large number of local workers, helping to transform communities from centres of agricultural production to industrial production. For example, in Ethiopia, before working in the Chinese factories, many local workers were engaged in farming or unemployed. However, the survey did highlight the challenges around using local skilled labour. Industrialisation requires a labour force with necessary skills and experience. During interviews in Vietnam, the management of the Chinese garment factory highlighted that the factory was located in a densely-populated area with no industrial foundation. The workers recruited had mainly been working in agriculture and found it challenging to adapt to new working conditions. However, with experience, the workers gradually developed a culture and understanding of industrial work.

Analysis of the survey responses also highlighted that the degree of localisation of the POEs was related to the method by which POEs entered the market. In general, those Chinese POEs entering the market through mergers and acquisitions in the European and American markets, such as Sweden’s Geely Volvo or Germany’s Astronergy, learn and adapt to the local management culture. In these companies, the number of local employees is far higher than that of Chinese employees. Some companies even have a 1:200 ratio of Chinese employees to local employees. However, if the POEs enter the market in the form of greenfield investment, mostly in developing countries along the Belt and Road, then Chinese enterprises rely more on Chinese technology and management approaches, so the ratio of Chinese employees to local employees varies from 1:3 to 1:40, depending on the industry. This often varies based on the labour requirements in local laws and regulations and the supply of locally qualified employees.

3.5 Technology Cooperation

In general, technology transfer, or technology spill-over from multinational corporations to local industries usually occurs through one of the following two channels; horizontal transfer or vertical transfer. The same principle also applies to Chinese POEs.
In horizontal transfer, investment and business cooperation by Chinese POEs increase the productivity of the domestic firms in the same industry. Horizontal spill-over or transfer occurs mainly in three ways. First, the demonstration effect. Local firms can reduce innovation costs by observing and learning from multinationals. For example, in Kenya, several local transformer manufacturing companies imitated the development strategy of Yocean, and invested in transformer garages to manufacture transformers for Kenyan government clients. Second, labour turnover. Local firms obtain the technological know-how of multinationals by recruiting workers that were previously trained in multinationals; workers of foreign companies may also create their own firms. During field research in Ethiopia, the research team found that Huajian Shoe Company has effectively become the training centre for the Ethiopian shoe-manufacturing industry. Third, competition effect. Through competition with foreign firms, local companies are forced to restructure and improve production efficiency and management. However, the increased intensity of competition may hurt local firms in the short term by reducing their market share and output. During interviews with the Kenya Private Sector Association (KEPSA) it was noted that, “when there is bidding, there is competition, and compared with Kenyan firms, Chinese companies have the advantage of skills and financing, which means that Kenyan companies may not be able to make a similar bid. Joint venture, however, could be an answer for this problem.”

Vertically, technology is transferred from multinationals to other local industries through buyer-supplier linkages towards upstream or downstream industries. Technology transfer from multinationals to local suppliers can take place in several ways. When procuring locally, foreign companies set certain quality requirements or standards for prospective local suppliers, which improves their production and management capability. Sometimes foreign firms provide direct technical assistance to raise the quality of suppliers’ products and to facilitate innovations. Another common practice is that foreign companies improve the country’s industrialised talent pool by providing management and organisation training and assistance to host country personnel. This approach can often achieve mutual benefits at a higher level.
Case 5.

Huajian Shoes, the Talent Development Centre for Ethiopia’s Shoe Industry

Founded in 1996, Huajian Shoes set up a factory in Ethiopia in 2012. The Ethiopia Huajian Shoe Factory has employed thousands of local Ethiopian employees, creating a large number of jobs for the local area. Most of the newly recruited workers come from the villages near the factory and before joining Huajian, they were engaged in agriculture or were unemployed. However, there are still some gaps between the training provided by local universities or vocational schools in Ethiopia and the factory’s practical operations. Huajian needs to provide systematic training to these employees in terms of techniques, work discipline and company culture. Because of its well-developed high quality training system, the Huajian Shoe Factory is known as the talent development centre for shoe industry in Ethiopia.

Employees entering the Huajian Shoe Factory go through four stages of training and selection:

- **Stage 1: Entry training**
  This seven-day training focuses on corporate culture and management of rules and regulations.

- **Stage 2: Pre-training procedures**
  For jobs of lower technical difficulty, experienced employees will apprentice new employees, and the latter become qualified in about half a month. For jobs of greater technical difficulty, the trainees are required to attend specialised technical training courses for a minimum of one month. The technical department conducts training for different types of jobs in different periods of product training, including theoretical training and skills training. After training, the employees are distributed according to the demand for technical jobs. When new employees are not recruited in the off-season, they will be transferred from the on-site production unit for training, and then return to the original production unit after training.

- **Stage 3: Management training**
  Outstanding employees will receive management, shoe-making technology and language communication training as a reserve for enterprise management positions.
3.6 Social Welfare

In terms of supporting host countries in achieving the goals related to social sustainability in the 2030 Agenda, feedback from the POEs notes that enterprises pay more attention to internal efforts, such as the provision of decent and equal job opportunities, than to external practices. The interpretation of sustainable development by enterprises with regards to external stakeholders is mostly based on the traditional concept of corporate social responsibility, i.e. charitable projects (e.g. road paving, bridge repair, and maintenance of school buildings and hospitals), which helps build relationships with the surrounding communities. However, the survey and interviews highlight that Chinese POEs operating in countries along the Belt and Road still need to improve communication and information disclosure regarding their sustainability efforts.

![Figure 10. POE Perceived Contribution to Social Sustainability in Host Countries](image)

*Valid responses: 572 (79%)

Figure 10. POE Perceived Contribution to Social Sustainability in Host Countries

Note: The data come from the results of a survey question on POE self-assessment of their positive influence on the social sustainability of host countries. The options are: 1. “No influence” 2. “Limited influence” 3. “Moderate” 4. “To some extent” 5. “To large extent”. For the sake of conciseness and clarity, the data sets of “No influence” and “Limited influence” are combined into the new data set “Minor”; the data sets of “To some extent” and “To large extent” are combined into another new data set “Major.”
The community relations and social responsibility projects of Chinese POEs can be divided into three categories; 1) projects that are initiated or supported by the economic and commercial counsellor’s office of the Chinese Embassy in the host country; 2) projects initiated by a POE chamber of commerce; and 3) projects independently initiated by enterprises.

For those supported by the economic and commercial counsellor’s office, examples include the initiative on compiling the *2017 Report on Corporate Social Responsibility of Chinese-funded Enterprises in Kenya*, which was initiated by the Economic and Commercial Counsellor's Office of the Chinese Embassy in Kenya, and drafted collectively by Chinese enterprises in Kenya under the coordination by the Kenya-China Economic and Trade Association. In 2015, the Economic and Commercial Counsellor’s Office of the Chinese Embassy in Angola and the Chamber of Commerce of Chinese-funded Enterprises in Angola together produced the *Report on Corporate Social Responsibility of Chinese-funded Enterprises in Angola*.

Case 6. **Mcedo Beijing Primary School**

Mcedo Beijing Primary School, located in Matale, Nairobi, was funded by the Chinese Embassy in 2007. After years of use, school teaching resources and venues were facing shortages. In November 2012, promoted by the Chinese Embassy in Kenya, the Kenya-China Economic and Trade Association organized member enterprises and other Chinese-funded institutions in Kenya to raise 54.4648 million Kenyan shillings (about US$600,000) for the second-phase expansion of the school. After expansion, the number of students enrolled in the primary school increased from 360 to 485. At the same time, a junior middle school was set up, enabling 128 students to receive junior secondary education (Kenya-China Economic and Trade Association, 2017).

The second category refers to projects organised by a chamber of commerce for POEs, often involving many other Chinese enterprises in the country. For example, members of Chinese Chambers of Commerce in Angola have donated to local orphanages. The social responsibility activities organised by these chambers of commerce are mainly aimed at member enterprises and the communities where those enterprises are located.

The third category refers to social responsibility projects independently initiated by POEs. Most social responsibility projects initiated by POEs in Africa focus on benefiting surrounding communities, such as drilling wells, repairing schools, paving roads and providing drinking water, in communities near factories or construction sites. Some enterprises have also developed systematic corporate social responsibility strategies.
However, interviews with Chinese POEs highlighted that there remains room for improvement in carrying out social responsibility activities more effectively. For example, the awareness and ability of Chinese POEs to record and archive social responsibility activities need to be strengthened. Although many POEs are taking concrete steps to support local communities, little effort has been made to officially document or to communicate these efforts such as through annual reporting. Survey and interview results show that the sharing of information and the communication of POEs' CSR projects is mainly focused on Chinese audiences rather than the local communities.

### 3.7 Environmental Protection

The survey analysed the environmental sustainability of POEs in five key areas, in relation to the goals of the 2030 Agenda. The survey results show that over 50% of POEs have contributed to reduced energy consumption and waste disposal. This is mainly due to the fact that these actions
are closely related to their own business operations which are often taken more seriously. However, for biodiversity protection, animal habitat protection, as well as the impact on the landscape of the surrounding areas, the surveyed companies feel they have contributed less. One reason could be that for some of the surveyed companies, their operations may not be directly associated with or have an impact on biodiversity and habitat. In addition, some are located in industrial zones where environmental safeguards have already been implemented by zone investors or developers.

Figure 11. POE Perceived Contribution to Environmental Sustainability in Host Countries

Note: The data come from the results of a survey question on POE self-assessment of their positive influence on the environmental sustainability of host countries. The options are: 1. “No influence” 2. “Limited influence” 3. “Moderate” 4. “To some extent” 5. “To large extent”. For the sake of conciseness and clarity, the data sets of “No influence” and “Limited influence” are combined into the new data set “Minor”; the data sets of “To some extent” and “To large extent” are combined into another new data set “Major”.

3.7.1 Environmental Impact Management

With regard to environmental sustainable development, it is a common practice for the surveyed POEs to complete environmental impact assessments (EIA) based on the requirements of the local government.

Results from the interviews show that in countries where the government considers environmental protection important, Chinese POEs are more active in fulfilling their environmental protection obligations. For example, the Thailand-China Rayong Industrial Zone has established an environmental protection park as a result of Thailand’s environmentally friendly policies. This means that when there is a conflict between economic development and environmental protection, the zone will prioritise environmental protection. Environmental impact was assessed at the planning stage of the zone, which specified that some highly polluting industries are not allowed to enter the zone. In addition, the Rayong Industrial Zone signed a contract with the Thai government to set clear environmental protection standards; only when the emissions of enterprises reach certain standards can they enter the park. The Thai government has relevant standards for environmental protection and emissions,
and the zone has increased standards on the basis of those set by the government. “We need to make sure that their industrial processes meet our standards to enter Thailand and the zone before we talk about other things. We have our own environmental protection team that maintains regular contact with the Thai government,” stated a representative of the Rayong Industrial Zone during interviews.

During the survey, some POEs reflected that although the local environmental standards are mostly European standards which are even higher than China’s domestic environmental standards, few government officials can fully implement them in practice. For example, Kenya implements European environmental standards, but in terms of monitoring compliance, there are no effective supervision tools for management. To tackle these challenges, Kenya’s Kota Ceramics Factory has tried implementing an annual open inspection mechanism, inviting Kenya’s Environmental Protection Bureau to provide rectification suggestions. At the same time, the local government and villagers are invited to visit the factory. This mechanism helps the ceramics factory to maintain proper communication with the Environmental Protection Bureau and the local people and to harmonise the business environment.

Regulations around emission standards in emerging industries in some host countries are at times unclear. Some of the Chinese POEs interviewed indicated that the host countries did not have comprehensive environmental standards when they first entered the market; however, the standards have gradually been formulated as the pace of industrialisation picked up. For example, when the Eastern Industrial Park in Ethiopia was first built ten years ago, the Administrative Committee consulted the Ethiopian government on pollution treatment policies but was told that no relevant regulations were in place at that time. Based on over 30 years of experience in operating domestic industrial parks in China, the Administrative Committee of the Eastern Industrial Park built a sewage treatment plant with a daily capacity of 3,000 tons. However, a large number of enterprises entered the industrial park in 2015, which made the existing sewage treatment facility insufficient. Furthermore, with new requirements introduced by Ethiopia’s Ministry of Environmental Protection, the Administrative Committee then needed to expand the scale of sewage treatment to meet a daily capacity of 10,000 tons.

### 3.7.2 Investment in Renewable Energy

The past decade has witnessed the fast development of Chinese renewable energy. China’s overseas investment in renewable energy projects jumped in 2016 by 60% to a record US$32 billion, marking its leadership in the global market for clean energy. In 2017, China announced that it would provide at least US$361 billion for renewables in China by 2020, a key to the country’s transition away from polluting coal power (Hood, 2017). In 2017, many Chinese firms topped the Clean200 list of 200 green energy and technology companies across a range of sectors, including biofuels and battery storage, confirming the country’s emergence as a global leader in the growing clean energy economy (Middlehurst, 2017). The list launched by As You Sow and Corporate Knights in 2017 shows that 71
of the world’s 200 largest publicly listed firms in this sector are China-based. The majority of Chinese renewable energy enterprises are private-owned, with the success of Chinese private renewable energy companies underpinned by support from the central government’s policies and regulations. In 2014, China increased its investment to US$89.5 billion, up 32% from the previous year. This was nearly 73% more than the US, the next largest investor (Middlehurst, 2017). With the advancement of the Belt and Road Initiative, Chinese renewable energy POEs are exploring overseas markets, and spreading Chinese renewable energy technology worldwide. For some developing countries and least developed countries, Chinese technologies provide a relatively clean energy solution such as photovoltaic and wind energy.

Case 8.

Trina Solar Provides Integrated Micro-Grid Solution for 27 Islands in the Maldives

Known as the “Pearl of the Indian Ocean”, the Maldives attracts tourists from all over the world with its beautiful natural scenery and marine recreation. However, urgent problems such as resource shortages and environmental pollution have become the main factors that restrict the economic development of the Maldives. The Maldives consists of more than 1,200 small coral islands, 202 of which are inhabited and because of the separation between large and small islands, it is impossible to build large power stations to supply electricity uniformly. Each island relies on diesel power plants to provide electricity and due to the high number of islands in the area, there is no power grid to transmit electricity. However, because of the high cost, electricity is often only used for emergencies. The Maldives spends more than 20% of GDP on fossil energy such as diesel oil every year and the government’s finances are unable to bear such a heavy burden. Consequently, electricity supply is usually not reliable. Furthermore, with the Maldives only about one meter above sea level, sea level rise due to climate change and other issues are serious threats to its survival. At its peak, 81% of the country’s electricity generation came from the burning of diesel oil, contributing to atmospheric pollution and the greenhouse effect. Therefore, the Maldives must find an efficient clean energy solution that can make full use of local resources and reduce greenhouse gas emissions.

Solution

Currently, the cost of diesel power generation in the Maldives is US$0.3 per kilowatt-hour, higher than the world average cost of wind power generation and photovoltaic power generation. As well, the Maldives is rich in wind and solar resources. Therefore, the government is eager to developing renewable new energy. The local government plans to become the world’s first “Carbon Neutral” country by 2020.

Trina Solar and the Maldivian Ministry of Environment and Energy are providing an integrated solution of “light + storage + diesel” micro-grids for 27 islands in the Maldives. The project consists of a 4.6MW photovoltaic module, a 6MW diesel generator and a 4.97MWh energy storage system; digital control of photovoltaic, energy storage and diesel engine systems.
is being implemented to optimise the island’s micro-grid, boost the utilisation rate of clean energy, and improve the quality, safety and stability of power transmission. The project includes an integrated system solution covering early-stage consultation, scheme design, procurement, system integration, construction, on-site training, debugging, and performance demonstration.

According to the characteristics of different islands, two solutions are proposed:

- **Scheme 1**: The diesel generator set provides 25-30% of power generation and ensures the stability of power generation. The photovoltaic system supplies electricity during the day. The energy storage system is used as the backup power supply and is deployed when diesel oil and photovoltaic sources are unstable.

- **Scheme 2**: The photovoltaic system serves as the main power supply (to a maximum of 100%), while the diesel generator set is used as the backup power supply, put into use only when the photovoltaic energy storage is insufficient. The energy storage system serves to coordinate distribution power and stabilise the power grid.

![Trina Solar's photovoltaic system in the Maldives](image)

**Project Impact**

The project is the largest “light + storage + diesel” micro-grid project in the Maldives, and is providing green power to 27 local islands, ensuring the safety and stability of electricity consumption. The project is expected to save about 2,600,000 litres of diesel oil and reduce carbon dioxide emissions by about 8,100 tons per year, providing a major source of electricity for more than 11,000 residents, hospitals, kindergartens, docks and schools on the islands. The overall solution is projected to recover investment costs in about 10 years, while the service life of the power station can be as long as 25-30 years. Therefore, besides supplying energy and protecting the environment to achieve sustainable development, the project can also be considered one of the ways local residents can obtain additional income.

The original small diesel generator in the Maldives could only be used as an emergency energy supply, and its cost is relatively high. Trina Solar’s micro-grid project in the Maldives combines the island’s diesel power generation with photovoltaic power generation, gradually promoting the transformation of the island country’s energy supply from traditional fossil energy to new energy. While better meeting the energy supply demands required for local social development and economic activities, it also alleviates the environmental damage caused by greenhouse gas emissions. The micro-grid solution promotes the concept of sustainable development while introducing new economic growth points, which serves as a good example for the energy development of other island countries.
3.8 Compliance

Many POEs indicated in the questionnaire responses that “abiding by the laws and regulations of the host country”, “abiding by the UN Guiding Principles on Business and Human Rights” and “adopting responsible procurement-related policies” are relatively more important. However, “abiding by the relevant policies of anti-bribery and anti-unfair competition” is considered least important by the POEs.

![Graph showing POE Perceived Contribution to Corporate Governance in Host Countries]

* Valid responses: 566 (78%)

Figure 12. POE Perceived Contribution to Corporate Governance in Host Countries

Note: The data come from the results of a survey question on POE self-assessment of their positive influence on corporate governance in host countries. The options are: 1. "No influence" 2. "Limited influence" 3. "Moderate" 4. "To some extent" 5. "To large extent". For the sake of conciseness and clarity, the data sets of "No influence" and "Limited influence" are combined into the new data set "Minor"; the data sets of "To some extent" and "To large extent" are combined into another new data set "Major".

In addition, when comparing companies by the number of years they have operated overseas, "newly-going-out" POEs (less than three years) are more concerned with corporate governance. This reflects recent trends in the business and market environment, such as the introduction of a series of policies by the Chinese government, the uncertainty of the international business environment and the strengthening of relevant laws and regulations of host countries, which have influenced POEs to become more careful about their “Going Global” strategy and their internal capacity to implement it.
For Chinese enterprises operating overseas, compliance requirements are threefold: first are the standards of the host country, second are the requirements of relevant domestic industries, and third are the requirements of upstream enterprises in the supply chain. Analysis of the survey and interviews shows that some manufacturing enterprises are optimising supply chain management in order to obtain orders from internationally recognised brands and meet the certification standards for upstream customers. For example, Vietnam-based Shengtai Group which supplies garments to Japan and Europe, has now become the second largest supplier of t-shirts for Uniqlo in Japan. Japanese customers have high requirements about overtime work, human rights and working environments and European and American customer demands even higher standards. This has raised the standard for Chinese companies. An audit is often demanded by the customer and a series of certifications are required before the order is placed. On the one hand, obtaining relevant qualifications and certification is needed to fulfil customer requirements; on the other hand, enterprises are also motivated to meet international standards on their own and obtain international certifications, thus helping themselves increase their local competitive advantages and better fulfil international orders.

Many POEs that have been engaged in overseas operations for a longer period realise that compliance can safeguard their own operations. As a positive example, some of the Chinese POEs interviewed...
have involved external accounting and law firms to provide technical insights during their decision-making process.

Emphasising compliance is also conducive to creating a fair competitive environment. Results show performance differences between Chinese POEs, with some having performed well in compliance and some still needing to improve. Those who do not adhere to compliance requirements also cause greater overall challenges by creating a stereotype and negative impression of all Chinese POEs to local law enforcement, which puts the other companies operating in compliance in an unfair situation.
Chapter 4  Challenges of Overseas Operations

—Perspectives from Chinese POEs and Stakeholders
The implementation of a “Going Global” strategy and the Belt and Road Initiative can be challenging due to differences in economic development, governance structure, social development, and cultural backgrounds among countries along the routes. In addition, Chinese POEs are still in the early stages of internationalisation and inevitably face various risks and emerging challenges. Based on interviews with different stakeholders, this chapter focuses on some of the key challenges faced by outbound Chinese enterprises. Government officials, media and local and international civil society organisations were also interviewed on their perceptions about Chinese investment, in order to help Chinese POEs tackle potential challenges during their internationalisation process.

4.1 “Difficult Middle Ground”
Internationalisation theories envisage that most firms will continue the journey of internationalisation so long as the benefits of internationalisation exceed the costs, and the risks are reasonably under control. However, it needs to be noted that when enterprises’ global footprint becomes relatively large, there might be a “difficult middle ground” where incremental gains plateau but costs keep rising rapidly; therefore companies find continued global expansion to be difficult. Whether this middle ground exists for “Going Global” Chinese POEs, and when it occurs, varies across industries, business models, markets and firms.

In fact, most Chinese POEs are aware that the initial action of “Going Global” itself does not guarantee sustainable overseas operations. The real challenge, however, comes in the middle and final stages of international development, when the outbound enterprises must develop corresponding capabilities to absorb what has been acquired, e.g. markets, resources, efficiency or strategic assets, and make them part of the enterprises’ own competitiveness. This issue is critical for outbound POEs because differences in management style, culture, incentive frameworks and relationships with stakeholders could all potentially raise the cost of operations and offset the initial benefits of internationalisation. Furthermore, the recent rise of protectionism and anti-globalisation worldwide further worsens the operating environment for companies. Some private-owned enterprises with relatively weak corporate governance capabilities and limited experience in dealing with emerging challenges are therefore more likely to face a “difficult middle ground”.

The report survey reveals that not all risks are perceived as equal by Chinese “Going Global” POEs. Generally speaking, POEs’ overall risk perception is skewed towards economic, financial and commercial risks and less towards political, social, environmental and other sustainability issues.
Among all the potential risks, exchange-rate risks and inflation risk were considered by the correspondents to be the biggest risks while risks related to community issues and environment were considered the smallest.
Figure 15. Major Risks Faced by POEs Operating Overseas

* Valid responses: 593 (82%)

Note: The data come from the results of survey question on major risks faced by POEs in overseas operations. The respondents are asked to evaluate on a scale from 1 to 5 with 1 referring to “No such risk” and 5 referring to “to a large extent”. The data shown in the chart are the average value of survey results.

Such a risk perception may lead to imbalance in POE overseas risk management practices. According to the survey, although 70% of surveyed companies had conducted internal risk assessments as part of their due diligence procedures, less than half of the surveyed companies (43%) have organized risk-related training for their expatriate staff. About one-third of the surveyed companies sought professional risk management support from third-party agencies, but even fewer (34%) have established early warning and risk monitoring mechanisms. Less than 12% of all companies have developed specific, budgeted risk management plans.
4.2 Financing Difficulties

Financing difficulties are considered one of the top challenges for Chinese POEs. For example, due to the lack of efficient support from modern financial services such as loans and settlements, POEs often struggle with China-Africa commercial investment cooperation. Chinese POEs, especially small and micro enterprises, lack not only collateral recognised by local banks but also credit records in their host country, which makes it challenging for local African banks to judge their credit and the enterprises to obtain loan support from them. Private business owners, particularly from small and micro enterprises, have to use their personal assets as a guarantee to carry out private borrowing and financing in China. When settling accounts, due to foreign exchange controls in many African countries, Chinese businessmen have to use the local currency for settlement, change it to US dollars in a third country and remit it to China in Yuan to repay debts. Every step in this process increases the financial cost to POEs, accompanied by insecurity and risks of financial misdeeds.

During the research in Southeast Asian countries, the research team found that some POEs choose to register in Hong Kong or Singapore in order to get financing from commercial banks there. Even though China’s domestic financial institutions are also gradually expanding overseas, financing support for POEs is still insufficient to meet their needs. For example, a private textile enterprise that invested and set up a factory in Vietnam sought financing from a Chinese-funded bank in Vietnam. It took eight months to process the application and the plan offered in the end was not feasible. However, when the private enterprise sought financing from five local banks in Vietnam, all of which gave workable plans, the fastest took only 28 days.
4.3 Legal and Regulatory Challenges

The questionnaire also reviewed how Chinese companies perceive legal and regulation risks in host countries. Survey results show POEs perceive customs and trade restrictions as the most problematic legal and regulation challenges when operating overseas, followed by lack of transparency and familiarity in market entry regulations, taxation, and contract disputes.

![Chart showing legal and regulatory risks faced by POEs]

* Valid responses: 593 (82%)

Figure 17. Major Legal and Regulatory Risks Faced in Overseas Operations

Note: The data come from the results of a survey question on major legal and regulatory risks faced by POEs in overseas operations. The respondents are asked to evaluate on a scale from 1 to 5 with 1 referring to "No such risk" and 5 referring to "major risk". The data shown in the chart are the average value of survey results.

Survey results also indicate that POEs whose overseas operations commenced within the past three years perceive higher legal and regulation challenges, especially in regard to host country regulations in market entry, customs, and taxation. Contract disputes are highlighted as a major challenge for companies with around 15-20 years' overseas experience. Companies with over two decades' overseas operational experience perceive legal and regulation challenges as easier to deal with. This analysis shows that legal and regulation difficulties become less challenging for POEs as they operate longer overseas. They familiarise themselves with host country, regional, and global laws related to their business operations.
Legal and regulation challenges are critical for Chinese POEs in both developed and developing markets. In developed markets such as Europe, Chinese POEs expanding business activities for the first time are usually unaware of the details of laws and regulations on employment protections, tax, and anti-corruption. Important examples are sanctions against specific countries, entities, or individuals; regulations to protect intellectual property rights and copyrights; restrictions on the export of particular goods; national laws against corruption; and data protection and privacy policies. In general, these regulations do not pose a large problem for Chinese POEs operating in the EU market, but often represent a major challenge for Chinese companies that do not have efficient firm-wide structures in place to ensure compliance with these rules. Non-compliance can lead to stiff penalties from regulators, potentially costly litigation and arbitration in European courts, and most importantly, create negative publicity, damaging reputations and the prospects of future international expansion.

Chinese POEs’ unfamiliarity with other laws and regulations in Europe may lead to problematic consequences. Without guidance from professional organisations, some Chinese investors find it difficult to understand the full implications of European countries’ legal and regulatory regimes. The regulations and constraints in the areas of labour and environmental laws, as well as other routine
compliance requirements commonplace in Europe, leave many Chinese investors bewildered. A frequently mentioned example during the field research is the challenge of discussing business over meals. Although a common practice in China, many Chinese companies are unaware that local laws in European countries have detailed and strict regulations regarding the upper limit of meal prices and receipt formats, and violations can lead to penalties including extra taxes or even corruption accusations.

In developing markets, although legal and regulation frameworks are comprehensive, challenges remain in enforcement. For investment in an industry that is new to a country, Chinese POEs can face many obstacles. In this case, relevant regulations may either be absent or at a preliminary stage, causing confusion and complexities for Chinese companies. For example, when the idea of investing in the Eastern Industrial Zone (EIZ) in Ethiopia was first discussed, the country had no other industrial parks or special economic zones. As a result, it was established as a manufacturing company instead of an industrial park, and Zhejiang Qiyuan Company encountered many problems with the construction of EIZ in 2008. These included tax exemptions for production and construction materials, land use and purchase and tax holidays. However, the process of solving these problems pushed the local government to issue the Industrial Zone Law in 2015 and since EIZ was created, Ethiopia has established a further 14 industrial parks all over the country, all subject to the new industrial park law.

In developing markets, POEs have often relied on connections with governments when investing in a new country. Rather than conducting detailed market research and feasibility studies or hiring professional law and accounting firms to understand local investment regulations, they tend to rely on people within their networks, or ‘guanxi’. Business conducted through these informal connections are usually outside of legal protection, and may result in unnecessary losses for investors.

However, working with legal and business consulting firms has now become common practice for Chinese POEs overseas. Yet the interviews highlighted that challenges also occur in the process of hiring consulting companies. Many Chinese firms complained about the difficulty in identifying a good and trustworthy consulting company to work with. Moreover, the Chinese results-oriented business culture is divergent from the process-oriented culture of many host countries. Frequently, Chinese companies are less comfortable paying consulting companies based on their hourly rate before the final outputs are delivered.

However, it is not only Chinese POEs that struggle to understand the diverse cultural norms of host countries; it is also challenging for local stakeholders to understand the diverse nature of Chinese POEs. Often the unethical behaviour of an individual enterprise can harm stakeholders’ perception of Chinese POEs and even China altogether. The existence of these POEs harms the overall reputation of Chinese companies in host countries. POEs that operate in full compliance with the law find themselves at an unfair disadvantage when forced to compete with those few companies who operate on the edge of or even beyond legality.
4.4 Management Culture and Labour Relations

4.4.1 Management Culture

In-depth field research revealed how language and communication barriers influence Chinese POEs’ overseas operation. In many non-English speaking countries such as Germany, Sweden, Vietnam, and Cambodia, few local employees can speak Chinese at a business level, and vice versa. Using English as a common language can be challenging for both local and Chinese staff. In addition to language barriers, the different socio-cultural horizons and socialisation practices are often a significant impediment for smooth and effective cooperation. Communication styles also vary greatly. For example, European countries favour a direct communication style with a steady flow of information. Chinese managers, on the other hand, expect significant amounts of information to be understood from the context of the conversation. These cultural differences may lead to misunderstanding between Chinese managers and employees, which then demotivate communication. Therefore, for Chinese POEs in Europe, relying on localised management teams and granting higher local autonomy has become common practice to reduce communication costs.

In East Asian culture, there is a hierarchical understanding of professional relationships. For example, in Chinese companies, there is a rigid hierarchy in which orders are obeyed and the instructions of higher ranked employees are followed. Foreign employees in a Chinese subsidiary tend to perceive their Chinese managers as less social because they do not interact with them during lunch breaks or after work. The employees believe that Chinese expatriates have a more work-centred approach and they perceived a higher power distance between them and the Chinese managers. Complementary to this research, a PwC report shows that many managers from Europe complain about a perceived lack of planning and transparency on the Chinese side, and believe that Chinese investors should deepen their understanding of the cultural needs of their European employees and sensitise both parties to each other’s cultural preferences.

In addition, in many of our interviews in African and Southeast Asian countries, locals note that Chinese companies do not have a clear distinction between work and life. Chinese employees in these companies tend to work and live together in the same compound, and it is not uncommon for Chinese managers to summon a team meeting right after dinner. Local and international employees who do not choose to live inside the same compound may miss some meetings and usually find it difficult to integrate themselves into the team.

During interviews, local stakeholders would often highlight the challenges regarding Chinese companies’ understanding of cultural diversity between countries in the same region. One official from the Ethiopian Investment Commission explained, “The mind-set of Ethiopian people is very different from other African countries. You could not expect someone who has worked in other parts of Africa to lead properly in Ethiopia. Africa is not the same”. He also proposed, “Whoever is willing to invest in Ethiopia should also receive training, not only the locals.”
4.4.2 Labour Relations

Survey data indicates that the average percentage of local employees in Chinese POEs overseas is around 46%, and 25% of management positions are local employees. The survey also notes that larger companies tend to have a higher percentage of local staff, but localisation of management positions does not correlate with the size of the enterprise.

![Figure 19. Composition of Overseas Employees in Enterprises of Different Sizes](image)

When interviewing Chinese POEs in Europe, the research team found that Chinese companies are often confused by local labour laws and regulations, which are usually extremely detailed and are different from labour laws in China. In Germany, for example, for companies engaging in asset deals (buying a factory) or share deals (buying company shares), one of the prerequisites for successful acquisition is the satisfaction current employees feel about the new owner. After a take-over or during the restructuring period, Chinese investors often struggle with some requirements under German employment law, especially the requirement about signing labour union agreements and designating employee representatives in those unions, which Chinese companies are not familiar with. In general, Chinese POEs operating in Europe abide by the rules and regulations related to labour unions, in accordance with the compulsory requirements, even if they do not yet fully understand the benefits that such unions can bring to the business.

POEs can also face regular labour law issues in their daily operations. For example, parental leave entitlements, rules governing access to daylight in the workplace, as well as entitlements to the reduction of working time or deferred compensation with regard to company pension schemes are
challenging for many employers. Unlike in China where discontinuing a working contract is more flexible than in Germany or some African countries that follow Western legal systems such as Kenya, our interviews show that Chinese companies frequently find themselves involved in lawsuits due to employee layoffs.

The high turnover rate of Chinese and local employees is another challenge for Chinese POEs’ overseas development. Unlike state-owned enterprises (SOEs) that usually have sound family arrangements and support for expatriate staff, many POEs have minimal staff support beyond salaries, and thus it is not uncommon to see senior Chinese managers leaving POEs due to family commitments. Some POEs investing in Africa mentioned that it is very difficult to recruit Chinese employees and that staff mobility is also comparatively high. Many Chinese also find it challenging to live and work in Africa due to differing cultures and working environments. This has often limited the rapid expansion of POEs overseas. This means less staff are recruited, in particular talented staff who are high in demand. Some enterprises do encourage their employees’ family members to join them and the company will arrange corresponding posts and provide more comfortable living environments so that they can focus on their work. However, even if the policy is available, it is rarely implemented. For example, due to local security risks, many employees still worry about bringing their families. In developing countries where skilled labour is often scarce, Chinese companies frequently complain that after local employees finish on-the-job training, they usually become the target of poaching by other companies.

4.5 Community and Stakeholder Engagement

Another challenging area for Chinese POEs is the management of stakeholder relationships. Multinational corporations are embedded in a network of stakeholders (including employees, suppliers, governments, and the local community). The composition and inter-relation of the stakeholder groups vary across regions and countries, which is also different compared to domestic operations in China.

In the survey, Chinese POEs were asked to evaluate their relationships with stakeholders. Survey results show that the top two stakeholders that Chinese POEs evaluate their relationships with as “good” are: business partners (56%) and local/regional government of host countries (45%). There are fewer interactions between POEs and other stakeholders such as international development organisations (29%), academic institutes and think tanks (30%) and media (33%).
The survey also asked respondents if they have disclosed CSR or sustainability information in the past three years. Data from the survey show that 7% of the POEs release country-specific CSR or sustainability reports on an annual basis, while 57% of POEs do not have any information disclosure mechanism. The most common way for Chinese POEs to disclose information is through their corporate website (17% of respondents); 11% of POEs’ headquarters publish CSR/sustainability reports with activities and information from overseas offices; and 8% POEs have published country-specific CSR/sustainability reports (not annually).
Interviews with stakeholders show that local governments that have worked with Chinese companies in general have a favourable perception towards Chinese investors. They complimented Chinese contributions to the infrastructure development and industrial upgrading in their countries, although some officials did raise concerns on specific issues such as the quality of construction work and environmental impact management.

NGOs/CSOs and media in host countries both had mixed views towards Chinese investments. While acknowledging the contributions Chinese companies have made to economic and infrastructure development of their countries, they also highlighted a number of concerns. Many stated that POEs lack information transparency and their feedback mechanisms must be improved. Although local stakeholders would often like to assist Chinese POEs in responding to domestic concerns in reporting, Chinese companies’ poor communication has weakened such support. In addition, Chinese POEs have a relatively narrow understanding of corporate social responsibility. Some POEs consider CSR the same as philanthropic activities, and lose opportunities to cooperate with civil society organisations, media and local communities in host countries.

### 4.6 Environmental Risks

The gap between different POEs is acutely reflected by the completion and implementation of Environmental and Social Impact Assessments (ESIA), a common practice used by investment projects to evaluate environmental and social risks that is widely accepted by stakeholders. Only 42% of surveyed POEs had conducted an ESIA, of which about half had completed the exercise with recommendations (if any) being incorporated. Of the 58% that had not conducted an ESIA, the majority (44%) consider ESIA a non-compulsory practice. These observations indicate two underlying causes of weak risk management among outbound Chinese POEs: the opportunistic perception of
risks that sees risk management as a cost rather than a cost-reduction factor; and insufficient support from both regulatory authorities and professional agencies in guiding and advising companies adopting appropriate risk reduction measures.

In fact, considering that a large number of Chinese POEs are engaged in non-construction overseas business such as trade and logistics, which do not involve environmental assessment issues, the results above are comparatively credible. However, in the survey, some communities also hope that Chinese companies will invest more in ESIA.

4.7 Overseas Cooperation Networks for Chinese POEs

Few attempts have been made by surveyed Chinese POEs to explore potential partnerships with entities outside of their business, which limit the opportunities to increase positive impacts and to create shared value. Lack of multi-stakeholder cooperation in turn weakens companies’ capacity in
Chapter 4 Challenges of Overseas Operations: responding to risks. Chinese POEs need to continuously broaden their partnership networks and strengthen cooperation with key stakeholders, including but not limited to governments, overseas business councils and associations, international organisations, media, academia and civil society organisations.

- **Chinese Chambers of Commerce**

Although Chinese Chambers of Commerce could potentially provide effective assistance to POEs’ overseas operations, they are experiencing problems such as a lack of competent full-time staff and funding. Only three out of eight Chinese overseas Chambers of Commerce the research team visited had a full-time secretary, and it is a common practice for the CEOs or chairmen of an enterprise to serve part-time. However, recent trends have shown a growing number of Chinese Chambers of Commerce are now established in countries along the Belt and Road, representing Chinese city or provincial companies, or various industries in different cities of host countries. The primary funding source for overseas Chinese Chambers of Commerce is through a membership fee. Some chambers of commerce explained that funding is used mainly for the daily operations of the organisation and is not enough to hire full-time staff.

Survey data shows that only 16% of respondents are members of a Chinese Chamber of Commerce in host countries. The capacities of overseas Chinese Chambers of Commerce to serve their member enterprises need to be further improved. With regards to the support needed to foster sustainable development by Chinese businesses overseas, 61% of the interviewed enterprises had sought support for obtaining diversified financing, 54% of the surveyed enterprises note they would seek comprehensive information and data services from countries along the Belt and Road, while 52% claim that they would seek targeted support to optimise corporate governance structures and enhance global competitiveness. In addition, nearly 52% of the interviewed companies agree that the integration of corporate strategy with preferential policies, bilateral agreements and aid policies of the host country is conducive to overseas sustainable development. Nearly 50% of the surveyed enterprises believe that overseas human resources development needs to be further strengthened, and more than 40% of the enterprises recognise the value of coordination mechanisms and professional support in risk management, legal services, and financing and international cooperation. This data can contribute to the formulation of corresponding action frameworks for various stakeholders to support the overseas sustainable development of POEs.
Figure 23. POEs' Participation in Local Chinese Chamber of Commerce

* Valid responses: 677 (93%)

Figure 24. Most Sought Non-Official Support for Sustainable Development of Chinese Investment Overseas

* Valid responses: 689 (95%); Multiple-answer question

- Assisting companies to obtain diverse financing channels: 61%
- General data platform on business environment of countries along the Belt and Road: 54%
- Helping improve a company’s governance structure and enhance the company’s global competitiveness: 53%
- Promoting the integration of local industrial policies, inter-governmental agreements and foreign aid policies: 52%
- Enhancing the construction of a overseas human resource system: 49%
- Professional services (risk control, laws & regulations, investment and financing and international cooperation): 42%
- Supporting the construction of sector, national and regional coordination mechanisms: 39%
- Other: 1%
Case 9.

Chinese Chamber of Commerce in Germany

The Research Team’s field research shows that the Chinese Chamber of Commerce in Germany, CHKD, serves a critical role in facilitating Chinese companies entering Germany through the provision of information, training, and connections, as well as by introducing Chinese business and culture to the general public of Germany. CHKD is the first overseas Chinese Chamber of Commerce in Europe, and has benefited from Germany’s extensive history and culture of Chambers of Commerce. CHKD’s successful experience could potentially serve as a model for Chinese Chambers of Commerce in other developed and developing countries.

- **About CHKD**

  CHKD’s establishment was announced officially by Premier Li Keqiang in May 2013, and was incorporated into the “Joint Press Communiqué on Premier Li Keqiang’s Visit to Germany”. It is under the supervision of the Ambassador of China to Germany. The mission of CHKD is to “serve members, enhance exchanges, and achieve win-win.” CHKD aims at promoting economic and trade exchanges between China and Germany, and representing member companies in dealing with German government departments, regulatory agencies, economic organisations, media, and the general public. CHKD now has over 170 corporate members in Germany; its secretariat has eleven full-time staff, all possessing Master degrees or above from top universities in Germany.

- **CHKD’s Functions**

  CHKD has two main functions: serving member companies and promoting mutual understanding between Chinese business and the general public in Germany. First, it provides preliminary market-entry introductions and consulting free of charge. CHKD has developed partnerships with regional Chambers of Commerce in Germany and the German Bureau of Economic and Trade Promotion. Introducing Chinese companies that are interested in investing in Germany through these networks eases the way for Chinese companies entering the German market. CHKD also seeks to enhance communications between member companies, as well as between Chinese companies and German local and federal agencies, and develop business and legal training for member companies. Another important function of CHKD is to increase connections with local media and provide a channel for Germany’s general public and media to understand Chinese businesses and culture. Navigating through Germany’s free and open media environment is a challenge for most Chinese companies and as a result, Chinese businesses are perceived as lacking transparency, thus eroding mutual trust between Chinese and German society. CHKD hosts regular media breakfast conferences, actively reaching out to German and international media instead of keeping a closed-door attitude. With in-house public relations expertise, CHKD is able to represent Chinese enterprises in communicating with local media, thus enhancing mutual understanding and trust.

- **Learning from the German Chamber of Commerce and Industry (CCI) experience**

  CHKD itself has benefited from the experience of German Chambers of Commerce to serve
Chinese companies in Germany and enhance mutual understanding between the German general public and Chinese businesses. Germany has a long history of chambers of commerce, which are crucial components of economic regulation. All commercial companies in Germany are members of their local Chamber of Commerce and Industry (CCI), and all of the 79 German CCIs are members of the DIHK (Association of German Chambers of Commerce and Industry). For 150 years, DIHK has been committed to ensuring framework conditions which promote growth and prosperity: to freedom and competition, to open markets, to a stable currency, to good education and good infrastructure. From Flensburg to Konstanz, from Essen to Dresden – Germany’s CCIs are represented throughout Germany. The CCIs organise in-company training, provide information on taxes, marketing, innovation and business law, advice on starting a business and energy efficiency and arrange contacts with banks and savings banks. The DIHK is coordinating the worldwide network of German Chambers of Commerce (AHKs), Delegations and Representative Offices at 140 locations in 92 countries. The AHKs are representing the German economy abroad, promoting global business relationships through their extensive member network and are supporting companies from their host countries in entering the German market through their global service brand “DEinternational”. DIHK and CCIs are consulted by politicians on laws that are relevant to the economy at official hearings, in the daily contact between DIHK experts and the specialists at the ministries, summit talks with secretaries of state, ministers or the German Chancellor’s office etc.

The successful development of CHKD in Germany serves as a good example for Chinese Chambers of Commerce in other European countries and beyond. CHKD has shared its articles of associations and organisational design with Chinese Chambers of Commerce in France, Austria, the United Kingdom, and Denmark. Currently, these chambers of commerce are yet to have full-time employees due to funding constraints. Potentially, CHKD’s model could also be explored among Chinese companies in Africa, Asia, and Latin America.

- United Nations Agencies

When asked about the potential areas of cooperation between Chinese POEs and United Nations agencies to promote sustainable development in host countries, most of the POEs stated that UN agencies could provide support in integrating resources (capital, technology and networks), help enterprises gain access into international markets, help build multi-stakeholder communication platforms, and provide expertise and risk management in social and environmental areas.
Strengthening cooperation with the United Nations and its specialised agencies can potentially help Chinese enterprises to enhance their capacity and practices to generate more development dividends while participating in the Belt and Road Initiative. In order to enhance the role of the private sector in the 2030 Agenda, the United Nations and its specialised agencies have launched a number of initiatives from different perspectives. For reference for Chinese POEs in exploring partnerships with international organisations, the following examples present existing collaborations between three UN agencies (UNICEF, UNAIDS, ILO) and the private sector.

**Knowledge Box 2.**

**The United Nations Children’s Fund (UNICEF)**

1. **Initiative(s) for private sector participation**

   To achieve the SDGs and support child-centred growth, UNICEF works with business and its stakeholders to accelerate scalable and sustainable results for children by 2030, including by:

   - Engaging business commercially, i.e. by procuring and supplying goods and services, or by influencing market prices and products for children
   - Mobilising resources for programmes and children, through advocacy initiatives, or by jointly developing and leveraging technical solutions to programmatic challenges
   - Achieving programmatic outcomes by addressing business’ impact on children, under the umbrella of “Better Business for Children” which identifies actions that all businesses should take to respect and support children’s rights in everything they do – in the workplace, marketplace, community and environment
UNICEF also supports governments to protect children’s rights in business through:

- Undertaking assessments of how business or economic policies and regulations- or lack thereof- potentially impact children
- Assisting governments to develop and enforce regulations to ensure that business practices ‘do no harm’ and private provision of public services is undertaken efficiently and effectively
- Strengthening regulations and incentivisation regarding family-friendly workplaces, migrant workers and families
- Creating awareness of child rights and business legal requirements among business investors
- Strengthening regulation of online spaces and digital marketing targeting children and providing effective regulatory framework for personal data collection, sharing and use.

2. Current business actions

Entry points for business to work with UNICEF include:

1) Business to provide essential goods and services for children and families

For example, in the health sector, in many low and middle-income countries, a large proportion of health services are provided by the private sector. Suppliers of healthcare equipment, childcare services, drugs and related material; employers and corporations; insurers and health management organisations influence access of women and children to quality health services, and communications, media and advertising agencies also influence health-related behaviours, and should be engaged in broader health systems strengthening efforts.9

2) Business as employer

UNICEF, governments and industries are taking joint actions to address systemic challenges, supporting female entrepreneurs, mainstreaming child rights into global supply chain practices and promoting family-friendly policies. As an example, UNICEF works on breastfeeding support with the apparel and footwear industry in Vietnam, the garment industry in Bangladesh and tea plantations in Kenya.

Business can also support young workers in the workplace to comply with national legislation and international standards on minimum age for full time, non-hazardous work10, encourage the prohibition of use of under age workers in supply chains, elimination of child labour and promote education to address the root causes of child labour.11

10 ‘Young workers’, for UNICEF, are those above the legal working age and under 18 years. The international minimum age for full time, non-hazardous work is 15. National standards may be higher. In accordance with ILO Convention 138, countries with an insufficiently developed economy and education system may have temporarily registered a general minimum age of 14. https://www.unicef.org/csr/243.htm
11 Child Labour and UNICEF in Action: Children at the Centre.
3) Business impact on communities and environment

Business has significant impact on the communities in which children grow up, including water and air quality, and land use and access. Areas relevant for UNICEF programming include: business impact on gender dynamics, food marketing to children, water, sanitation and hygiene impacts, urbanization and climate change.

4) Business as a source of technology and innovation

Big data, artificial intelligence, automation, internet of things, virtual reality, blockchain – such innovation trends will have profound impacts on society and children. Business is often the driver of these trends – whether as the new global technology giants, or smaller innovative enterprises.

5) The voice and influence of business in society

Beyond governments, business also has great influence with young people. For example, recent surveys show that leading internet platforms are increasingly becoming trusted sources of information among young people12. Many businesses have significant reach through their global employee networks, customers, and audiences. Social media provides game-changing opportunities for communication and scale transcending national boundaries. In this regard, business can challenge or endorse prevailing gender norms and address stereotypes through their marketing and advertising, products and services.

3. An example of collaboration in practice

UNICEF is working with Tencent in a project to ensure that all children benefit from a safer and more secure internet by making child online protection a priority for the government, the ICT industry and parents, educators, and communities. The initiative will start by examining the current domestic and international policy and legal framework that regulates child online protection and identify gaps and enablers. UNICEF will then leverage existing international expertise to conduct a situation analysis to further look into how children use the internet in China and what the risks and opportunities are. With such evidence generation, the project will work towards guaranteeing child online protection with policy makers and the ICT industry, to support the development of a regulatory framework and industry standards. Furthermore, the project will facilitate capacity building within the industry, and raise awareness of child online protection among different stakeholders, especially parents, educators, and children themselves.

4. Reference

The Children’s Rights & Business Principles related toolkit which provides a set of resources and tools for implementation is available at: https://www.unicef.org/csr

12 http://www.changemediaforgood.com/issues/the-future-oftrusted-media-youtube-and-google-38489
Knowledge Box 3.

The Joint United Nations Programme on HIV and AIDS (UNAIDS)

1. Initiative(s) for private sector participation
Together with its partners—UNHCR, UNICEF, WFP, UNDP, UNFPA, UNODC, UN Women, ILO, UNESCO, WHO and the World Bank—UNAIDS is working to end the AIDS epidemic as a public health threat by 2030. AIDS will be ended through an integrated approach, drawing on the linkages between HIV and health, development, injustice, inequality, poverty, sustainable development of cities and communities and conflict settings set out in the SDGs.

UNAIDS believes ending AIDS is everybody’s business and will need collaboration between both the public sector and the private sector. Ending AIDS by 2030 needs effective action on: HIV testing, prevention, treatment and care, human rights. Solutions-oriented approaches by the business community are required in each of these areas.

UNAIDS supports effective business action through the following approaches:

- **Inform:** UNAIDS gives regular and authoritative updates on the latest thinking and trends, based on scientific insights and data.
- **Connect:** As collaboration experts, UNAIDS connects businesses with government partners and other sectors to deliver results that could never be realised by a single company alone.
- **Innovate:** UNAIDS helps develop investment options for funding related to HIV services and products across countries.
- **Advocate:** UNAIDS communicates how business partners can contribute to the right to health.

2. Current business actions
Business can contribute to the *Guiding Principles on Business and Human Rights (UNGPs)* agenda by creating safe work environments across its operations so as to address stigma and discrimination, which is a major contributor to new HIV infections linked to lower access to health services but also income inequality.

- The reach, expertise, skills and institutional resources of businesses are key to:
- Ensuring that their workforces and local communities receive HIV prevention, testing, treatment and support through workplace programmes.
- Strengthening systems for health and HIV prevention programme management.
- Making sure that AIDS funding reaches and works for the people most in need.
- Reaching people with the information and tools they need to keep themselves and their loved ones healthy.
- Innovating towards new solutions, ranging from pharmaceutical and diagnostics to service delivery, use of new technologies and financial.

In the *A guide for business — Working together towards ending AIDS* launched by UNAIDS in 2018, UNAIDS advocates for business solutions to ending AIDS in 2030. Companies can strengthen the AIDS response through:
• **Workplace programmes**: giving HIV prevention, testing, treatment, care and support services directly to workers, dependants and communities.

• **Policy and advocacy**: disseminating HIV information through print, TV and radio and social media.

• **Innovation and programme solutions**: harnessing new technologies to increase awareness and strengthen prevention and treatment and care programmes.

• **Strategic philanthropy**: cash and in-kind contributions in support of HIV prevention, testing, treatment, care and support programmes.

• **Cause-related marketing**: raising funds by selling a specific product, with the net proceeds earmarked for HIV programmes.

• **Employee giving programmes**: sharing expertise and, where appropriate, providing funds.

3. **An example of collaboration in practice**

StarTimes is a Chinese electronics and media company with strong presence in Africa, who is also a long-standing strategic media partner of UNAIDS for HIV prevention education among millions of families in Africa.

UNAIDS and StarTimes have teamed up to publish World AIDS Day messages on the theme of HIV. Over the last three years, Star Times has aired World AIDS Day and other videos on their English and French Channels, reaching 13 million audiences in 30 countries across Africa. StarTimes also promoted the advocacy messages on their homepage of StarTimes ON App in English and French reaching 100 million users. Star Times also has MOUs with 14 countries in Africa, where mass social mobilisation platforms such as football matches and music events with local celebrities, are used to reach young people with both HIV prevention information and linkages to HIV services.

4. **Reference**

Knowledge Box 4.

International Labour Organisation (ILO), Responsible Supply Chains in Asia

1. Initiative(s) for private sector participation

The ILO is implementing a project on “Responsible Supply Chains in Asia”, in partnership with the EU and the OECD. The project aims at enhancing respect for human rights, labour and environmental standards by businesses with supply chains in Asia, aligning their practices to international standards such as the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (the MNE Declaration) and the OECD Guidelines for Multinational Enterprises.

Implemented in six Asian countries, namely China, Japan, Myanmar, the Philippines, Thailand and Vietnam, the overall objective of the project is to promote smart, sustainable and inclusive growth by ensuring that investors and businesses gain a better understanding of socially responsible business practices and are aware of how they can promote decent work in their supply chains.

Through evidence-based analyses of selected sectors, the project provides a platform for policy dialogue on labour and social issues involving all relevant key stakeholders. This informed dialogue fosters peer learning and promotes the adherence of businesses and trading partners to internationally agreed CSR/RBC principles, guidelines and standards.

By strengthening inter-agency coordination at the national level, the project aims at building an enabling environment for the implementation of socially responsible business practices to the benefit of businesses, workers and societies alike.

2. Current business actions

By reducing reputational risks for companies, the implementation of socially responsible labour practices increases business opportunities in new markets and foreign direct investment, while generating decent jobs and prosperity in host countries.

Businesses, especially in the electronics and textile sectors, are invited to share their knowledge and practices, inform policy-making and learn from those businesses that are implementing good labour practices in their supply chains. The project also provides training to multinational enterprises and small and medium enterprises on corporate social responsibility, responsible business conduct (CSR/RBC) and international labour standards in the framework of the MNE Declaration.

This Declaration, agreed by governments, workers and employers’ organisations, is the most authoritative international instrument on the labour and employment dimension of CSR/RBC. It provides useful guidance to all stakeholders in areas such as employment, training, conditions of work and life, and industrial relations.

In addition, through its Helpdesk for Businesses on International Labour Standards, the ILO provides information on a wide range of labour topics, all derived from the Declaration, such
Chapter 4  Challenges of Overseas Operations:

as the prevention of child labour and forced labour or the promotion of collective bargaining, non-discrimination and equality at work and the right to organise. Occupational safety and health, security of employment, wages and benefits, and working time are other areas of interest to the tripartite constituents. This service is free of charge and confidential.

By relying on the principles set out in the MNE Declaration as guidelines to enhance the positive social and labour effects of their operations, businesses can make a substantive contribution to the objective of achieving decent work for all, as referred in the universal 2030 Agenda for Sustainable Development in its Goal 8.

In China, the ILO works with the Ministry of Human Resources and Social Security (MOHRSS), China Enterprise Confederation (CEC), All-China Federation of Trade Unions (ACFTU), as well as with sectorial associations to build knowledge and capacity of enterprises on CSR/RBC, and eventually improve compliance with national and international standards through the implementation of socially responsible labour practices both in China and abroad.

3. Reference

Tripartite declaration of principles concerning multinational enterprises and social policy (MNE Declaration) - 5th Edition (March 2017)


Responsible Supply Chains in China


• Chinese Civil Society Organisations (CSOs)

The Chinese government has introduced a number of policy documents for CSOs to “Go Global”, such as Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road issued in 2015, the Opinions on Reforming the Management System of Civil Society Organisations to Promote the Healthy and Orderly Development of Civil Society Organisations issued by the State Council in August 2016, and the Administrative Measures for the Application and Implementation of South-South Cooperation Assistance Fund Projects (Trial) issued by the Ministry of Commerce in September. These policies all emphasise and support the role of Chinese non-governmental or civil society organisations in the fields of education and health care, poverty reduction and development, biodiversity and ecological environment protection at home and abroad (China Philanthropy Times, 2017). By connecting with international NGOs, Chinese CSOs “Going Global” can help Chinese POEs overseas understand and participate in the formulation process of relevant social responsibility standards. The
overseas development of Chinese CSOs can potentially help Chinese enterprises abroad to better fulfil their social responsibilities and to build bridges with overseas communities and other stakeholders, thus creating shared sustainable growth between business and local communities. However, the internationalisation of Chinese CSOs is still at an initial stage. By the end of 2014, the total number of Chinese CSOs amounted to nearly 600,000. Yet by 2013, there were only 481 Chinese social organisations that have international engagements, accounting for 0.17% of the total number of CSOs in that year. Among these foreign-related social organisations, there were even fewer projects and offices operating in multiple countries (Deng, G. and Wang, Y., 2016).
Chapter 5   Making the Most of Globalisation

—A Framework for Chinese POEs to Improve Sustainable Overseas Operations
Improvements can be made by learning from the experience and the good practices of others. In order to help Chinese POEs to understand the rules, regulations and guidelines involved in key areas of global operations, this report has consolidated a preliminary framework that includes fundamental, non-exclusive considerations covering key areas of overseas of corporate governance, such as social and environmental protection, community engagement and growing partnerships. With reference to the prevailing principles, policies, guidelines and practices enacted and promoted by international organisations and the Chinese government, the framework aims to provide a simple, easy-to-use toolkit for both market players and government authorities to reflect and improve the internationalisation efforts of Chinese POEs “Going Global”. In recognition of the differentiated conditions and requirements across sectors as well as countries, the framework also serves as a primer conducive to the development of more systematic and comprehensive code of conduct adaptive to the sustainable growth of Chinese businesses in their respective circumstances.

Specifically, the framework was developed with an aim to improve the sustainable operations of Chinese businesses overseas by benchmarking corporate activities in line with local economic and social development needs, and thus promoting responsible engagement and business participation in the Belt and Road Initiative and the 2030 Agenda while at the same time encouraging reflections on the gaps and needs for improvements. The framework further serves as a tool to help crystallise opportunities for broader, in-depth conversation and collaboration between global actors to advance the Chinese private sector’s contribution to global sustainable development, especially in countries along the Belt and Road. More importantly, the framework is highly action-oriented and calls for joint efforts by China, policymakers of countries along the Belt and Road, and Chinese POEs “Going Global” to integrate the considerations into their agendas.

The framework addresses three areas that emerged through the survey and case studies as particularly relevant to “Going Global” enterprises, namely:

- **Corporate Governance**: Anti-Corruption; Anti-Money Laundering; Information Disclosure and Transparency; and, Promoting Fair Business

- **Social Sustainability**: Stakeholder Engagement; Community Health and Safety; and, Employment and Labour Rights

- **Environmental Sustainability**: Environmental Performance Management

In the following sections outlining the framework, each of these areas is addressed in more detail with a list of key principles to help guide enterprises in strengthening their sustainable development capacity. It also provides references for international guidelines and practices for more in-depth exploration.
5.1 Corporate Governance

As Chinese POEs move further along in their internationalisation journey, corporate governance issues such as accountability and transparency have emerged as central topics of considerable concern to both Chinese regulators and host countries. Unfamiliarity with the legal environment and requirements in host countries, lack of experience in dealing with emerging and potential risks, limited access to targeted support and professional services, coupled with inadequate internal control systems, pose challenges to the sustainable operations of Chinese POEs in overseas markets. Of the key issues related to corporate overseas governance, greater effort is needed to strengthen the enforcement of existing rules and regulations. Meanwhile support for the development of stronger corporate management mechanisms is needed for concrete action against corruption and money-laundering, and to improve information disclosure and transparency.

Knowledge Box 5.

**Code of Conduct for the Operation of Overseas Investments by Private Enterprises**

At the end of 2017, the National Development and Reform Commission, the Ministry of Commerce, the People’s Bank of China, the Ministry of Foreign Affairs and the All-China Federation of Industry and Commerce jointly enacted the *Code of Conduct for the Operation of Overseas Investments by Private Enterprises* (the Code of Conduct) in efforts to regulate overseas business activities of Chinese POEs, and to enhance the overall quality and outcomes of their foreign investment. The Code of Conduct is one of the first guidelines to regulate the operation of Chinese POEs abroad. It mainly provides guidance in five key areas: improving the corporate governance system, strengthening compliance with laws and regulations, fulfilling corporate social responsibility, attaching importance to environmental protection, and strengthening risk management and control. Relevant government departments also pointed out the importance of the monitoring and accountability framework during implementation of the Code of Conduct.
5.1.1 Anti-Corruption

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<thead>
<tr>
<th>Key Principles</th>
<th>International Standards</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Develop internal controls, ethics and compliance plans and integrate anti-corruption measures into corporate strategies and operations;</td>
<td>GAN Compliance Program Guide</td>
<td><a href="https://www.business-anti-corruption.com/compliance-program-guide-success-kit/">https://www.business-anti-corruption.com/compliance-program-guide-success-kit/</a></td>
</tr>
<tr>
<td>• Ensure top-level commitment and support;</td>
<td>UN Global Compact – Principle 10</td>
<td><a href="https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-10">https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-10</a></td>
</tr>
<tr>
<td>• Perform periodic risk assessments, identify and prioritise key anti-bribery and corruption issues;</td>
<td>UN Principles for Responsible Investment – Engaging on Anti-Bribery and Corruption</td>
<td><a href="https://www.unpri.org/download?ac=1826">https://www.unpri.org/download?ac=1826</a></td>
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<tr>
<td>• Enhance transparency, disclosure and reporting;</td>
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<tr>
<td>• Ensure oversight autonomy and resources;</td>
<td></td>
<td></td>
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<tr>
<td>• Carry out due diligence on third parties;</td>
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<td></td>
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<tr>
<td>• Make employees, stakeholders, and investors aware of your work regarding anti-bribery and anti-corruption;</td>
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<tr>
<td>• Join forces with industry peers and other stakeholders to scale up anti-corruption efforts.</td>
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## 5.1.2 Anti-Money Laundering

<table>
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<th>Key Principles</th>
<th>International Standards</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Adopt a corporate governance structure that includes compliance officials fluent in AML and related regulatory environments;</td>
<td>UNODC International Money Laundering Information Network</td>
<td><a href="http://www.imolin.org">http://www.imolin.org</a></td>
</tr>
<tr>
<td>• Develop methods to identify entities and individuals with whom companies directly and indirectly transact, and target players that present high risks in light of AML;</td>
<td>US Department of Treasury – Policy Issues on Money Laundering</td>
<td><a href="https://home.treasury.gov/policy-issues/terrorism-and-illicit-finance/money-laundering">https://home.treasury.gov/policy-issues/terrorism-and-illicit-finance/money-laundering</a></td>
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<td>• Develop internal mechanisms for employees and relevant third parties to monitor, report and investigate AML related issues, and effective protocols that trigger swift action in response to such reports;</td>
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<tr>
<td>• Create training and certification programmes in AML related compliance areas;</td>
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<tr>
<td>• Adopt effective data security protocols, systems and management.</td>
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</table>

\(^{13}\) Adapted from Getting the Deal Through (2017) Global Review – Anti Money Laundering. Available at: https://gettingthedealthrough.com/area/50/article/29102/anti-money-laundering-2017-global-overview/
5.1.3 Information Disclosure and Transparency

<table>
<thead>
<tr>
<th>Key Principles</th>
<th>International Standards</th>
<th>Reference</th>
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<tbody>
<tr>
<td>To ensure high standards for information disclosure and transparency, enterprises should:</td>
<td></td>
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<tr>
<td>• Disclose both financial and non-financial information to ensure the public’s right to know about the organisational structure and business activities of enterprises;</td>
<td>G20/OCED Principles of Corporate Governance September 2015</td>
<td><a href="https://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf">https://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf</a></td>
</tr>
<tr>
<td>• Ensure that information is prepared and disclosed with high quality standards of accountability and reporting;</td>
<td>EU rules on financial information disclosed by companies</td>
<td><a href="https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en">https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en</a></td>
</tr>
<tr>
<td>• Ensure that channels for disseminating information are provided for equal, timely and cost-efficient access to relevant information by users;</td>
<td>GRI 102: General Disclosures Standards 2016</td>
<td><a href="https://www.globalreporting.org/standards/gri-standards-download-center/gri-102-general-disclosures/">https://www.globalreporting.org/standards/gri-standards-download-center/gri-102-general-disclosures/</a></td>
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<tr>
<td>• Streamline information processes through the use of data and consolidation applications.</td>
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## 5.1.4 Promoting Fair Business

<table>
<thead>
<tr>
<th>Key Messages</th>
<th>Framework</th>
<th>Reference</th>
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</thead>
</table>
| In a manner consistent with all applicable laws and regulations, and in accordance with fair business, marketing and advertising practices, enterprises should:  
  • Refrain from entering into anti-competitive agreements with competitors;  
  • Ensure that the goods and services provided meet legally required standards;  
  • Provide accurate, verifiable and clear information that is sufficient to enable consumers to make informed decisions;  
  • Not engage in any practice that is deceptive, misleading, fraudulent or unfair;  
  • Provide consumers with access to fair, easy to use, timely and effectively dispute resolution and redress mechanisms;  
  • Support consumer education to improve the ability of consumers to make informed decisions and encourage sustainable consumption;  
  • Respect consumer privacy and take reasonable measures to ensure the security of personal data;  
  • Organise regular training to promote management and employee awareness on issues related to fair business and competition;  
  • Cooperate fully with public authorities to combat market deceiving practices and protect consumer interests pertaining to the consumption, use or disposal of goods and services provided. | OECD Guideline for Multinational Enterprises (2011) – VIII. Consumer Interests and X Competition  
5.2 Social Sustainability

For transnational corporations, stakeholder relationships can be both beneficial and challenging. Successful relations often constitute a valuable source of competitiveness for an enterprise; however, there are many counter-examples of the negative impact of failed stakeholder relationships on business activities. In the case of Chinese POEs “Going Global”, the risks are often heightened due to factors such as culture differences, language barriers and uncertainties associated with operating in a foreign environment. One key recommendation is to adopt a balanced approach that moves beyond the narrow focus of the direct interests of business operations. It is important to consider the rights and interests of the broader stakeholder group in relation to corporate activities, especially those related to public participation, employment, and health and safety. Companies should take proactive steps to protect the legitimate interests of employees, the neighbouring communities, upstream and downstream partners, local government and business associations. Chinese POEs then need to develop such mechanisms and embed them into corporate internal control systems to reduce the risk of divergence and maximise shared benefits in host countries.

Knowledge Box 6.

Environmental and Social Policies

Many international development agencies, multilateral and bilateral, have environmental and social protection systems that set out their procedures for screening the environmental and social risks of the operation they support and deciding on the management measures they should apply to mitigate the risk. There are many similarities between the safeguarding policies in different agencies, e.g. the AIIB Environment and Social Framework, and UNDP Environment and Social Screening Standards. Most of these agencies have developed technical guidance and procedural steps to support the implementation of the protection measures. The policies usually involve a categorisation system for identifying environmental and social risk at an early stage in an agency’s project cycle. The safeguard system for industrial and infrastructure investments are generally well established as good international practice; for example, the World Bank’s Environment and Social Framework offers 10 environmental and social standards covering key areas including labour and working conditions, pollution prevention, community health, land use, natural resources, indigenous people, cultural heritage, stakeholder engagement and information disclosure.
### 5.2.1 Stakeholder Engagement

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<tr>
<th>Key Principles</th>
<th>International Standards</th>
<th>Reference</th>
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<tbody>
<tr>
<td>In a manner consistent with all applicable laws and regulations, and in accordance with good engagement practices, enterprises should:</td>
<td>IFC Integrated Corporate Matrix Progression Matrix 2018</td>
<td><a href="https://www.ifc.org/wps/wcm/connect/7c42d300-2db8-4fc4-96ce-e081cd838b80/Beyond_The_Balance_Sheet_Jan_19_2018.pdf?MOD=AJPERES">https://www.ifc.org/wps/wcm/connect/7c42d300-2db8-4fc4-96ce-e081cd838b80/Beyond_The_Balance_Sheet_Jan_19_2018.pdf?MOD=AJPERES</a></td>
</tr>
<tr>
<td>• Respect the rights of stakeholders established by law or through mutual agreements;</td>
<td>G20/OCED Principles of Corporate Governance September 2015</td>
<td><a href="https://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf">https://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf</a></td>
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<tr>
<td>• Conduct stakeholder mapping processes with identification of stakeholders including employees, contractors, suppliers, neighbouring communities, indigenous groups, local NGOs and CSOs;</td>
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<td>• Permit the development of mechanisms for employee participation;</td>
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<td>• Provide stakeholders with access to relevant, sufficient and reliable information on a timely and regular basis;</td>
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<td>• Establish external communication and grievance mechanisms for stakeholders and their representative bodies to communicate their questions, concerns and complaints about illegal or unethical practices;</td>
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<td>• Include stakeholder engagement activities and outcomes into external reporting and disclosure requirements;</td>
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<td>• Conduct a periodic review of the enterprise’s stakeholder engagement strategy and identify trends and opportunities to improve ownership and participation of stakeholders;</td>
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<td>• In the case of land acquisition, provide affected communities opportunities to participate in the development of resettlement and livelihood restoration plans, and provide adequate resources to mitigate any adverse social and economic impacts in the process.</td>
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### 5.2.2 Community Health and Safety

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<tr>
<th>Key Principles</th>
<th>International Standards</th>
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<tr>
<td>• Identify and evaluate potential adverse impacts on the health and safety of</td>
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<td>local communities that could result from an enterprise’s activities;</td>
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<td>• Consider exposure to and sensitivity of local communities, and take proactive</td>
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<td>actions to prevent communicable and non-communicable diseases;</td>
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<tr>
<td>• Where appropriate, design, construct, operate and demolish infrastructure in</td>
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<td>accordance with national legal requirements and climate change considerations;</td>
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<tr>
<td>• Consider incremental risks of the public’s exposure to operational accidents,</td>
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<td>man-made or natural disasters, including extreme climate events;</td>
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<tr>
<td>• Prepare an emergency response plan to guide the implementation of operational</td>
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<td>procedures in response to unanticipated accidents and hazards, in accordance</td>
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<td>with relevant local authorities and community groups’ requirements;</td>
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<tr>
<td>• Incorporate technical and financially feasible road safety measures to</td>
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<td>prevent and mitigate potential road safety risks to local communities;</td>
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<tr>
<td>• Provide appropriate training, ensure adequate personnel, material and financial</td>
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<td>resources are made available to support and sustain actions to safeguard health</td>
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<td>and safety of employees and local community.</td>
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### 5.2.3 Employment and Labour Rights

<table>
<thead>
<tr>
<th>Key Principles</th>
<th>International Standards</th>
<th>Reference</th>
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</thead>
<tbody>
<tr>
<td>• Contribute to the effective abolition of child labour as well as all forms of forced or compulsory labour;</td>
<td>UN Global Compact – Principle 3, 4, 5 and 6</td>
<td><a href="https://www.unglobalcompact.org/what-is-gc/mission/principles">https://www.unglobalcompact.org/what-is-gc/mission/principles</a></td>
</tr>
<tr>
<td>• Provide information to workers and their representatives, ensure effective communication and encourage transparent consultations, dialogues and cooperation on matters of mutual concern;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Promote local employment including of youth, women and people with disabilities and provide training where appropriate to improve employees’ work skills;</td>
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<tr>
<td>• Ensure occupational health and safety in operations and observe standards of employment not less favourable than those observed by comparable employers in the host country;</td>
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<td></td>
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<tr>
<td>• Include employment and industrial relations into the corporate voluntary reporting and disclosure mechanism.</td>
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</table>
5.3 Environmental Sustainability

Environmental protection is a priority area in the Chinese government’s recent efforts to strengthen the oversight of corporate overseas investment activities. The Code of Conduct for the Operation of Overseas Investments by Private Enterprises, for example, encourages POEs to always conduct environmental impact assessments, abide by environment-related laws in host countries, promote green production, and prepare for environmental contingencies. Other more specific guidelines include the Environmental Risk Management Initiative for China’s Overseas Investment, a joint initiative announced by key Chinese public and private entities to accelerate progress towards the “greening” of the Belt and Road Initiative. The environmental risk management initiative outlines more specific action points such as disclosure of environmental information, engagement of third-party service providers, and green supply chains. These efforts could be significantly enriched and complemented by the systematic approaches, methodologies and tools developed through decades of international efforts to help businesses improve resource efficiency, avoid or reduce negative environmental risks, as well as contribute to the conservation of biodiversity and ecosystems.

Knowledge Box 7.

Environment Risk Management Initiative of China’s Overseas Investment

On September 5th, 2017, the China Green Finance Committee and the Foreign Economic Cooperation Office of the Ministry of Ecology and Environment jointly issued the Environment Risk Management Initiative of China’s Overseas Investment to guide Chinese financial institutions and enterprises in avoiding environmental disputes during investing abroad. This initiative is based on the Notice on the Further Enhancement of Environmental Protection Work of Foreign Investment Cooperation Enterprises issued by the General Office of the Ministry of Commerce in 2015. It is one of the policies introduced by the Chinese government to tackle the disputes and challenges encountered by China’s foreign investment activities. Other sectoral initiatives include the Guidelines for Social Responsibility in Outbound Mining Investments, calling on Chinese companies to adopt internationally recognised environmental and social standards in their overseas investments and operations.
### Key Principles

Under the framework of relevant laws, regulations, and policies in the countries in which they operate, and in consideration of relevant international agreements and standards, enterprises should:

- Establish a system of environmental performance management, including assessing environmental risks and impacts associated with the enterprise’s activities; establish measurable targets; collect and evaluate information, and regularly monitor and review progress towards the improvement of corporate environmental performance;
- Apply technically and financially feasible technologies to avoid the release of pollutants into air, water and land and improve efficient consumption of energy, water and raw materials, as well as other resources;
- Develop additional strategies and adopt measures to control emissions and minimise potential negative impacts in already environmentally degraded areas, including but not limited to evaluation of alternative locations;
- Where waste cannot be avoided in operations, minimise the generation of waste, and reuse, recycle and recover waste in an environmentally safe and sound manner and in compliance with existing requirements for management of wastes, including hazardous wastes;
- Utilise competent biodiversity expertise to assess direct, indirect and cumulative impacts of an enterprise’s activities on biodiversity and habitats, develop and implement a biodiversity management plan to minimise adverse impacts when avoidance of such impacts is not possible;
- Provide the public and employees with adequate and timely information about environmental risks and uncertainties associated with the enterprise’s activities, and report on progress in improving corporate environmental performance;
- Provide adequate education and training to employees and promote higher levels of awareness among customers on environmental matters associated with the operations of the enterprise;
- Support collaboration with national and international institutions to create and share knowledge and deal with issues of precaution.

### International Standards

<table>
<thead>
<tr>
<th>Key Principles</th>
<th>International Standards</th>
<th>Reference</th>
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<tbody>
<tr>
<td></td>
<td>UN Global Compact – Principle 7, 8 and 9</td>
<td><a href="https://www.unglobalcompact.org/what-is-gc/mission/principles">https://www.unglobalcompact.org/what-is-gc/mission/principles</a></td>
</tr>
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</table>
Chapter 6  Aligning Actions for Better Results

—Recommendations for Chinese Policy Makers, Chinese “Going Global” POEs and Other Stakeholders
Responsible management and sustainable development are crucial for Chinese POEs' participation in the Belt and Road Initiative. Chinese POEs have developed strategies and achieved some results, but there remains room for improvement in the coordinated development of economic, social and environmental benefits of Chinese private-owned enterprises' overseas investment. Based on the questionnaires and field interviews, this chapter will provide advice to relevant government departments, governments along the Belt and Road, Chinese POEs, and international organisations to promote the sustainable development of Chinese POEs overseas.

6.1 Chinese Government Entities

At a global level, the Government of China may consider taking the following measures to support the improvement of international economic governance structures to further promote the Belt and Road.

- **Improve overseas financial services for POEs**

To address specific challenges such as POEs' difficulties in accessing financing and financial settlement, the Chinese government can speed up the internationalisation of the Yuan. Using Africa as an example, using the Yuan as the basic currency for China-Africa cooperation could reduce transaction costs and at the same time improve transaction security and legitimacy. In terms of financing, measures could be taken to encourage the development of innovative financial models such as digital banks and the integration of e-commerce platforms with China-Africa trade, thus greatly reducing information asymmetry in the African financial industry, and expanding the financial services of local banks to POEs in Africa.

- **Enhance policy guidance to POEs on sustainable development overseas**

In line with existing by-laws and regulations, and building upon earlier experience and lessons, the Government of China should provide official guidelines for the development of a more systematic and comprehensive code of conduct adaptive to the sustainable growth of Chinese businesses overseas. The *Code of Conduct for the Operation of Overseas Investments by Private Enterprises (2017)* sets a good example of such efforts; however, it can be strengthened and expanded to an actionable framework that enterprises can incorporate into their overseas operations. Meanwhile, offering a tool that regulators could use to monitor and measure the performance of POEs would assist in raising performance standards.

Increasing compulsory and incentivised components of related Chinese government department guidance to POEs' overseas operations is also important. Compulsory rather than voluntary guidance is more effective in guiding and regulating Chinese corporate behaviour. However, at the same time adopting a softer approach to create incentives for POEs to abide by government guidance would help encourage enterprises to accelerate implementation.
• **Optimise support from embassies and economic councillors’ offices**

Chinese POEs propose that Chinese embassies could provide support in the following areas: 1) organise training programmes and the sharing of best practice on personal and corporate safety, public relations and CSR; 2) host business and policy forums between China and the host country that are open to all Chinese POEs; 3) coordinate with the host country’s academic institutions and think tanks to conduct joint research on the development context of the host country, such as in terms of macroeconomic and political situations and trends, regional and bilateral relations with China, and industry-specific research where Chinese POEs invest. These knowledge products could serve as public goods that allow Chinese companies to have a better understanding of their operating environment.

• **Strengthen training for POEs to “Go Global”**

Training and guidance should be strengthened to effectively improve the capacity of enterprises to go abroad. Under the framework of the joint inter-ministerial meeting for “Going Global”, a training coordination mechanism could be established, and training programmes should be implemented through multiple channels. Special funds could be set up; short-term and medium-term training plans should be formulated; responsibilities of various departments should be clearly defined; and actionable implementation should be monitored. The unique role of Chinese embassies, consulates and think tanks should be fully utilised in designing and providing training to “Going Global” POEs, and those institutions should be included in the joint training coordination mechanism. POEs should be guided to enhance their awareness of localised management, integrity and compliance, environmental protection, and social responsibilities. It is also important to improve their capacity in risk prevention and emergency response. Furthermore, smooth communication channels should be established between Chinese POEs and Chinese embassies and consulates abroad, allowing POEs to actively seek guidance and services.

### 6.2 Chinese POEs

The international business environment is experiencing far-reaching structural change and Chinese POEs are evolving to reflect that change. As they dive deeper in their internationalisation efforts, Chinese enterprises have the opportunity to implement sustainable development practices that seek to ensure coherence between economic, environmental and social objectives. Given that the regulatory and legal environment in some countries along the Belt and Road is not always as clear or as strictly enforced as in China, it should be the responsibility of POEs to demonstrate full commitment to meeting high global standards in these areas. The results of the survey conducted in preparation for this report indicate that there are still quite a few POEs abroad who do not proactively take measures to meet global standards regarding economic, environmental and social sustainability and corporate governance. The following recommendations are put forward in order to enhance POEs’ capacity in promoting sustainable development through trade and investments.
• **Acquire technical support from professional agencies**

In response to the changing international political and economic environment, Chinese POEs need to utilise compliance management to address the uncertainty of their circumstances. In terms of business compliance, enterprises can choose local or international professional lawyers, accounting firms and public relations companies to assist them navigate unfamiliar laws, regulations, media environments and relationships. Some mature enterprises exploring overseas markets can also appoint internal compliance officers, lawyers, accountants and public relations teams who are proficient in local laws, markets and media to be stationed in host country offices. In the area of the sustainable development of local communities, we also suggest that POEs choose professional partners or develop in-house professional teams, which can help Chinese POEs to better understand the needs of the local communities in host countries and to work together with communities towards sustainability.

• **Cultivate international talents**

Generally speaking, the well-developed POEs surveyed usually have a large pool of international talents, and the localisation rate of personnel in the host country offices is also high. Those POEs have particularly good performance in terms of management of local employees, cultivation of international talents and localisation of employees. Chinese employees in headquarters should be encouraged to be stationed abroad in different countries; at the same time, host country employees with good performance should be promoted to headquarters to participate in business or even Chinese language training. This can help develop their capacity to take over higher responsibilities after they return to the host country office, and gradually replace Chinese senior managers in the field to resolve challenges in cross-culture management.

• **Strengthen cooperation between POEs and SOEs**

When exploring overseas markets, SOEs and POEs each have their own advantages. It is a new trend for them to cooperate with and complement each other. POEs are more sensitive to market trends and opportunities and make faster decisions; in contrast SOEs may have other advantages with their size, but tend to have more complex decision-making processes. It will be a new trend for SOEs and POEs to cooperate in exploring overseas markets. In the process of project development, POEs have quick decision-making and flexible resource allocation abilities, which can be used to carry out feasibility research and exploration. In the negotiation process with the owners, with the brand effect of the SOEs, SOEs and POEs can share resources and risks, make full use of their respective advantages, promote project development and improve efficiency.

• **Improve corporate governance structures**

There is no shortage of domestic policies or international resources to help POEs regulate their overseas business practices. As Chinese companies try to replicate the success of their multinational
counterparts, they also need to adapt and learn from others, and make it part of the corporate DNA. Smart firms will take advantage of these opportunities to strengthen corporate governance, increase engagement and transparency, and use tools such as Codes of Conducts to promote required internal change.

### 6.3 International Organisations

The Belt and Road Initiative, building on the connectivity of infrastructure, trade, policy, financing and people-to-people exchanges, presents opportunities for inclusive growth that can expand global public goods and accelerate the achievement of the SDGs. International organisations, possessing unmatched convening power, global presence and networks, as well as knowledge and expertise on development, can further support Chinese POEs in responsible and sustainable business operations, and thus maximise the development outcomes of business engagement. Given the broad scope of the Belt and Road Initiative covering multiple countries and regions and with varied development contexts, the knowledge and networks of international organisations can be of great value for Chinese POEs to better identify potential social, environmental and economic risks, and thus to formulate mitigation measures that can contribute both towards corporate sustainability and local development. Existing international standards and guidelines introduced by international organisations to regulate and guide sustainable business practices can be further coordinated, harmonised and consolidated to strengthen consistency in policy-making, and to enhance the alignment of private sector impact with the SDGs. Furthermore, communication and exchanges at global, regional and national levels can be enhanced to facilitate dialogues at all levels with participation of multiple sectors including the public, the private and civil society. This will further improve the sharing of information, knowledge and experience, as well as effectively convey the voice of all stakeholders. Building upon formal partnerships with governments and public entities, international organisations can be the bridge builder for multi-stakeholder engagement under the Belt and Road Initiative, ensuring that the inclusiveness, transparency and the accountability of each partner are met throughout the investment and operating process.

### 6.4 Host Country Governments

Host governments can play a pro-active role in bridging national SDG efforts, Belt and Road projects and private sector business activities. Country-level mechanisms vary depending on respective governance structures, public sector capacity and regulatory frameworks. Nevertheless, a functioning coordination mechanism led by the host government may greatly enhance the opportunities to match interested partners with national SDG priorities, and anchor private investments to fit into the local development context. In countries where collaboration with the international community offers existing platforms for stakeholder engagement and coordination, e.g. Country Development and
Partnership frameworks or strategies, these platforms can provide support to promote communication and interaction with Belt and Road activities and where possible, create special windows for jointly designing, co-financing and implementing projects.
Annexes
Annex 1. Research Methodology

The empirical data for this report was collected through a questionnaire and case study review. Respondents to the survey were Chinese POEs operating overseas in a variety of industries and geographical locations. Case studies were collected through field work in Europe (Denmark, Germany, and Sweden), Africa (Angola, Ethiopia, and Kenya) and Southeast Asia (Cambodia, Thailand, and Vietnam). During the field research, the research team conducted semi-structured interviews with managers in leadership positions in Chinese POEs, the Chinese economic councillor’s office, local government and media, and organised two focus group discussion with local CSOs regarding their perceptions towards Chinese POEs in Kenya and Cambodia. The structured survey questions and in-depth case studies in various regions complement each other and allow this report to achieve unprecedented width and depth on assessing Chinese POEs’ overseas sustainability.

1. Questionnaire survey

The questionnaire had 25 questions in total, focusing on the following three main topics: 1) basic information, 2) sustainable development operations and perceived challenges of operating overseas, and 3) recommendations to the Chinese government and UN agencies. Questionnaires were distributed through the network of the All-China Federation of Industry and Commerce (ACFIC) from June to November 2018. 727 completed questionnaires were collected for analysis (see Annex 3 for a copy of the questionnaire).

• Survey representativeness:

In terms of the geographical representativeness of all 727 respondents, 339 had operations in Southeast Asia, 164 in South Asia, 153 in Middle and Eastern Europe, 135 in Africa, 129 in the Middle East, 104 in Middle and Western Asia, and 46 invest in other locations. Respondents could choose multiple locations in this question.

* Valid responses: 543 (75%); Multiple-answer question

Figure 26. Geographical Location of Respondents
Regarding the scale of overseas investments, 33% of respondents’ overseas investment was below US$500,000; 25% invested between US$500,000 to US$3 million; 20% invested US$3-15 million overseas; 10% invested US$15-50 million; 5% invested US$50-100 million; and 7% invested over US$100 million overseas.

![Figure 27. Scale of Overseas Investment](image)

Regarding the industrial sector, 432 out of 727 respondents invested in the manufacturing industry. The top five industries attracting Chinese POEs’ investment overseas aside from manufacturing are: Wholesale and Retail (81 respondents), Agricultural, Forestry and Fisheries (55 respondents), Construction (37 respondents), and Information Transmission, Software and Information Technology Services (35 respondents). Respondents could choose multiple industries in this question.
On the type of foreign investment cooperation, 69% of the respondents are engaged in sales and trading of products services; 26% of the enterprises surveyed are engaged in foreign direct investment; 12% in M&A investment; 10% in engineering contracting and labour service cooperation; 7% in establishing and operating industrial zones; and 12% of the respondents adopt other forms of foreign investment cooperation.
On the main functions of the overseas branches of the companies surveyed, 63% of the overseas branches of the companies are mainly engaged in overseas marketing; 30% are mainly engaged in product production; and 23% act as regional/country offices; 22% are mainly engaged in overseas procurement; 16% mainly focus on product design and R&D; 6% are mainly engaged in project financing. Respondents could choose more than one function in this question.

2. Case studies

Case studies were collected through field work in Europe (25 - 29 June 2018), in Africa (12 September – 2 October 2018), and in Southeast Asia (3 – 17 January 2019). Annex 2 provides a list of interviewees of this field research. Each interview lasted around 30 to 120 minutes, with an average of around 60 minutes. Questions focused on the following three main themes, which match the questionnaire: 1) basic corporate information, 2) sustainability practices and perceived challenges of overseas operations, and 3) recommendations to governments and UN agencies.
Annex 4 provides a list of interview questions. In total, the research team interviewed 36 Chinese POEs, 6 Chinese economic councillors' offices, 3 local government stakeholders, 7 chambers of commerce, 6 other individuals and stakeholders, plus 2 focus groups with local CSOs in Kenya and Cambodia. During the African and Southeast Asian field research, professional photographers were hired to create a visual record of Chinese POEs' overseas business and sustainability.

3. Limitations

This research is subject to the following limitations. First, survey sample representativeness. This questionnaire aims at assessing the sustainability performance of Chinese POEs that are active overseas. The questionnaires were distributed through the networks of the All-China Federation of Industry and Commerce, which means that respondents are members of ACFIC, and non-members are not included in this survey. Compared with member companies, non-members are more likely to be POEs that are more recently established, or smaller enterprises established by individual or family immigrants. The sustainability performance of these new and small POEs is likely to be not as good as their more established and larger counterparts, making the survey results better than the actual overall performance of Chinese POEs. Second, self-reporting bias. When asked to self-assess their sustainable development performance through a questionnaire, responses are highly likely to be subject to self-reporting bias: the reported performances of POEs are likely to be better than their actual performance.

To overcome these limitations, the survey was supplemented by in-depth case analysis and a review of existing literature on this topic. During field research, interviewees were not limited to Chinese managers of key positions. We also interviewed local and international staff of Chinese POEs, host country governments and civil society stakeholders. Existing literature from other UN agencies, civil society organisations, corporate social responsibility reports of Chinese POEs and reports from overseas Chinese Chambers of Commerce were collected and analysed.
Annex 2. Field Research Interviewee List

European field research (25 - 29 June 2018)

Denmark:
• BGI Genomics Co., Ltd. (POE)

Sweden:
• CEVT(POE)

Germany:
• Astronergy (POE)
• Chinese Chamber of Commerce in Germany (Business Association)

Africa field research (12 September – 2 October 2018)

Ethiopia
• Ethiopia Investment Corporation (Local government)
• Sansheng Pharmaceuticals (POE)
• Shanghai Textile (POE)
• Eastern Industry Zone Administrative Committee (POE)
• Lifan Industry (Group) Co., Ltd. (POE)
• Huajian International Footwear (POE)
• Huajian Industrial Park (POE)
• Economic and Commercial Counsellor’s Office of the Embassy of the People’s Republic of China in Ethiopia
• Anonymous Company 14 (POE)
• Dr. Newai, former advisor to the Prime Minister of Ethiopia

Kenya
• The Kenya Chinese Economic and Trade Association (Business Association)
• Anzetse Were
• Keda Ceramics (POE)
• Mazars
• Kenyan Private Sector Association (KEPSA) (Local government)
• Yocean (POE)

14 The manager of this POE prefers to remain anonymous for both individual and corporate identities.
Annexes

• Tecno Mobile Kenya (POE)
• Huawei Kenya (POE)
• Kenya Chinese Chamber of Commerce (Business Association)
• Economic and Commercial Counsellor’s Office of the Embassy of the People's Republic of China in Kenya

Angola

• Lingken Motorcycle Assembly (POE)
• Sanyuan Steel (POE)
• Suge International (POE)
• Yafu Shopping Mall (POE)
• Fujian Chamber of Commerce in Angola (Business Association)
• China Tiesiju Civil Engineering Group (SOE)
• Yewhing (H.K.) Holding Group Co., Ltd. (POE)
• Guangde International Group (POE)
• China Town (POE)
• Guotai Farm (POE)
• Jiayu International (POE)
• Senlin Wood Industry (POE)
• Xiongdi Wood Industry (POE)
• Anhe International (POE)
• Economic and Commercial Counsellor’s Office of the Embassy of the People's Republic of China in Angola
• Nantong Holding (POE)

Southeast Asia field research (3 – 17 January 2019)

Thailand:

• Huawei Thailand & Huawei Southeast Asia Regional HQ (POE)
• Economic and Commercial Counsellor’s Office of the Embassy of the People's Republic of China in Thailand
• Chinese-Thai Enterprises Association (Business Association)
• Trina Solar (POE)
• Thai-Chinese Rayong Industrial Zone (POE)

Vietnam:
• ADRA Vietnam
• UNDP Vietnam Country Office
• Vietnam Institute for Economic and Policy Research (VEPR)
• Shengtai Group (POE)
• Yulun Textile Group (POE)
• Business Association of China in Vietnam (Business Association)
• Economic and Commercial Counsellor’s Office of the Embassy of the People’s Republic of China in Vietnam

**Cambodia:**

• Greenleader (POE)
• Huawei Cambodia (POE)
• Cambodia Ministry of Education, Youth, and Sports (Local government)
• Cambodia-China Business Association (Business Association)
• Economic and Commercial Counsellor’s Office of the Embassy of the People’s Republic of China in Cambodia
Annex 3. Survey Questionnaire

2019 Report on the Sustainable Development of Chinese Private-Owned Enterprises along the Belt and Road

Questionnaire for Enterprises
(To be filled in by the enterprise headquarters)

Introduction
This questionnaire is jointly initiated by the All-China Federation of Industry and Commerce (ACFIC), Chinese Academy of International Trade and Economic Cooperation (CAITEC) of the Ministry of Commerce (MOFCOM) of China and the United Nations Development Programme in China (UNDP China) to investigate the sustainability performances of Chinese enterprises overseas. The results collected from this survey will be used for the 2019 Report on the Sustainable Development of Chinese Private-Owned Enterprises along the Belt and Road.

Requirements
(1) This questionnaire is designed for Chinese enterprises that are conducting economic and trade cooperation in countries along the Belt and Road regions.

(2) This questionnaire should be filled out by respective focal point from the enterprise headquarters.

(3) To ensure the validity and accuracy of the results of this survey, please answer all questions faithfully. If you do not have experience with or cannot assess a particular question, please indicate “N/A”.

(4) Please answer within the given space “________”, and/or check “□”.

Privacy statement
All answers will be kept confidential and only used for this report.

Contact person for this survey (optional):

Name:

Company:

Title/position:

Location (Country/City):

Email:

Phone:

Date of survey submission:
Survey questions

Section One: Status quo and prospects

1. Please indicate the countries in which your company has operations in (You may refer to the following list of countries along the Belt and Road):

<table>
<thead>
<tr>
<th>Region</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast Asia</td>
<td>Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste, Vietnam</td>
</tr>
<tr>
<td>South Asia</td>
<td>Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka</td>
</tr>
<tr>
<td>Central Asia and Western Asia</td>
<td>Afghanistan, Armenia, Azerbaijan, Georgia, Iran, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan, Uzbekistan</td>
</tr>
<tr>
<td>Middle East</td>
<td>Bahrain, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syrian Arab Republic, Turkey, United Arab Emirates, Yemen</td>
</tr>
<tr>
<td>Africa</td>
<td>Egypt, Ethiopia, Kenya, Tanzania, South Africa, Nigeria, Djibouti, Mozambique, Angola, DR Congo, Zambia, Zimbabwe</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Ukraine</td>
</tr>
</tbody>
</table>

2. Accumulated overseas investment scope of your company:

- [ ] less than US$500,000
- [ ] US$500,000 – US$3,000,000
- [ ] US$3,000,000 – US$15,000,000
- [ ] US$15,000,000 – US$50,000,000
- [ ] US$50,000,000 – US$100,000,000
- [ ] more than US$100,000,000

3. Which industry does your company belong to? (core business):

- [ ] A. Agricultural, Forestry and Fisheries
- [ ] B. Mining and Quarrying
- [ ] C. Manufacturing
- [ ] D. Electrical power, Heating, Gas, Water production and Supply
- [ ] E. Construction
- [ ] F. Wholesale and Retail
- [ ] G. Transportation, Storage and Postal Services
- [ ] H. Accommodation and Catering

---

15 Industrial Classification for National Economic Activities (GB/T 4754—2017) classifications.
II. Information transmission, Software and Information technology services

J. Finance

K. Real estate

L. Leasing and Business services

M. Scientific research and Technological services

N. Water conservation, Environment and Public utility management

O. Resident services, repairing and other services

P. Education

Q. Health and Social work

R. Cultural, Sports and Entertainment

S. Public management, Social security and Social organisation

4. Type of foreign investment and cooperation of your company (multiple answer question):

- Product selling and service trading
- Foreign direct investment
- Mergers and acquisition
- Establishing and operating industrial zones
- Engineering contracting and labour cooperation
- Other

5. The main functions of your company’s overseas branch:

- Regional/Country Office
- Product design, research and development
- Production
- Overseas marketing
- Overseas procurement
- Project financing

6. How long has your company been operating overseas?

- more than 20 years
- 15 – 20 years
- 10 – 15 years
- 5 – 10 years
- 3 – 5 years
- less than 3 years
7. In the past 3 years, your company’s view on its overseas operations is: (choose one between Generally satisfied and unsatisfied)

- [ ] Generally satisfied, and its reasons are (multiple answer question):
  - Quick growth in overseas market share
  - Overseas return has reached expected target
  - Foreign operations boosting domestic business
  - Achieving periodic goal of overseas branding strategy
  - Other, please specify ___________

- [ ] Unsatisfied, and its reasons are (multiple answer question):
  - Increase in overseas market share is slower than expectation
  - Overseas return has not reached expected target
  - Limited boost effect of foreign operations on domestic business
  - Overseas operations facing many uncertain factors and gaps in information channels
  - Other, please specify ___________

8. In the past year, the company’s overseas business revenue accounted for _____% of the company’s total revenue.

9. What is the composition of your company’s employees overseas?

- Proportion of employees at department-manager level and above that are local employees: _________________
- Proportion of employees that are female: _________________

10. _____% of annual profits of your company are used for fulfilling corporate social responsibility (CSR) overseas.

11. Is your company a member of any local Chinese Chamber of Commerce?

- [ ] Yes, the specific role is _________________
- [ ] No

12. In the past 3 years, the scale of your company’s overseas operation has:

- [ ] Increased
- [ ] Unchanged
- [ ] Decreased

13. In the coming 3 years, your company’s prospected overseas operation scale:

- [ ] Will increase
- [ ] Remain unchanged
14. If the scale of your company’s overseas operation is planned to expand in the coming 3 years, the main reasons will be:

<table>
<thead>
<tr>
<th>The main reasons for increase in the scope of overseas operations</th>
<th>Strong</th>
<th>Moderate</th>
<th>Weak</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic market decreasing, and competition increasing</td>
<td></td>
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<tr>
<td>Promotion of policies related to “Going Global”</td>
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<tr>
<td>Increase in the need of the international market or exploring potential opportunities</td>
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<tr>
<td>Adapting to the needs of global supply chain layout</td>
<td></td>
<td></td>
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<tr>
<td>Needs in investment diversity</td>
<td></td>
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<tr>
<td>To seek for better-valued labour overseas, resource allocation and technical support</td>
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<tr>
<td>To receive favourable investment and trade policies in the host country</td>
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</tbody>
</table>

Other, please specify: __________________________________________

15. How does your company see the long-term development plan, investment policies and regulations of the host country?

☐ We closely integrate them with the company’s development strategy and operations

☐ We see them as a reference

☐ We take them into consideration once in a while, in accordance with the company’s operations

☐ Little attention is paid as they are less relevant to the company’s development
## Section Two: Challenges, Impact and Measures for Sustainable Development

16. What are the main challenges encountered by your company when operating overseas? (multiple answer question)

<table>
<thead>
<tr>
<th>Main challenges</th>
<th>1 No such risk</th>
<th>2 Limited risk</th>
<th>3 Moderate</th>
<th>4 To some extent</th>
<th>5 To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political</strong></td>
<td></td>
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<tr>
<td>Corruption</td>
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<tr>
<td>Low government efficiency</td>
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<tr>
<td>Expropriation by the host country</td>
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<tr>
<td>Contract violation by the government</td>
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<tr>
<td>Political instability</td>
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<tr>
<td><strong>Social and environmental</strong></td>
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<tr>
<td>Language barrier</td>
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<tr>
<td>Labour issues</td>
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<tr>
<td>Community issues</td>
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<tr>
<td>Environment issues</td>
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<tr>
<td><strong>Economic</strong></td>
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<tr>
<td>Financing issues</td>
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<tr>
<td>Unfair competition</td>
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<tr>
<td>Market risks</td>
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<tr>
<td>Exchange-rate risks and Inflation</td>
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<tr>
<td><strong>Law and regulation</strong></td>
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<tr>
<td>Lack of transparency or unfamiliarity in market-entry regulations</td>
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<tr>
<td>Customs and Trade restrictions</td>
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<tr>
<td>Contract disputes</td>
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<tr>
<td>Taxation issues</td>
<td></td>
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</tr>
</tbody>
</table>
### Operation
- Infrastructure conditions
- High cost for transportation and logistics
- Difficulties in matching different standards
- Lack of qualified suppliers
- Lack of skilled workers
- Personal safety
- Diseases, Natural disasters and so on

Other, please specify: _____________

17. What are the influences your company is making on sustainable development in the host country, and to what extent?

<table>
<thead>
<tr>
<th>Influences on sustainable development</th>
<th>1 No influence</th>
<th>2 Limited Influence</th>
<th>3 Moderate</th>
<th>4 To some extent</th>
<th>5 To a large extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy</td>
<td></td>
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<tr>
<td>Tax contribution</td>
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<tr>
<td>Job creation</td>
<td></td>
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<tr>
<td>Technology transfer</td>
<td></td>
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<tr>
<td>Skills training</td>
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<tr>
<td>Promoting trade and investment in the host country</td>
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<tr>
<td>Boosting business development in the host country</td>
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<tr>
<td>Promoting market competition in the host country</td>
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<tr>
<td>Social</td>
<td>Providing decent job opportunities</td>
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<tr>
<td></td>
<td>Providing equal job opportunity for females</td>
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<td></td>
<td>Giving back to the community through methods such as improving infrastructure, healthcare and education.</td>
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<tr>
<td></td>
<td>Emphasising information disclosure and communication with local community</td>
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<tr>
<td></td>
<td>Producing negative impact on the livelihood and way of living of local community</td>
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<tr>
<td>Environment</td>
<td>Minimising waste produced by business activities (solid waste and rubbish etc.)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Minimising negative impact of business activities on local biological species</td>
<td></td>
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<tr>
<td></td>
<td>Minimising impact of business activities on the habitat of local animals in the host country</td>
<td></td>
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<tr>
<td></td>
<td>Minimising the consumption of energy and resources by business activities</td>
<td></td>
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<tr>
<td></td>
<td>Minimising the impact on physical landform and landscape of the business location in the host country</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Governance</td>
<td>Obeying policies on anti-corruption and countering unfair competition</td>
<td></td>
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<tr>
<td></td>
<td>Adopting policies on responsible procurement</td>
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<tr>
<td></td>
<td>Obeying laws and regulations of the host country</td>
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<tr>
<td></td>
<td>Obeying the UN Principles for Business and Human Rights</td>
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</tr>
</tbody>
</table>

Other, please specify: _______________
18. How would you evaluate your company’s relationship with local stakeholders?

<table>
<thead>
<tr>
<th>Stakeholders:</th>
<th>Good</th>
<th>Poor / No relation</th>
<th>Stable, could be improved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central government of the host country</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local governments of the host country</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NGOs (incl. international NGOs, NGOs in the host country and Chinese NGOs)</td>
<td></td>
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</tr>
<tr>
<td>International development organisations, such as UN agencies</td>
<td></td>
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</tr>
<tr>
<td>Academic institutions, think tanks</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Business partners</td>
<td></td>
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<td></td>
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<tr>
<td>Financial institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local communities</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Media</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

19. Has your company carried out an Environmental Social Impact Assessment (ESIA) on its overseas investment projects?

- □ Yes, but no improvement recommendations were made
- □ Yes, improvement recommendations were made but those recommendations are yet to be implemented
- □ Yes, improvement recommendations were made and are being implemented
- □ Yes, improvement recommendations were made and have been fully implemented
- □ No, there are no such requirements in the industry
- □ No, there are ESIA requirements but we have not carried out

20. What are the measures taken by your company to prevent risks in investment cooperation? (multiple answer question)

- □ Hiring professional agencies to carry out risk assessments and due diligence
- □ Carrying out risk assessments and due diligence internally within the company
- □ Strengthening communication and interaction with stakeholders
- □ Establishing risk management plan and specific funding for risk management
- □ Establishing a risk warning and tracking system
- □ Giving training to employees before sending them overseas (e.g., local culture, language, security, anti-corruption etc.)
- □ Other, please specify: ______________
21. In the past three years, has your company disclosed any information regarding corporate social responsibility (CSR) or sustainable development in relation to your overseas business?

- Yes, we publish country report annually
- Yes, we publish country report occasionally
- Yes, CSR activities in the host country are included in the CSR report(s) published by the headquarter
- No

22. What kind of influence do you think your company’s participation in economic and trade cooperation along the Belt and Road would have on achieving the SDGs (i.e. the 2030 Agenda)? (multiple answer question)

<table>
<thead>
<tr>
<th>Goal 1: No Poverty—End Poverty in all its forms everywhere</th>
<th>The company is willing to contribute to achieving this goal in the host country</th>
<th>The company has already contributed or is contributing to achieving this goal in the host country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal 2: Zero Hunger—End hunger, achieve food security and improved nutrition and promote sustainable agriculture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal 3: Good Health and Well-Being for people—Ensure healthy lives and promote well-being for all at all ages</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal 4: Quality Education—Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</td>
<td></td>
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<tr>
<td>Goal 5: Gender Equality—Achieve gender equality and empower all women and girls</td>
<td></td>
<td></td>
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<tr>
<td>Goal 6: Clean Water and Sanitation—Ensure availability and sustainable management of water and sanitation for all</td>
<td></td>
<td></td>
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<tr>
<td>Goal 7: Affordable and Clean Energy—Ensure access to affordable, reliable, sustainable and modern energy for all</td>
<td></td>
<td></td>
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<tr>
<td>Goal 8: Decent Work and Economic Growth—Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</td>
<td></td>
<td></td>
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<tr>
<td>Goal 9: Industry, Innovation and Infrastructure—Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</td>
<td></td>
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<tr>
<td>Goal 10: Reduced Inequalities—Reduce income inequality within and among countries</td>
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<tr>
<td>Goal 11: Sustainable Cities and Communities—Make cities and human settlements inclusive, safe, resilient and sustainable</td>
<td></td>
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<tr>
<td>Goal 12: Responsible Consumption and Production—Ensure sustainable consumption and production patterns</td>
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<tr>
<td>Goal 13: Climate Action—Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy</td>
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<tr>
<td>Goal 14: Life Below Water—Conserve and sustainably use the oceans, seas and marine resources for sustainable development</td>
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<tr>
<td>Goal 15: Life on Land—Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal 16: Peace, Justice and Strong Institutions—Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</td>
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</tr>
<tr>
<td>Goal 17: Partnerships for the Goals—Strengthen the means of implementation and revitalize the global partnership for sustainable development</td>
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</tbody>
</table>
Section Three: Demands and Recommendations

23. In your opinion, what measures adopted by the Chinese government agencies can be conducive to companies' overseas businesses? (multiple answer question)

☐ Utilising opportunities such as high-level visits, multilateral meetings or hosting diplomatic meetings to actively promote Chinese enterprises and enhance mutual understanding between Chinese and foreign enterprises

☐ Providing timely and effective information service relevant to the host countries

☐ Enhancing policy training and building up international talent pools

☐ Promptly responding to difficulties and demands of businesses invested overseas, facilitating and promoting adoption of relevant policies and solutions

☐ Establishing a diverse international cooperative platform and actively organising Chinese businesses to participate in international dialogues and exchanges

☐ Other, please specify:_____________

24. Other than the measures to be taken by Chinese government agencies, which of the following could assist the overseas sustainable development of businesses? (multiple answer question)

☐ Assisting the optimisation of the company’s governance structure and enhancing the company’s international market competitiveness

☐ Enhancing the construction of a overseas human resource system

☐ Assisting companies to obtain diverse financing channels

☐ Promoting the integration of national industrial policies, inter-governmental agreements and foreign aid policies with the host country

☐ Supporting the construction of sector, national and regional coordination mechanisms

☐ Intermediary service support in professional fields, such as risk control, laws and regulations, investment and financing and international cooperation

☐ General data platform on business environment of the Belt and Road countries

☐ Other, please specify:_____________

25. In your opinion, how can UN agencies provide support to promote overseas sustainable development of business?

☐ Providing expertise and experience on the economic, social and environmental development of the host country

☐ Through their global development network and convening power, assisting to establish dialogue and communication mechanism with stakeholders

☐ Carrying out researches to document the impact of Chinese POEs’ overseas development from an objective and neutral point of view

☐ Assisting companies to diagnose social and environmental risks of the project, to identify,
mitigate, and reduce potential risks

- Bringing together multiple sources of financing, technology and network, assisting companies to expand their overseas market
- Organising domestic and international forums to present and promote best practices of companies
Annex 4. Interview questions

POE Interview Questions
Southeast Asia Field Research for 2018 Research on Sustainable Development of Chinese Enterprises Overseas

1. Investment Motivation:
   a. Please briefly introduce the development situation of your company in the country. When did you come to the country? Why did your company choose this country?
   b. Does your company set up factories in other cities in the country? Is your company also making investment and setting up factories in other countries?

2. Operational Challenges:
   a. What is the current profitability performance of your business in the country?
   b. What are the main operational difficulties? Please elaborate.
   c. What measures has the company taken to overcome these difficulties?

3. Sustainable Development:
   a. Contribution to local employment and local staff development:
      i. How many people do you employ in your company? How many Chinese and local employees are there?
      ii. Is there training for local staff?
      iii. Is there a career development plan for local employees?
      iv. What are the challenges in terms of employee management? How to solve these challenges?
   b. Corporate Social Responsibility (CSR):
      i. What CSR projects does your company currently have? Please briefly describe the CSR strategy, budget, and existing projects.
      ii. Does your headquarter in China have a CSR strategy, budget setting and project portfolio?
   c. Technology transfer:
      i. Does your company work with local businesses? How do you cooperate if any?
      ii. In the process of cooperation with local enterprises, do the services and materials provided by local enterprises meet the requirements of your company? What if they can’t meet your quality standards?
   d. Market Competition:
      i. What is the market for your business?
ii. Who are the major competitors for your company?

iii. What do you think of the market competition environment in this country?

e. Compliance:

i. What are the main challenges your company in terms of compliance?

ii. Does your company need to meet the compliance requirements set by Chinese governments? (environmental aspects, community development, etc.)

iii. Does your company know corporate codes of conducts of OECD, World Bank, and the UN Global Compact etc.?

f. Environmental Protection:

i. Are local environmental protection measures more stringent than those in China?

ii. What measures does your company take in terms of environmental protection?

g. Long-term vs. short-term:

i. Does your company have a long-term development plan in this country?

4. Supports:

a. Government support:

i. What support does the Chinese government have for your company’s investment in this country? What support does the host government provide for your business investment here?

b. Claims of Supports:

i. What kind of supports do you hope the Chinese and host governments could improve for the development of your company?

ii. What supports could the international organisations such as the United Nations provide for the development of your business?
Chamber of Commerce Interview Questions
Southeast Asia Field Research for 2018 Research on Sustainable Development of Chinese Enterprises Overseas

1. Basic information:
   a. Please briefly introduce the establishment time, the founders, and the mission of the establishment.
   b. Do you have full-time staff? If so, please briefly describe their roles and responsibilities.
   c. Please briefly introduce the types of members; and how to obtain membership, etc.
   d. What are your main business areas and activities? Please give an example.

2. Operational Challenges:
   a. What are the main operational difficulties of your establishment? Please elaborate.
   b. What measures have you taken to alleviate these difficulties?
   c. Please briefly introduce your sources of funding.

3. Member Companies:
   a. What is the main motivation for the investment in the country as far as your members of your establishment are concerned?
   b. What are the main challenges for member companies operating in the country?
   c. Does your establishment organise member companies to carry out sustainable development/corporate social responsibility projects in the country? If so, please give an example.

4. Government Support:
   a. Government support:
      i. What support do you think the Chinese government has provided to Chinese private companies to invest in the country?
      ii. What support does the host government provide for Chinese private enterprise investment?
      iii. Have you ever worked with UN agencies?
   b. Claims:
      i. What supports do you hope that Chinese and host governments would increase for the development of member companies and chambers of commerce?
      ii. What supports can the international organisation such as the United Nations provide for the development of member companies and chambers of commerce?
NGO Focus Group Interview Questions
Southeast Asia Field Research for 2018 Report on Sustainable Development of Chinese POEs Overseas

1. Basic information:

Please briefly introduce your organisation, especially focus on:

a. What are the areas of focus of your project?

b. How long have you been operating in this country?

c. Have you established offices in countries other than this country?

d. What are your major sources of funding?

2. Perception towards Chinese enterprises:

a. What is your impression towards Chinese companies in this country, especially in terms of corporate social responsibility, contribution to local industrial upgrading, skill and technology transfer, and environmental protection etc.?

b. What do you perceive as the biggest challenge Chinese companies, especially POEs are facing in this country?

c. Difference between Chinese companies and companies from other countries?

3. Cooperation with Chinese companies:

a. Have you cooperated with Chinese enterprises in this country? If yes, please elaborate on your projects of cooperation. How did this collaboration come into being?

b. Do you intend to develop (further) cooperation with Chinese enterprises? If so, how would you select your targeting companies? What are your potential areas of cooperation?

c. What do you find as the biggest challenge in cooperating with Chinese companies in this country? Any difference in terms of private-owned enterprises (POEs) and state-owned enterprises (SOEs)

4. Recommendations:

a. NGO’s recommendation to Chinese companies: how to better cooperate with NGOs in this country?

b. NGO’s recommendation to UNDP: how could UNDP offices better facilitate cooperation between NGOs and Chinese companies in this country?
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