2017

REPORT ON THE SUSTAINABLE DEVELOPMENT OF CHINESE ENTERPRISES OVERSEAS

Supporting the Belt and Road Regions to Achieve the 2030 Agenda for Sustainable Development

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Chinese Academy of International Trade and Economic Cooperation,
Ministry of Commerce of the People's Republic of China

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Preface

Since the 2030 Agenda for Sustainable Development was adopted in September 2015, global development and governance has entered a new stage. The year 2017 is a pivotal time for enhanced implementation of the 2030 Agenda. A priority shared by all countries is to turn the vision into action. Over the past four decades, China has made remarkable achievements in development and delivered on its commitments to the Millennium Development Goals. This means that China will be not only an indispensable participant in realizing global sustainable development but also an inspiration to other countries as a leader and example. The Belt and Road Initiative proposed by China in 2013, resonant with the 2030 Agenda, was a declaration of China's vision for international and regional cooperation, shared benefits and sustainable development.

In 2015, the Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce, the Research Centre of the State-Owned Assets Supervision and Administration Commission of the State Council and the United Nations Development Programme China broke new ground in the evaluation of the sustainable performance of Chinese enterprises overseas by releasing the 2015 Report on the Sustainable Development of Chinese Enterprises Overseas. Two years later, as Beijing prepares for the Belt and Road Forum for International Cooperation, we are ready to make our voices heard again. To support the Belt and Road region in the implementation of the 2030 Agenda, the 2017 Report on the Sustainable Development of Chinese Enterprises Overseas examines the critical role of Chinese enterprises and the economic, social and environmental value generated from the integration of business development and the 2030 Agenda.

At present, in the face of a stagnating global economy, resurfacing "deglobalisation" and other global governance challenges, the Belt and Road Initiative stands out as a dynamic framework for development injected into an uncertain world and a propeller for the 2030 Agenda. In such a context, the Chinese enterprises that have "gone global" have become the core pillar for implementing the Belt and Road Initiative as well as realising the 2030 Agenda and its goals in their host communities. They will continue to be a lasting source of power to fuel the socio-economic development of the host countries by promoting infrastructure upgrading, positive externalities for related industries, local employment, technology transfer, social contributions and environment protection. At the same time, as challenges always come with opportunities, they will have to integrate the global consensus, Chinese government initiatives and corporate strategies to create a self-reinforced synergy, thus turning the challenge into a chance for Chinese multinationals to realise 2030 agenda.

We hope this Report can serve as a reference, both in principle and in practice, for Chinese enterprises at home and abroad in delivering on this vision. As well, it provides a source of comprehensive information and a multi-dimensional perspective for stakeholders to enable effective interaction with Chinese enterprises. It is also our hope that this Report will be a new cornerstone that can provide a basis for Chinese enterprises and their stakeholders to work together to facilitate the implementation of the 2030 Agenda in the Belt and Road region and build a community of shared interests, destiny and responsibility which enhances economic, social and environmental value in a sustainable way.

Research Team

May 2017, Beijing

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Statement: This report is published in both Chinese and English, and the report writing team has strived to ensure the consistency between two versions of the Report. The Chinese version should prevail in case of any ambiguity or conflict in terms of the two versions.

List of Acronyms

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
BRICS	Brazil, Russia, India, China, South Africa
CAITEC	Chinese Academy of International Trade and Economic Cooperation
CDB	China Development Bank
CEEC	China Energy Engineering (Group) Co., Ltd
CEOII	Chinese Enterprises Overseas Investment Institute
CGGC	China Gezhouba (Group) Co., Ltd
CMEC	China Machinery Engineering Corporation
CNADC	China National Agricultural Development Group Co., Ltd
CNPC	China National Petroleum Corporation
CSR	Corporate Social Responsibility
EIA	Environmental Impact Assessment
EPC	Engineering, Procurement and Construction
ESG	Environmental, Social and Governance
EU	European Union
EXIM Bank	Export-Import Bank of China
GDP	Gross Domestic Product
GNI	Gross National Income
GRI	Global Reporting Initiative
HACCP	Hazard Analysis and Critical Control Points
HLPF	United Nations High-level Political Forum on Sustainable Development
HSE	Health, Safety and Environment
ICESDF	Intergovernmental Committee of Experts on Sustainable Development Financing
ICT	Information, Communication and Technology
IECEE HS	IEC System for Conformity Assessment Schemes for Electrotechnical Equipment and Components, Hazardous Substances
IEEFA	Institute for Energy Economics and Financial Analysis
IFC	International Finance Corporation

IMF	International Monetary Fund
IPSO	Independent Press Standards Organisation
ISO	International Organisation for Standardisation
LPG	Liquefied Petroleum Gas
MDG	Millennium Development Goal
MFA	Ministry of Foreign Affairs
MOFCOM	Ministry of Commerce
NDB	New Development Bank
NDRC	National Development and Reform Commission
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
ODI	Outward Direct Investment
OECD	Organization for Economic Co-operation and Development
OHSAS	Occupational Health and Safety Assessment Series
OWG	Open Working Group
PRI	Principles for Responsible Investment
R&D	Research and Development
RIOS	Recycling Industry Operating Standard
RoHS	Restriction of Hazardous Substances.
SA8000	Social Accountability 8000 International Standard
SASAC	State-owned Assets Supervision and Administration Commission
SDG	Sustainable Development Goal
SEP	Shanghai Electric Power Co., Ltd
SIA	Social Impact Assessment
SINOSURE	China Export & Credit Insurance Corporation
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
WBCSD	World Business Council for Sustainable Development
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation
WWF	World Wildlife Fund

Executive Summary

The New Era Calls for New Global Governance

— The 2030 Agenda for Sustainable Development and China's Belt and Road Initiative

Over the past few decades, globalisation characterised by technological advancements, industrial migration, and global expansion of multinational corporations, continued to deepen and reached its peak during the recent ten years. However, human rights, social justice and even world peace once again face enormous challenges on a global scale in the context of a globalisation process that prioritises economic development and efficiency. To address these issues, all UN Member States adopted "Transforming our World: the 2030 Agenda for Sustainable Development" (the 2030 Agenda) at the United Nations Sustainable Development Summit held in New York from 25 to 27 September 2015. As a programmatic document to guide global sustainable development over the next 15 years, the 2030 Agenda encompasses 17 Sustainable Development Goals and 169 targets to complete what the Millennium Development Goals did not achieve.

Today, China's development is closely linked with the world development. China has cumulated experience in manufacturing and infrastructure construction, fund mobilisation and management, and has made considerable progresses in its influence in international politics, economy and diplomacy. China's capacities and experience can be shared with other countries bringing support and energy to spur economic globalisation. China has now launched the Belt and Road Initiative, which aims at promoting mobilisation and efficient allocation of economic resources and deep integration of markets, encouraging the countries along the Belt and Road to coordinate economic policy and deepen regional cooperation, in order to create an open, inclusive and balanced regional social and economic cooperation framework that benefits all.

The Future We Want

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

1. The Belt and Road Initiative is highly aligned with the 2030 Agenda

Interlinked principles. The 2030 Agenda is organised around a number of concepts, including a human-centred orientation, the protection of the material and ecological basis for human development, promoting sustainable, widespread and green prosperity, enhancing social inclusion, and building mutually beneficial partnerships, while the Belt and Road Initiative emphasises the principles of extensive consultations, mutual contributions and shared benefits. The Belt and Road Initiative encompasses China's global development view, "collaborative development". Therefore, the principles and characters of the Belt and Road Initiative and the 2030 Agenda are very similar.

Shared vision. The Belt and Road Initiative has a similar vision as the 2030 Agenda. While both are committed to promoting inclusive and sustainable economic growth and social development, the Belt and Road Initiative's vision to realise diversified, independent, balanced and sustainable development in the countries along the Belt and Road, echoes the sustainable development goals set out in the 2030 Agenda.

Shared platform. The 2030 Agenda advocates increased international cooperation, especially through the implementing means listed in Goal 17 to revitalise the global partnership for sustainable development. Meanwhile, the Belt and Road Initiative seeks to strengthen policy communication, build a multi-layered intergovernmental macro-policy communication and interaction mechanism, and establish a platform for communication and exchange for consensus and mutual benefits. Both the implementation of the 2030 Agenda and the advancement of the Belt and Road Initiative require the establishment of communication and exchange mechanisms as well as cooperation platforms. Furthermore, the similarities between these two implementation platforms will enhance opportunities for cooperation.

2. Facilitation of development transitions and innovation

Transitions of development drivers. The 2030 Agenda states that in addressing the specific challenges facing a country's sustainable development, it is important to focus on the most vulnerable countries, in particular, least developed countries, landlocked developing countries and small island developing states. Most countries along the Belt and Road are also developing countries. The Belt and Road Initiative will link the world's largest developing country – China – and the region with the highest density of developing countries, making them the most significant drivers of international development.

Innovations in development financing. In addition to acknowledging that developed countries should fulfil their commitments to provide development aid, the 2030 Agenda has also proposed to "adopt and implement investment promotion regimes for least developed countries", while under the framework of the Belt and Road Initiative, China combines aid, trade and investment to promote cooperation. In particular, it recognises that private investment has a key role to play in infrastructure financing, including through tools and mechanisms such as public-private partnerships, blended finance and risk mitigation instruments.

Inclusiveness of development participation. While recognising the primary responsibility of governments for the development of their own countries, the 2030 Agenda also emphasises the importance of a global partnership for sustainable development, which should be supplemented by the engagement of a wide variety of stakeholders. The Belt and Road Initiative proposed by the Chinese government has been well received by the governments of the countries along the Belt and Road. At the same time, its implementation must rely on the participation of diversified stakeholders from these countries, including enterprises and social organisations.

Beyond Business

— Chinese Enterprises as a Key Force for Implementing the 2030 Agenda in the Belt and Road Region

In 2016, China's non–financial outward direct investment (ODI) reached US $170.11 billion in 7,961 overseas enterprises in 164 countries and regions, an increase of 44.1% year on year. Chinese "going global" enterprises have made significant contributions to the economic and social development of countries along the Belt and Road, especially in improving infrastructure, upgrading industries, creating jobs, transferring technology, contributing to social well-being, and promoting ecological civilisation. This demonstrates Chinese enterprises' capability to support countries and regions along the Belt and Road in achieving the 2030 Agenda.

Meanwhile, participating in and implementing the 2030 Agenda and the Belt and Road Initiative provide Chinese enterprises with new opportunities. With regards to business opportunities, the implementation of the 2030 Agenda and the Belt and Road Initiative will boost the recovery of the global economy, and will bring unprecedented opportunities for infrastructure construction, industrial transformation and upgrading, and trade and investment facilitation. With regards to social and environmental opportunities, countries along the Belt and Road have rich and diversified social conditions, and need social development to achieve the 2030 Agenda. This offers a good opportunity for Chinese "going global" enterprises to generate positive social impacts and promote social progress, fulfilling their roles as responsible global corporate citizens. With regards to corporate governance opportunities, both the 2030 Agenda and the Belt and Road Initiative are long-term action plans. The lens for Chinese enterprises investing in the Belt and Road region should be on long-term value which also allows the enterprises to consider their own long-term development and to strengthen corporate governance models.

While providing new opportunities, going global inevitably means facing various challenges. These challenges include the business environment, international standards, talent supply, environmental protection, and stakeholder engagement. Chinese enterprises in Belt and Road regions will need to address these challenges in a timely and effective manner while turning opportunities into actions and contributing to the 2030 Agenda in line with their own capacity.

To seize opportunities and address challenges in an effective way, as the major force of the Belt and Road Initiative contributing to the 2030 Agenda, Chinese enterprises need to take the following actions: adhere to responsible and sustainable value principles in their corporate strategy, culture and decision-making, implement essential management mechanisms throughout the whole life cycle of their investment projects, and follow the Report suggested guidelines and actions for the Belt and Road Initiative and 2030 Agenda in their investment and operations.

The Business Value of Chinese Multinationals

Strengthening good practices for sustainable profit;
Embedding ethical principles into good practices;
Realising sustainable profit through ethical principles.

The Sustainable Performance of Chinese Enterprises in the Belt and Road Regions

— Questionnaire, Interviews and Case Studies

The findings of the questionnaire and interviews show that sustainable development concepts are acknowledged and practised by most Chinese enterprises, but that capacity, implementation and results can still be improved.

With regards to social performance, over half of the surveyed companies have conducted Social Impact Assessments (SIA) before implementing their projects and attached much importance on philanthropic investment in the host countries; most companies have established occupational health and safety management systems, and feel that they perform well in protecting the basic rights and interests of Chinese and local employees, that "complying with local laws and regulations on labour force employment" is the most important measure for establishing good labour relations, and opt for more proactive, communication-based solutions to deal with labour disputes. However, some enterprises have not conducted independent SIAs. Some enterprises also have problems with limited effectiveness of their charitable giving, due to lack of strategic planning for philanthropy investment. Impact of cultural differences and unfamiliarity with local customs have been major barriers for establishing good labour relations.

With regards to economic performance, Chinese enterprises generally perform well in regions along the Belt and Road, boosting the development of energy, infrastructure and ICT in host countries while receiving good investment returns. Most Chinese enterprises prioritize the host country market, and hold a generally positive attitude towards localisation of their procurement. Most Chinese enterprises have realised technology spillovers such as technology consultation services, collaborative production, technology assistance, in ways that suit the economic and technological development stages of the regions along the Belt and Road. However, Chinese enterprises still need to improve business performance, enhance purchasing localisation, and facilitate the technology upgrade in host countries.

With regards to environmental issues, the majority of Chinese enterprises have conducted Environment Impact Assessments according to the requirements of the host countries, generally by third-party organizations. Most Chinese companies have adopted measures to reduce emissions, pollutants, and intentionally control the environmental impact throughout the whole product life cycle. Nevertheless, Chinese enterprises need to control their environmental impact more systematically and scientifically, and to track and document relevant data and information in business operations.

With regards to corporate governance, most enterprises have their development strategies tightly linked with the development planning of the host countries, and have long-term plans to operate in the host countries. The majority of companies perform well in establishing business integrity mechanisms. The risks of most concern to enterprises are political situations, employee security, and local prices fluctuations. Most enterprises have conducted consultations with stakeholders, and established information disclosure systems. Some Chinese enterprises have begun to actively participate in self-regulatory frameworks and guidelines to strengthen their sustainable practices. Nevertheless, Chinese enterprises overall need to improve their sustainable development management systems in their overseas operations, pay more attention to environmental and community problems raised by local residents, governments and NGOs, and improve information disclosure and communications by publishing overseas sustainable development reports or corporate social responsibility reports.

Towards the Sustainable Development of Chinese Enterprises Overseas

— Recommendations for Chinese Policy Makers, Chinese "Going Global" Enterprises, and Other Stakeholders

Overseas investment and cooperation involves multiple stakeholders; it is therefore not the sole responsibility of Chinese enterprises to create benefits for all stakeholders. Sustainable development requires both top-down policy guidance and bottom-up actions by enterprises as well as collaboration with other stakeholders. Both the Belt and Road Initiative and the 2030 Agenda highlight multi-stakeholder cooperation. Therefore, the report makes the following recommendations.

Recommendations for Chinese policy makers

1) Enhance investment planning and project guidance: considering the principles of both the Belt and Road Initiative and the 2030 Agenda, government agencies can conduct research, formulate and implement sustainability strategic planning for overseas investment and cooperation under the Belt and Road Initiative, in order to provide guidance for Chinese enterprises on balancing the economic, social and environmental goals of their overseas investment.

2) Strengthen legal protection and policy incentives: government agencies are advised to establish sustainable development and responsible investment as principles in the policy and legal systems that pertain to Chinese enterprises' investment and cooperation along the Belt and Road. They can also encourage and support sustainable, responsible investment projects via policies related to the Belt and Road Initiative, especially in terms of financing and taxation, to encourage enterprises to embark on sustainable development and responsible investment projects, and to enhance enterprises' contribution to advancing the goals of the 2030 Agenda.

3) Enhance risk mitigation mechanisms and localisation of operations: relevant government agencies, especially their overseas representative offices, can support the establishment of social and environmental risk warning and mitigation mechanisms targeting the Belt and Road countries, and raising enterprises' awareness of the importance of localisation.

4) Support think tank development and information services: the government can support and mobilise various types of think tanks to strengthen research on the political, economic, cultural, industrial and environmental circumstances of the Belt and Road countries, and to strengthen information service systems for overseas investment.

5) Deepen international exchanges and multi-stakeholder cooperation: establishing bilateral/multilateral mechanisms for long-term cooperation and experience sharing and exchanges for China and countries along the Belt and Road will strengthen dialogue and cooperation between governments and between civil society actors and facilitate the fulfilment of the 2030 Agenda.

Recommendations for Chinese "going global" enterprises

1) Raise awareness and enhance knowledge: Chinese "going global" enterprises must gain a thorough understanding of the core values of the Belt and Road Initiative, and build "a community of shared responsibilities and a community of shared destiny" that are conducive to fulfilling the 2030 Agenda locally based on "communities of shared interest" and through sustainable development strategies and responsible operations.

2) Manage risks: apart from conducting economic feasibility studies, Chinese enterprises must also examine the varying global, national, social and cultural contexts along the Belt and Road. As enterprises select countries to invest in, they need to stay informed of the political and social developments in these countries. Stronger analysis and management of the social and environmental risks associated with investments are also in need.

3) Explore opportunities: leveraging the framework of the 2030 Agenda, Chinese enterprises can analyse and research the development needs of countries along the Belt and Road, explore the alignment between local demands and their products, services and business, and turn them into business opportunities for themselves and their business partners, in order to achieve win-win outcomes for both their own business development and local social development over the long term.

4) Strengthen communication: During the whole process of project investment and operations, Chinese enterprises need to proactively communicate with stakeholders in the host countries and keep them involved in the process.

5) Value talents: Chinese enterprises need to establish sound mechanisms for recruitment and training, and work towards localisation and internationalisation of their staffs. Meanwhile, they should also enhance awareness and capacity building relating to sustainable development and responsible operations in their human resources management.

Recommendations for other stakeholders

1) Host country governments: governments of the Belt and Road countries must enact policies that are conducive not only to investment promotion and trade facilitation, but also to sustainable development. At the regional level, government agencies can adopt regional governance strategies and establish coordination mechanisms for corporate responsibility and sustainable development that is tailored to and coherent with local conditions. As well, governments need to improve their domestic industrial structures and boost the vitality of industries with the ultimate purpose of generating mutual benefits, common prosperity and sustainable development along the Belt and Road.

2) Business partners: the upstream and downstream business partners of Chinese enterprises need to support and practise responsible and sustainable development throughout their value chains across the Belt and Road countries. They should also utilise commercial mechanisms to control risks in implementing social responsibility and sustainable development as part of the effective management of their business relations with Chinese enterprises, and thus promote responsible, sustainable value chains, business models and patterns of production and consumption in coordination with their partners.

3) Community and social organisations: host country communities that are recipients of China's foreign investment, as well as international and local social organisations focused on economic, social and environment issues in the Belt and Road countries, need to better understand the role that Chinese enterprises play in facilitating local economic and social development, improving livelihoods and implementing the 2030 Agenda in their countries. Therefore, local community and social organisations can initiate dialogue and engage with Chinese investors to enhance information exchange and strengthen mutual trust. Alternatively, they can provide assistance to Chinese enterprises in advancing sustainable development efforts through objective and impartial monitoring and evaluation, open and timely sharing of experience, and adequate and practical capacity building initiatives. This will help Chinese enterprises to engage in responsible and sustainable investment and to address sustainable development challenges facing host communities through cooperation, including through the development of inclusive, efficient platforms for dialogue, information exchange and action involving multiple stakeholders.

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CHAPTER 1

THE NEW ERA CALLS FOR NEW GLOBAL GOVERNANCE

1.1 The 2030 Agenda for Sustainable Development

1.1.1 Background

Due to industrialisation, resource depletion, ecological degradation, environmental pollution and arising inequality have become global challenges. Against this backdrop, the international community began to attach equal importance to both the environment and development in the mid-1980s. In 1987, the Brundtland Report, Our Common Future, put forward the concepts of sustainable development and intergeneration equity, and established social justice, economic development and environmental protection as the three pillars of sustainable development. In 1992, Agenda 21 was adopted at the United Nations Conference on Environment and Development in Rio de Janeiro, Brazil, integrating the environmental concerns of developed countries and the development needs of developing countries. It set the basis for the subsequent United Nations development agenda and identified a new path to human well-being — sustainable development.

After the Rio Conference and until the end of the 20th century, globalisation, characterised by technological advancements and the global expansion of multinational corporations, continued to deepen and reached its climax in the 1990s. However, the North-South development gaps were not bridged. In fact, developing countries, in order to create quick wins and grow, resorted to backward, cheap and inefficient industrial technologies obtained through global industrial migration to pursue economic development. This resulted in damage to labour and human rights, destruction of the environment, and a widening gap between rich and poor, sparking widespread concern in international political forums and civil society. To address these issues, the United Nations Summit in September 2000 adopted the Millennium Declaration to define the direction of development in the new century, which set the Millennium Development Goals (MDGs) as targets to be achieved by 2015.

The MDGs focused on poverty reduction and the development of developing countries, and did indeed yield some positive results, including a significant decline in global poverty and a narrowed North-South gap. However, social justice and even world peace once again faces enormous challenges on a global scale in the context of globalisation prioritising economic development and efficiency. As noted in the *Synthesis Report of the Secretary-General on the Post-2015 Agenda*, "Our globalised world is marked by extraordinary progress alongside unacceptable — and unsustainable — levels of want, fear, discrimination, exploitation, injustice and environmental folly at all levels."

Figure 1.1 The Sustainable Development Goals (SDGs)

Therefore, the United Nations established an Open Working Group (OWG) on Sustainable Development Goals (SDGs) in 2012 with the aim to formulate new development goals for 2016–2030. After three years' research, consultations and reviews, all UN Member States unanimously adopted the "Transforming our World: the 2030 Agenda for Sustainable Development" (the 2030 Agenda) at the United Nations Sustainable Development Summit held in New York from 25 to 27 September 2015. The 2030 Agenda, as a programmatic document to guide global sustainable development over the next 15 years, puts forward 17 Sustainable Development Goals and 169 targets to complete what the MDGs did not achieve (as shown in Figure 1.1).

1.1.2 Content and Implementation

The 2030 Agenda is "a plan of action for people, planet and prosperity...We are determined to take the bold and transformative steps which are urgently needed to shift the world on to a sustainable and resilient path". This "comprehensive, far-reaching and human-centred set of universal and transformative Goals and targets" includes 17 Sustainable Development Goals and 169 targets. The detailed content and the connection with the MDGs are illustrated in Table 1.1 below. It is worth emphasising that the 2030 Agenda is guided by the purposes and principles of the Charter of the United Nations, the Universal Declaration of Human Rights, International Human Rights Treaties, the United Nations Millennium Declaration and the 2005 World Summit Outcome Document, as well as the Declaration on the Right to Development and other instruments, and therefore, they are "integrated and indivisible, global in nature and universally applicable".

Table 1.1 From MDGs to SDGs

Areas	MDGs (2000-2015)	SDGs (2015-2030)	Values
People	Goal 1: Eradicate extreme poverty and hunger; Goal 2: Achieve universal primary education; Goal 3: Promote gender equality and empower women; Goal 4: Reduce child mortality; Goal 5: Improve maternal health; Goal 6: Combat HIV/AIDS, malaria and other diseases;	Goal 1: End poverty in all its forms everywhere; Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture; Goal 3: Ensure healthy lives and promote well-being for all at all ages; Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; Goal 5: Achieve gender equality and empower all women and girls; Goal 6: Ensure availability and sustainable management of water and sanitation for all;	Fair and dignified human development
Prosperity		Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all; Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation; Goal 10: Reduce income inequality within and among countries;	Inclusive, resilient, fair and innovative economic growth

continued

Areas	MDGs (2000-2015)	SDGs (2015-2030)	Values
Planet	Goal 7: Ensure environmental sustainability	Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable; Goal 12: Ensure sustainable consumption and production patterns; Goal 13: Take urgent action to combat climate change and its impacts; Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development; Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;	Respect for nature, adapting to nature, promote the balanced development between the economy and society in an environmentally and ecologically sustainable way, co-existence between humans and nature
Partnership & Participation	Goal 8: Global partnership for development	Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels; Goal 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.	Fair, responsible and transparent public governance mechanisms; ensure stakeholders' participation and cooperation

*Compiled by the research team

Compared with the MDGs, the 2030 Agenda is unique. It is based on global partnerships and endorsement; it emphasises inclusiveness and integration. Key characteristics include:

In terms of participants, the 2030 Agenda highlights the full participation of and benefits to all stakeholders. The 2030 Agenda applies to all countries, with an emphasis on mutual benefit and "win-win" between sovereign states or groups of countries in the international governance system; it also underlines the participation of diverse stakeholders including civil society and the private sector. In particular, private sector players, including various types of enterprises, have played a critical role in advancing the 2030 Agenda, while also creating business opportunities for themselves.

In terms of the content and depth of the development goals, the 2030 Agenda reflects a transformation and progression towards more inclusive sustainable development. The new Agenda covers three dimensions of sustainable development: economic growth, social inclusion and environmental protection, and addresses broader as well as more specific challenges such as economic growth, decent work, sustainable cities and communities, industrialisation, climate change actions, sustainable consumption and production, fairness and justice and other high-level goals.

The 2030 Agenda places greater emphasis on the importance of the means and effects of implementation, and in particular, on safeguard measures in financing, capacity building, technology, data and institutions. In addition to proposing a series of Goals, the 2030 Agenda also proposes a systematic institutional design of the means to implement these Goals, and to review the progress. For instance, the high-level political forum under the auspices of the United Nations General Assembly and the Economic and Social Council will oversee follow-up and review at the global level, enhance data collection and national statistical capacity, and develop broader approaches to measure progress and establish "a robust, voluntary, effective, participatory, transparent and integrated follow-up and review framework".

With regards to the development safeguard mechanisms, the new Agenda stresses ensuring and enhancing the systemic capacity for sustainable development. Issues such as economic growth, employment, industrialisation, urbanisation, production, consumption and distribution will create a strong momentum for realising the Goals. The cultivation, accumulation and improvement of such systematic capabilities will require the participation and innovation of the private sector.

The 2030 Agenda is ambitious. Hence, the measures and pathways for its implementation require breakthroughs and transformation in areas such as financing, technology, institutional innovation, capacity building, fair trade, and partnerships, as well as in systematic issues, including policy coordination, stakeholder engagement, and data and monitoring.

The implementation of the 2030 Agenda calls for the revitalisation of global partnerships. Without strengthening or revitalising global partnerships, the achievement of these Goals will be fragmented and unsustainable. A dynamic global partnership requires the in-depth participation and full cooperation of all stakeholders so as to bring together governments, the private sector, civil society, the United Nations system and other parties, to mobilise all available resources to realise the Goals in the 2030 Agenda as well as to support national actions. In particular, the private sector can play important roles in the implementation of the new Agenda and find significant business opportunities from within.

The implementation of the 2030 Agenda requires concerted efforts between different development financing modalities. It is worth noting that the International Development Assistance Funds still play an important role in leveraging various supporting resources. In this regard, the 2030 Agenda reaffirms the commitment by many developed countries to devote 0.7% of their Gross National Income to Official Development Assistance (ODA/GNI) to developing countries and 0.15% to 0.2% of ODA/GNI to least developed countries. The international community must also leverage resources other than development assistance to support the 2030 Agenda. On 15 July 2015, at the Third International Conference on Financing for Development, 193 UN Member States officially adopted the Addis Ababa Action Agenda, proposing a range of bold measures aimed at embarking on a radical reform of global development financing and attracting investment to address economic, social and environmental challenges.

Given that countries have primary responsibility for their own economic and social development, countries must take the lead in implementing the 2030 Agenda through national actions. Governments need to consider how to include these global goals in their national plans, policies and strategies, and how to link sustainable development with other relevant work in the economic, social and environmental spheres. In accordance with national policies and priorities and taking into account their own realities, capacities and levels of development, countries should endeavour to implement the 2030 Agenda at the national, regional and global levels, including through close collaboration with regional and local authorities, sub-regional bodies, international agencies, academia, charitable organisations, voluntary groups and other parties to carry out implementation. At the same time, in line with relevant international rules and commitments, countries should also retain space for national policies to promote sustained, inclusive and sustainable economic growth.

The implementation of the 2030 Agenda should complement and support other relevant regional strategies and action plans. Countries should recognise and highlight the importance of regional and sub-regional factors, regional economic integration and regional economic interconnectivity for sustainable development, as these regional and sub-regional frameworks will contribute to effectively translating sustainable development policies into national actions. It is in this sense that the 2030 Agenda can be integrated with and mutually promote initiatives such as the Belt and Road.

A resourceful, pragmatic and efficient United Nations system plays a significant role in coordinating and helping implement the SDGs. While strengthening the autonomy and leadership of the 2030 Agenda implementation at the national level, countries need to support the United Nations system's key role in the long-term coordination and guidance of countries to implement the 2030 Agenda; cooperate at different stages of the Agenda implementation process; collect, record and organise relevant information and data; prepare progress reports in line with corresponding requirements; and participate in relevant United Nations platforms and international dialogues to share good practices and experiences with other countries.

1.1.3 Challenges

Although there is a global consensus on the 2030 Agenda and countries are ambitious and ready to begin, its implementation will face challenges, potentially leading to slow progress in the implementation of sustainable development. These challenges mainly include financing gaps, institutional dilemmas, and demographic situations.

Global sustainable development requires financial resources, but currently there exists a huge funding gap. According to the *World Investment Report 2016*, achieving the SDGs in developing countries alone will require investment in the range of US$3.3~US$4.5 trillion annually (or about US$2.5 trillion over and above the amount currently being invested). The gap is particularly conspicuous in ensuring health, education and infrastructure coverage. The United Nations Conference on Environment & Development in Rio de Janeiro in 1992 proposed the target of 0.7% of developed countries' ODA/GNI to developing countries. However, this mechanism for financial assistance is not binding, and ODA is far from reaching Rio's commitment. As well, developing countries, as assistance recipients, also lack sound and transparent institutional mechanisms and efficiency in fund use. These problems indicate that ODA cannot bridge the funding gap in sustainable development, and countries need to explore new development financing strategies to secure sustainable financial support for development.

The realisation of global Goals needs a set of recognised global governance systems that are systematic, impartial, and pragmatic. Sustainable development encompasses the interaction between people, society and nature, and involves national, regional and global issues. As there is no single global mechanism to comprehensively coordinate and manage the sustainable development of society and environment at the global level, coupled with differences in the sustainable development process and divergences in understanding sustainable development, there is a distinct deficiency in mechanisms to guarantee implementation — this is illustrated by the difficult process undergone to adopt the Paris Agreement on Climate Change at the global level and the lack of implementation in some countries. In particular, the capacities of many international and national institutions are still incompatible with the needs of the SDGs. Many developing countries are deficient in their capacities to develop policies, identify priorities, promote innovation, and measure and monitor implementation progress. This could affect the overall progress of global sustainable development.

Global sustainable development also faces enormous challenges related to demographic trends. Firstly, aging populations are extremely prominent in developed countries, while China and other developing countries are increasingly facing the same problem. The growth of the elderly population poses a severe challenge to not only the sustainability of endowment insurance systems and public fiscal revenues, but also to elder care, medical technologies and infrastructure. Secondly, developing countries are also confronted with insufficient resources caused by rapid population growth due to a large population base, high birth rate and subsequent resource shortages. Population is growing most rapidly in developing countries, and the world's poorest areas, such as Africa and South Asia, have the highest population growth rates. To some extent, population growth, especially the rapid increase of a young population, can produce a demographic dividend that could help the realisation of the 2030 Agenda. However, developing countries face many challenges, such as inadequate public infrastructure, weak institutions and low productivity. Their existing resources cannot meet the needs of rapidly growing populations, which may lead to resource over-exploitation and extensive growth. Such consequences are not conducive to sustainable development. Thirdly, coupled with growing immigration and refugee migration caused by global political and economic instability, social structures may become increasingly complex as people of different religious and cultural backgrounds, races and ethnic groups merge into the local population in many countries and regions. As a result, religious, cultural and racial conflicts have potential threats to social harmony. In particular, racism, religious extremism and terrorism present severe challenges to public, social and even international security, which will ultimately hinder the progress towards the SDGs.

1.1.4 From Global Consensus to China's Action

On 25–27 September 2015, at the 70th Anniversary of the United Nations, heads of states and governments together with high-level representatives from all 193 UN Member States unanimously adopted the 2030 Agenda at the United Nations Summit on Sustainable Development. This demonstrates the global consensus and broad political will for implementation for the coming 15 years. Chinese President Xi Jinping stated at the Summit that the 2030 Agenda is in line with China's goal to build a moderately prosperous society in all respects and to achieve the great rejuvenation of the Chinese nation, i.e. the "Chinese Dream"; it conforms to China's ideas of promoting sustainable development and bringing development to all people; and it accords with China's objective to play a responsible role globally and promote the mutual development of countries. He also advocated that the international community strengthen cooperation, and pledged China's commitment to implement the Post-2015 Development Agenda as it is duty-bound to promote the global sustainable development process.

Since the adoption of the 2030 Agenda, China has acted on national policy arrangements and specific measures to promote the implementation of the Agenda and demonstrated exceptional leadership in global sustainable development. In April 2016, China released *China's Position Paper on the Implementation of the 2030 Agenda for Sustainable Development*, noting that China had established a domestic coordination mechanism for implementation, and that 43 government departments would fulfil their duties to ensure smooth progress in implementing the 2030 Agenda. In July 2016, at the United Nations High-level Political Forum on Sustainable Development (HLPF), China became one of the first group of 22 countries to present Voluntary National Reviews. On 4 September 2016, China proposed sustainable development as one of the important themes of the G20 Hangzhou Summit and took the lead to integrate the 2030 Agenda into the G20 Action Plan.

On 19 September 2016, Chinese Premier Li Keqiang, while attending the General Debate of the 71st Session of the United Nations General Assembly in New York, chaired a high-level symposium titled "The Sustainable Development Goals: A Universal Push to Transform Our World – China's Perspective" and introduced China's actions, achievements and concepts in implementing the sustainable development agenda as well as new initiatives to promote global development. Li Keqiang concluded by stating that China would make unremitting efforts in its own sustainable development and actively participate in cooperation with the international community, in particular by strengthening communication with international organisations and supporting the UN to maintain its authority and play a greater role in promoting global sustainable development.

On 28 October 2016, *China's National Plan on Implementation of the 2030 Agenda for Sustainable Development*, submitted by the Permanent Representative of China to the United Nations to then-UN Secretary-General Ban Ki-moon, was formally received as a document of the UN General Assembly distributed in the UN system and among the Member States. The National Plan is composed of five parts: China's achievements and experience in implementing the MDGs, opportunities and challenges in implementing the 2030 Agenda, guiding thoughts and general principles for implementation, and overall approaches. It serves as a guide for China to carry out implementation, and can serve as a reference for other countries, especially developing countries, to promote implementation.

On 13 December 2016, the State Council of China issued the *Development Plan for China's Innovation Demonstration Zones in Response to the Implementation of the 2030 Agenda for Sustainable Development*. To implement the 2030 Agenda, the strategy for innovation-driven development will be the key to China's implementation, with the goal of facilitating the integration of science and innovation with social development, and a focus on breaking key bottlenecks that hinder China's sustainable development. China will integrate innovation resources, improve institutional mechanisms, provide systematic solutions, boost coordinated economic and social development, and build a group of sustainable development role models that can be replicated and promoted (as shown in Table 1.2).

Table 1.2 China's Main Actions in Implementing the 2030 Agenda for Sustainable Development

Time	Main Actions
September 2015	China and 192 other countries adopted *Transforming our world: the 2030 Agenda for Sustainable Development*.
April 2016	China released *China's Position Paper on the Implementation of the 2030 Agenda for Sustainable Development*, outlining the general principles for sustainable development, the key areas and priorities, the means of implementation, and China's way forward.
July 2016	China submitted a voluntary national review at the United Nations High-level Political Forum on Sustainable Development.
September 2016	China released *China's National Plan on Implementation of the 2030 Agenda for Sustainable Development* to comprehensively organise the implementation of the work, and facilitated the formulation of the *G20 Action Plan on the 2030 Agenda for Sustainable Development* during the G20 Hangzhou Summit.
October 2016	China submitted *China's National Plan on Implementation of the 2030 Agenda for Sustainable Development* to the UN Secretary-General Ban Ki-moon, and the plan was formally received as a document of the United Nations General Assembly distributed in the UN system and among the Member States.

continued

Time	Main Actions
December 2016	The State Council of China issued the *Development Plan for China's Innovation Demonstration Zones in Response to the Implementation of the 2030 Agenda for Sustainable Development*, and defined the ideas and targets of "China's Innovation Demonstration Zones in Response to the Implementation of the 2030 Agenda for Sustainable Development".

*Compiled by the research team

1.2 China's Belt and Road Initiative

1.2.1 Background

- **Global adjustment and restructuring**

The world's economic centre of gravity has shifted. In 2003–2008, the average annual growth rate of the global economy was 4.8%, while the rate for 2011–2015 was only 3.5%. According to the International Monetary Fund (IMF), the rate will be in the range of 3.6%~4% from 2016–2020. However, emerging and developing economies have been maintaining high growth rates in recent years. This means the leading role played by developed economies in global economic growth in the past few decades has shifted, and emerging and developing economies are becoming the pillars of stable economic growth.

Trade liberalisation is facing challenges. In the face of continued low global demand, the export of goods and services is becoming increasingly difficult, and the total volume of international trade is shrinking. In the 1990s, a 1% growth in the global economy resulted in 2.5% trade growth, while in recent years the same economic growth has only yielded 0.7% trade growth. During times of economic difficulty, governments have a growing tendency to protect local industries. For instance, World Trade Organisation (WTO) members have introduced more than 2,100 measures to restrict trade since the global financial crisis in 2008, which presents increasingly severe challenges to trade liberalisation.

The global value chain is being partially restructured. The economic challenges have accelerated technological innovation and industrial transformation, hastened a new round of breakthroughs in technology, and promoted a shift in economic growth momentum. The rapid rise of new technologies and emerging industries with green, low-carbon, intelligent features will trigger the partial restructuring of the global value chain, creating a profound impact on global industrial division and economic geography, and affecting the international landscape and balance of power.

- **China's economic development and transformation**

Five development concepts serve as the blueprint for China's development. China's economy has entered the "new normal", marked by changes in the speed of growth, optimisation of economic structure, and a shift in drivers of growth. The new drivers of growth are the most critical elements determining the process and quality of the growth and structure optimisation. To this end, China has proposed five development concepts – "innovation, co-ordination, green, opening up and sharing", which represent the Chinese leadership's understanding of economic and social development principles. Meanwhile, the five development concepts are universal and will promote cooperation between China and other countries in multiple areas, including green development, innovation, and urbanisation.

China injects new vitality into the world economy. China's development today is closely linked to that of the world. China has accumulated experience in manufacturing and infrastructure construction, fund mobilisation and management, and has made considerable progress in its influence in international politics, economy and diplomacy. These capacities and experience can be shared with other countries and become a source of support and energy to spur economic globalisation.

China is actively seeking complementary solutions for global governance. Over the past 30 years, China has explored a development path with Chinese characteristics, benefitting the whole world with its development results. Meanwhile, China has actively addressed global development challenges and provided global governance solutions as a major developing country.

- **The development needs and potential of the countries along the Belt and Road**

Most of the countries along the Belt and Road are in urgent need of overcoming the "middle- or low-income trap". In terms of income levels, except for a limited number of high-income countries and regions, most other countries along the Belt and Road are middle- or low-income countries. These countries, though rich in natural resources and great in potential, urgently need the infrastructure, industrial scale, capital and knowledge to break out of the limits to their current income status.

Urban expansion spurs for infrastructure demands. The Belt and Road countries, particularly Asian countries, have experienced unprecedented growth in the 21st century. Population and GDP growth have given birth to new urban centres. However, the existing infrastructure of these urban centres is inadequate to support this rapid growth. According to the latest report released by the Asian Development Bank (ADB), for 25 Asian developing countries in 2016–2020, the gap between current and needed investment levels amounts to $330 billion annually, equivalent to 1.7% of their projected GDP. Without China, the gap in the remaining 24 countries is 4.3% of projected GDP. In general, low-income countries tend to have larger gaps. For instance, the South Asia baseline gap is 4.7% of projected GDP (as shown in Table 1.3).

Table 1.3 Baseline Estimate of Infrastructure Investments and Gaps in 25 Asian Developing Countries, 2016-2020

(Unit: US$ billion)

	Current Investment Estimate (2015)	Annual Needs	Gap	Gap (% of GDP)
Total (25)	881	1,211	330	1.7
Total without P.R.C. (24)	195	457	262	4.3
Selected Central Asia Countries (3)	6	11	5	2.3
Selected South Asia Countries (8)	134	294	160	4.7
Selected Southeast Asia Countries (7)	55	147	92	3.8
Selected Pacific Countries (5)	1	2	1	6.2

continued

	Current Investment Estimate (2015)	Annual Needs	Gap	Gap (% of GDP)
India	118	230	112	4.1
Indonesia	23	70	47	4.7
People's Republic of China	686	753	68	0.5

*Numbers in parentheses refer to the number of selected countries. Data collected from ADB's *Meeting Asia's Infrastructure Needs*, 2017.

The value chain positioning urgently needs to break out of the "mid/ low-end lock-in" effects. The degree of participation of emerging economies along the Belt and Road in the global value chain division is increasing, and they have achieved economic growth through participation. However, they are still in the development stage of utilising basic elements such as resources and labour. Countries establishing their positions in the global value chain through resource depletion and cheap labour are subject to division lock-in effects in low-end links, which requires new comparative advantages to unlock the effects.

There is great potential for economic and trade cooperation along the Belt and Road. In terms of trade cooperation, the trade between the countries along the Belt and Road represents a relatively low proportion of their overall foreign trade. The economic and trade cooperation within the region is still in the initial stage and has great potential.

The status of the Belt and Road countries in the global governance system needs to be improved. In general, most countries along the Belt and Road are making increasing contributions to the world economy, but they have not been offered positions in the global governance system that match their economic status. The emerging economies and developing countries along the Belt and Road urgently require opportunities for more equal participation in the global governance system, seeking greater space for their own development.

It is in this context that China proposed the Belt and Road Initiative in the spirit of open cooperation. It is aimed at promoting the orderly and free flow of economic factors, the efficient allocation of resources and the deep integration of markets. It encourages the countries along the Belt and Road to coordinate economic policy and engage in broader and more in-depth regional cooperation; and create together an open, inclusive and balanced regional economic cooperation structure that benefits all.

1.2.2 Key Content

The Silk Road was an important bridge that connected Asia, Europe and Africa, and facilitated economic and cultural exchanges between the ancient East and West. Depending on the means of transportation, it was divided into a "Land-based Silk Road" and a "Maritime Silk Road". For thousands of years, the Silk Road Spirit — "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit" — has promoted the progress of human civilisation, and contributed greatly to the prosperity and development of the countries along the Silk Road. Symbolising communication and cooperation between the East and the West, the Silk Road Spirit is a historic and cultural heritage shared by all countries around the world.

When Chinese President Xi Jinping visited Central Asian and Southeast Asian countries in September and October of 2013, he proposed an initiative to work together to build the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (the Belt and Road Initiative) (as shown in Figure 1.2). The Belt and Road Initiative brought new life to the ancient Silk Road and has garnered interests from all over the world.

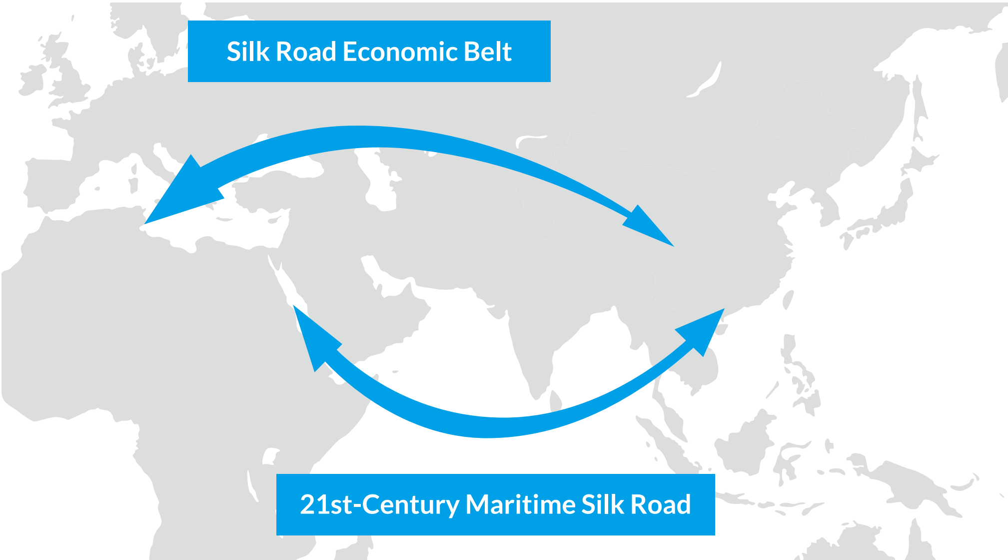

Figure 1.2 The Belt and Road Initiative

The Belt and Road Initiative's cooperation priorities are policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds, and it aims to strengthen cooperation in the following key areas:

First, policy coordination lays an important foundation for the mechanism to guarantee implementation. While implementing the Initiative, the countries along the Belt and Road should promote intergovernmental cooperation, build a multilevel intergovernmental macro policy exchange and communication mechanism, expand shared interests, enhance mutual political trust, and reach a new cooperation consensus. They may look at fully coordinating their economic development strategies and policies, work out plans and measures for regional cooperation, negotiate to solve cooperation-related issues, and provide policy support for the implementation of practical cooperation and large-scale projects.

Second, facilities connectivity enhances the bonds between countries. The geographical closeness of the countries along the Belt and Road, the space for economic collaboration and the huge demand for infrastructure investment have determined that connectivity can serve as a bond between the countries along the Belt and Road. While respecting each other's sovereignty and security concerns, the countries along the Belt and Road can improve the connectivity of their infrastructure construction plans and technical standard systems, push forward coordinated construction of international highways, and form an infrastructure network connecting all sub-regions in Asia, and between Asia, Europe and Africa. At the same time, efforts should be made to promote green and low-carbon infrastructure construction and operations management, taking into full account the impact of climate change on construction.

Third, unimpeded trade underpins regional cooperation. Investment and trade cooperations are critical components to building the Belt and Road. Therefore, efforts should be made to improve investment and trade facilitation, and remove investment and trade barriers for the creation of a sound business environment within the region and in all related countries. Countries and regions along the Belt and Road should discuss opening free trade areas or establishing different levels of regional trade cooperation, so as to unleash the potential for expanded collaboration.

Fourth, financial integration offers critical support for implementing the Initiative. To advance the implementation of the Initiative in the long term, Belt and Road countries should deepen financial cooperation, as well as support efforts to stablise the currency, investment and financing systems, and credit information system in Asia. The specific actions include expanding the scope and scale of bilateral currency swap and settlement with other countries along the Belt and Road, opening and developing the bond market in Asia, working together to put into operation the Asian Infrastructure Investment Bank (AIIB), BRICS New Development Bank (NDB), and Silk Road Fund, strengthening the practical cooperation of regional interbank associations, and carrying out bilateral and multilateral financial cooperation in the form of syndicated loans and bank credit.

Finally, people-to-people bonds provide public support for advancing the Initiative. Today, various cultures and civilisations all contribute to human culture and civilisation, and hence the need to respect each culture and civilisation, which means when promoting the Belt and Road Initiative, countries should further consolidate public support, and carry forward the spirit of cooperation along the Silk Road by promoting extensive cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges and volunteer services, so as to garner public support for deepening bilateral and multilateral cooperation.

1.2.3 Status Quo

Since the Belt and Road Initiative was proposed in 2013, the blueprint for cooperation and development has gradually rolled out from concept to framework, and finally to a specific implementation plan, with important progress being made along the way (as shown in Figure 1.3).

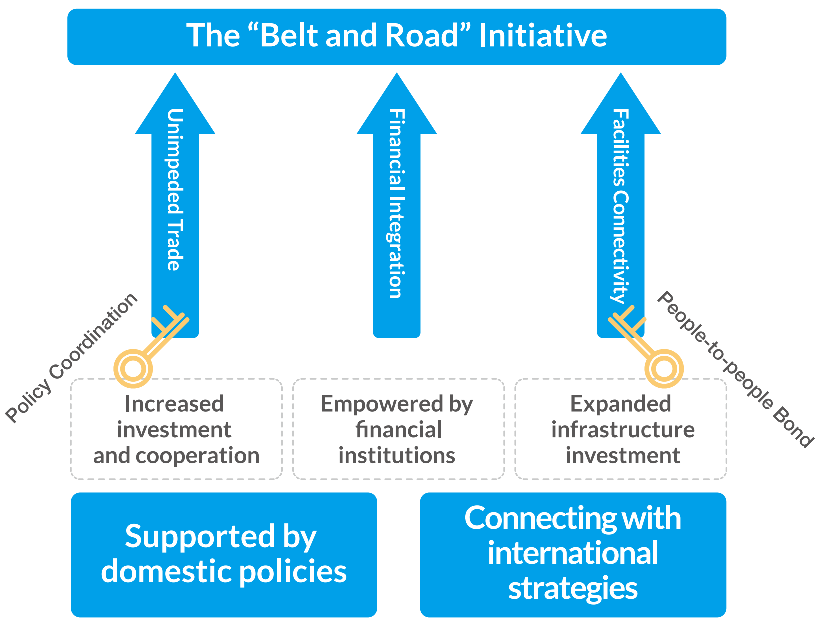

Figure 1.3 Implementation Plan of the Belt and Road Initiative

- **An intensification of domestic policy support.**

Table 1.4 A Selection of China's Policy Instruments on Promoting the Belt and Road Initiative

Time	Organisation	Policies
2015	National Development and Reform Commission (NDRC), Ministry of Foreign Affairs (MFA), Ministry of Commerce (MOFCOM)	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road (Vision and Actions)
2015	State Council	Opinions on Improving the Port Services to Support Foreign Trade Development
2015	General Administration of Customs	Implementation Plan for Serving the Belt and Road Initiative
2015	NDRC	Opinions of the National Development and Reform Commission on Promoting the Role of Transport in Leading and Supporting Economic and Social Development
2015	10 departments, including MOFCOM	Layout and Planning of Node Cities of Circulation Nationwide (2015-2020)
2015	State Administration of Taxation	Notice on Improving Taxation Service and Administration for the Implementation of the Belt and Road Development Strategy
2016	General Administration of Customs	Priorities of the Customs in 2016 to Implement the Strategic Plan for Building the Belt and Road
2016	Ministry of Science and Technology, NDRC, MFA, MOFCOM	Special Plan to Promote the Scientific Innovation and Cooperation for the Belt and Road Initiative
2016	Ministry of Education	Educational Actions for Jointly Building the Belt and Road Initiative
2016	Ministry of Transport, MFA, NDRC, Ministry of Public Security, Ministry of Finance, MOFCOM, General Administration of Customs, and General Administration of Quality Supervision, Inspection and Quarantine	Opinions on Implementing the Belt and Road Initiative and Accelerating International Road Transport Facilitation
2017	Ministry of Culture	Action Plan of the Ministry of Culture for the Belt and Road Cultural Development (2016–2020)

*Compiled by the research team

- **International cooperation platforms and networks continue to expand**

Over 100 countries and international organisations have expressed willingness to engage in the Belt and Road Initiative

Over 40 countries and international organisations have signed cooperative agreements with China

Over 20 countries have agreed to advance institutionalised cooperation in international industrial capacity with China

Figure 1.4 Belt and Road International Cooperation Platforms and Networks

- **Foreign investment and trade cooperation is growing rapidly, and the outlook is broadening**

Rapid Growth of ODI Flows

US$18.9bn

The investment to the Belt and Road regions has grown from **US$13.17 bn** in 2013 to **US$18.9 bn** in 2015.
Year-on-year growth **38.6%**
2 times the global growth rate.

Stable Development of Trade

US$955.5bn

In 2016, the total amount of trade between China and the Belt and Road countries reached **US$955.5 bn**; the total amount of trade of services reached **US$122.2 bn**.

Contracted Project Growth

US$126bn

8158 new contracts were signed with 61 Belt and Road countries in 2016. Total amount: **US$126 bn**, accounting for **51.6%** of the amount of new contracts in the same period; completed contracts: **US$75.97bn**, accounting for **47.7%** of the total amount in the same period.

Cooperation Areas Construction

US$18.6bn

OETCA* has become a platform for Chinese enterprises' participation in the Belt and Road Initiative, establishing **56** cooperation areas, with **1,082** enterprises, **US$18.6 bn** accumulated investment, **177,000** local jobs and **US$1.07 bn** local tax.

* Source: statistics from MOFCOM of China

Figure 1.5 Investment and Trade Cooperation

- **Financial institutions engage in and provide funding support for major Belt and Road projects**

Table 1.5 Financial Institutions' Support of Belt and Road Initiative Infrastructure Projects

Bank	Project Information
Asian Infrastructure Investment Bank (AIIB)	By December 2016, AIIB had approved nine infrastructure projects involving a total investment of US$1.73 billion. The nine projects are all located in the countries along the Belt and Road, namely Tajikistan, Bangladesh, Pakistan, Indonesia, Myanmar, Oman and Azerbaijan. The projects mainly focus on energy, transportation and slum upgrading. The latest approved project is the Trans-Anatolian Natural Gas Pipeline Project (TANAP) in Azerbaijan, which, as part of the Southern Gas Corridor of the European Union, will transport natural gas in the Caspian Sea to Europe via Turkey. The project requires a total investment of US$8.6 billion, of which AIIB is contributing US$600 million, the World Bank US$800 million, and the remaining will be provided by other international financial institutions and commercial loans.
New Development Bank (NDB)	NDB provides loans to its member countries in the infrastructure sector. It announced the first batch of loan projects in April 2016, providing total loans of US$811 million to renewable energy projects in Brazil, China, South Africa and India to support the member countries' 2370 MW generating capacity of renewable energy. In July 2016, NDB resolved to provide US$100 million in loans to small-scale energy projects in Karelia, Russia. In November 2016, NDB approved a US$350 million loan to the Uttar Pradesh Main Road Upgrading Project in India.
Silk Road Fund	The Silk Road Fund mainly invests in infrastructure projects in the energy sector. Their ongoing projects include the Karot Hydropower Project on the Jhelum River of Pakistan, the UAE-Egypt Power Plant Project co-invested and developed by the International Company for Water and Power Projects from Saudi Arabia, and the New Energy Project in Serbia co-invested and developed by Chinese investors including the China Gezhouba (Group) Corporation. The Pakistan Karot Hydropower Project signed in April 2015 is a prioritized energy project in the "China-Pakistan Economic Corridor". It will be developed by the South Asia Company under the China Three Gorges Corporation and financed by the Silk Road Fund. The syndicate formed by the Silk Road Fund, the Export-Import Bank of China, the China Development Bank and the International Finance Corporation has provided a US$200 million loan to the project.
The Export-Import Bank of China (EXIM Bank)	By the end of 2015, EXIM Bank had supported 1,000-plus projects in 49 countries along the Belt and Road, with loan balances exceeding RMB 520 billion. The projects include roads, railways, electricity, ports, communications and other fields. For example, EXIM Bank provided a US$800 million low-interest loan to Malaysia to build the 22.5 km Second Penang Bridge, the longest cross-sea bridge in Southeast Asia.
China Development Bank (CDB)	By the end of December 2015, CDB had supported 400-plus projects in 37 countries along the Belt and Road, with loans totalling US$110 billion. The projects covered energy resource cooperation, technical facility construction and other fields.
China Export & Credit Insurance Corporation (SINOSURE)	By December 2015, SINOSURE had underwritten US$570.56 billion for China's export, investment and contracting projects in the countries along the Belt and Road, with US$1.855 billion paid out as indemnities. In July 2015, SINOSURE signed a cooperation agreement on the Belt and Road Initiative with the Industrial and Commercial Bank of China, focusing on supporting projects in regions along the Belt and Road.

*Compiled by the research team

- **Development assistance propels the Belt and Road Initiative**

Table 1.6 Development Assistance Propels the Belt and Road Initiative

China's Commitments	Introduction
South-South Cooperation Assistance Fund	In September 2015, Chinese President Xi Jinping announced at the UN Sustainable Development Summit that the South-South Cooperation Assistance Fund would initially provide US$2 billion to assist developing countries in implementing the Post-2015 Development Agenda. Meanwhile, China will continue to increase its investment in Least Developed Countries to US$12 billion by 2030.
"Six 100s" South-South Cooperation Programmes	In September 2015, Chinese President Xi Jinping announced during the UN Sustainable Development Summit that China would provide other developing countries with: 100 new poverty alleviation programmes, 100 agricultural cooperation programmes, 100 trade facilitation programmes, 100 programmes for ecological protection and combating climate change, the construction of 100 hospitals and clinics, and the construction of 100 schools and vocational training centres.
100 "Health Projects for Women and Children"	In September 2015, when Chinese President Xi Jinping attended the Global Leader's Meeting on Gender Equality and Women's Empowerment, he proposed that China would help other developing countries build 100 "health projects for women and children".
100 "Happy Campus" Projects	In September 2015, when Chinese President Xi Jinping attended the Global Leader's Meeting on Gender Equality and Women's Empowerment, he announced that China would help other developing countries implement 100 "happy campus projects".
200 "Happy Life" Projects	According to the Forum on *China-Africa Cooperation Johannesburg Action Plan* adopted in December 2015, China will bring together different parties including social organisations to implement in Africa 200 "Happy Life" projects and poverty reduction programmes focusing on women and children.

*Compiled by the research team

1.2.4 Challenges

The Belt and Road Initiative has strengthened investment cooperation between the countries along the Belt and Road, and provided an historic opportunity particularly for cross-border cooperation between enterprises in these countries. However, the vast geographical areas and the diverse economic and political systems along the Belt and Road mean that there exist potential economic, political, social and environmental risks in the implementation of the Initiative.

Economic and financial risks. The potential economic and financial risks in the Belt and Road region, such as inflation, volatility of exchange rates and interest rates, accelerating financial imbalances and vulnerability of financial systems, will result in considerable risks to enterprises engaged in commercial activities in the host country.

Political and institutional risks. Political instability, especially domestic conflicts and changes in political regimes, may result in potential negative impacts on investment cooperation. Some Belt and Road countries and regions have experienced political turmoil, or even regime change. These destabilising factors are likely to cause economic losses to enterprises operating there. Unclear legal systems, in particular the absence or uncertainty of consistent political, legal and regulatory mechanisms, as well as the lack of adequate administrative resources and safeguard measures to enforce the existing legislation, may bring serious institutional risks to participants in the Initiative. Complex public opinion environments may also bring difficulties to enterprises or other participants in international cooperation, especially in dealing with governments and communities in Belt and Road countries and regions.

Social and environmental risks. The Belt and Road Initiative emphasises the connectivity of infrastructure facilities, and therefore the related social issues, including labour relations, land acquisition and compensation, localised operations and management, and the exchange of cultures and languages are a focus for all parties. Meanwhile, the diverse and complicated demands of stakeholders have resulted in low social acceptance and inclusiveness for some collaboration projects. Environmental and ecological conditions in the countries along the Belt and Road are complicated and volatile. In addition, some countries lack clear and mandatory norms in legal systems covering environment and eco-system protection, which may result in disputes about environmental issues for some investment projects.

CHAPTER 2

THE FUTURE WE WANT

Synergies between the Belt and Road Initiative
and the 2030 Agenda

2.1 Alignment of the Belt and Road Initiative and the 2030 Agenda

2.1.1 Interlinked Principles

The 2030 Agenda is organised around a number of concepts, including having a human-centred orientation, protecting the material and ecological basis for human development, promoting sustainable, inclusive and green prosperity, enhancing social inclusion, and building mutually beneficial partnerships, while the Belt and Road Initiative emphasises the principle of extensive consultation, mutual contributions and shared benefits. The Belt and Road Initiative encompasses China's global development view of "collaborative development". Therefore, the principles and character of the Belt and Road Initiative and the 2030 Agenda are very similar.

Specifically, the common ideas shared by the Belt and Road Initiative and the 2030 Agenda are as follows:

First, multilateral and mutually beneficial cooperation. A basic policy orientation for countries dealing with international affairs is mutually beneficial cooperation. Over the years, China has promoted the concept of "extensive consultation, joint contribution and shared benefits" and the "Community" concept such as "a community of shared interests, destiny and responsibility", to advocate for a new phase of multilateral win-win international cooperation. The Belt and Road Initiative conforms to the vision of the countries along the Belt and Road and other participating countries in seeking common development and shared opportunities.

One of the most important principles of the 2030 Agenda is that "no one will be left behind". Hence, the 17 Goals and 169 targets of the 2030 Agenda are the result of over two years of intensive public consultation and engagement with civil society and other stakeholders around the world, with particular attention paid to the voices of the poorest and most vulnerable. The principle of "extensive consultation" highlights the intention to respect the Belt and Road countries' input and interests with regards to cooperation on the Initiative. Specifically, the countries along the Belt and Road, regardless of their size, strength and wealth, are equal participants in the Initiative. They can offer advice and suggestions, contribute to the multilateral cooperation agenda based on their own needs, seek complementary economic advantages and link development strategies.

The 2030 Agenda also notes that all countries, all stakeholders and all people should participate in the sustainable development agenda. SDG Goal 9 aims to "... promote inclusive and sustainable industrialisation and foster innovation", including developing high-quality, reliable, sustainable and resilient infrastructure; enhancing scientific research, upgrading the technological capabilities of industrial sectors in all countries, in particular developing countries, encouraging innovation and substantially increasing the number of research and development workers and research and development spending to enhance capacity building. The principle of "joint contribution" advocated by the Belt and Road Initiative is very similar. In particular, it encourages the countries along the Belt and Road to bring in funds and technologies to train talent and enhance self-development capacity.

The ultimate goal of the 2030 Agenda is to ensure that all human beings can fulfil their potential in dignity and equality, enjoy prosperous and fulfilling lives in a healthy environment, and that economic, social and technological progress takes place in harmony with nature. The conception of "shared benefits" advocated by the Belt and Road Initiative also indicates that the achievements and benefits of the Initiative will be shared by all countries and people along the Belt and Road.

To summarise, the 2030 Agenda, in addition to its commitment that “no one will be left behind”, further emphasises working collectively to pursue global development and “win-win” cooperation, bringing significant gains to all countries and all parts of the world. The “Community” concept raised by the Initiative interprets the mutually beneficial cooperation concept of the 2030 Agenda in a multi-dimensional way, that is, the development of a country should not be at the expense of the development of other countries. Balanced development is not a zero-sum development transfer, but cooperation- and coordination-based win-win development with shared interests, destiny, and responsibilities.

Second, opening-up with inclusiveness and diversity. The 2030 Agenda embodies the concepts of inclusiveness and openness. First and foremost, the Agenda states that “...we wish to see the Goals and targets met for all nations and peoples and for all segments of society. And we will endeavour to reach the furthest behind first”. Secondly, the Agenda recognises the need to mobilise the means required to implement this Agenda through a revitalised global partnership for sustainable development, based on a spirit of global solidarity, with the participation of all countries, all stakeholders and all people, including maximising the role of the private sector in implementing the new Agenda. Lastly, the 2030 Agenda also acknowledges the importance of regional and sub-regional dimensions, regional economic integration and interconnectivity in implementing sustainable development.

This echoes the core design concept of the Belt and Road Initiative which reiterates the openness of the Initiative in all dimensions. The Belt and Road Initiative seeks to further opening-up in China’s inland areas and to mobilise the resourcefulness of areas along the Belt and Road, particularly the underdeveloped western and central regions, by linking their production advantages with the market needs of East China and other countries along the Belt and Road. At the international level, the Initiative does not limit the participating countries, and is open to the countries along the Belt and Road as well as countries and entities that participate in other forms. It also advocates diversified management and encourages multi-layered interaction between governments, enterprises and civil society. The Initiative does not exclude any country. It runs through Central Asia, Southeast Asia, South Asia, West Asia and parts of Europe and Africa, hence the unprecedented wide range of partners. In terms of the forms of interaction, the Belt and Road Initiative focuses on supporting infrastructure construction, including infrastructure for transportation and communications, which connects China and the countries along the Belt and Road, in order to facilitate bilateral or multilateral trade. The Initiative will also help Chinese manufacturing industries enhance its status in the labour division of the global value chain, assist Chinese enterprises to go global, and facilitate development with open and inclusive management concepts and models.

Third, balanced and coordinated development. The 2030 Agenda has been proposed in the context of the limited achievements of sustainable development during the implementation of the MDGs and a growing North-South gap. In terms of development concepts, the 2030 Agenda advocates balanced development, emphasises a human-centred approach and dignity and rights for all. It suggests that, instead of the simple pursuit of economic growth and enrichment of material assets, we should aim for sustainable, shared and green prosperity. Furthermore, it calls for social inclusion and harmony as well as mutually beneficial cooperation between countries. Likewise, policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds are the main elements of the Belt and Road Initiative, which highlights the balanced and coordinated development of policy, economy, society and environment. The Belt and Road Initiative attaches importance to the balanced development of China’s regions. By tapping into the development potential of inland regions and addressing unbalanced regional development, the Initiative will improve the upgrading of the industrial structure, and at the same time focus on driving the economic growth of the countries along the Belt and Road, promoting the coordinated development of the global economy.

The 2030 Agenda, recognising the limitations of pure developmentalism or "development first", centres sustainable development in all aspects of the Agenda. Though the Belt and Road Initiative also sets out "to realise diversified, independent, balanced and sustainable development in the countries along the Belt and Road", sustainable development can be further elevated by ensuring that it forms the basis for construction principles, action design, and cooperation. The alignment of the Belt and Road Initiative and the 2030 Agenda requires in-depth research for institutional design, project selection and implementation, and development performance measurement.

2.1.2 Shared Vision

The Belt and Road Initiative shares a similar vision with the 2030 Agenda. Both are committed to promoting inclusive and sustainable economic growth and social development. The Belt and Road Initiative's vision to realise diversified, independent, balanced and sustainable development in the countries along the Belt and Road echoes the SDGs proposed by the 2030 Agenda.

For example, Goal 9 of the 2030 Agenda aims to build resilient infrastructure, and promote inclusive and sustainable industrialisation. It reflects not only the general consensus among the international community to address inadequate infrastructure in developing countries, but also the pivotal role of quality infrastructure in achieving balanced economic, environmental and social development in the 2030 Agenda. The priority area for the development of the Belt and Road Initiative is to realise infrastructure connectivity. In fact, the Initiative is helping the developing countries along the Belt and Road to implement the targets of Goal 9 of the 2030 Agenda. Infrastructure connectivity can greatly improve the level of agricultural production and industrialisation in developing countries, enhance food security, protect people's health, alleviate energy shortages, expand information exchange and promote trade and investment cooperation. Thus, the Initiative is also contributing directly or indirectly to the realisation of other SDGs in the 2030 Agenda. In addition, one of the key areas in the Initiative is production capacity cooperation, which is conducive to enhancing the exchanges between China and other developing countries along the Belt and Road and strengthening the basis of modern industries. This will provide opportunities and support for realising nearly half of the Goals in the 2030 Agenda.

The 2030 Agenda and the Belt and Road Initiative diverge in terms of the coverage of their goals — the former is based on a global perspective, while the latter on a regional perspective. It is because of this divergence that the Initiative should more closely align with the 2030 Agenda in terms of goals and performance indicators. This can leverage the driving force for global development goals to better implement the goals of the Initiative, and can also better contribute to promote equality, reduce gaps, safeguard peace and justice and contribute to the other international development goals of the 2030 Agenda. Thus, the Initiative can serve as an important strategic fulcrum for China to promote the realisation of the global agenda. In fact, the inclusiveness and openness of the Belt and Road Initiative has determined its inevitable alignment with the 2030 Agenda, which in the end makes it compatible with North-South, South-South and multilateral cooperation and establishes China's unique path in promoting a new global partnership for development.

Table 2.1 Alignment of the Belt and Road Initiative and the Goals of the 2030 Agenda

Goals of the 2030 Agenda	Key Cooperation Areas of the Belt and Road Initiative
Goal 1. End poverty in all its forms everywhere	Boost the local economy, increase local employment, improve local livelihoods, and be socially responsible
Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Boost the local economy, increase local employment, improve local livelihoods, and be socially responsible
Goal 3. Ensure healthy lives and promote well-being for all at all ages	Provide medical assistance and emergency medical aid to relevant countries, and cooperate on maternal and child health, disability rehabilitation, and major infectious diseases including AIDS, tuberculosis and malaria, and expand cooperation on traditional medicine
Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Send more students to each other's countries, promote cooperation inoperating schools, and provide 10,000 government scholarships to the countries along the Belt and Road every year
Goal 5. Achieve gender equality and empower all women and girls	Promote extensive cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges and volunteer services
Goal 6. Ensure availability and sustainable management of water and sanitation for all	Strengthen cooperation with neighbouring countries on epidemic information sharing, the exchange of prevention and treatment technologies and the training of medical professionals, and improve the capability to jointly address public health emergencies
Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all	Promote cooperation in the connectivity of energy infrastructure, advance cooperation in hydropower, nuclear power, wind power, solar power and other clean, renewable energy sources, and promote cooperation in the processing and conversion of energy and resources at or near places where they are exploited
Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Expand and advance practical cooperation between countries along the Belt and Road on youth employment, entrepreneurship training, vocational skill development, social security management, public administration and management and in other areas of common interest
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Improve the connectivity of infrastructure construction plans and technical standard systems, and coordinate the construction of international highways
Goal 10. Reduce inequality within and among countries	Organise public interest activities concerning education, health care, poverty reduction, biodiversity and ecological protection for the benefit of the general public, and improve the production and living conditions of poverty-stricken areas along the Belt and Road
Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable	Carry out exchanges and cooperation among cities, and encourage major cities in these countries to become sister cities

continued

Goals of the 2030 Agenda	Key Cooperation Areas of the Belt and Road Initiative
Goal 12. Ensure sustainable consumption and production patterns	Promote ecological progress in conducting investment and trade, and increase cooperation in conserving the eco-environment, protecting biodiversity, and tackling climate change
Goal 13. Take urgent action to combat climate change and its impacts	Promote green and low-carbon infrastructure construction and operations management, taking into full account the impact of climate change on construction
Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Promote cooperation in marine-product farming, deep-sea fishing, aquatic product processing, seawater desalination, marine biopharmacy, ocean engineering technology, environmental protection industries, marine tourism and other fields
Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Promote ecological progress in conducting investment and trade, and increase cooperation in conserving eco-environment, protecting biodiversity, and tackling climate change
Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Promote exchanges between legislative bodies, major political parties and political organizations of countries along the Belt and Road
Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	Promote intergovernmental cooperation, build a multi-level intergovernmental macro policy exchange and communication mechanism, expand shared interests, enhance mutual political trust, and reach a new cooperation consensus

*Compiled by the research team

2.1.3 Shared Platform

The 2030 Agenda has higher requirements for platform sharing and capacity building, namely, to strengthen the means of implementation and revitalise the global partnership for sustainable development in Goal 17. To this end, the targets include: adopt and implement investment promotion regimes for least developed countries; enhance North-South, South-South and regional cooperation on science, technology and innovation; promote the transfer of technologies to developing countries; enhance support for capacity-building in developing countries; increase the exports of developing countries to ensure that they benefit from the multilateral trade system established by the WTO; enhance the gobal partnership for sustainable development to support the achievement of the SDGs in developing countries; and promote effective public-private partnerships. Likewise, an important guarantee for implementing the Belt and Road Initiative is enhancing policy coordination, building a multi-level intergovernmental macro policy exchange and communication mechanism, and establishing a platform for communication and exchange to seek consensus and mutual benefits. It is evident that both the implementation of the 2030 Agenda and the advancement of the Belt and Road Initiative depend on the establishment of communication and exchange mechanisms as well as cooperation platforms. Moreover, the connectivity between the platforms for implementation can give rise to potential cooperation opportunities.

The opportunities arising from platform sharing can be seen in all three international cooperation platforms:

First, the existing platforms within the respective policy frameworks of the 2030 Agenda and the Belt and Road Initiative. The AIIB and the Silk Road Fund as development financing platforms with both North and South country involvement are important supporting mechanisms for the Belt and Road Initiative, while the Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF) and the integrated development financing frameworks identified in the Addis Ababa Action Agenda also serve as financing platforms for the establishment of global partnerships in 2030, and in particular for the implementation of the SDGs.

Second, the organisational platforms within the UN system. For example, WTO and the United Nations Conference on Trade and Development (UNCTAD) could ensure the UN's core position and leading role in establishing a global partnership for development, while the Belt and Road Initiative clearly proposes to "ensure that the WTO *Trade Facilitation Agreement* takes effect and is implemented". In fact, the 2030 Agenda will also promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system to promote international trade cooperation.

Third, external platforms and mechanism outside the framework systems of the 2030 Agenda and the Belt and Road Initiative. These can also potentially function as common platforms for implementation. For instance, the "Group of 77 and China" with "common but differentiated responsibilities" as a South-South cooperation platform, the G20 platform that integrates South-South cooperation and North-South cooperation, and major international intergovernmental forums for cooperation on climate change, have all provided platforms and mechanisms for implementing the 2030 Agenda and advancing the Belt and Road Initiative with dialogues and actions on more specific global governance issues.

As the Belt and Road Initiative is based on the conception that government advocates while enterprises implement, it emphasises the role of interstate and public-private partnership platforms. Meanwhile, as the Initiative is open and inclusive, other platforms, including civil society organisations, can also play important roles in achieving the 2030 Agenda in the regions along the Belt and Road. Therefore, the Chinese civil society organisations that have "gone global" or are "going global" should seize this unprecedented opportunity to actively participate in the process.

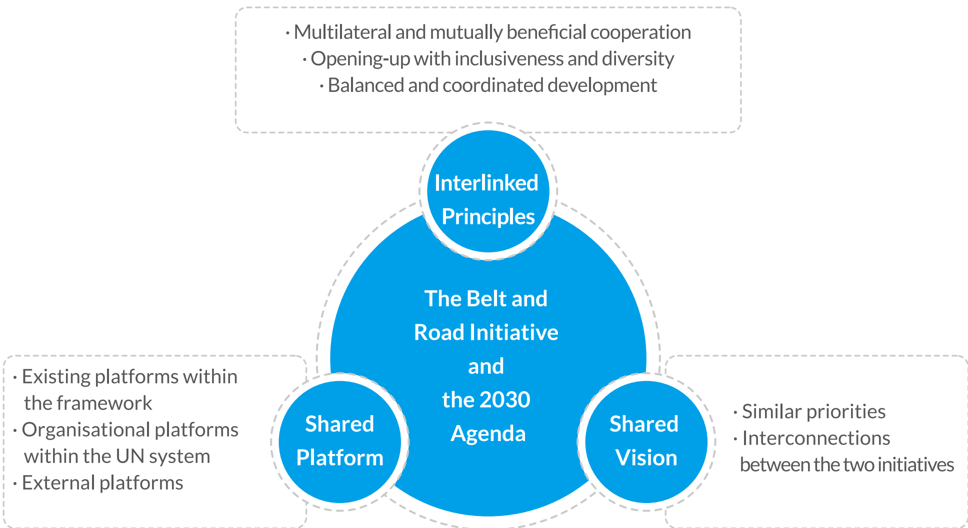

Figure 2.1 The Alignment of 2030 Agenda and the Belt and Road Initiative

2.2 Joint Efforts to Facilitate Development Transitions and Innovations

From the perspectives of theory and practice, the Belt and Road Initiative and the 2030 Agenda are becoming organically and fully collaborative. The Belt and Road Initiative was proposed at almost the same time as the 2030 Agenda, and is being implemented concurrently. Meanwhile, the integration of participants and mechanisms will further facilitate important development transformations and innovations.

2.2.1 Transitions of Development Drivers

The 2030 Agenda clearly states that in addressing the specific challenges facing a country's sustainable development, it is very important to focus on the most vulnerable countries, and in particular, least developed countries, landlocked developing countries and small island developing states. Many countries along the Belt and Road are also key areas — developing countries of the South — for achieving the 2030 Agenda and its targets.

Generally speaking, the economic levels of the countries along the Belt and Road are relatively low, and these countries face daunting tasks in poverty reduction and development. According to the World Bank, the GDP per capita of the countries along the Belt and Road is only 42.3% of the world average, among which the GDP per capita of the 27 lower-middle-income and low-income economies is only 18.3% of the world average. On the other hand, countries of the South also have great potential for development and are becoming an important driving force for global growth. South-South cooperation has also become a significant complement to international development cooperation. IMF data show that in 2016 the world economy grew by 3.2%, developed countries by 1.9% and emerging economies and developing countries by 4.1%. The emerging economies and developing countries have maintained a growth rate above 4% for many years. The *Human Development Report 2013* points out that "the rise of the South is unprecedented in its speed and scale. Never in history have the living conditions and prospects of so many people changed so dramatically and so fast....The South as a whole is driving global economic growth and societal change for the first time in centuries." In the future, the Belt and Road Initiative will link the world's largest developing country and the regions with the most developing countries, enabling developing countries to become the most significant driving force in international development and contribute to achieving the 2030 Agenda via connectivity.

Table 2.2 World Economy Outlook (Growth Rates %)

	2014	2015	2016	2017
World Economy	3.4	3.1	3.2	3.5
Developed Countries	1.8	1.9	1.9	2.0
Emerging Economies and Developing Countries	4.6	4.0	4.1	4.6
China	7.3	6.9	6.5	6.2

*IMF. *World Economy Outlook*, April 2016. The 2016 and 2017 numbers are estimations.

Meanwhile, as the modern manifestation of a concept with a long history, the Belt and Road Initiative enjoys popular support. The countries along the Belt and Road as a whole are favourably disposed towards the Belt and Road Initiative and are determined to achieve the 2030 Agenda. On 26 September 2015, at the UN headquarters in New York, Chinese President Xi Jinping noted at the High-level Roundtable on South-South Cooperation co-hosted by China and the United Nations, “South-South cooperation, as a great pioneering measure uniting the developing nations together for self-improvement, is featured by equality, mutual trust, mutual benefit, win-win result, solidarity and mutual assistance and can help developing nations pave a new path for development and prosperity. As the overall strength of developing nations improves, the South-South cooperation is set to play a bigger role in promoting the collective rise of developing countries and generating a robust, sustained, balanced and inclusive growth of the world economy.” The Belt and Road Initiative highlights open cooperation and mutual benefit. Its success in the countries along the Belt and Road will further promote the role of South-South cooperation in the development agenda. In addition, the similar social and economic status of developing countries effectively contributes to sharing and replicating development cooperation experiences and models, and in a broader sense, to achieving the 2030 Agenda and its targets.

2.2.2 Innovations in Development Financing

In addition to reaffirming that developed countries should fulfil their commitment to provide development assistance, the 2030 Agenda has also proposed to “adopt and implement investment promotion regimes for least developed countries”, while under the framework of the Belt and Road Initiative, China combines aid, trade and investment to promote South-South cooperation. Although China has already provided considerable funding support for the implementation of the Belt and Road Initiative, in the long run, the Initiative will rely on efforts to “improve investment and trade facilitation, and remove investment and trade barriers ... unleash the potential for expanded cooperation”[1]. Both the Agenda and the Initiative progressively emphasise the supply of development funds from an “resource-mobilising” perspective.

First, the traditional development model relied on one-way assistance from international organisations and developed countries to developing countries. Developing countries have acquired capital, technology and knowledge under the traditional assistance model, but this model has, to a certain extent, neglected the development stage of the target country and its own characteristics. Second, traditional development assistance is not sufficient to alleviate the growing demand for development. For example, the Addis Ababa Action Agenda states that developing countries have an annual infrastructure gap of US$1 trillion to US$ 1.5 trillion. ADB estimates that in order for the infrastructure in Asian economies to reach an international level by 2020, at least US$8 trillion of infrastructure investment is needed, i.e. US$800 billion per year, which cannot be met simply with the one-way assistance from the World Bank, ADB and other international financial institutions as well as developed countries. As the demand for funds increases, the gap between official development assistance and required funding will continue to expand, while diversified financing approaches can play a significant role in addressing the challenges and fulfilling commitments. As a result, the *General Assembly Resolution of Follow-up to the Second United Nations Conference on Landlocked Developing Countries* calls for “the effective deployment of international development assistance and multilateral financing in development and maintenance of infrastructure, and strengthening of the role of the private sector, and recognises that both public and private investment have key roles to play in infrastructure financing, including through... tools and mechanisms such as public-private partnerships, blended finance ... and risk mitigation instruments...”.

[1] *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*

The Belt and Road Initiative not only provides the possibility for this transformation to happen, but also combines "facilities connectivity, unimpeded trade, and financial integration" to diversify funding sources and create an innovative model of development financing. In the process of building facilities connectivity, China can leverage the capacity and capital advantages of its infrastructure industry, bringing an enormous economic multiplier effect to the countries along the Belt and Road through investment in infrastructure construction. Meanwhile, this can contribute to safeguarding long-term effective international economic cooperation. "Unimpeded trade" will improve the trade structure, help develop resources and production capacity, exploit competitive advantages, increase the proportion of high-tech and high value-added products, and enhance the efficacy of foreign trade as well as local capital accumulation and flows. "Financial integration" will enhance the capacity of the financial system to prevent financial risks, complement fund supply and improve the efficiency of fund use. Furthermore, through multilateral financial institutions in the region, various resources can be mobilised and coordinated to enrich financing channels.

Therefore, the Initiative can promote infrastructure construction in the countries along the Belt and Road, while encouraging these countries to enhance their independent development capacity after bringing in capital and technology. In this way, their development approaches and progress can not only help achieve the SDGs in the 2030 Agenda, but also accord with their national conditions and practical needs. Meanwhile, this could accelerate transformation from the "blood transfusion" type of development financing model to the development-oriented "blood generating" investment and trade model, and thus achieve sustainable financing. Such innovative development financing model can create a community of shared interests and mutual benefits amongst the countries along the Belt and Road. Particularly, for enterprises involving in infrastructure construction, the full life cycle sustainable development of their projects can only be achieved after ensuring social and environmental sustainability.

2.2.3 Inclusiveness of Development Participation

The 2030 Agenda, while recognising the primary responsibility of governments for their own development, also emphasises the importance of the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the SDGs in all countries, in particular developing countries. Although the Initiative was proposed by the Chinese government and well-received by the governments of the countries along the Belt and Road, ultimately its implementation must depend on the participation of diversified stakeholders from these countries, such as enterprises and social organisations. Therefore, the integration of the 2030 Agenda and the Belt and Road Initiative will highlight the innovative significance and decisive role of diversified channels to participate in development.

Under the Initiative, the participation of Chinese enterprises in infrastructure construction and industrial investment in the countries along the Belt and Road will not only promote their engagement in international cooperation, but also consolidate the foundation for advancing the 2030 Agenda. At the same time, the Belt and Road Initiative suggests supporting "people-to-people bonds" as a way to garner public support for implementing the Initiative, carry forward the spirit of cooperation along the Silk Road, and develop a collaborative culture for Belt and Road development. This includes promoting extensive cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges and volunteer services. Participants include political parties and parliaments, civil society organisations, universities and research institutes, science and technology personnel, international students and tourists. Multi-stakeholder participation could help cultivate a harmonious and friendly cultural ecology for the Belt and Road Initiative, win public support for bilateral and multilateral cooperation, and fundamentally change the channels for participation in development.

CHAPTER 3

BEYOND BUSINESS

Chinese Enterprises as a Key Force for Implementing the 2030 Agenda in the Belt and Road Regions

The 2030 Agenda highlights that private business activity, investment and innovation are "major drivers of productivity, inclusive economic growth and job creation ... we call on all businesses to apply their creativity and innovation to solve sustainable development challenges". At the same time, in the *Vision and Actions* document issued by the Chinese government in 2015, one of the principles outlined in the policy document is to "give play to the decisive role of the market in resource allocation and the primary role of enterprises"; the cooperation priorities also clearly encourages domestic enterprises to participate in infrastructure construction and industrial investment in the countries along the Belt and Road, and it will "support localised operation and management of Chinese companies to boost the local economy, increase local employment, improve local livelihood, and take social responsibilities in protecting local biodiversity and eco-environment". Therefore, Chinese enterprises should not only play a key part in the implementation of the Belt and Road Initiative, but also be an important force to facilitate the progress of achieving the 2030 Agenda and its specific goals.

3.1 Proven Capability

In 2016, China's non-financial outward direct investment (ODI) reached US$170.11 billion, an increase of 44.1% year on year. Chinese investors invested in 7,961 overseas enterprises in 164 countries and regions. Chinese enterprises "going global" have made positive contributions to the economic and social development of the host countries along the Belt and Road, which reflects their capability to play a key role in achieving the 2030 Agenda in the Belt and Road region.

3.1.1 Improving Infrastructure

The basis of achieving Goal 7 (affordable clean energy), Goal 9 (industrialisation, innovation and infrastructure) and Goal 11 (sustainable cities and human settlements) in the 2030 Agenda is the construction, improvement and connectivity of transport, energy and communications infrastructure. The *Vision and Actions* also indicates that the cooperation priority of the Initiative is the connectivity of transport, energy and communications infrastructure.

It has been demonstrated that the international economic cooperation of Chinese enterprises has, to a large extent, laid a solid foundation for the Belt and Road Initiative and the 2030 Agenda. According to the Ministry of Commerce of China, in 2016, Chinese enterprises signed 8,158 new contracts for foreign-contracted projects in 61 countries along the Belt and Road, with the contract value totalling US$126.03 billion, accounting for 51.6% of the total value of China's newly-signed contracts for foreign contracted projects in the same period, up 36% from the previous year. The investment cooperation of Chinese enterprises along the Belt and Road has effectively enhanced infrastructure construction in these countries and also provided strong support for local economic and social development. For example, the Jakarta-Bandung high-speed rail project built and operated by China Railway and four Indonesian state-owned enterprises not only represents a comprehensive, whole-industrial-chain "going global" project from design and construction to operations and management, but will also improve the livelihood of millions of people as well as the economic efficiency along the Jakarta-Bandung economic corridor.

3.1.2 Upgrading Industries

Chinese enterprises "going global" have demonstrated strong industry pull effects and potential from at least two important economic perspectives, i.e. their role in attracting related industries as well as in import and export. This is undoubtedly more conducive to achieving the Goals of the 2030 Agenda in the host countries.

In 2015, the cumulative overseas investment stock of the five Chinese sectors of leasing and business services, finance, mining, wholesale and retail trade, and manufacturing, reached US$739.104 billion, accounting for 83.1% of China's total ODI stock; manufacturing, finance, information transmission/software and information technology services increased by more than 100%. In terms of industry distribution, wholesale and retail trade, manufacturing, leasing and business services are the industries with the largest number of overseas Chinese enterprises, with a cumulative number of nearly 20,000, accounting for 64% of the total number of overseas enterprises. The wholesale and retail trade sector has more than 9,000 firms, accounting for 29.4% of the total number of overseas Chinese enterprises; manufacturing enterprises over 6,600, accounting for 21.4%; and leasing and business services over 4,000, accounting for 13.2%. From the perspective of China as a home country of investment or that of host countries, these industries have a direct pull effect on upstream and downstream industries. For example, investing in wholesale and retail trade along the Belt and Road region can effectively attract the development of the logistics, commercial real estate and other service industries in the host countries.

Chinese "going global" enterprises can also promote trade between China and the host countries. In fact, to "integrate investment and trade, and promote trade through investment" is also one of the cooperation priorities in the *Vision and Actions*. At present, China is shifting from exporting goods to exporting capital and services, which in turn will lead to the development of foreign trade. For instance, in 2015, foreign contracted projects alone boosted exports by about US$16.13 billion.

3.1.3 Creating Jobs

The overseas investment cooperation of Chinese enterprises has also created a considerable number of employment opportunities for China and the host countries. One of the fundamental purposes of the Belt and Road Initiative is to "create demands and job opportunities, enhance people-to-people and cultural exchanges, and mutual learning among the peoples of the relevant countries", which echoes Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all) in the 2030 Agenda. At the end of 2015, the total number of employees in overseas Chinese enterprises was 2,837,000, which included 1,225,000 non-Chinese employees, with an increase of 392,000 compared to the end of 2014. This also indicates that Chinese enterprises overseas have been promoting localised operations. In some industries, local employees may even be an absolute majority. For example, by the end of 2015, Chinese state-owned commercial banks had established 79 branches and 57 affiliated institutions in 42 countries and regions, with 47,000 employees, including 45,000 local employees, accounting for up to 95.5% of the workforce. Some other industries, such as manufacturing and infrastructure construction, are able to employ a considerable number of local employees. For example, during the China-led construction of the Addis Ababa-Djibouti Railway, Africa's first electrified railway, around 48,000 locals were employed by the Chinese enterprises.

3.1.4 Transferring Technology

Technology is an important means of implementation of all the Goals in the 2030 Agenda. To this end, the targets in the 2030 Agenda include "enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism". Likewise, "increase our cooperation in science and technology, establish joint labs (or research centres), international technology transfer centres and maritime cooperation centres, promote sci-tech personnel exchanges, cooperate in tackling key sci-tech problems, and work together to improve sci-tech innovation capability" is another cooperation priority outlined in the *Vision and Actions.*

China's ODI has been growing for fourteen years in succession. The ODI flows in 2016 were 63 times those of 2002, with a growth rate of 44.1% year on year, three times the growth rate in 2015. This is closely related to technological progress in the invested industries. Over recent years, the investment targets of Chinese enterprises have shifted from acquisition of production factors to high value-added elements, such as technology, brands, markets, networks and management experience. For example, before 2013, energy and mining accounted for almost half of China's overseas mergers and acquisitions, but in the past few years, China's outbound investment continued to shift to high-end industries. The proportion of energy and mining mergers and acquisitions in the overall overseas mergers and acquisitions of Chinese enterprises dropped to about 10%. In contrast, sectors such as technology, media and telecommunication, automotive and transportation, and financial services grew rapidly in 2015, indicating that China's overseas investment was expanding to the upstream and downstream of industrial chains.

China also has been strengthening technology transfer and knowledge sharing through the efforts for "going global". For instance, according to the *Guiding Opinions on Promoting International Cooperation in Industrial Capacity and Equipment Manufacturing* issued by the State Council of China in 2015, China will focus on the developing countries that are well matched to China's industries and have good conditions for cooperation. It will promote international partnerships in industrial capacity and equipment in key sectors where China has technical advantages. These include steel, nonferrous metals, building materials, railways, electric power, the chemical industry, textiles, automobiles, communications, engineering machinery, aerospace, shipbuilding and marine engineering. This means that China's comparative technological advantages in these industries will make it a leader in the international industrial system, and that the investment of Chinese enterprises is becoming increasingly appealing and sustainable to host countries.

3.1.5 Contributing to Social Well-being

The achievements of Chinese enterprises in outbound investment cooperation are also reflected in their social contributions and the social value they have created for host countries and societies. The *Vision and Actions* document proposes to "carry out practical cooperation in maternal and child health, disability rehabilitation, and major infectious diseases including AIDS, tuberculosis and malaria", and "organise public interest activities concerning education, health care, poverty reduction, biodiversity and ecological protection for the benefit of the general public, and improve the production and living conditions of poverty-stricken areas along the Belt and Road" as cooperation priorities, which are highly consistent with the Goals in the 2030 Agenda. The accomplishment of these priorities and Goals requires Chinese enterprises investing overseas to continue to make greater contributions, especially via tax payments. In 2015, in addition to paying wages and social welfare to 1.225 million non-Chinese employees, Chinese enterprises overseas also paid taxes of up to US$31.19 billion to the host countries (regions), with a substantial increase of 62.9% over 2014.

3.1.6 Practising Ecological Civilisation

The 2030 Agenda has set a number of Goals to ensure the sustainability of the environment, including clean energy, production and consumption models, climate change, and marine and land life. The *Vision and Actions* also clearly indicates that, "We should promote ecological progress in conducting investment and trade, increase cooperation in conserving the eco-environment, protecting biodiversity, and tackling climate change, and join hands to make the Silk Road an environmentally-friendly one". China's outbound investment is now becoming increasingly "green", and plays a leading role in certain areas. For instance, a research report recently released by the Institute for Energy Economics and Financial Analysis (IEEFA) points out that China made a record of US$32 billion in overseas investment deals on new energy in 2016 alone, marking a 60% year-on-year rise in spending, ranking first in the world. The Chinese government has recently announced that a total of RMB 2.5 trillion additional investment will be made in solar energy, hydropower, wind power, biomass energy, nuclear energy, and other renewable energy projects inside and outside China by 2020. Accordingly, the number of employees in these sectors will exceed 13 million. At the same time, China has now collaborated with more than 80 countries in areas such as hydropower, photovoltaic power and solar water heaters. With an international cooperation system in place, involving equipment manufacturing, joint research and development, engineering design and construction, as well as project investment and operation, China has now begun to lead the world in the development of "ecological civilisation".

3.2 Emerging Opportunities

Chinese "going global" enterprises can be a new force for implementing the 2030 Agenda and the Belt and Road Initiative. Meanwhile, participation in the Agenda and the Initiative also provides new opportunities for Chinese enterprises.

3.2.1 Business Opportunities

From the macro perspective, the implementation of the 2030 Agenda and the Belt and Road Initiative will boost the recovery of the global economy. While achieving the 2030 Agenda and its Goals, the countries along the Belt and Road will create actual demands and market potential that are appropriate for the international expansion of Chinese enterprises, and will facilitate the formation of long-term bonds of interest between Chinese enterprises and these countries.

From the intermediate perspective, first, the penetration rate of infrastructure in the countries along the Belt and Road is relatively inadequate. Some countries are still in a process of rapid industrialisation and urbanisation in which Chinese enterprises can actively participate during the implementation of the relevant Goals in the 2030 Agenda. Second, with new demands arising from the in-depth implementation of the Belt and Road Initiative, the 2030 Agenda and its targets, new investments and breakthroughs are required in research and development, technology and distribution networks. This will create opportunities for the industrial transformation and upgrading of companies in the Belt and Road region. Third, the formation of connected infrastructure networks among the countries along the Belt and Road will greatly facilitate the transportation of bulk commodities within the region, save transportation time, and can boost the productivity of the enterprises in the region, including Chinese companies.

Finally, from the micro perspective, Chinese enterprises recognise and anticipate a series of economic opportunities created by the integration of the 2030 Agenda and the Belt and Road Initiative. The China report of the 20th Global CEO Survey: *Leading through Disruption* launched by PwC on 2 March 2017 points out that the Belt and Road Initiative is considered a key part of an organisation's business expansion strategy, as nearly 60% of executives in China saw investment opportunities emanating from the Belt and Road Initiative, especially in infrastructure development.

3.2.2 Social and Environmental Opportunities

The countries along the Belt and Road have rich and distinct social conditions, and are all faced with demands for social development to achieve the Goals of the 2030 Agenda. This offers a good opportunity for Chinese enterprises "going global" to generate positive social impacts and promote social progress, thus shaping an image as responsible global corporate citizens.

In fact, integrating economic and social opportunities into enterprises' strategies and operation is not only an important implementation path of the Belt and Road Initiative, but also a strategy that enterprises should adopt to contribute to the 2030 Agenda. Therefore, Chinese enterprises could integrate into their overseas operation the cultural concepts of "respect, exchange and integration" and the social goals put forward in the 2030 Agenda. While leveraging economic opportunities, they could consciously increase the livelihood benefits and positive social impacts of their investment projects, and build a responsible image. In this respect, one example is the model of Chinese industrial parks that have been established in some countries along the Belt and Road. The parks comprehensively develop and utilise local quality resources, incorporate the industrial advantages of the host countries, and maximise economic benefits. Meanwhile, the parks could enable overseas Chinese enterprises to participate in local municipal construction, integrate into the local society, interact with community residents, and turn local social opportunities into mutually beneficial social values.

Environmental protection occupies an important position in both the 2030 Agenda and the Belt and Road Initiative. At least six of the 17 SDGs in the 2030 Agenda are directly related to the environment, and the *Vision and Actions* states that one of the priorities of the Initiative is to "advance cooperation in hydropower, nuclear power, wind power, solar power and other clean, renewable energy sources". The AIIB has also stated that it will focus on promoting "green infrastructure projects" that are environmentally friendly. All these provide good opportunities for Chinese enterprises "going global" to shift to a green low-carbon development model.

3.2.3 Corporate Governance Opportunities

Both the 2030 Agenda and the Belt and Road Initiative are mid- and long-term initiatives. As most of the countries along the Belt and Road are developing countries with a weak base for implementing the 2030 Agenda, it will inevitably take a mid- or long-term process to translate economic opportunities into benefits. Therefore, the Chinese enterprises seeking opportunities in the Belt and Road region should invest for long-term value. This provides an opportunity for the enterprises to implement their governance models for long-term development. Meanwhile, Chinese enterprises, in the face of opportunities and challenges overseas, adapt to the internal and external environments of different countries. This will catalyse the enterprises' rapid transition to internationalised management, enhance their internal management, and sharpen their international competitive edge in corporate management. Chinese enterprises overseas will have more opportunities to gain management experience from successful enterprises in other countries, promote transformation and innovation in business models, operational strategies and technologies, and shape a positive image as global corporate citizens.

3.3 Challenges

Although Chinese enterprises have demonstrated their capability in overseas investment cooperation and face new opportunities, “going global” inevitably means encountering significant challenges. Chinese enterprises are expected to address these challenges in a timely and an effective way when they leverage their capabilities to translate opportunities into concrete outcomes in the course of achieving the 2030 Agenda in the Belt and Road regions.

3.3.1 Business Environment

In addition to regime change, tribal and regional conflicts, nationalisation and other political risks in host countries, as well as “unconventional threats” to the investment environment and project operations caused by extreme nationalism, radicalism and terrorism, the major “conventional” challenge faced by Chinese enterprises in overseas investment is the compliance requirements related to investment and enterprise operations. In recent years, trade protectionism has been on the rise in many countries, and trade-related investment restrictions have become new access compliance risks. For instance, an array of measures has been adopted in many countries, including localised production policies, prime credit rates for local products, and applications for import licenses for specific products. As for operational compliance, many countries along the Belt and Road are enhancing their legal requirements for labour protection, intellectual property rights, and competition rules. Therefore, Chinese enterprises investing along the Belt and Road face increasingly complex due diligence and compliance management challenges.

3.3.2 International Standards

Chinese enterprises “going global” will inevitably face and accept global standards and international norms. The *Vision and Actions* clearly states that the Belt and Road Initiative will “abide by market rules and international norms”. However, the global standards and international norms related to investment and operations are continually evolving, with increasingly stringent requirements. As well, Chinese enterprises’ engagement in the formulation of global standards and international norms is insufficient. In addition, some Chinese enterprises do not understand, care or apply existing standards and norms in overseas investment. All these impede Chinese enterprises’ use of international norms to cultivate international competitiveness.

3.3.3 Talent Supply

A lack of international management talent is one of the most important factors accounting for a low success rate and profitability of Chinese enterprises that have “gone global”. According to the *China Top 500 Enterprises Development Report 2015* prepared by the China Enterprise Confederation and China Enterprise Directors Association, and the *World Investment Report 2016* issued by UNCTAD, the average percentage of international employees in the world's top 10 multinational enterprises is 93.2%, while the percentage in China's top 10 multinational enterprises is only 33.9%. Infrastructure construction projects under the Belt and Road Initiative often involve a long investment cycle, which results in uncertainties. This suggests that enterprises need employees with sufficient knowledge of international market rules and trends, investment and financing management, and international project management, to make the right investment decisions in the face of complex uncertainties. However, the countries along the Belt and Road have a limited supply of high-level talent, in spite of increasingly strong demand. Therefore, the lack of internationalised, versatile and high-quality management talent may continue to lower the quality of Chinese enterprises' overseas investment, and will hinder their ability and potential to generate economic impact along the Belt and Road.

3.3.4 Environmental Protection

There are two obvious trends in the field of environmental protection. First, the environmental laws, regulations and standards in the world — including the countries along the Belt and Road — are becoming stricter, with increasingly severe penalties for violations. Second, the governments, social organisations and the general public of most countries — including the countries along the Belt and Road — are increasingly concerned about environmental impacts, and their demands for environmental protection are getting more serious as well. Some of the Chinese enterprises' overseas investment projects, particularly those in the energy and resource sector, have significant impacts on the local environment, and some of the countries along the Belt and Road are relatively more vulnerable to environmental risks. The environmental impacts of Chinese enterprises' overseas investment projects will, to a large extent, determine the feasibility and economic viability of the projects themselves. Moreover, the chain effects caused by environmental problems often go beyond an enterprise's control, escalating into incidents involving domestic politics and international relations.

In addition, environmental protection standards have also become one of the financing challenges for enterprises investing overseas. Today, the environmental impact of a project is an important assessment indicator in the due diligence conducted by multilateral development banks and commercial banks for project financing. This also requires Chinese enterprises to shift to cleaner production and take a low-carbon approach in overseas investment.

3.3.5 Stakeholder Engagement

When operating overseas, effective communication with internal and external stakeholders will, to a great extent, determine whether an enterprise can establish itself in the host country. In terms of communication with internal stakeholders, according to the China Export & Credit Insurance Corporation's *Yearbook of World Investment Risk 2015*, frequent strikes and strong trade unions are the most prominent labour related issues for enterprises. Externally, Chinese "going global" enterprises will face complex and high expectations from local communities and NGOs. In particular, the significant differences in the cultures, customs and languages along the Belt and Road create challenges for Chinese enterprises to thoroughly and effectively communicate with local communities and residents.

3.4 Action Guide

On how enterprises could contribute to the 2030 Agenda, the former UN Secretary-General Ban Ki-Moon stated that "the SDGs are unprecedented in their ambition — but the fundamental ways that business can contribute remain unchanged. First, companies need to do business responsibly and then pursue new opportunities. In short, companies must not make our world's problems worse before they try to make them better." Similarly, the Belt and Road Initiative is rooted in the Silk Road Spirit — "peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit". The vitality of the Spirit lies in the fact that people need to be responsible for themselves and others, and maintain sustainable businesses and a sustainable world. Therefore, to effectively seize opportunities and address challenges and to be a major force along the Belt and Road contributing to the 2030 Agenda, Chinese enterprises should adhere to the value principle of being responsible and sustainable in their strategy, culture and decision-making, implement essential management mechanisms throughout the lifecycle of their investment projects, and follow in investment and operation practices the action guidelines which reflect the Silk Road Spirit and idea of the 2030 Agenda.

First, Chinese multinationals investing in the Belt and Road regions must build the following into their core values: Strengthening good practices for sustainable profit; embedding ethical principles into good practices; realising sustainable profit through ethical principles. This principle inherited from the traditional Confucian teaching on ethics and profits for businessmen still stands as a key reference for modern businesses in their long-term development. To translate the principle into modern business language, an enterprise must obtain the social license to operate in the market (in other words, public support or approval) through a sound corporate governance mechanism and strict self-management; at the same time, it needs to follow social rules to utilise market opportunities to obtain sustainable benefits. In a word, enterprises must balance their social impact and demand for profit.

Figure 3.1 The Business Value of Chinese Multinationals

In addition, in order to ensure that this value is implemented, Chinese multinational enterprises must put in place a triple management mechanism over the whole life cycle of their investment projects. First, prior to investment, enterprises should conduct more comprehensive due diligence and feasibility management that encompasses social and environmental factors. Building on the traditional investment due diligence and feasibility studies that focuses on economic feasibility only, the pre-investment due diligence and feasibility study should follow the value principle and must give equal attention to social and environmental impacts, and integrate them in the whole process. Second, as the investment progresses, enterprises must establish and improve their contingency mechanisms based on economic, social and environmental risks. Based on the assessment of their own conditions and environment, enterprises should take the following actions: understand stakeholders' needs and expectations; continually assess the actual and potential impacts of the investment projects and activities on stakeholders and sustainable development; integrate the assessment results into the investment due diligence mechanism; take follow-up actions and measures; track their effectiveness; and, if necessary, communicate with stakeholders on the progress of addressing the impacts. Third, after the completion of investment projects, enterprises must promote the operations management that creates shared value for achieving the 2030 Agenda. This means, based on the expectations of stakeholders and society as well as the implementation progress of the 2030 Agenda at the project sites, enterprises should identify the business opportunities that can be utilised, as well as the opportunities to meet the needs of stakeholders and society and to achieve enterprises' development at the same time. Furthermore, considering the issues of social development and the critical issues of sustainable development, and starting from enterprises' missions and advantages, enterprises create new competitive advantages and business opportunities by addressing social problems in an innovative way while contributing to sustainable development.

In investment and operations management practices, Chinese multinational enterprises also need to abide by the following eight guidelines, that reflect the Silk Road Spirit and the 2030 Agenda. (In the brackets are the SDGs in the 2030 Agenda that are related to the action guideline). On this basis, Chinese enterprises can find suitable instructions (Table 3.1) compatible with their strategy and business characteristics.

1. Legal Compliance (SDG 16)

Comply with all applicable laws and regulations, and respect the relevant international codes of conduct, in particular the international conventions and international common laws accepted by both China and the host countries, for legal compliance in investment.

2. Respect for Differences (SDG 16, SDG 17)

Take into account the social environment of the host countries, regions and communities, including the politics, economy, legislation, culture, religion and customs, respect differences and local needs, and invest based on the local conditions.

3. Fairness and Integrity (SDG 16, SDG 17)

Cooperate in line with the investment ethics and code of conduct, i.e. honesty, goodwill, trustworthiness and fairness, participate in market competition, oppose corruption, and maintain a good market order and investment environment.

4. Openness and Transparency (SDG16, SDG17)

Consider and disclose significant economic, social and environmental impacts caused by investment decisions and activities, maintain communication with stakeholders, and engage them where necessary.

5. Inclusive Development (SDG 10, SDG 17)

Respect and consider the interests of stakeholders, including local governments, communities, employees, upstream and downstream partners, and respond to social concerns and needs to create shared value in investment.

6. Respect for Human Rights (SDGs 1–10)

Respect the human rights of employees, consumers and community residents, understand, assess and manage the impacts of investment activities, and contribute to the realisation of human rights in economic development through investment.

7. Greenness and Environmental Protection (SDGs 11–15)

Identify the potential environmental impacts of investment projects and their activities, take measures to avoid or reduce negative impacts on the environment, climate and biodiversity, and balance ecological and economic benefits in investment.

8. Economics and Feasibility (SDG 8)

The measures to address the social and environmental impacts in overseas investment projects should be cost-effective; the investment used to address the social and environmental impacts should set the feasibility boundary of achieving medium- and long-term investment returns. Once the investment exceeds this boundary, enterprises should consider abandoning the investment projects and make sure to invest rationally.

Table 3.1 Recommended Actions for Chinese Enterprises Overseas to Implement the 2030 Agenda along the Belt and Road

PEOPLE

Global Sustainable Development Goals	China's Belt and Road Initiative	Specific Actions for the Sustainable Development of Chinese Enterprises	Related International Criteria and Standards
Goal 1. End poverty in all its forms everywhere	Unimpeded trade Facilities connectivity Financial integration People-to-people bond	Inclusive business model. In pursuing economic development, focus on balancing economy, society, resources and environment, and improve the quality of economic development; advocate equal opportunities, protect vulnerable groups rights for participation and sharing	Global Compact Universal Declaration of Human Rights and related conventions on human rights

continued

Global Sustainable Development Goals	China's Belt and Road Initiative	Specific Actions for the Sustainable Development of Chinese Enterprises	Related International Criteria and Standards
Goal 1. End poverty in all its forms everywhere	Unimpeded trade Facilities connectivity Financial integration People-to-people bond	Inclusive finance. Innovate in institutions, organisations and products while adhering to market principles, and provide financial services to poor and low-income populations and small and micro businesses through microcredit and microfinance	International Labor Organisation's Declaration on Fundamental Principles and Rights at Work International Labor Organisation's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy Core conventions of the International Labor Organisation International Finance Corporation/ World Bank's Environmental, Health and Safety Guidelines The OECD Guidelines for Multinational Enterprises United Nations Guiding Principles on Business and Human Rights WBCSD Environmental and Social Impact Assessment Guideline ISO 26000 Guidance on Social Responsibility ISO 31000 on Risk Management Principles for Responsible Investment (PRI)
		Conduct skills training, improve livelihoods, and help host countries to improve comprehensive production capacity	
		Provide solutions to enhance the resilience of the poor and vulnerable groups to disasters	
Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Facilities connectivity Unimpeded trade People-to-people bond	Popularise and apply agricultural technologies in developing countries, especially least developed countries, to promote agricultural industrialisation	
		Include smallholder farmers in the value chain of agricultural production to provide them access to means of production, technologies, financial services, markets and other non-agricultural employment opportunities	
		Invest in agricultural infrastructure construction to promote employment and develop modern agriculture; carry out technological research and development and strengthen capacity building for agro-technological innovation and popularisation	
		Increase investment in agricultural research and promotion services, technology development as well as plant and livestock gene banks to enhance the agricultural production capacity in developing countries, particularly least developed countries	
Goal 3. Ensure healthy lives and promote well-being for all at all ages	People-to-people bond	Provide affordable medical products and services to the vulnerable and poor groups	
		Participate in the prevention and treatment of AIDS, tuberculosis, malaria and other epidemic diseases through research and development, production and provision of affordable essential medicines and vaccines	

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<table>
<tr><th>Global Sustainable Development Goals</th><th>China's Belt and Road Initiative</th><th>Specific Actions for the Sustainable Development of Chinese Enterprises</th><th>Related International Criteria and Standards</th></tr>
<tr><td rowspan="3">Goal 3. Ensure healthy lives and promote well-being for all at all ages</td><td rowspan="3">People-to-people bond</td><td>Promote AIDS prevention and education in the workplace, popularise basic knowledge, change individual behaviour to reduce the risk of transmission and reduce discrimination</td><td rowspan="8">Global Compact
Universal Declaration of Human Rights and related conventions on human rights
International Labor Organisation's Declaration on Fundamental Principles and Rights at Work
International Labor Organisation's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
Core conventions of the International Labor Organisation
International Finance Corporation/ World Bank's Environmental, Health and Safety Guidelines
The OECD Guidelines for Multinational Enterprises
United Nations Guiding Principles on Business and Human Rights
WBCSD Environmental and Social Impact Assessment Guideline
ISO 26000 Guidance on Social Responsibility
ISO 31000 on Risk Management
Principles for Responsible Investment (PRI)</td></tr>
<tr><td>Properly handle hazardous chemicals during operations and reduce air, water and soil pollution; establish and improve the safety management system; comply with national standard production processes, equipment or means of storage</td></tr>
<tr><td>Follow the requirements of the national labour authorities to provide basic medical insurance for employees; improve employees' basic welfare and security; gradually increase security benefits for retired employees</td></tr>
<tr><td rowspan="3">Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</td><td rowspan="3">People-to-people bond</td><td>Provide necessary and affordable educational infrastructure and resources to developing countries, especially least developed countries</td></tr>
<tr><td>Carry out quality and sustainable vocational and technical education. Improve the relevance of vocational and technical education quality to job market demands; ensure the fairness of vocational and technical education, and provide vulnerable groups with opportunities; utilise information technology for vocational and technical education and training</td></tr>
<tr><td>End all forms of child labour; strengthen social compliance audits to ensure there is no compulsory labour, slave labour or child labour in the supply chain; establish grievance channels for the above issues, including hotlines</td></tr>
<tr><td rowspan="2">Goal 5. Achieve gender equality and empower all women and girls</td><td rowspan="2">People-to-people bond</td><td>Participate in and support relevant initiatives and activities for women's empowerment; support the opposition to and fight against the trafficking of women and children, as well as the actions of the public and private sectors to stop violence against children</td></tr>
<tr><td>Ensure the reproductive rights and treatment of female employees, and supply necessary maternal rooms in the workplace</td></tr>
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continued

Global Sustainable Development Goals	China's Belt and Road Initiative	Specific Actions for the Sustainable Development of Chinese Enterprises	Related International Criteria and Standards
Goal 5. Achieve gender equality and empower all women and girls	People-to-people bond	Provide women and girls with opportunities for training and education; utilise resources to provide cultural literacy in poverty-stricken areas that receive assistance to improve the literacy and numeracy skills of the local population	Global Compact Universal Declaration of Human Rights and related conventions on human rights International Labor Organisation's Declaration on Fundamental Principles and Rights at Work International Labor Organisation's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy Core conventions of the International Labor Organisation International Finance Corporation/ World Bank's Environmental, Health and Safety Guidelines The OECD Guidelines for Multinational Enterprises United Nations Guiding Principles on Business and Human Rights WBCSD Environmental and Social Impact Assessment Guideline ISO 26000 Guidance on Social Responsibility ISO 31000 on Risk Management Principles for Responsible Investment (PRI)
		Guarantee the relative proportion of female employees and managers; support women entrepreneurship and employment	
Goal 6. Ensure availability and sustainable management of water and sanitation for all	Facilities connectivity	Invest in infrastructure and provide technology and services to ensure universal access to safe and affordable drinking water	
		Use water resources reasonably and effectively and meet wastewater treatment standards to avoid water pollution	
		Establish recovery and logistic systems to increase the recovery and safe reuse of solid waste	
		Develop and invest in technologies and infrastructure for rainwater harvesting, desalination, water efficiency, wastewater treatment and water recycling	
		Protect and restore water ecosystems and environment. Optimise water resource allocation, utilise water scientifically, improve water use efficiency and strengthen wastewater treatment; assist governmental departments in protecting and restoring water eco-systems	
		Advocate and participate in community activities and projects to improve water sanitation management	

PROSPERITY

<table>
<tr><th>Global Sustainable Development Goals</th><th>China's Belt and Road Initiative</th><th>Specific Actions for the Sustainable Development of Chinese Enterprises</th><th>Related International Criteria and Standards</th></tr>
<tr><td rowspan="3">Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all</td><td rowspan="3">Facilities connectivity

Unimpeded trade</td><td>In pursuing economic development, focus on balancing economy, society, resource and environment, and improve the quality of economic development; advocate equal opportunities, protect vulnerable groups rights for participation and sharing</td><td rowspan="10">Global Compact

The Universal Declaration of Human Rights and related conventions on human rights

International Labor Organisation's Declaration on Fundamental Principles and Rights at Work

International Labor Organisation's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy

Core conventions of the International Labor Organisation

International Finance Corporation/ World Bank's Environmental, Health and Safety Guidelines

The OECD Guidelines for Multinational Enterprises

United Nations Guiding Principles on Business and Human Rights

WBCSD Environmental and Social Impact Assessment Guidelines

ISO 26000 Guidance on Social Responsibility

ISO 31000 on Risk Management

Principles for Responsible Investment (PRI)</td></tr>
<tr><td>Develop and invest in clean and renewable energy infrastructure and services, and improve energy efficiency</td></tr>
<tr><td>Use the technology spillover effect of investment projects, and increase the clean and renewable energy efficiency of developing countries</td></tr>
<tr><td rowspan="7">Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</td><td rowspan="7">Unimpeded trade

Facilities connectivity

Financial integration

People-to-people bond</td><td>Invest in labour-intensive industries in developing and least developed countries, and help them create jobs, increase exports and earn foreign exchange</td></tr>
<tr><td>Adhere to diverse operation strategies and develop new business; invest in business projects of high social value-added to create new business growth points</td></tr>
<tr><td>Provide financial services for small, medium and micro enterprises, and improve the ability to access financial resources and provide financial services</td></tr>
<tr><td>Improve the efficiency of resource consumption and production, and reduce waste in production and operations</td></tr>
<tr><td>Advocate the diversity of employee structures and equal pay for equal work</td></tr>
<tr><td>Encourage and promote youth employment, including establishing partnerships with universities and colleges to provide internship opportunities; provide capital, technology and platform support for youth employment and the "mass entrepreneurship and innovation" strategy; provide uneducated youth with training and employment information</td></tr>
<tr><td>End all forms of child labour. Develop social responsibility codes of conduct for suppliers and strengthen social compliance audits to ensure there is no compulsory labour, slave labour or child labour in the supply chain; establish grievance channels for the above issues, including hotlines</td></tr>
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<table>
<tr><th>Global Sustainable Development Goals</th><th>China's Belt and Road Initiative</th><th>Specific Actions for the Sustainable Development of Chinese Enterprises</th><th>Related International Criteria and Standards</th></tr>
<tr><td rowspan="4">Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</td><td rowspan="4">Unimpeded trade

Facilities connectivity

Financial integration

People-to-people bond</td><td>Protect labour rights and create a safe and secure working environment for vulnerable groups (immigrants, women, etc.). Increase the proportion of members of vulnerable groups in the workforce, guarantee equal pay for equal work, and ensure workers' safe and secure working conditions; strengthen social compliance audits of suppliers to meet the requirements for decent work</td><td rowspan="9">Global Compact

Universal Declaration of Human Rights and related conventions on human rights

International Labor Organisation's Declaration on Fundamental Principles and Rights at Work

International Labor Organisation's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy

Core conventions of the International Labor Organisation

International Finance Corporation/ World Bank's Environmental, Health and Safety Guidelines

The OECD Guidelines for Multinational Enterprises

United Nations Guiding Principles on Business and Human Rights

WBCSD Environmental and Social Impact Assessment Guideline

ISO 26000 Guidance on Social Responsibility

ISO 31000 on Risk Management

Principles for Responsible Investment (PRI)</td></tr>
<tr><td>Promote eco-tourism development, create jobs for local communities and promote local culture and product protection</td></tr>
<tr><td>Operate with integrity, and pay taxes according to law. Be staffed with employees responsible for tax declarations and pay taxes on time by complying with taxation policies and work requirements of taxation authorities; provide employees with taxation knowledge training</td></tr>
<tr><td>Increase investment in and trade with developing countries, especially least developed countries, create jobs and eliminate poverty</td></tr>
<tr><td rowspan="5">Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</td><td rowspan="5">Facilities connectivity

Unimpeded trade

Financial integration</td><td>Improve the quality and reliability of infrastructure systems, including resilience to natural disasters; invest in high quality, reliable, sustainable and resilient infrastructure, including regional and cross-border infrastructure to support economic development and improve human well-being</td></tr>
<tr><td>Promote the process of inclusive and sustainable industrialisation in developing countries, especially least developed countries, through investment and technology spillover effects</td></tr>
<tr><td>Provide access to financial services, expand financing channels with innovate financing instruments for small, medium and micro enterprises</td></tr>
<tr><td>Provide market opportunities for small, medium and micro enterprises; integrate them in the value chains and business segments to increase their visibility</td></tr>
<tr><td>Improve industry and resource utilisation efficiency and increase the enterprises' level of informatisation through technological innovation</td></tr>
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Global Sustainable Development Goals	China's Belt and Road Initiative	Specific Actions for the Sustainable Development of Chinese Enterprises	Related International Criteria and Standards
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Facilities connectivity Unimpeded trade Financial integration	Continually apply the strategy of overall prevention in production, products and services. Use clean, environmentally friendly technologies and production processes, save raw materials and energy, minimise waste quantity and toxicity; reduce the adverse impact of product processing on the environment; and include environment considerations in design and the services provided	Global Compact Universal Declaration of Human Rights and related conventions on human rights International Labor Organisation's Declaration on Fundamental Principles and Rights at Work International Labor Organisation's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy Core conventions of the International Labor Organisation International Finance Corporation/ World Bank's Environmental, Health and Safety Guidelines The OECD Guidelines for Multinational Enterprises United Nations Guiding Principles on Business and Human Rights WBCSD Environmental and Social Impact Assessment Guideline ISO 26000 Guidance on Social Responsibility ISO 31000 on Risk Management Principles for Responsible Investment (PRI)
		Enhance the research, development and transfer of innovative achievements, and support young people's innovation and entrepreneurship	
		Assist least developed countries to enhance resilience to disasters through investment in infrastructure and technical and skills transfer	
		Narrow the digital divide through commercial or public welfare projects to increase the penetration rate of ICT	
Goal 10. Reduce inequality within and among countries	Policy coordination Unimpeded trade Financial integration People-to-people bond	Create employment opportunities and livelihoods for low-income groups via inclusive business and finance	
		Respect the diversity of employees' age, gender, race and religious beliefs, and eliminate discrimination and inequality in the workplace, develop policies against discrimination in all operation decisions and actions, and guarantee equal opportunities for all the employees and users in work and service areas; establish reporting and grievance mechanisms on discriminatory behaviour for employees and users	
		Increase investment in and trade with developing countries, especially least developed countries, increase awareness of this objective at different levels within enterprises, and participate in external projects	

PLANET

Global Sustainable Development Goals	China's Belt and Road Initiative	Specific Actions for the Sustainable Development of Chinese Enterprises	Related International Criteria and Standards
Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable	Facilities connectivity Unimpeded trade Financial integration People-to-people bond	Build and provide appropriate, safe and affordable housing and basic public services for the poor	Global Compact United Nations Guiding Principles on Business and Human Rights International Finance Corporation/ World Bank's Environmental, Health and Safety Guidelines United Nations Framework Convention on Climate Change The Paris Agreement The OECD Guidelines for Multinational Enterprises WBCSD Environmental and Social Impact Assessment Guidelines ISO 26000 Guidance on Social Responsibility; ISO 14001 Environmental Management System Principles for Responsible Investment (PRI)
		Build safe, convenient and sustainable public transport systems and consider the special needs of vulnerable groups	
		Actively participate in inclusive and sustainable urban planning and management	
		Protect and defend world cultural and natural heritage during operations and avoid blind and extensive development	
		Provide and maintain safe, inclusive, barrier-free and green public space during operations	
		Actively participate in disaster prevention and management via technology, funding and management mechanisms	
		Reduce environmental pollution during operations, especially air quality and disposal of municipal waste	
Goal 12. Ensure sustainable consumption and production patterns	Facilities connectivity Unimpeded trade	Focus on green supply chains in infrastructure construction, product manufacturing and service delivery	
		Sustainable and effective use of natural resources in operations	
		Reduce food waste and improve the use and conversion rate of raw materials for products; improve food safety awareness in the delivery and consumption; provide support for rural development, water saving and food security	
		Safe management of hazardous chemicals and solid waste over the entire project lifecycle	
		Reduce waste generation during the operation process through emissions reduction and recycling	
		Take the initiative to share and disclose good practices and related information for sustainable production	

continued

Global Sustainable Development Goals	China's Belt and Road Initiative	Specific Actions for the Sustainable Development of Chinese Enterprises	Related International Criteria and Standards
Goal 12. Ensure sustainable consumption and production patterns	Facilities connectivity Unimpeded trade	Develop sustainable eco-tourism according to local conditions. Prioritise environmental protection, and attract private investments and state-of-the-art management models	Global Compact United Nations Guiding Principles on Business and Human Rights International Finance Corporation/ World Bank's Environmental, Health and Safety Guidelines United Nations Framework Convention on Climate Change The Paris Agreement The OECD Guidelines for Multinational Enterprises WBCSD Environmental and Social Impact Assessment Guidelines ISO 26000 Guidance on Social Responsibility
		Develop, invest and guide new technologies, products and behaviour for sustainable consumption, such as new energy vehicles and organic agricultural products	
Goal 13. Take urgent action to combat climate change and its impacts	Financial integration	Participate in and support climate change-related education and advocacy	
		Green finance. Consider potential environmental impacts in investment decision-making; include environmental assessment in the procedure, prioritise eco-environmental protection and pollution treatment, and focus on the development of green industries	
Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Facilities connectivity Unimpeded trade	Raise public awareness of marine resource protection; support marine scientific research, and focus on improving marine conditions and increasing marine biodiversity	
		Prevent and reduce marine pollution during operations; protect marine and coastal ecosystems during operations; test and help reduce pollution from land-based and marine activities (e.g. offshore mining)	
		Regulate fishing activities, support scientific fishing and aquaculture, and stop excessive, illegal, unreported and unregulated fishing activities and destructive fishing practices	
		Invest in marine fisheries, aquaculture and tourism in developing countries, especially in least developed countries, focusing on sustainable management, technology transfer and skills training	

continued

Global Sustainable Development Goals	China's Belt and Road Initiative	Specific Actions for the Sustainable Development of Chinese Enterprises	Related International Criteria and Standards
Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Facilities connectivity	Conserve, restore and sustainably use terrestrial and inland freshwater ecosystems (including forests, wetlands, foothills and drylands) during operations	ISO 14001 Environmental Management System Principles for Responsible Investment (PRI)
		Sustainable forestry; stop deforestation	
		Rational and effective utilisation of soil and protection of mountainous ecosystems	
		Protect biodiversity, and prevent the extinction of threatened species and degradation of natural habitats	
		Prohibit poaching and trafficking of protected animals and plants	

PARTNERSHIP AND PARTICIPATION

Global Sustainable Development Goals	China's Belt and Road Initiative	Specific Actions for the Sustainable Development of Chinese Enterprises	Related International Criteria and Standards
Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	People-to-people bond	Prohibit corruption and commercial bribery. Develop policies and tendering norms against commercial bribery, including establishing necessary complaint and reporting mechanisms and improve transparency; provide employees with anti-corruption and anti-bribery training	Global Compact United Nations Guiding Principles on Business and Human Rights United Nations Convention against Corruption The OECD Guidelines for Multinational Enterprises ISO 26000 Guidance on Social Responsibility Principles for Responsible Investment (PRI) Global Reporting Initiative (GRI)
		Establish systematic corporate localisation systems and sustainable management systems, and pay attention to safety management regulations and regular information disclosure	
		Enhance communication with stakeholders during investment and operations, especially the establishment of community communication mechanisms	
Goal 17. Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development	People-to-people bond	Fully consider the host country's development strategy during investment decision-making, and aim at long-term business investments	
		Advocate the localisation of business, strengthen communication with the host country in terms of procurement and employment to create mutual benefits	
		Fair competition and legitimate business. Observe, lobby and advocate for the laws and regulations that encourage fair competition and sustainable development; strengthen the communication and coordination with government regulatory departments; protect consumers' legitimate rights and interests	

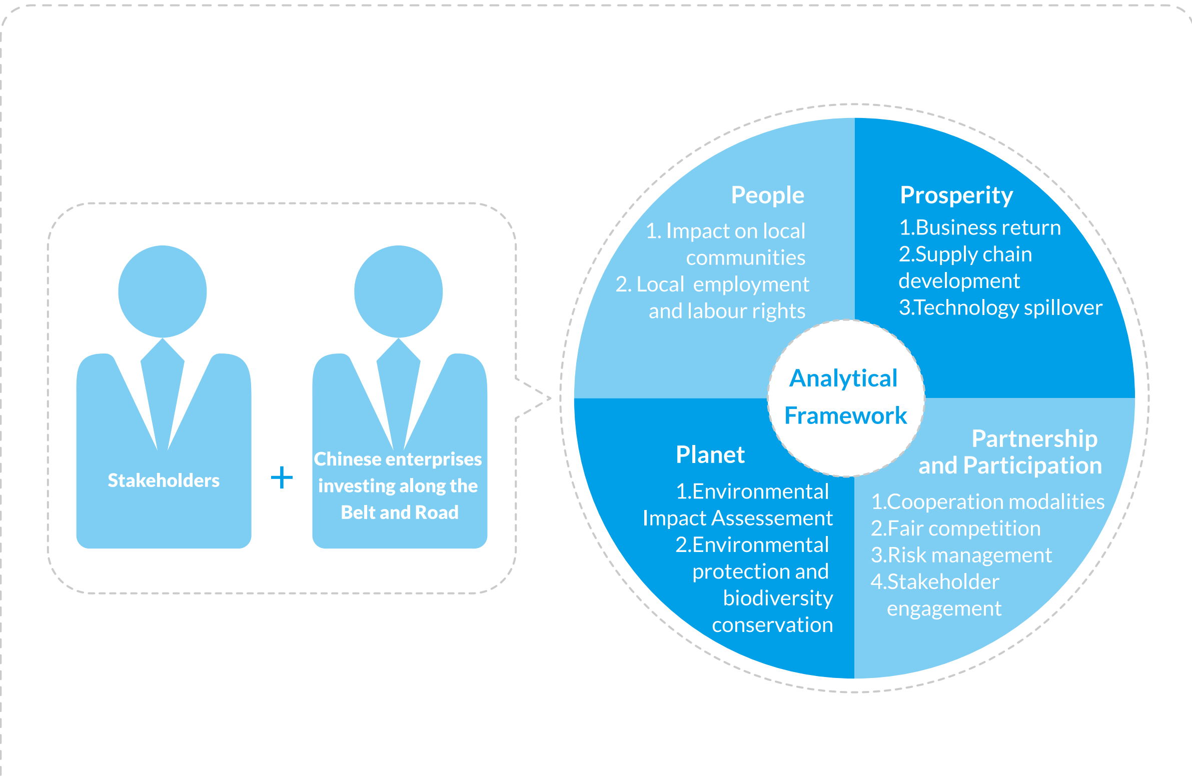
CHAPTER 4

THE SUSTAINABLE PERFORMANCE OF CHINESE ENTERPRISES IN THE BELT AND ROAD REGIONS

Questionnaire, Interviews and Case Studies

2017 is a pivotal year for enhancing the implementation of the 2030 Agenda and the Belt and Road Initiative. At a time when both agreements and blueprints have taken initial shape, the research team examines the potential impact of Chinese enterprises investing and operating in the Belt and Road countries on these countries' sustainable development processes. To present an objective and holistic overview of these impacts, we leverage a questionnaire survey, interviews, and case studies and solicit the perspectives of both Chinese enterprises and their stakeholders.

In light of the 17 goals put forward in the 2030 Agenda, the research team designed a questionnaire with four dimensions — economy, society, environment and corporate governance — and distributed it to Chinese enterprises in October 2016 through the Chinese Academy of International Trade and Economic Cooperation under the Ministry of Commerce of China and the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council of China. By January 2017, the research team had collected 543 valid answers and relevant cases from enterprises. The sampled enterprises have characteristics consistent with the profile of Chinese enterprises investing and operating in the Belt and Road countries with respect to their ownership structure, industries, destinations and forms of investment. As well, as a supplement to the self-reported answers from Chinese enterprises, the writing group has also collected feedback and suggestions from 38 stakeholders from host country governments, NGOs, academia, media and others through a questionnaire survey and interviews (as shown in Figure 4.1).



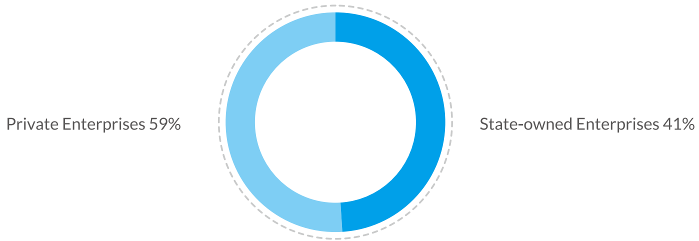
Sample Size - Stakeholders: 38

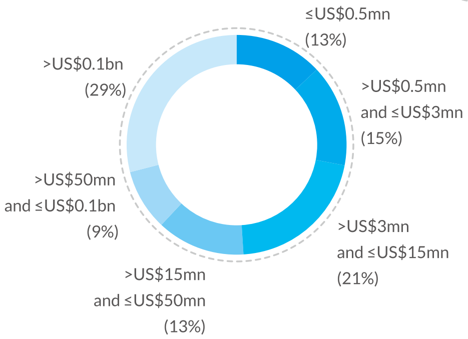
Organisational type	Number	Organisational type	Number	Organisational type	Number
NGOs	20	Domestic and international business partners of Chinese enterprises	2	Others	6
Academia, think tanks	4	International development organisations	2		
Bilateral donors or affiliated development organisations	2	Local governments of host countries	2		
Total	38				

Countries	Number	Countries	Number	Countries	Number
China	9	Bangladesh	1	Myanmar	1
Pakistan	8	Gabon	1	Russia	1
Laos	4	Germany	1	Sri Lanka	1
Tajikistan	2	Kenya	1	United States	1
Uganda	2	Kyrgyzstan	1	Others	4
Total	38				

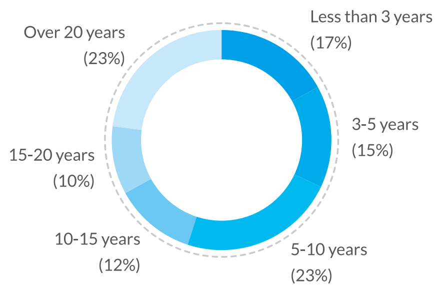
Sample Size - Enterprise ：543

Ownership of Enterprises





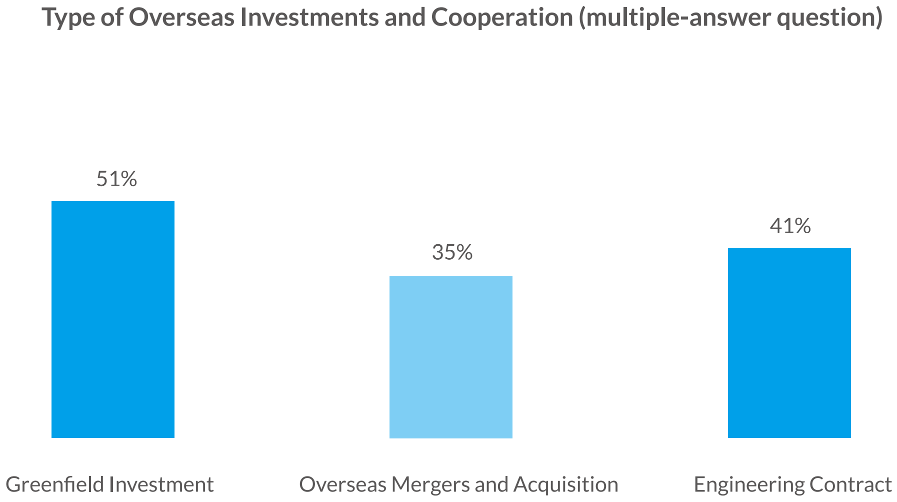
Overseas Investment Scale



Years of Operation Overseas

Sector	Industry	Number of Enterprises
Primary industry (62)	Agriculture, forestry, fishing and animal husbandry	62
Secondary industry (408)	Mining and quarrying	69
	Manufacturing	185
	Electricity, heat power, gas and water production and supply	40
	Construction	114
Tertiary industry (187)	Information services	23
	Retail and wholesale services	52
	Transportation, warehousing and postal services	19
	Real estate	24
	Others	69

*Multiple-answer question



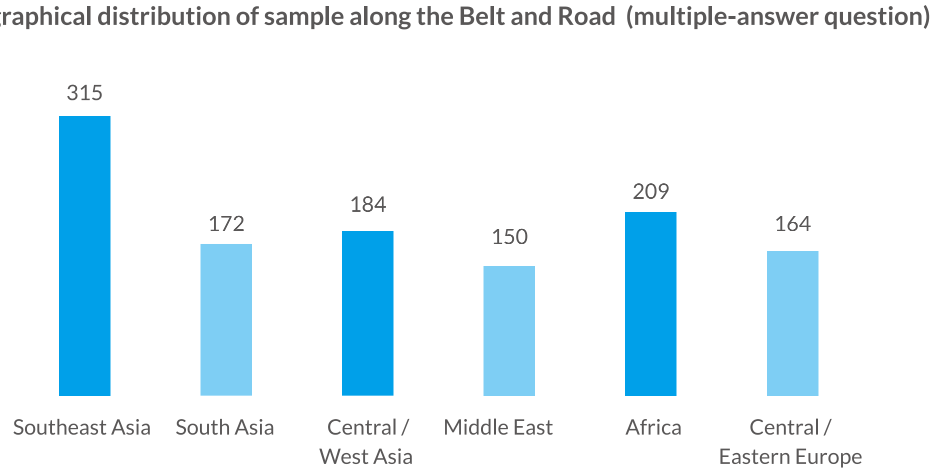


Figure 4.1 Analytical Framework and Survey Sample

It is worth noting that, due to time constraints, limitations of expertise and the complexity of the project, the research is unable to cover all experiences and perceptions of Chinese enterprises or their impact on sustainable development overseas. The first limitation stems from the limited availability of information, given that both the 2030 Agenda and the Belt and Road Initiative have been active for a relatively short time. The second limitation comes from the inadequate technical knowledge of the research team. As the 2030 Agenda and the Belt and Road Initiative cover a wide range and a rich variety of complex issues, it is unfeasible to cover every aspect in the Report. Finally, although the research team accessed a large network to collect responses through government and other channels, as both the 2030 Agenda and the Belt and Road Initiative involve a large number of national players and a mix of complex issues, the quality of responses to the survey varies. The research team has augmented the survey responses with interviews. In addition, the response rates to the stakeholder survey are relatively low in comparison to the corporate one due to lack of established networks and channels. The experience of Chinese enterprises overseas, especially in relation to sustainable development, is a relatively new area of inquiry which will benefit from extended and in-depth research in the future.

4.1 People

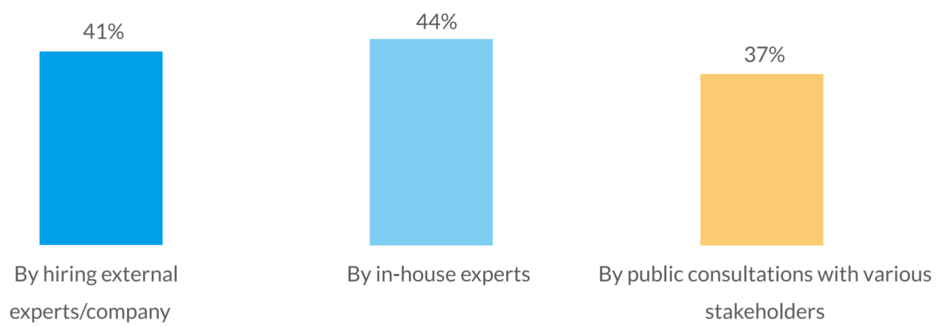
This section addresses the people-related SDGs 1–6 and 8, and the "people-to-people bond" cooperation priority of the Belt and Road Initiative. Chinese enterprises' performance in terms of social development across the Belt and Road regions is investigated through an examination of Chinese enterprises' impact on local communities, localisation of recruitment, labour rights protection, etc.

4.1.1 Impact on Local Communities

Although enterprises investing overseas are seeking profitable business opportunities, they must also consider developing effective means to manage and control their impact on local communities. By conducting a third-party Social Impact Assessment (SIA), enterprises can effectively identify and lower potential social risks underlying their operations abroad.

Responses to the questionnaire indicate that 50% of the surveyed enterprises have conducted an SIA before launching a project[1], 41% of the enterprises indicated that they have integrated the recommendations of the SIA report into their local strategies, while 58% report that they have adopted recommendations during the implementation of their projects. Only a small minority (1%, 2 responses) have not adopted any recommendations.

When asked about the implementation strategies of their SIAs, 41% of the surveyed enterprises report that they have done so by hiring external experts/companies; 37% indicate that they have conducted public consultations with various stakeholders in the early stage of project implementation; and 44% of the enterprises state that they have completed SIAs internally by in-house experts. Some enterprises report that they have adopted two or more strategies to conduct SIAs (see Figure 4.2).



* Valid responses: 254 (46%) of those that conducted an SIA

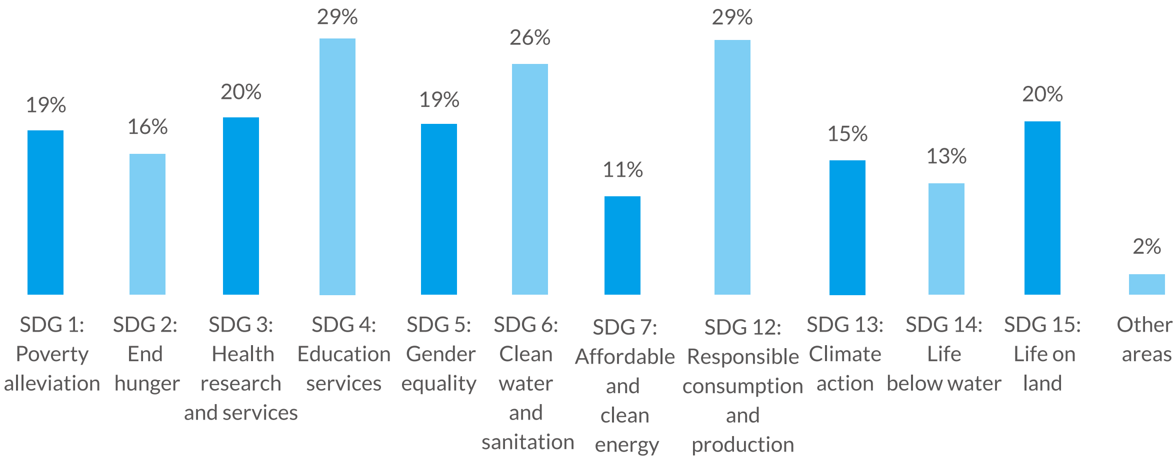
Figure 4.2 Methods of conducting SIAs (multiple-answer question)

1 Valid responses: 519 (95%)

The questionnaire and interviews with enterprises indicate that Chinese enterprises investing in the Belt and Road regions have already developed a strong awareness of risk prevention. However, in practice, due to the small number of qualified organisations capable of conducting credible third-party SIAs, and due to the varying quality of assessment outputs, some enterprises have opted to incorporate an SIA into their Environmental Impact Assessment and therefore lack a specified assessment dedicated to measuring their social impact. In fact, social and cultural environments vary tremendously across the Belt and Road regions, which implies that the lack of ability to conduct a comprehensive, in-depth SIA may pose a challenge to Chinese enterprises in their sustainable operations abroad.

In addition to bringing economic benefits to communities near the project site, Chinese enterprises have also addressed their social responsibilities by investing in public welfare as a way to promote social development within the host countries.

In reviewing their priorities for implementing social responsibility or corporate investment in public welfare, Chinese enterprises select “SDG 12-responsible consumption and production”, “SDG 4-education services” and “SDG 6-clean water and sanitation” as the most important, which aligns with the nature of their industries and the scope of their businesses (see Figure 4.3).

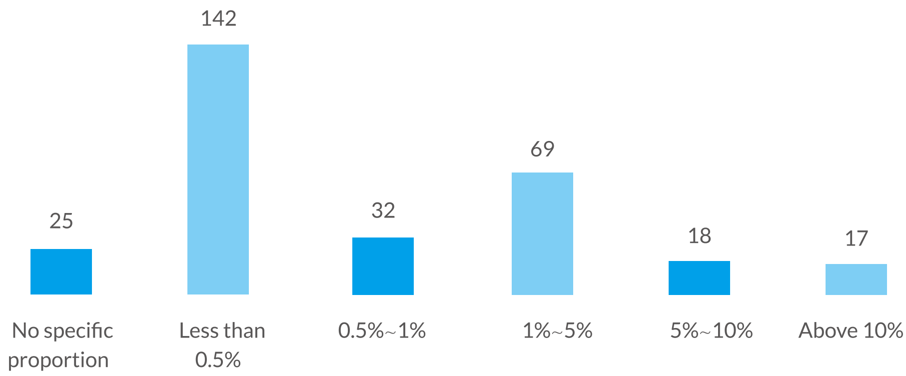


* Valid responses: 456 (83%)

Figure 4.3 Prioritised SDGs for implementing sustainable development (multiple-answer question)

With respect to corporate investment in public welfare, 69 of the surveyed enterprises report that their investments of this type account for 1~5% of their annual profits; 35 enterprises report that theirs account for more than 5%, while 142 enterprises' account for less than 0.5% (see Figure 4.4).

The response suggests that Chinese enterprises investing in the Belt and Road countries have already developed relatively high levels of awareness of corporate social responsibility, and have in fact invested in the public welfare of local communities. Interviews show that a fraction of the surveyed enterprises have not yet realised the anticipated impact from their sizeable investment in public welfare. This may be due to the mismanagement of the investment, lack of rational and systematic planning and adequate management of the objectives and implementation strategies for public welfare investments. The goals set out in the 2030 Agenda and the *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* may serve as important referential frameworks for Chinese enterprises' public welfare investments in the future along the Belt and Road.



* Valid responses: 303 (55%)

Figure 4.4 Overseas philanthropic investment

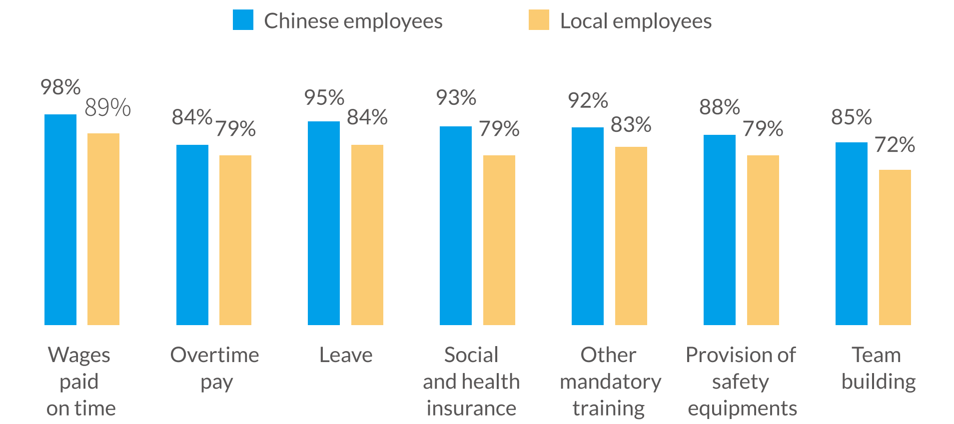
4.1.2 Local Employment and Labour Rights

With respect to the localisation of labour employment, host countries' policies are critical factors influencing Chinese enterprises' decisions. Among the surveyed enterprises, 61% perceive that their host countries have no relevant provisions (see Figure 4.5). There are two reasons for this: first, the host countries have enacted such provisions, but the enterprises are unaware of their existence; second, the host countries had not enacted such provisions at the time when the enterprises were surveyed.

* Valid responses: 483 (88%)

Figure 4.5 Host country government's policy enforcement regarding the lowest threshold of local employement

The survey indicates that, in general, Chinese enterprises have performed relatively well in protecting the basic rights and interests of both Chinese expatriates and local employees, which is reflected in the minor differences between the measures taken to protect the two types of workers. However, there are also variations. For example, there is a significant gap between the treatment of Chinese and local staff in terms of social and health insurance and team building. However, Chinese enterprises offer largely non-differential benefits to Chinese and local employees in terms of overtime pay, timely payment of wages and provision of training programs. A possible explanation for this is the influence of regulations. The gap tends to be smaller in areas where both China's and the host country's laws and regulations have set mandatory requirements for the protection of labour rights and interests, while the gaps become noticeable in areas where discrepancies exist between China's and the host country's labour laws and regulations, or where the provisions are ambiguous (see Figure 4.6) .

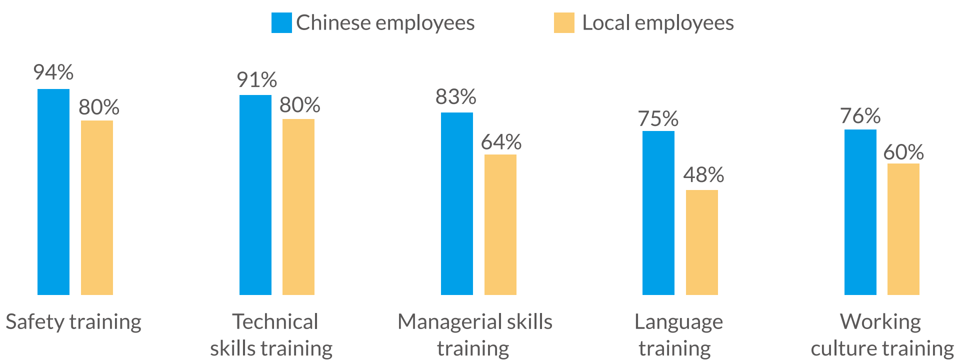


* Valid responses: 492 (90%)

Figure 4.6 Measures taken by Chinese enterprises to safeguard employees' rights and benefits

A majority of Chinese enterprises have attached importance to employee training especially in providing safety and technical skills training programmes for local employees. As well, it is largely Chinese employees that are provided with language training. However, the survey also shows the insufficient provision of training in management and corporate culture for local employees. Chinese enterprises will need to improve efforts in this regard.

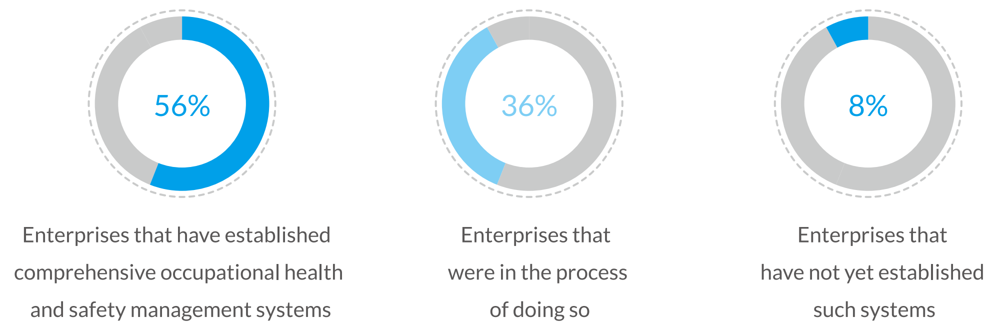
To explain the gap in the provision of language training between Chinese and local employees, it is likely that Chinese enterprises expect expatriates to better integrate themselves into the local environment through intensive language and culture immersion. Regarding the difference in provision of managerial skills training, as most countries along the Belt and Road are still in the initial or intermediate stage of industrialisation, enterprises may feel that training for technical personnel is more of a priority than for managerial staffs (see Figure 4.7).



* Valid responses: 471 (86%)

Figure 4.7 Training programmes provided by Chinese enterprises for their employees

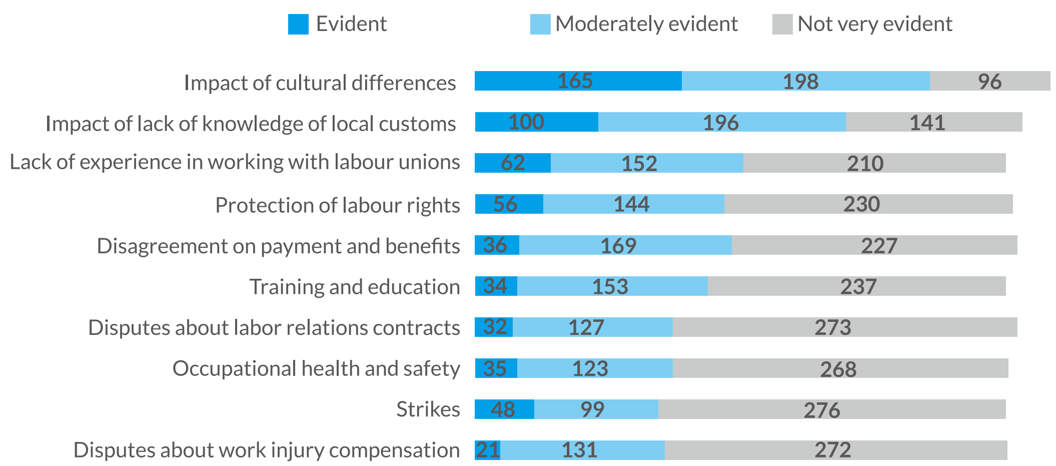
With respect to occupational health and safety management systems[1], more than half of the surveyed enterprises believe that they have established sound occupational health and safety management systems; some report that they are in the process of doing so; and a small portion report that they have not yet established such systems (see Figure 4.8). Among the surveyed enterprises, only 5 had health or safety accidents in 2016.[2]



* Valid responses: 518 (95%)

Figure 4.8 Establishment of management system for employees' occupational health and safety

Complex environments abroad pose multiple challenges for enterprises in establishing and maintaining labour relations. The survey indicates that Chinese enterprises perceive cultural differences and their lack of knowledge of local culture/customs as the major barriers in establishing good labour relations. Prominent labour relations issues include the lack of experience in working with labour unions, problems related to the protection of labour rights and interests, and disagreements on treatment and benefits (see Figure 4.9).



* Valid responses: 477 (87%)

Figure 4.9 Ranking of labour problems encountered by enterprises overseas

[1] This survey is based on enterprises' self-reporting of their sustainable performance, so the understanding of certain terms may differ between respondents and between respondents and the research team. For example, different respondents may have different ideas on whether they have established "comprehensive occupational health and safety management systems".

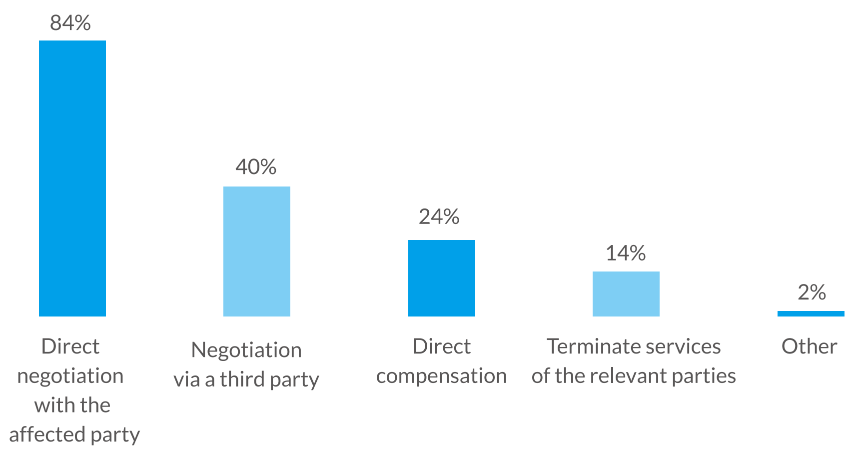
[2] Valid responses: 527 (97%)

The surveyed enterprises generally consider “complying with local laws and regulations on labour employment” as the most important measure for establishing good labour relations. This is followed by culture, integration of Chinese and local employees, and communication with labour organisations, with decreasing significance. This suggests that, in transnational operations, most Chinese enterprises have become aware that complying with local laws and regulations and promoting mutual understanding of different cultures are fundamental measures to prevent labour disputes. Effective and timely communication with labour unions, combined with attention to employees’ needs for career development, are also conducive to good employer-employee relations (see Figure 4.10).

* Valid responses: 509 (93%). Average rating is calculated based on a scale of 1 to 5, with "1" being "the least important" and "5" being "the most important".

Figure 4.10 Ranking of measures for establishing good labour relations

To resolve existing labour disputes, most enterprises (84%) opt for leveraging positive dialogue and communication-based approaches, that is, directly negotiating with the affected individuals or organisations, including seeking consensus through internal complaint mechanisms, while 40% enterprises choose to address the disputes via a third party. Still, some enterprises (24%) choose to provide direct compensation and a minority (14%) choose to terminate service contracts with the affected individuals or organisations to resolve the disputes (see Figure 4.11).



* Valid responses: 491 (90%)

Figure 4.11 Resolving labour issues (multiple-answer question)

4.1.3 Stakeholder Voices

Overall, stakeholders have a positive attitude toward Chinese enterprises' performance in promoting sustainable social development along the Belt and Road, but they also point out that there is still considerable room for improvement. Specifically, stakeholders think that Chinese enterprises have been proactive in providing local employees with due benefits and necessary equipment to protect them against health, safety and occupational hazards in accordance with local laws and regulations. As well, Chinese enterprises show respect for local cultures and work ethics. Stakeholders have acknowledged the efforts made by Chinese enterprises in these respects. At the same time, they maintain that Chinese enterprises need to increase efforts in promoting gender equality and in conducting SIAs (see Figure 4.12).

* Stakeholders were asked to rate on a scale of 1 to 5. Options are: 1-Not at all; 2-To a limited extent; 3-Neutral; 4-To some extent; 5-To a large extent; N/A

Figure 4.12 Stakeholders' views on the social performance of Chinese enterprises in the Belt and Road regions

4.1.4 Case Studies

SDG 2.3: By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment

China National Agricultural Development Group Co., Ltd. Supports Zambia in Food Security

The China National Agricultural Development Group Co., Ltd. (CNADC) is the largest comprehensive agricultural enterprise in China. It is also one of the first "going global" Chinese enterprises engaged in agricultural investment and cooperation.

Since the early 1990s, CNADC has been investing in 7 wholly or jointly-owned or holding farms in southeast and west Africa, promoting cooperation between China and host countries in agricultural technologies, helping address local food security, and improving local employment and livelihoods. Its member enterprises, Zambia Johnken Estates and China-Zambia Friendship Farm, have cumulatively supplied nearly 50,000 tons of wheat, 40,000 tons of corn, 20,000 pigs, 4 million litres of fresh milk, 3 million chickens, and 250 million eggs so far. After nearly two decades, Zambia Johnken Estates in particular has grown from a chicken farm with only 200 breeder chickens into the largest commercially profitable Chinese farm in Africa, with total assets exceeding RMB 40 million, annual sales exceeding RMB 20 million and 1,000 hectares under production annually. Currently, the company has nearly 100,000 layers, which account for 5% of the Zambian layer chicken market, and there is still huge potential for growth.

CNADC's farms in Africa also promote China's agricultural technologies. For example, Johnken Estates and the China-Zambia Friendship Farm have served as training platforms for local technicians and management personnel. They have provided internship opportunities for students from local agricultural universities, and funded continuing education in China for medium-to-high-level technical and front-line managerial personnel. Local employees have acquired relatively sound experience with advanced agricultural technologies and are able to generate a demonstration effect for surrounding farmers. Meanwhile, the two companies are actively localising their management. Except for around 10 senior executives from China, all medium-level managerial personnel and workers are locals, with 300 permanent staffs and more than 400 temporary workers. To date, the two companies have created more than 5,000 jobs for locals and provided free housing for more than 5,000 families, which lifted the basic living standards of 20,000 people.

SDG 2.a: Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries

Long Ping High-tech Promotes Hybrid Rice Growing Technologies in the Philippines

Founded in 1999, Yuan Longping High-tech Agriculture Co., Ltd. (Long Ping High-tech) is a leading company in the Chinese seed industry named after Academician Yuan Longping, the Father of Hybrid Rice and the honorary chairman of the company.

In 2015, the Philippines agricultural production grew by only 0.2%. As population growth outpaces growth in food production, the country's food imports are high at 2 million tons annually in recent years. The Philippines is among the top countries that rely on food imports. Therefore, enhancing agriculture productivity is a principal objective of the Philippines' efforts to achieve self-sufficiency in food supply.

At present, Long Ping High-tech is the sole Chinese seed enterprise undertaking the "integration of breeding, cultivation and promotion" of rice seeds in the Philippines. In 2007, it invested more than US$2 million in the country to set up a local research centre and engage in the "localisation" of seed cultivation. Upon entering the Philippine market, the company was faced with challenges from local farmers due to concerns about the effectiveness and high cost of hybrid rice, although its technologies were able to increase local agricultural productivity to a high extent. It took a long time for local farmers to accept new technologies. In this context, Long Ping High-tech worked with Chinese and Philippine experts to cultivate local varieties and planted premium Chinese varieties locally to ensure success. So far, 7 locally cultivated rice varieties have been approved by the Philippine government, and 9 additional varieties are part of a regional pilot, showing good performance characterised by high resistance to diseases and high yield. Long Ping High-tech also cooperates with individual farmers, providing them with free seeds and teaching growing technologies, with a view to promoting hybrid rice locally. Local farmers' concerns were minimised through Long Ping High-tech's demonstrations on the effectiveness of hybrid rice. It turned the paddy fields cultivated by individual farmers into demonstration fields and paid them to teach other farmers growing technologies, thus increasing market share and influence and bringing these successful experiences to more farmers.

Long Ping High-tech's Research Centre in the Philippines demonstrating its new varieties

Marriaga, a farm owner operating a rice demonstration site in Tarlac, the Philippines, is one of the beneficiaries of Long Ping High-tech's hybrid rice. His seeds were provided by Long Ping High-tech and were able to yield 30% more than traditional local varieties. Marriaga said, “Long Ping High-tech’s hybrid rice seeds are indeed very good! Both my grandson and I are growing them. Many companies are now asking me and hoping to buy them from me”.

3 GOOD HEALTH AND WELL-BEING

SDG 3.3: By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases

Artepharm Helps Comoros Eliminate Malaria

Guangdong New South Green Artemisia Pharmaceutical Co., Ltd. (Artepharm) is a modern pharmaceutical enterprise created by the Guangdong New South Group and a group of experts at the Guangzhou University of Traditional Chinese Medicine with extensive research experience in combating malaria with artemisinin and viruses with Chinese medicines.

According to the World Health Organisation’s (WHO) *World Malaria Report 2015*, there were a total of 214 million malaria cases across the world, with fatalities amounting to 438,000 cases. According to the United Nations, malaria accounted for a decline of 1.3% in the GDP of African countries where it is epidemic and therefore has become an important factor in the social and economic development of Africa. Comoros is an island country in the Indian Ocean and one of the most poverty-stricken countries in the world. Its nationals have long been suffering from malaria.

With the support of relevant Chinese government agencies, Artepharm has successively implemented a project that used compound artemisinin to control and eliminate malaria rapidly on three islands in Comoros, i.e. Mohéli Island (37,000 residents), Anjouan Island (350,000 residents) and Grand Comoros Island (420,000 residents) in 2007, 2012 and 2013. By using Artequick®, a compound artemisinin medicine, provided by Artepharm to prevent and treat malaria on a massive scale, the company has effectively brought malaria under control in Comoros, turning it from a highly prevalent country into a low prevalent one in a short time, achieving the goal of zero deaths and successfully completing the mission of controlling malaria on the three islands. This is the first success story in the history of humanity in which an innovative medicine developed in China was used on a large scale for medical intervention and successfully controlled an epidemic of malaria in an African country.

Comoros children taking Artequick®, a compound artemisinin medicine

Fouad Mohadji, Vice President and Minister of Health of the Union of Comoros, said, “The project that removes malaria through compound artemisinin has saved US$11 million in fiscal expenditure directly or indirectly, and has saved the lives of Comoros people from the malaria epidemic. Moreover, Comoros will attract more tourists due to the elimination of malaria and therefore increase its national income”.

Apart from the anti-malaria project in Comoros, Artepharm is also promoting the use of compound artemisinin in Cambodia and Indonesia among others. In March 2017, Artepharm launched a new round of projects to combat malaria quickly via compound artemisinin in partnership with the Malaria Prevention and Treatment Centre of the Ministry of Health and Social Security, the Republic of Togo in west Africa. It will provide Artequick® medicine free of charge for 800,000 people in the Republic of Togo.

4 QUALITY EDUCATION

SDG 4.5: By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations

Huawei Helps Youth in the Kenyan Refugee Camp to Access Better Education

Huawei Technologies Co., Ltd. (Huawei), founded in Shenzhen, China in 1987, is a communication technology company dealing in the production and sale of communication equipment.

Dadaab camp, located in Kenya, is one of the largest refugee camps in the world. It houses nearly 280,000 children, of whom only 41% are enrolled in primary schools and only 8.5% have are in secondary education. Due to funding constraints and a shortage of trained teachers, it is a huge challenge for the camp to provide quality education for the more than 350,000 refugees living there.

In 2014, Huawei launched an Instant Network Schools programme in collaboration with United Nations High Commisioner for Refugees (UNHCR), Safaricom and the Vodafone Foundation. The programme covered 18,000 7~20-year-olds at Dadaab's camps. With the effort of multiple stakeholders, 235 tablet computers donated by Huawei have already been put into operation in 6 primary schools, 3 secondary schools and 4 vocational training centres involved in the project; 13 solar-powered instant network schools equipped each with 25 intelligent terminals have also been installed. In addition, 378 teachers received training on operating the equipment to help them provide better education for their students and also optimise the utilisation of the equipment. The programme also hopes that the youth refugees, by understanding and using technological equipment, will develop skills to help their future careers.

This innovative programme provides students with information they otherwise have no access to and also establishes a link to life outside the refugee camps. "Access to quality education is one of the things that people lose when they flee their homes," notes Leonard Zulu, UNHCR's senior protection coordinator in Dadaab. "Using the Internet is a dream in a refugee setting such as isolated Dadaab. We are grateful for this e-learning project as it has opened a window to the world for refugee students," he added.

Students of the Instant Network Schools programme receiving tablet computers donated by Huawei

5 GENDER EQUALITY

SDG 5.1: End all forms of discrimination against all women and girls everywhere

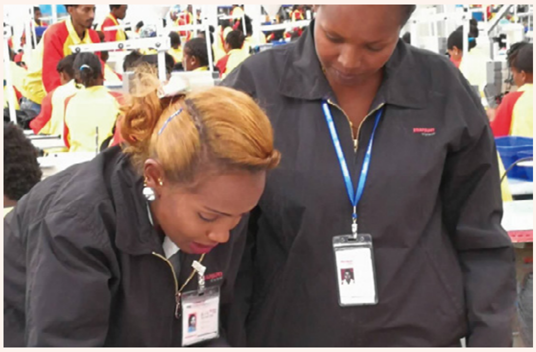
Huajian Group Creates Career Development Opportunities for Women in Ethiopia

Founded in 1996, Huajian Group (Huajian) is one of the largest women's shoe makers in the world.

Gender inequality has long been a factor that restricts African women's access to equal development opportunities in education and employment. For example, in an effort to address gender inequality in vocational education, the Ethiopian government adopted preferential policies to address the low enrolment of women. In the academic years 2013–2015, the female enrolment ratio exceeded 50%, but upon graduation, many female students face new challenges in seeking jobs, with their employment rate far lower than that of males.

Huajian launched the Ethiopian shoemaking factory project in November 2011. Since then, Huajian has worked to address local women's employment. By the end of 2016, it had recruited nearly 6,000 local employees, including 3,310 women, accounting for more than 55% of the total workforce; it has also recruited 85 local managerial personnel at all levels and more than 30 office clerks. In order to help local women enhance their skills and increase their income, Huajian provides skills training to advance in positions normally held by women, such as sewing machine operators and office clerks. At present, Huajian has a total of 300 sewing machine operators, with more than 65% women. Huajian also sends 100 Ethiopian workers to China to receive 6-month vocational training every year, as management trainees. Among these trainees, women accounted for more than 70%.

Through Huajian's training programmes, many female employees have successfully enhanced their vocational skills, been promoted and improved economic conditions for both their families and themselves. Turunesh Manecha, one of the first local employees to join Huajian in 2011, has been trained and appointed as the head of the audit department. Selamanit Degu, another local employee, has grown from an ordinary worker into an on-site manager 4 years after joining Huajian, and has seen her salary increase 5 times. She has been able to not just meet her own living needs, but also support her parents in her hometown by working at Huajian. She said, "Huajian is just like my home. I have come here since I graduated from school. My friends and families admire me for being able to work here. I have acquired a great deal of skills and management experience here by working with my Chinese colleagues. And I will work even harder in the future, love the company and my family."



Huajian's local employees Turunesh Manecha and Selamanit Degu

SDG 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all

China Development Bank Contributes to Sri Lanka's "No. 1 Project" in Agricultural Irrigation and Drinking Water

As a Chinese development financing organisation, the China Development Bank (CDB) aims to "enhance national competitiveness and improve people's livelihood" by providing development financing in key areas, on weak links and at critical times and promoting sustainable and healthy social and economic development.

Agriculture is the dominant industry in Sri Lanka, where 72% of the country's population is involved in agricultural production and agricultural land accounts for 60% of the national land area. The Moragahakanda irrigation project is a crucial project in Sri Lanka's efforts to manage the drainage area of the Mahaweli River, and is also the largest hydro-junction project in Sri Lanka. With a total investment of US$ 252 million, the project will build a reservoir with a total power generating capacity of 25MW. It will be able to provide rice growing areas that account for 24% of the country's total rice yield with stable and sufficient irrigation water. Therefore, it is listed by the Sri Lankan government as the No.1 Project for post-war reconstruction and agricultural development. However, a lack of financing channels have delayed the project. An urgent need for capital has severely impeded agricultural development in Sri Lanka.

For this major project, CDB created a market-oriented financing mechanism and facilitated the evaluation and approval of the project. In the end, CDB signed a loan contract worth US$214 million with the Sri Lankan government, with commitment to the loan, signing of the contract and release of the funds completed within only half a year. Apart from providing agricultural water, the project will also provide millions of Sri Lankan people with drinking water and play a significant role in supporting post-war reconstruction, addressing irrigation issues, supplying water and power for residents, and promoting sustainable economic and social development in Sri Lanka. By the end of 2016, a major part of the project had already been completed. On Jan 11th, 2017, the President of Sri Lanka Maithripala Sirisena pushed the button controlling the dam gate that allows water into the reservoir. He said it was one of the happiest days of his life and that this project could solve the water shortage issue for good. On behalf of the Sri Lankan government and people, he expressed his appreciation to the Chinese government and the project team, and his hope that Chinese enterprises will contribute more to facilitating the economic and social development of Sri Lanka. The whole project is expected to be completed in the first half of 2017, and once completed, the project will play a positive role in modernising Sri Lanka's agriculture and strengthening cooperation between China and Sri Lanka.

The Moragahakanda Irrigation Project

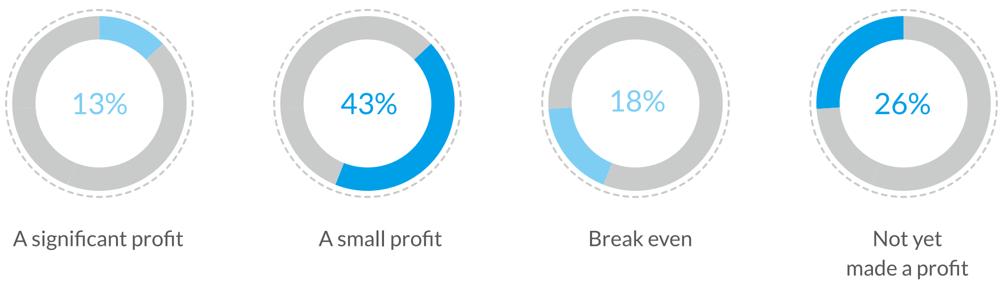
4.2 Prosperity

This section discusses Chinese enterprises' impact on economic growth in countries and regions along the Belt and Road through investment in interregional cooperation. The following discussion draws on the economy-related SDGs 7–10 and on the "facilities connectivity", "unimpeded trade" and "financial integration" priorities of the Belt and Road Initiative. In designing the survey, the research team selected three themes — business return, supply chain development and technology spillover — to analyse and discuss the impact of Chinese enterprises on the economic development dimension of sustainable development overseas. The analysis has two dimensions, presenting both the perspectives of Chinese enterprises and the host countries.

4.2.1 Business Return

As the Belt and Road Initiative gains momentum, China is also strengthening its willingness and capacity to participate in international economic cooperation. Chinese enterprises are expanding their overseas businesses at a steady pace in terms of the number of operations and the scale of business.

Based on the results of the questionnaire, Chinese enterprises operating overseas are generally performing well: more than half have yielded some profit; 18% are breaking even; and 26% are experiencing losses at the time they were surveyed (see Figure 4.13).



* Valid responses: 506 (93%)

Figure 4.13 Financial situation of overseas business

The 284 profit-making enterprises are quite evenly distributed across the world. In particular, the ones operating in Africa, South Asia, Central Asia, West Asia, Central and Eastern Europe have seen better returns on investment. At the same time, enterprises with an investment scale of more than US$50 million and with an investment term of more than 5 years, and those with a term of 10–15 years in particular, have performed better in terms of profitability. The following industries have a relatively higher percentage of profitable enterprises (ranked in descending order): 1. Electricity, heat power, gas and water production and supply; 2. Construction; 3. Information services; 4. Transportation, warehousing and postal services.

These results suggests that, by making medium-to-long term, large-scale investments in energy, infrastructure, communication technology and other high-demand industries in the Belt and Road countries, Chinese enterprises can not only boost development in the host countries, but also be profitable themselves (see Figure 4.14).

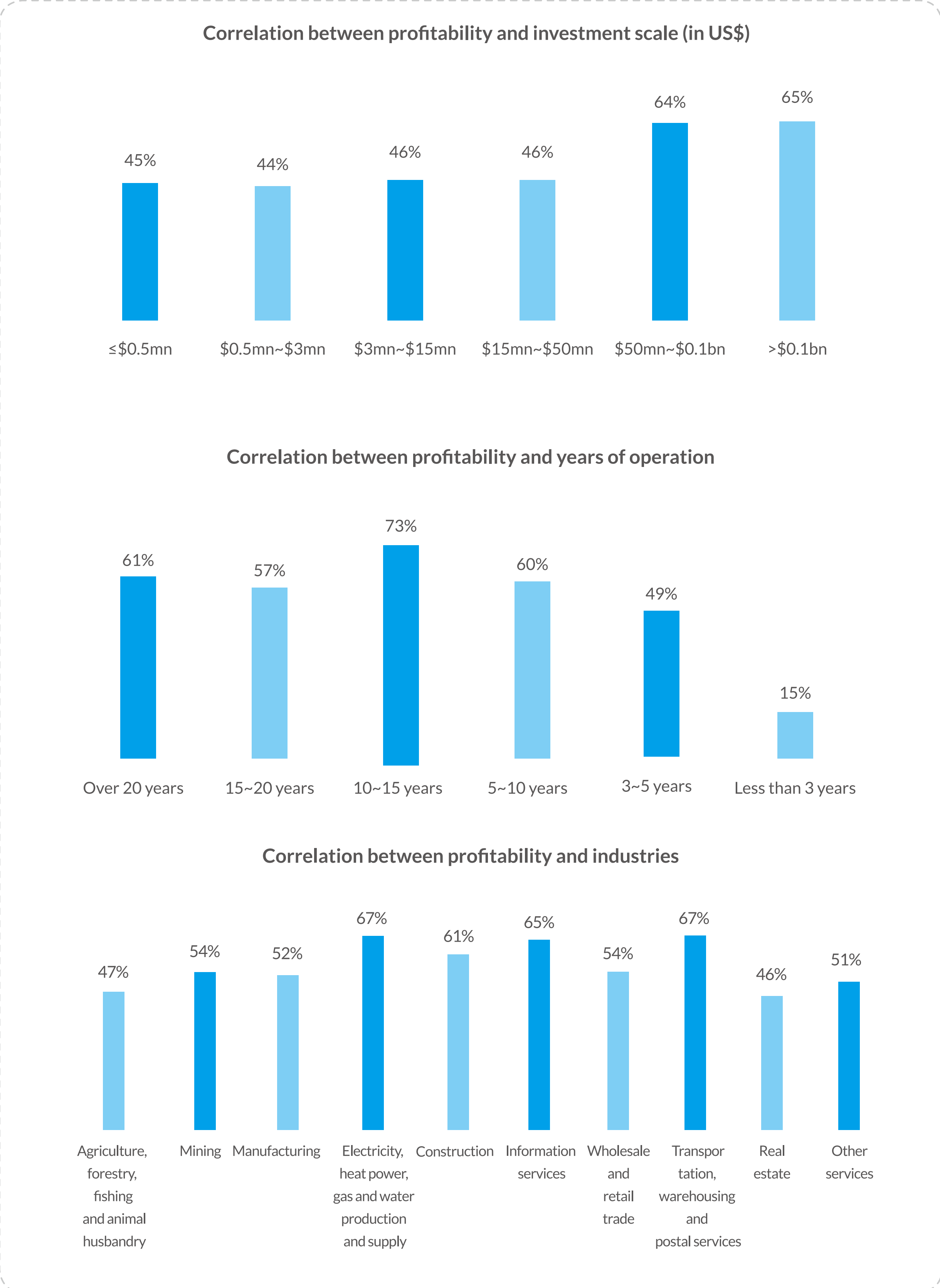
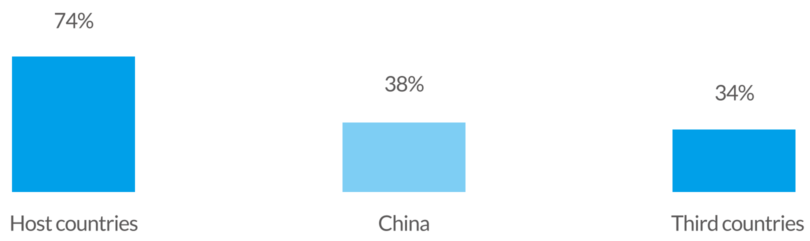


Figure 4.14 Correlation between profitability and different variables

The direct economic contribution of Chinese enterprises to their host countries is also demonstrated in that their products or services directly serve the markets in their host countries. According to the survey, the markets of products and services provided by Chinese enterprises in their transnational operations are quite diversified: a majority (74%) of the surveyed enterprises mainly serve the markets of their host countries, while enterprises serving the Chinese market and those serving third country markets are almost equal in numbers, both accounting for more than 30% of the sample (see Figure 4.15).



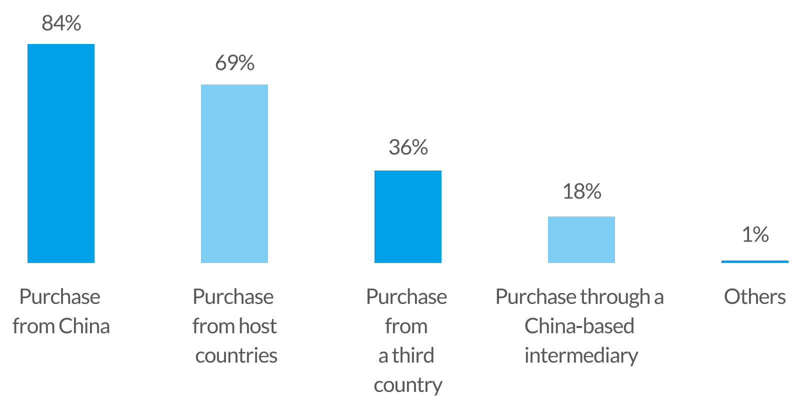
* Valid responses: 510 (93%)

Figure 4.15 Main markets for the products produced in host countries (multiple-answer question)

4.2.2 Supply Chain Development

Establishing a globalised supply chain in overseas operations can not only help enterprises achieve internationalisation, but also promote development of the respective upstream and downstream industries in their host countries, thus creating a win-win situation with benefits for both and even multiple parties. Chinese enterprises directly contribute to local economic development through the localisation of procurement.

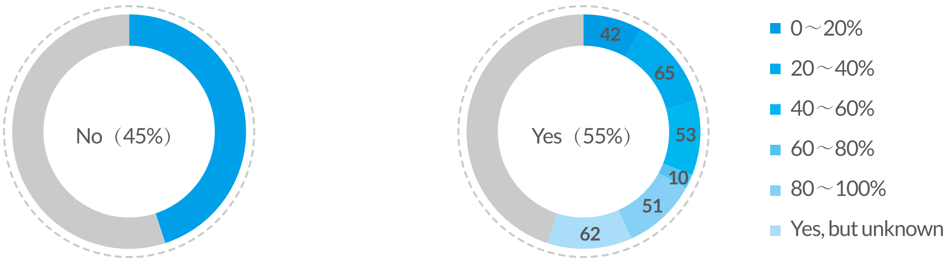
More than 60% of the surveyed enterprises employ diversified purchasing channels. Enterprises purchasing materials internally from China and locally from their host countries represent 84% and 69% of the sample, respectively (see Figure 4.16).



* Valid responses: 525 (96%)

Figure 4.16 Purchasing channels for overseas business (multiple-answer question)

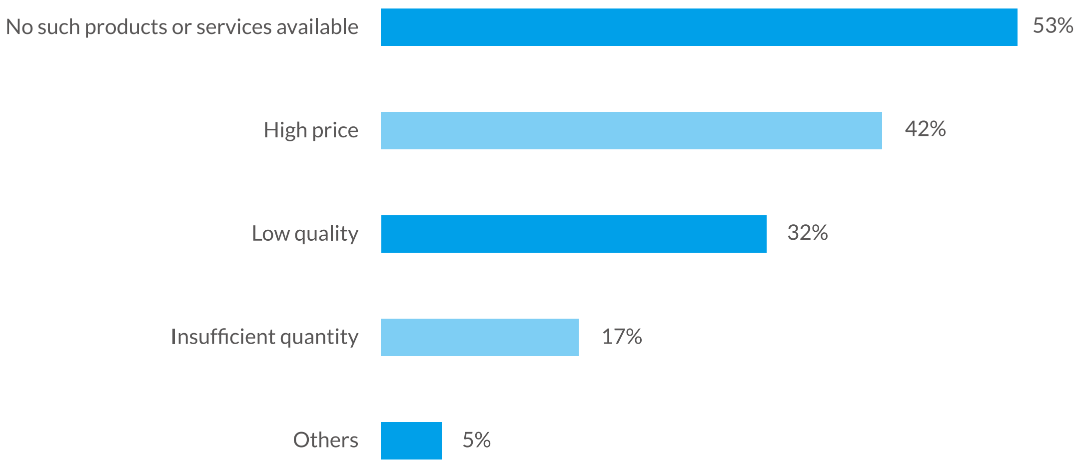
In general, Chinese enterprises have a positive attitude toward localisation of their procurement as part of overseas investment and economic cooperation. More than half of the surveyed enterprises express their preferences for purchasing products or services locally to enhance the degree of localisation in their operations. Among the enterprises that are explicitly in favour of purchasing locally, 51 report that local procurement accounts for 80% to 100% of their total procurement; 10 have a percentage between 60% and 80%; 53 between 40% and 60%; 65 between 20% and 40%; and 42 below 20% (see Figure 4.17).



* Valid responses: 525 (96%)

Figure 4.17 Preference for local procurement

The most significant barrier to localisation of procurement facing Chinese enterprises is the inability of their host countries to provide needed products or services (53%); the high prices of local products also raise the costs of local procurement (42%). Other difficulties include low quality (32%) and insufficient quantity (17%) of the needed materials (see Figure 4.18).



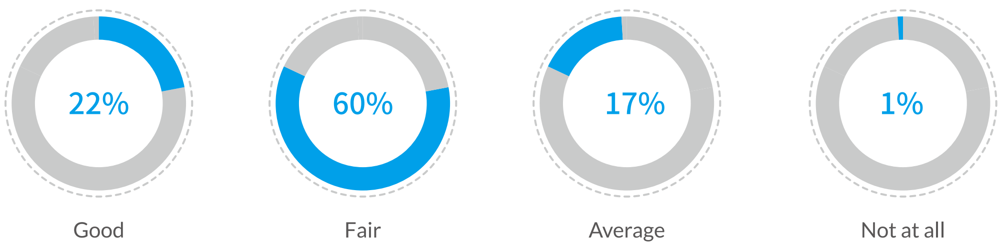
* Valid responses:512 (94%)

Figure 4.18 Barriers to local procurement (multiple-answer question)

4.2.3 Technology Spillover

Technology plays a critical role in realising the SDGs in host countries. While Chinese enterprises are investing overseas, technology spillover to host countries can help narrow the gap in technologies, catalyse technology transformation and enhance the host countries' capacity for implementing the SDGs.

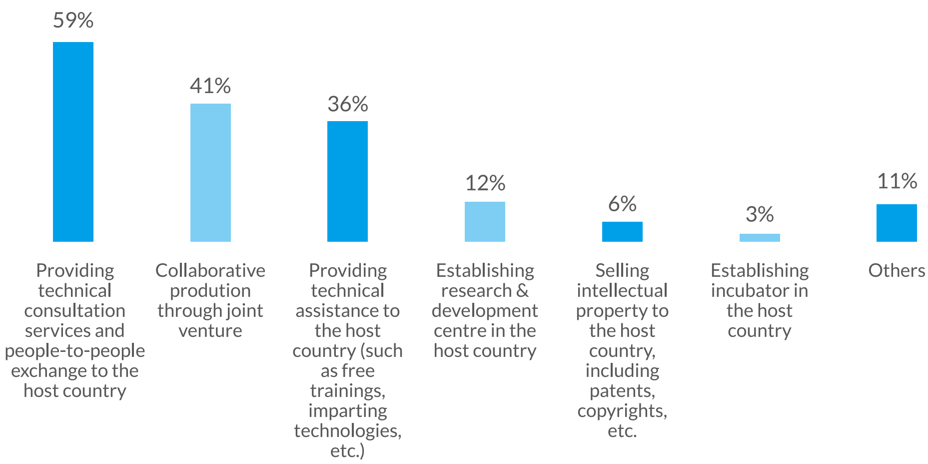
An overwhelming majority of the surveyed enterprises hold that they have performed quite well in assisting overseas suppliers and subcontractors in enhancing their technological and managerial capacities, while a small number of enterprises candidly report a relatively weaker performance in this area (see Figure 4.19).



* Valid responses: 505 (92%)

Figure 4.19 Degree of technology spillover

When asked about the means of technology spillover, nearly 60% of the enterprises report that they have adopted the method of "providing technical consultation services and personnel exchange to the host country". Other major methods include "collaborative production through joint venture" (41%) and "providing technical assistance to the host country" (36%) (see Figure 4.20).

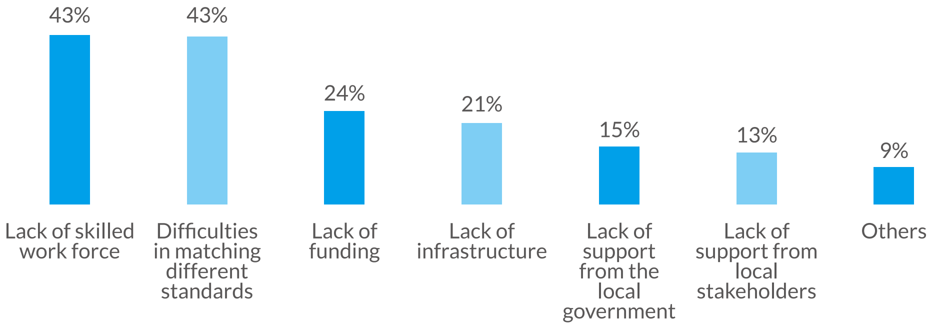


* Valid responses: 515 (94%)

Figure 4.20 Means of technology spillover (multiple-answer question)

The results of the questionnaire indicate that Chinese enterprises have employed means of technology spillover that are compatible with the initial/ intermediate stage of economic and technological development that most Belt and Road countries are currently in. As most of the Belt and Road countries are developing countries with relatively weak industrial and technological bases, Chinese enterprises have adopted direct methods such as providing technical consultation, collaborative production and technical assistance services to the host countries. These methods may better suit these countries' status quo than more resource-demanding methods such as establishing R&D centres and incubators, which have been widely adopted in developed economies.

The major difficulties Chinese enterprises have encountered in technical transfer include lack of skilled work force (43%) and difficulties in matching different standards (43%). Other challenges arise from the lack of funding (24%), infrastructure (21%), and support from local governments and stakeholders, as well as other unidentified sources (see Figure 4.21).



* Valid responses: 487 (89%)

Figure 4.21: Major difficulties in technology spillover (multiple-answer question)

4.2.4 Stakeholder Voices

Generally, stakeholders have acknowledged and appreciated the performance of Chinese enterprises in promoting sustainable economic development across the Belt and Road regions, but they also point out room for improvement. Stakeholders perceive that Chinese enterprises have performed well in adhering to contractual obligations, in transferring technologies to promote local industrial development, and in integrating supply chains in host countries. However, stakeholders also think that Chinese enterprises need to step up efforts in transferring skills and technologies to the host countries (see Figure 4.22).

* Stakeholders were asked to rate from a scale of 1 to 5. Options are: 1-Not at all; 2-To a limited extent; 3-Neutral; 4-To some extent; 5-To a large extent; N/A

Figure 4.22 Stakeholders' views on the economic performance of Chinese enterprises in the Belt and Road regions

4.2.5 Case Studies

SDG 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services

Shanghai Electric Power Optimises Malta's Energy Structure

Shanghai Electric Power Co., Ltd. (SEP) is one of the principal listed companies of the State Power Investment Corporation (SPIC) and also one of the largest electric power enterprises in Shanghai. Its businesses are widely distributed in East China and it began to expand into foreign markets in 2012.

With a small land mass, Malta has the highest population density in Europe. Due to a lack of natural resources, this island country, known widely as "the heart of the Mediterranean Sea", has long relied on imports to meet its energy demands. The country's electricity demand has sharply increased in recent years along with economic growth, rising standards of living, an increase in housing supply and fast growth of tertiary industries. It is anticipated that the growth rate of its electricity demand will outrun its economic growth rate throughout the next decade. Enemalta Plc (EMC) is the only state-owned power company that integrates power generation, transmission, distribution and marketing in Malta. Before restructuring, the company had a complicated structure of personnel and organisations, and had problems such as power generator units being outdated, and power infrastructure in need of improvement. An unreliable power grid and low power generation efficiency resulted in high costs for electricity generation. It was therefore unable to provide stable prices for electric power products while ensuring profitability.

After elections in March 2013, the newly-formed Maltese government sought strategic investment partners for EMC in order to optimise its energy structure, lower power costs, and ensure the safety and stability of power supply for the island. After 16 months' negotiations, SEP finally signed a formal agreement with EMC in December 2014. SEP will also invest in the largest power plant in Malta, the D3 Power Generation Co., Ltd. (150MW), and be responsible for completing the oil-to-gas transformation EPC project for the plant, with the view of providing Malta with more efficient and cleaner power. The two sides will set up two joint ventures: one is to "go out" to the European continent and invest in a renewable energy project with a capacity of 300MW, to help Malta realise its goal of 10% renewable energy account for its national power supply by 2020; the other is to create an international energy service centre, aiming to become a leading professional operation and maintenance service provider for power plants and ancillary facilities in Malta and its surrounding areas. SEP has invested a

Malta D3 Power Generation Co., Ltd.

total of 320 million Euros in Malta project, making it the largest foreign investment project in Malta so far.

The two sides follow the principle of “win-win cooperation”. Since the launch of the energy project, SEP has not only invested in EMC, but also brought its successful experience in funding, technology and operations management to Malta by setting up budget, risk control and technical management committees, effectively strengthening the overall management of EMC and enhancing the operational capacity of the power system. Moreover, by implementing the oil-to-gas transformation project for the power generation units of the D3 Power Generation Co., Ltd. and the project of connecting the Maltese and Italian power grids, SEP successfully optimised the local energy structure and lowered the electricity price by 25% for Maltese users, making Malta second-to-last, down from third place, on the ranking of high electricity prices in Europe. At the same time, it greatly enhanced the reliability, safety and stability of the Maltese power grid.

Due to the successful decline of electricity prices and the resulting reduction of industrial and commercial costs and government debt, the project has greatly improved the local investment and commercial environment in Malta. At the end of 2015, EMC was granted the 14th Maltese Award for Industrial Excellence to commend its achievements in enterprise transformation in 2015 and its contribution to the improvement of the national economy and people’s livelihoods. The Sovereign Rating of Malta was upped to A for the first time in two decades. The project was praised by the Maltese premier as “a paradigm of win-win economic cooperation and trade between Malta and China”. The head of the Ministry of Energy in Malta also said several times that the two-year-long cooperation completed EMC’s smooth transformation, ensured a stable supply of clean energy for Malta, reduced electricity prices, increased jobs and promoted economic growth in Malta.

8 DECENT WORK AND ECONOMIC GROWTH

SDG8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

CNPC’s AHDEB Project in Iraq Promotes Sustainable Economic and Social Development

The China National Petroleum Corporation (CNPC) is an integrated international energy company with businesses and operations covering petroleum and natural gas, technical and engineering services, engineering construction, petroleum equipment manufacturing, financial services and new energy development. It is one of the principal petroleum and gas producers and suppliers in China.

On 10 November 2008, CNPC’s affiliate Alwaha signed the Service Development and Production

Contract for Ahdeb Oil Field with North Oil Company of Iraq to resume work on the Ahdeb project, which is the first oilfield development project in post-war Iraq. The site of the Ahdeb oilfield is a predominantly agricultural area. Due to aged irrigation and alkali removal systems, the land in this area has become highly salinized. In addition, local farmers lack necessary agricultural technologies, resulting in relatively low crop yields and extremely limited per capita income for farmers. After declaring war against ISIS, the Iraqi government's budget has been diverted to the war and has therefore affected the government's protective grain purchasing efforts. Since 2015, the Iraqi government began to default on grain purchase payment to local farmers, which has caused local livelihoods to deteriorate.

- **Providing affordable, reliable and clean energy to promote sustainable economic development**

The Ahdeb oilfield was put into operation in June 2011, becoming the first new oil production project in post-war Iraq. The project was put into production three years earlier than scheduled and it has managed to increase its peak crude oil production to 7 million tons per year. Compared with the original contract, it contributed an additional US$10 billion income to the Iraqi government. Five years after commencement of production, the project has brought about many changes to local communities, including development of infrastructure, increase of per capita income and employment, and maintenance of local stability and peace.

The Ahdeb project also attaches importance to environmental protection. The project has adopted the principles of "abiding by Iraqi laws and regulations and ensuring sustainable development of the oilfield". It took the lead in introducing a high-calibre waste mud processing system, established waste incineration stations and putting a natural gas processing system into operation earlier than planned. Moreover, it constructed a LPG and sulphur forming & recovery system. As a result, the project managed to supply 120 tons of LPG to the Iraqi government every day, generating considerable economic benefits for locals and benefiting more than 300,000 families in Wassit Province, as well as residents of Baghdad and Karbala. In addition to this, the project has constructed and put into operation two pipelines, one for oil transit (25,000 barrels per day) and the other for gas transit (75 million cubic meters per day), for the newly-constructed Zubaidiya Power Plant, the largest of its kind in Iraq. The two pipelines provide fuel to the plant, which in turn has met the power demand of Wassit Province and supplies 60% of the power needed by the capital city of Baghdad.

- **Creating employment and staff development opportunities, and integrating into local communities**

Since its launch, the Ahdeb project has provided locals with more than 5,000 jobs. By giving priority to local enterprises in its cooperation and pushing local contractors to establish international construction and operation systems, it has become an indispensable force in promoting the development of the Iraqi oil industry.

In order to strengthen assistance to local employees, the project has formulated an income growth scheme and an employee training scheme. The project raises salaries 8% to 10% annually for Iraqi employees. Since its implementation, the scheme has been welcomed by Iraqi employees, significantly enhancing the cohesion of the workforce. The project has also provided both on-site and overseas training. As most employees have been unable to participate in off-site training owing to the needs of production, the project has provided them with in-house training conducted by local training companies or teachers from local universities. Meanwhile, it has organised training in China several times for Iraqi employees, with a view to enhancing mutual understanding between the Chinese and Iraqi staff and to improving their skills and knowledge.

With regards to community development, the Ahdeb project has offered internship opportunities for local university students, conducted literacy programs for women and children in Ahara Town and provided healthcare services for communities nearby. These ongoing community development activities have been widely recognised and appreciated by local residents. When representatives of the Ahdeb project visited the provincial governor or the mayor of Ahrar County has been interviewed by the media, they have spoken highly of the project for its contributions to local employment and development.

8 DECENT WORK AND ECONOMIC GROWTH

SDG8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

CEEC's Gezhouba (Group) Co., Ltd. Promotes Local Economic and Social Development in Iran

China Energy Engineering (Group) Co., Ltd. (CEEC) is one of the largest comprehensive solution providers in the electric power industry in China and globally. China Gezhouba (Group) Co., Ltd. (CGGC) is one of CEEC's core member enterprises.

Iran's power infrastructure is out of date and its power equipment manufacturing industry is under development. The Iranian government regards the electric power industry as a priority development area in the near term, with power plants and power grid construction and upgrading projects in the pipeline. In addition, Iran plans to reduce the consumption of traditional fossil fuel energy and significantly increase the ratio of clean energy in its total power output. The Rudbar Hydropower Station constructed by CGGC is one of the major power plants in the Iranian power system and is therefore of strategic importance in improving Iran's power structure, developing renewable energy and promoting the sustainable development of its regional economy.


New Year Employee Activities

CGGC positively impacted social-economic development and the local living standard through its localisation strategy during construction. The project not only generates tax and fiscal revenues for local governments, but also provides livelihood alternatives for local villagers through procurement of production and living materials. This project has also offered many employment opportunities for local residents with salaries well above the average.

For example, the civil construction of the Station was completed by local partner TABAN, employing nearly 200 local people. The manufacturing and installation of pressure steel pipes was completed largely by local employees, while only a small number of Chinese expatriates were in charge of project management. When local workers needed to receive training to meet the technical requirements for mechanical and electrical engineering tasks, a core technology of the company, CGGC still recruited local people to the highest possible extent to engage in auxiliary work requiring operational skills and provided them with training to improve their technical expertise. Since 2011, the Rudbar project’s employment opportunities have generated more than RMB 40 million income for Iranian workers.

In an effort to better execute its localisation strategy, CGGC strengthened training for and communication between Chinese and Iranian employees. While helping Iranian workers to familiarise themselves with CGGC's corporate culture and management models, CGGC also required Chinese employees to understand and respect local religions, languages, cultures and customs with the aim of promoting cultural integration and forming a “project culture” characterised by mutual understanding and respect. At the same time, CGGC strengthened training and education for Iranian employees as most of them lacked construction experience and skills. CGGC has already organised nearly 100 safety education and skills training sessions and trained 1,500 Iranian employees.

To respect Muslim Ramadan customs, the project adjusted the work schedule for Iranian workers to avoid high intensity and overtime operations during Ramadan. CGGC celebrates the Iranian new year with local villagers through joint activities every year, promoting cultural exchange and helping Iranian workers assimilate into its corporate culture.

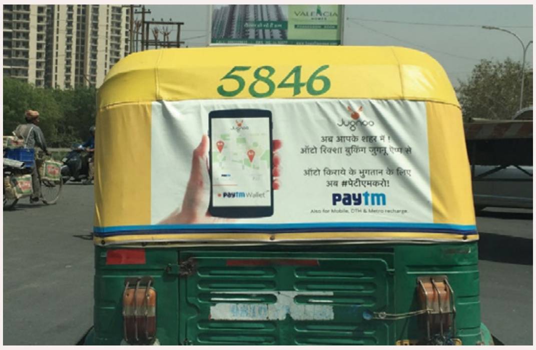
The Rudbar Hydropower Station successfully retained water in 2016 and is expected to be put into production in the first half of 2017. The Iranian energy minister Hamid Chitchian spoke highly of this project, “Chinese enterprises not only brought us capital and technology, but also perform social responsibilities actively. They are well received by Iranian people. Iran will have many more hydropower station projects in the future and I hope that Chinese enterprises will continue to participate in the construction.”

8 DECENT WORK AND ECONOMIC GROWTH

SDG8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Ant Financial Pursues Globalisation of Inclusive Financial Services with India's Paytm as the Starting Point

Ant Financial Services Group (Ant Financial), originating from Alipay, was founded in 2004 to address the issue of trust between online buyers and sellers. After expanding the online payment network for users globally and completing the first Alipay transactions outside of Mainland China through a mobile payment terminal in Hong Kong, Ant Financial was incorporated in October 2014 to drive the globalisation process of inclusive financial services with technology as its core driving force. Currently, Ant Financial is working with local partners in India, Thailand, the Philippines, South Korea and Indonesia to create local e-wallets similar to Alipay that provide digital inclusive financial services for over 40% of the world's population.



Motor tricycles on the Indian street can also accept mobile payments

According to the World Bank, India, as a country with a population of more than 1.3 billion, has only 125,000 banks, or one banking outlet for every 10,000 people, despite strong support for the development of the financial system from its government. In fact, 47% of Indians do not have a bank account and there may be no bank at all in many tier 2 or tier 3 cities. Currently, there are some 300 million active debit cards, 20 million plus credit cards and 1.5 million mobile payment terminals in India.

While improvements in India’s traditional financial infrastructures take time, mobile internet-based digital financial services have already flourished. In 2012, One 97 Communications, an Indian company, launched a mobile prepayment website named Pay Through Mobile. It also created a platform for mobile e-wallets and other e-commerce businesses in 2014. According to Vijay Shakhar Sharma, founder of Paytm, it was Jack Ma, head of Ant Financial parent company Alibaba, who inspired him to create Paytm.

In early 2015, Ant Financial and Paytm became strategic partners. Ant Financial shared its business concepts, technological standards and experience with payment and risk control capability with Paytm, which laid the foundation for its rapid development. Executives and specialists from Ant Financial and Paytm underwent an intensive learning process in Hangzhou and Delhi. In a very short period of time, they overcame cultural differences, established a high degree of mutual trust, and became a team to be reckoned with. Together, they completed the restructuring of Paytm's systems framework, established an effective risk control system, built its data processing capacity, and improved the ability of the platform in a holistic way. In just one year, Paytm's systems framework grew from one able to process data in the order of a million to one able to process data in the order of 100 million, with the operational hazard ratio lowered to one in ten thousand from the original few in a hundred.

By April 2017, Paytm's has fostered a user base of nearly 220 million, increasing by nearly 9 times from the number before its cooperation with Ant Financial. Notably, Paytm’s services have extended from online to offline sectors, and from first tier cities into the rural countryside. In addition to becoming the "Alipay of India," Paytm also obtained the first internet bank license issued by the Central Bank of India and regulatory approval to establish the "MYbank of India" providing services to microenterprises and low-income families. Measured by its current business capacity and growth rate, Paytm will soon become the world's third most popular e-wallet.

Ant Financial gained know-how from its first overseas inclusive financial project with Paytm and from this developed a sustainable and applicable model for overseas projects. Major takeaways include: understanding the actual needs of partners and local markets, sticking to the principle of "country-specific policy" so as to offer tailor-made upgrading solutions, and cultivating business partners' initiatives. The Paytm project is the "go-to case" for the globalisation of inclusive financial services as advocated by Ant Financial. The executives and technical experts who were involved in this project are bringing their valuable experiences to more partners. As a cradle of the company's digital inclusive financial services, Ant Financial's headquarters in Hangzhou is constantly refining, synthesising and integrating standards and experiences that are worth sharing with global partners. With technology as its core driving force, Ant Financial and its partners are making concerted efforts so that everyone in the world can enjoy equal access to inclusive financial services.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SDG9.2: Promote inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries

CEFC China Injects New Impetus into the Czech Republic's Sustainable Industrialisation

CEFC China is a private collective enterprise with energy as its core business. It is also actively developing international investment banks. In light of the Belt and Road Initiative, CEFC China is expanding overseas energy cooperation and set up a second headquarters in the Czech Republic.

The Czech Republic has been one of the fastest growing economies in the European Union in recent years and an important country in the Belt and Road region. However, the slow recovery of the European economy after the 2008 debt crisis has left the economic potential of Central and Eastern Europe untapped. The Czech Republic needed external economic support and was looking for partners outside Europe to promote its economic diversification. As one of the first Chinese enterprises to invest in the Czech Republic, CEFC China has taken the country's resource and location advantages into account, and targeted European brand operations, management and advanced technology. Acting as a bridge and organiser of international cooperation in production, CEFC China explores common values and potential to achieve win-win cooperation. Welcomed and supported by both domestic and international enterprises and governments, CEFC China has engaged more Chinese enterprises to carry out economic and trade cooperation in the Czech Republic not only serving domestic supply-side reform, but also injecting new vitality into the Central and Eastern European economy.

- **Integrating market and technological advantages and injecting new impetus into sustainable industrialisation**

In August 2016, CEFC China became the controlling shareholder of 50-year-old Czech steel producer ZDAS, with the aim of integrating the value of Czech advanced technology in the Chinese market. This will not only assist Chinese traditional heavy industrial enterprises to optimise production capacities and boost industrial transformation and upgrading, but also help the Czech Republic's traditional industries to be revitalised in new markets.

The Czech Republic has an advantageous geographic location and could play an important role in connecting China with Europe through the Belt and Road. In the field of aviation, CEFC China has invested in and acquired Travel Service, the second largest airline company in the Czech Republic. By making full use of the Czech Republic's geographical advantage in the heart of Europe, CEFC China will turn the country into a regional hub in Central and Eastern Europe, serving as a gateway to Europe for Chinese tourists. In order to attract more Chinese tourists to the Czech Republic, CEFC China has also acquired Czech firm Invia, the biggest online electronic commercial enterprise specialising in tourism in Central and Eastern Europe, and has also acquired and integrated European tourism providers to create a European electronic commerce platform serving the Central European market. CEFC China is also actively expanding in the supporting industries of tourism and aviation.

- **International financial cooperation and building a China-Czech investment platform**

Based in the Czech Republic, CEFC China is building an international financial platform, linking domestic and overseas markets, and providing services for more Chinese enterprises to "go global". In March 2016, witnessed by the Presidents of China and the Czech Republic, CEFC China and the Czech Republic's J&T Financial Group signed a Share Transfer Agreement, becoming the first Chinese private enterprise to control a European bank. In addition, CEFC China facilitated J&T Bank, as the representative of the Czech government, to cooperate with the Industrial and Commercial Bank of China (ICBC) to establish the China-Central and Eastern Europe (CEE) Investment Cooperation Fund, assisting Chinese enterprises with Belt and Road investments.

To date, with a total investment of over CZK 38 billion, CEFC China is the largest Chinese investor in the Czech Republic. CEFC China's operations have been widely recognised in the Czech Republic. "CEFC China is a pioneer of Chinese enterprises investing in the Czech Republic, and we are grateful to CEFC China for its support for the Czech Republic and Czech-China cooperation," Czech President Milos Zeman said. Chairman Ye Jianming of CEFC China has been appointed by President Zeman as an economic advisor to the Czech President.

A worker at ZDAS, a Czech special steel engineering company

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SDG9.c: Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020

ZTE Assists with Ethiopia's Telecommunications Upgrading

ZTE Corporation (ZTE) is a global leader in providing solutions for integrated communications, and is the largest listed communication equipment company in China.

Ethiopia, in East Africa, has a total population of around 90 million. However, its telecommunication industry is relatively underdeveloped. In recent years, along with rapid economic growth, Ethiopia's telecommunication market has also witnessed remarkable development. However, subject to a relatively low levels of per capita income, it is expected that the development of its telecom sectors will face many financing and technical barriers.

In 2006, Ethiopian Telecommunications Corporation (ETC) and ZTE signed a package of cooperative financing agreements, totalling US$1.5 billion. With the strong support from the China Development Bank, the Ethiopian National Telecom Network Project was initiated. In 2007, ZTE established a national communications network in Ethiopia. ZTE has provided advanced communication equipment and network technologies, comprehensively enhanced the national communication capacity in Ethiopia and promoted the rapid growth of users. SMS, ring tone and wireless internet services continued to be enriched. With the support of ZTE, Ethiopia has become one of the countries in Africa with the most developed telecommunications. The number of mobile users in Ethiopia has surged from about 1.2 million in 2007 to nearly 5.7 million at present, and the mobile penetration rate has increased from 1.5% to 7%.

With the continuous development of the telecom industry in Ethiopia, a considerable shortage of skilled communication technicians arose. ZTE recognised the urgent need for training in the telecom industry to sustain its rapid expansion. ZTE proposed training 1,000 engineers in Ethiopia for free in three years, and by 2010, ZTE had completed 11,353 hours of training in Ethiopia, and established long-term cooperation with 13 Ethiopian universities to train a large number of communications professionals. During a children's painting contest — Communication Changes Life — co-hosted by ZTE and a local newspaper called Addis Admass, 10-year-old Samarow pointed to the man wearing a helmet in his painting and said, "My uncle is an engineer with the ETC. He has just gone to China two days ago for a training. He has a lot of Chinese engineer friends. They are friendly and knowledgeable. When I grow up, I would like to become a telecom engineer like my uncle."

Telecom technical training

ZTE has not only supported the improvement of overall communications in Ethiopia, but also spurred local economic development. With the growing coverage of the communications networks, information exchange is becoming much smoother. The exchange of market information on items such as agricultural products and handicrafts is also accelerating and stimulating local economic development. The implementation of the Ethiopian National Telecom Network Project has also indirectly brought the employment of hundreds of thousands of people in engineering installation, civil engineering, cable engineering and other telecom-related sectors. The former Ethiopian Prime Minister Mr. Meles has spoken highly of ZTE's contribution to Ethiopian telecom development: "The Great Wall is a symbol of China, and the national telecom network in Ethiopia has an equal significance as that of the Great Wall to the Chinese people. You have done meaningful works! We have full confidence in ZTE, and I hope you will continue to build miracles in Ethiopia."

SDG9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

CMEC Constructs an Innovative, Sustainable Power Plant for Belarus

The China Machinery Engineering Corporation (CMEC), a subsidiary of China National Machinery Industry Corporation, is a large international enterprise group primarily working as contractors for hybrid engineering/ technology projects, as well as on trade, investment, research & development and technical services.

Belarus is on the trade route from China to Europe and also an important station on the Silk Road Economic Belt. However, most Belarussian power facilities were constructed in the post-WWII era and are now aging with poor efficiency, which severely restrains its national economic development. CMEC has been contracted to construct the Berezov Power Plant in Belarus to improve this situation.

In the selection of power generation equipment, on-site electric equipment and emissions systems, the project employs practical measures and implements energy saving and emissions reduction at every step. This is achieved principally through: using natural gas to reduce types of pollutants emitted; improving the efficiency of power generator units to reduce pollutant emissions; installing a categorised water collection system to process different types of water up to standard; implementing energy efficiency measures in electricity use; strengthening education on the ban on dumping waste oil and construction waste into water. Through these measures, the plant's emissions of nitrogen oxides and carbon monoxide is at 22.5mg per standard cubic meter and 0.15mg per standard cubic meter, respectively, both far lower than designed and compliant with the EU standards for top power plants of the same type. The Berezov Power Plant is therefore among the world's top performers in terms of energy conservation and emissions reduction.

To create a sustainable, safe and healthy environment in project execution, the project headquarters on site have strict requirements on all subcontractors, civil engineering and installation companies in particular. During construction, CMEC implemented the Health, Safety and Environment (HSE) system to manage waste, dust and noise at a high standard. Banning burning waste on-site, the project office has also signed a contract with local municipal authorities to dispose waste on a regular basis. Moreover, CMEC endeavours to minimise dust pollution with road hardening and landscaping measures and tightened management of the loading and unloading of dust-rich materials by requiring them to be completed after water sprinkling or in warehouses.

In terms of technological innovations, CMEC has created 7 technologies to address an array of construction difficulties resulting from inclement climate conditions in Belarus. As a result, the Berezov project pioneered in its field and created several "firsts" in Belarus: it is the first project to adopt a Siemens SGT5-4000F "turbine and generator" arrangement, installing a chimney bypass; the first project that separately collected and processed circulating water, condensate water, cooling water and waste washing water; and the first project to separate clean and dirty water from rainwater drained in the on-site drainage system.

The person in charge of the Republican Unitary Enterprise (RUE) "Brestenergo" said, "so far, the power generation unit is the most cost-effective in Belarus's power system. The operation of the 427MW combined cycle power generation unit generally improved the economic performance of the state-owned Berezov Power Plant. With this plant, Brestenergo has increased its power generation, lowered its fuel consumption ratio and the power consumption by the plant itself, and therefore completed the mission of energy conservation and cost reduction."

A conduit for circulating water

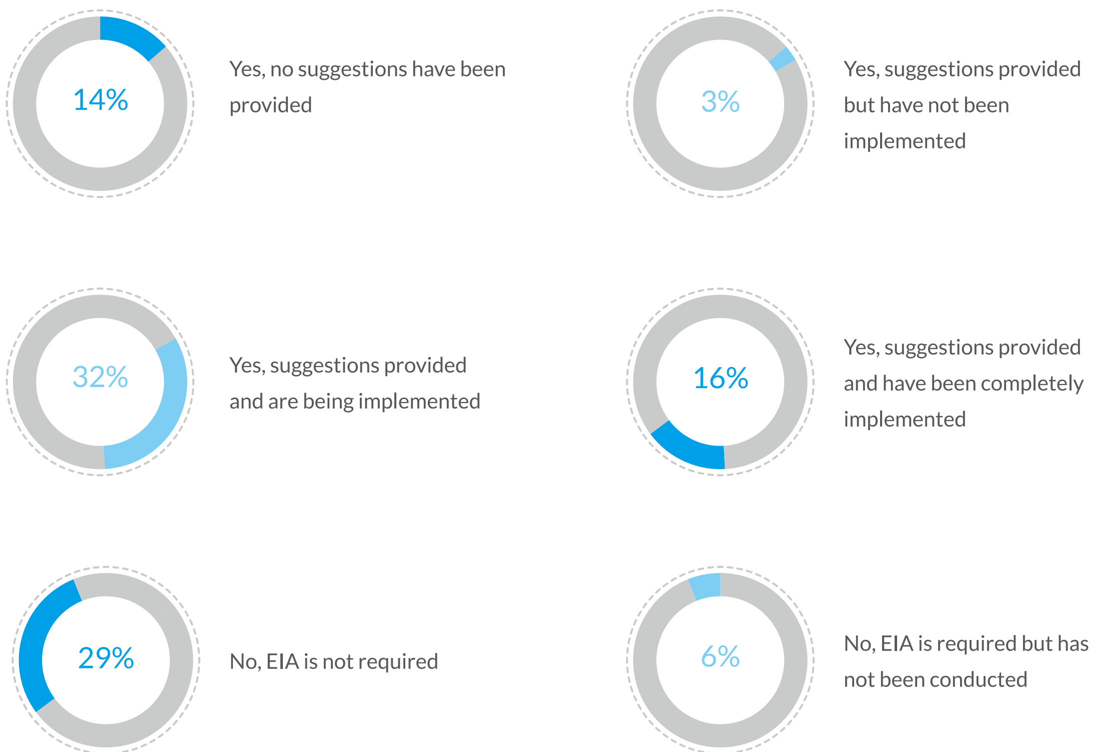
4.3 Planet

With reference to the environment-related SDGs 11–15 of the 2030 Agenda and to the aim of “jointly building a green Silk Road” under the Belt and Road Initiative, this section focuses on ecological and environmental impacts generated by Chinese enterprises’ overseas operation in the Belt and Road regions.

4.3.1 Environmental Impact Assessment

Environmental Impact Assessments (EIA) aim to identify potential environmental impacts of a project before its execution and to propose possible solutions that can avoid or mitigate such negative effects.

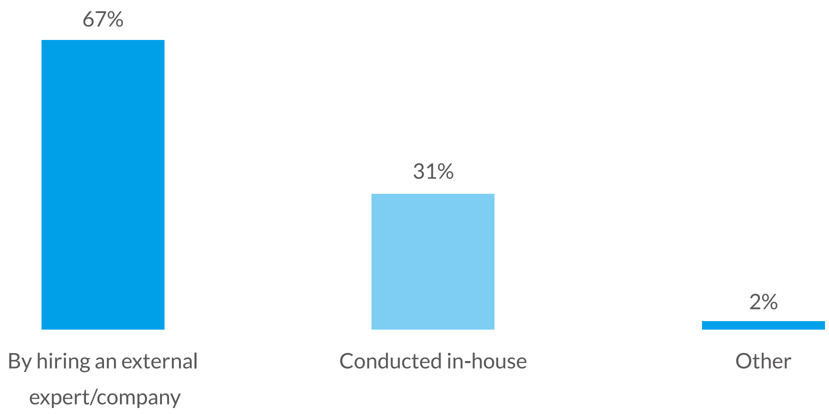
The survey results find that nearly 65% of Chinese enterprises have conducted EIAs for their overseas projects; 29% of the surveyed enterprises belong to industries of which the host countries have no EIA requirements; and a few enterprises (6%) have not yet carried out required EIAs. Most of the enterprises have already started implementing the recommendations of the EIA reports accordingly (see Figure 4.23).



* Valid responses: 486 (89%)

Figure 4.23 Implementing EIAs

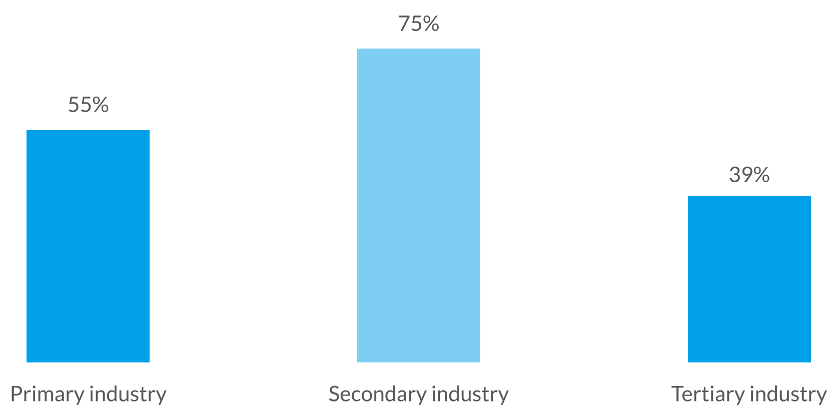
67% of the enterprises responded that their EIA has been done by a third-party organisation, while 33% state that it has been conducted in-house or through other means (see Figure 4.24).



* Valid responses: 341 (62%)

Figure 4.24 Methods of conducting EIAs

Construction enterprises in primary (agriculture, forestry, fishing and animal husbandry), secondary (manufacturing, mining, new energy and renewable energy) and tertiary industries may have critical impacts on the environment. Hence, most host countries have mandatory requirements for EIAs for investment in such industries. The survey shows that enterprises in the primary and secondary industries perform relatively better in conducting EIAs, compared with those in tertiary industries. This is in line with the fact that primary and secondary industries involve more civil works that may generate greater environmental impacts, while tertiary industries are less likely to have such impacts (see Figure 4.25).

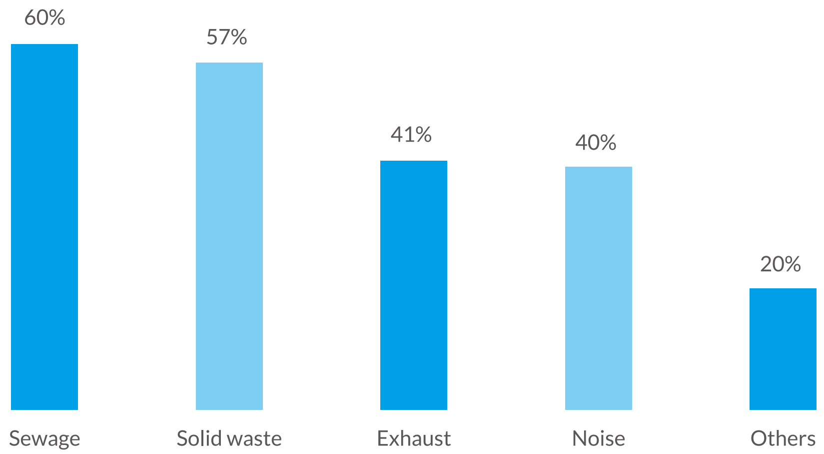


* Valid responses: 486 (89%)

Figure 4.25 Correlation between industry type and EIA

4.3.2 Environmental Protection and Biodiversity Conservation

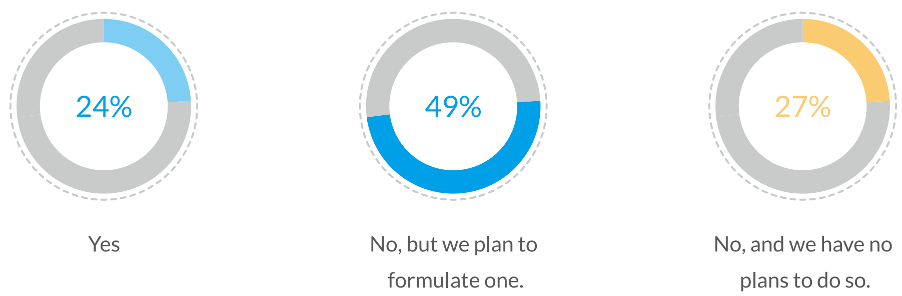
Overall, Chinese enterprises have adopted a variety of means to reduce the emission of pollutants. The most common measures adopted by the surveyed enterprises were installing pollution-control equipment for sewage, solid waste, exhaust, and noise (see Figure 4.26).



* Valid responses: 455 (83%)

Figure 4.26 Pollution control measures adopted by enterprises (multiple-answer question)

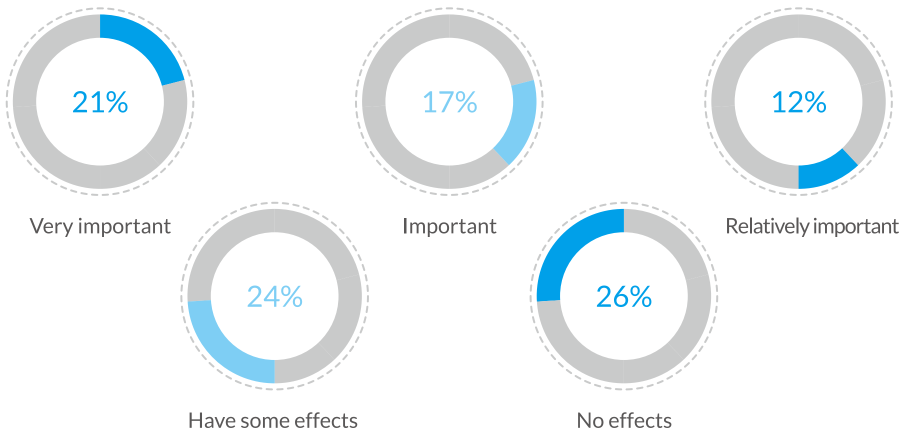
Supply chain management enables enterprises to manage and increase the positive impact on environment in the process of operations. Survey results note that 24% of the surveyed enterprises have already formulated policies on responsible procurement (such as purchasing low carbon and/or environmentally-friendly products); 49% respond that they are in the process of formulating such policies; and 27% do not yet have plans in this regard. This shows that more than 70% of Chinese enterprises have already developed an eco-consciousness to control environmental impacts by installing controlling measures for the entire supply chain, which cover the whole product life cycle (see Figure 4.27).



* Valid responses: 472 (86%)

Figure 4.27 Responsible procurement

When asked "to what extent have the biodiversity protection policies of the host country affected operational decisions", the majority of the enterprises (74%) respond that local biodiversity conservation policies have different levels of influence on their decision-making. However, 26% of the respondent enterprises state that their decision-making would not be effected by such policies, which might be explained by the limited relevance to the industries they belong to (see Figure 4.28).

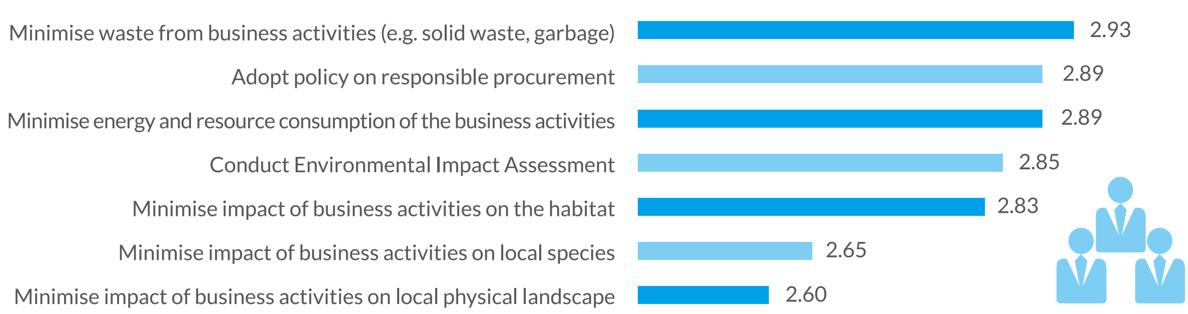


* Valid responses: 489 (89%)

Figure 4.28 Impact of biodiversity conservation policies on operational decisions

4.3.3 Stakeholder Voices

In general, stakeholders find that the environmental sustainability of Chinese enterprises still needs to be strengthened, more so than their social and economic performance (see Figure 4.29).



* Stakeholders were asked to rate from a scale of 1 to 5. Options are: 1-Not at all; 2-To a limited extent; 3-Neutral; 4-To some extent; 5-To a large extent; N/A

Figure 4.29 Stakeholders' views on the environmental performance of Chinese enterprises in the Belt and Road regions

4.3.4 Case Studies

SDG 12.2: By 2030, achieve the sustainable management and efficient use of natural resources

CNPC's Shymkent Refinery Project in Kazakhstan Undertakes Sustainable, Clean Production

The China National Petroleum Corporation (CNPC) is a comprehensive international energy company dealing mainly with oil and gas, technical and engineering services, oil project development, oil equipment manufacturing, financial services, and new energy development. It is one of the principal oil and gas producers and suppliers in China.

CNPC has invested over US$40 billion and currently has more than 10 projects covering the whole industry chain in Kazakhstan, including Aktobe Munai Gas, Kazakhstan-China Crude Oil Pipeline, PetroKazakhstan Oil Products (PKOP), and others. In its operations in Kazakhstan, CNPC engages in clean production, and provides clean and sustainable energy to this resource country. It has implemented a couple of key environmental protection projects such as the Aktobe natural gas comprehensive utilisation project and the PKOP modernisation.

More than US$1 billion in total has been invested in the Aktobe natural gas project. It has transformed sour gas containing H2S in Zhanazhol and other oilfields into high-quality natural gas, and reduced air pollution. Natural gas processed with gas-lift technology and meeting EU standards has not only been delivered to the international market but also to the residents and enterprises in the 10 settlements in Aktobe State at far below cost. The comprehensive utilisation rate of natural gas in the Aktobe project is over 98%, which has extinguished the more than half-century-long smoke and fire above the oil field and enabled the oil field to be fully integrated into the prairie. In particular, the Third Aktobe Oil and Gas Process Plant project has become the first model project in Kazakhstan to widely recycle oil field gas.

PKOP was built in 1985, and has been a joint venture founded in 2005 by CNPC and the KMG of PetroKazakhstan. The modernisation project of the refinery started in 2014 to upgrade supporting facilities and production processes of the refinery for the purpose of cleaner production and improved product quality.

Shymkent Refinery (a partial view)

The modernisation of the refinery is in line with local environmental, safety and manufacturing norms and national policies including investment taxation, as well as with Chinese and other international design norms enhancing technical capacity. The project is expected to take five years, in two phases, with a total investment of US$1.80 billion including interest during the construction period. Phase I is scheduled to be completed in June 2017, by the end of which the refinery's gasoline and diesel products will meet the K4 and K5 standards (corresponding to Euro 4 and Euro 5 standards respectively), thereby alleviating vehicle exhaust pollution and increasing the effective utilisation of clean energy in Kazakhstan. Phase II, focusing on recovering production capacity and increasing the depth of processing, is planned to be completed in the second half of 2018. The modernisation of the refinery will be of great importance to stabilising the refined oil market in the State of Shymkent and ensuring refined oil supply across the country.

The modernisation project at the PKOP is regarded as a national priority project on national energy security in Kazakhstan, and has received considerable attention from the government as well as other stakeholders in the country. The project will not only bring economic benefits to both CNPC and PetroKazakhstan, but also boost local economic growth and help promote the relationship between China and Kazakhstan. The refinery's renovation operations and subsequent maintenance demands will create many employment opportunities for locals. The renovation operations alone have so far recruited 400 new local permanent employees.

SDG 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

DJI Utilises Unmanned Aircraft to Prevent and Address Natural Disasters in the Maldives

Shenzhen DJI-Innovations Technology Co., Ltd. (DJI) was founded in 2006. It is now a global leader in researching, developing and manufacturing unmanned aircraft control systems and solutions, with customers in more than 100 countries across the world.

As a country with some of the most dispersed territory in the world and one that is frequently hit by natural disasters, the Maldives has long been suffering from threats from rising sea levels and sea storms. In collaboration with United Nations Development Programme (UNDP), DJI applied cutting-edge unmanned aircraft technologies to humanitarian protection in the Maldives, assisting locals in monitoring, responding quickly to and rescuing themselves in natural disasters. Moreover, local disaster relief personnel will receive training provided by DJI's professional rescue teams, learning how to use unmanned aircraft for disaster prevention and response purposes.

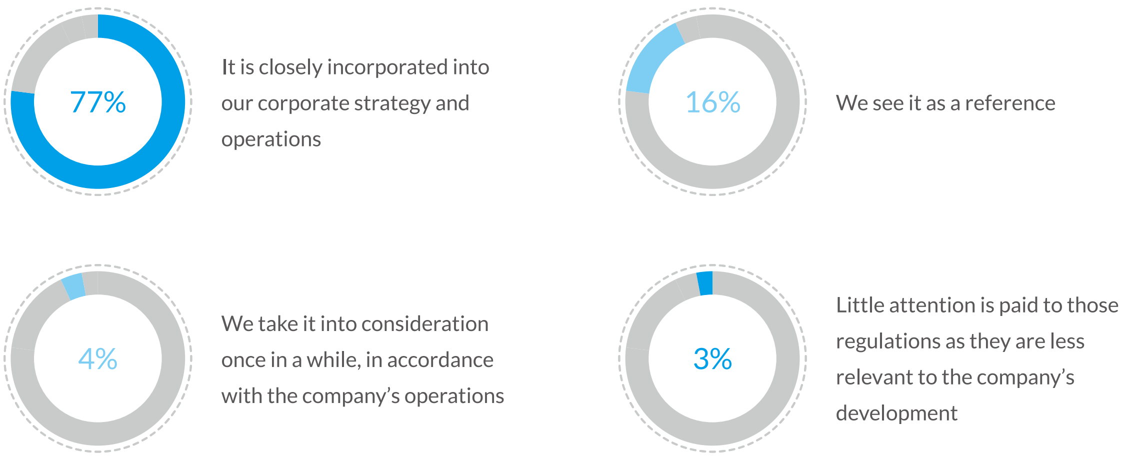
With extreme weather increasing as a result of climate change, the information collected by unmanned aircraft will help the Maldives make better preparations for disaster responses. Unlike conventional ways of collecting data by satellites or helicopters and then storing them in a closed central databank, local rescue workers now can use unmanned aircraft to chart their own maps and then make vertical comparisons so as to monitor the erosion of coast lines, the rise of sea levels, the whitening of coral, the outbreak of floods in a accurate way. Local decision-makers can then make better decisions regarding the routes of emergency evacuation, location of sea walls or other infrastructure, etc. From the perspective of scientific research, real-time monitoring of island changes helps researchers update and modify their climate change research models in a timely manner. "The collaboration between professional rescue teams and the civil society forces is actually an ideal way of knowledge transfer. Via the innovative technology of unmanned aircraft, all Maldivian people now stand together to prepare themselves for extreme climate challenges in the future", said Umar Fikry, a senior project director at the National Disaster Management Centre of Maldives.

4.4 Partnership and Participation

With reference to the governance-related SDGs 16 and 17 of the 2030 Agenda and to the aim of achieving joint consultation, joint construction and sharing benefits under the Belt and Road Initiative, this section discusses how Chinese enterprises generate mutual benefits between themselves and the host countries, from the perspectives of their internal governance and external relations. This section explores the cooperation and financing modalities of Chinese enterprises in the host countries, the efforts of Chinese enterprises in establishing a unified, open market with orderly competition, as well as relations between Chinese enterprises and relevant stakeholders. As well, internal governance mechanisms of enterprises also provide an important basis for win-win cooperation. Therefore, the Report examines Chinese enterprises' performance in establishing sound management systems for sustainable development and risk management.

4.4.1 Cooperation Modalities

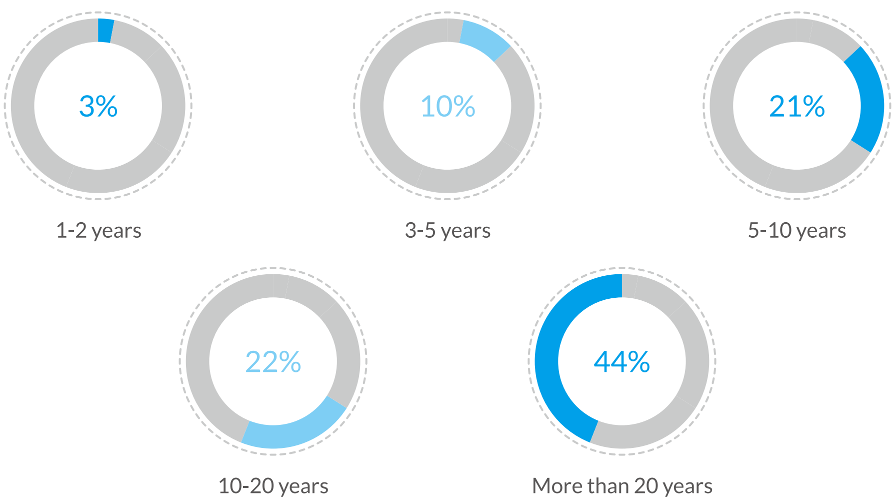
93% of the surveyed enterprises state that development strategies of the host countries have been taken into account during their overseas investment and operations. 77% have incorporated host countries' national plans into their corporate strategy and operational decision-making. However, around 7% of the surveyed enterprises state that such plans are only taken into account once in a while or less (see Figure 4.30). This might be caused by lack of knowledge of relevant policies, laws and regulations in the host countries, or due to limitations in the business scale, industries or long-term goals of those enterprises.



* Valid responses: 505 (93%)

Figure 4.30 Relevance of the development strategies of the host countries

66% of the surveyed enterprises have long-term (more than 10 years) plans for their business operations in the host countries, including 44% who have plans extending more than 20 years; as well, 21% of the surveyed enterprises plan to operate on an ongoing basis in the host countries over the next 5~10 years (see Figure 4.31).



* Valid responses: 501 (92%)

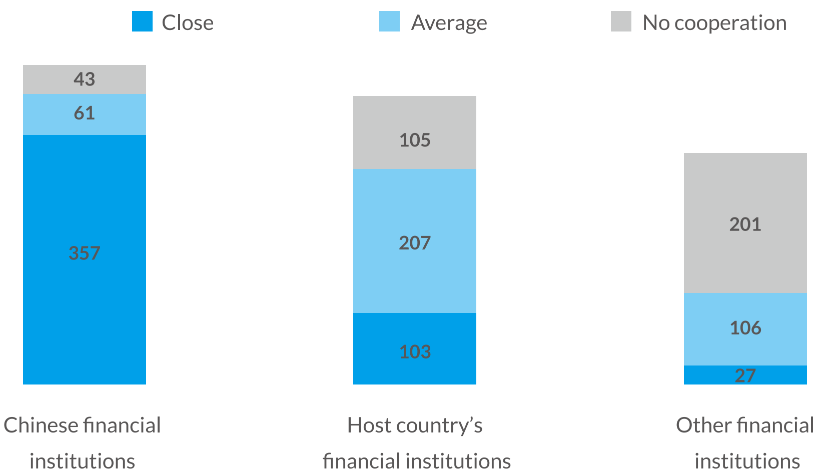
Figure 4.31 Planned duration of operations in host countries

Just over three-quarters of the surveyed enterprises indicate that the host country government(s) have not set any requirements for social and environmental sustainability (see Figure 4.32). The reasons might be that enterprises are not aware of such requirements, or that relevant laws and regulations are indeed absent in the host countries. With regards to what standards that enterprises would follow first when executing projects in the host countries, local standards are selected as the top priority by 446 respondents, following by international and Chinese standards, respectively.

* Valid responses: 468 (86%)

Figure 4.32 Environmental or social sustainability requirements stipulated by the local government

The financing channels of Chinese enterprises for their overseas operations are becoming increasingly diversified. In terms of degree of cooperation, Chinese enterprises hold the closest partnership with Chinese financial institutions. Domestic institutions in the host country and other financial institutions hold considerable importance for Chinese enterprises (see Figure 4.33).



* Valid responses: 461 (84%)

Figure 4.33: Degree of cooperation with financial institutions

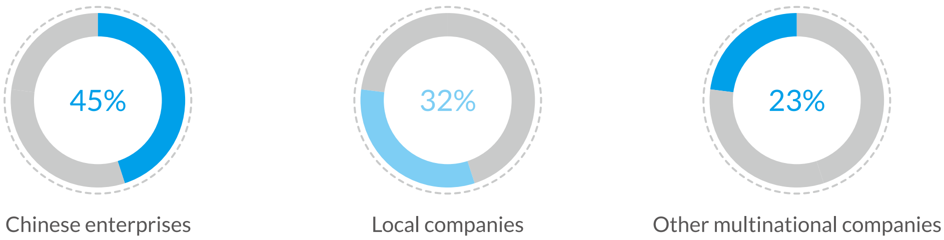
The survey responses also indicate that not all financial institutions have established clear requirements on environmental or social sustainability for enterprises applying for loans (see Figure 4.34). This is an important point as green financing can be critical in the fulfilment of the goals under the 2030 Agenda and the green Silk Road initiative.

* Valid responses: 426 (78%)

Figure 4.34 Environmental or social sustainability requirements stipulated by financial institutions

4.4.2 Fair Competition

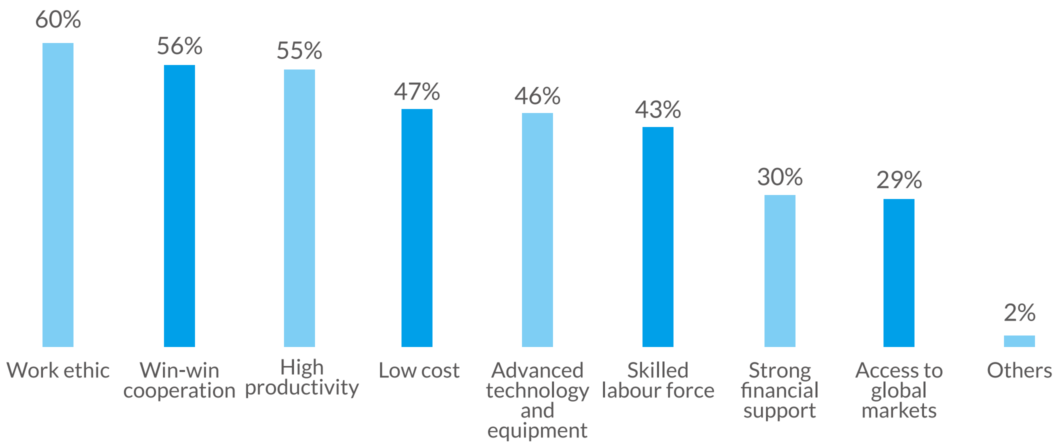
45% of the respondents indicate that their main competitors in the host countries are other Chinese enterprises, while the rest state that competition also exists between them and local companies (32%) as well as with other multinational companies (23%). As more and more Chinese enterprises have "gone global", and with the launch of the Belt and Road Initiative, both the Chinese government and the "going global" enterprises need to establish relevant strategies, policies, and action plans to balance and manage internal competition between Chinese enterprises (see Figure 4.35).



* Valid responses: 486 (89%)

Figure 4.35 Primary competitors in host countries

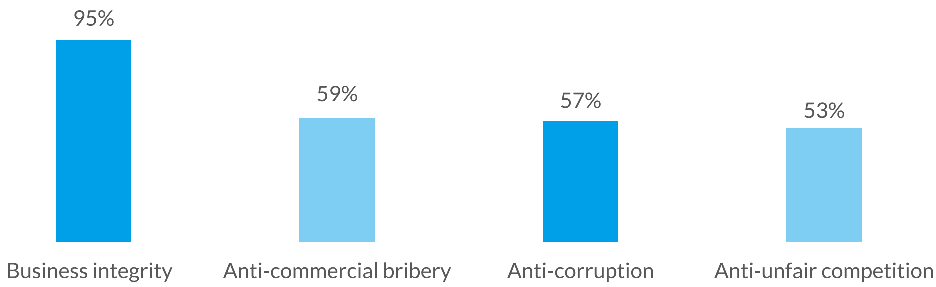
The surveyed enterprises also believe that they have a number of comparative advantages for overseas operations, including a strong work ethic, win-win cooperation, high productivity, low costs, and advanced technology and equipment (see Figure 4.36).



* Valid responses: 521 (95%)

Figure 4.36 Strengths of Chinese enterprises in overseas operation (multiple-answer question)

Chinese enterprises perform well in establishing mechanisms to ensure business integrity (95%), but need to further improve in establishing anti-commercial bribery, anti-corruption, and anti-unfair competition mechanisms (see Figure 4.37).



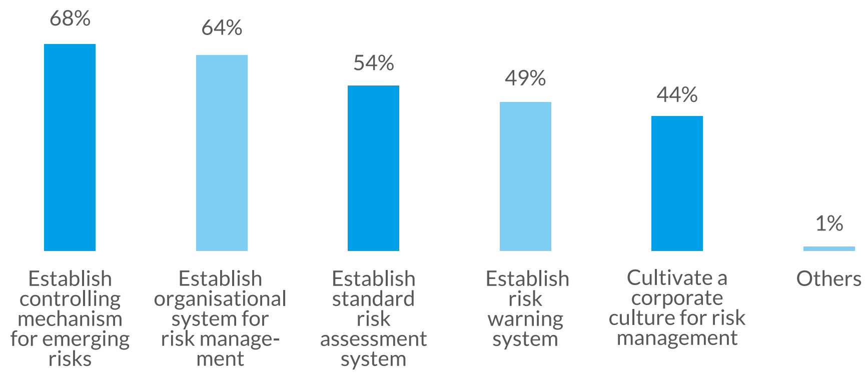
* Valid responses: 483 (88%)

Figure 4.37 Establishment of related mechanisms (multiple-answer question)

In addition, the survey finds that 3% of the enterprises have been investigated for violating local laws or regulations (on investment, taxation, employment, environmental protection, or intellectual property) over the past three years; no enterprises acknowledge that they had been investigated for commercial bribery or other corruption in the same period.

4.4.3 Risk Management

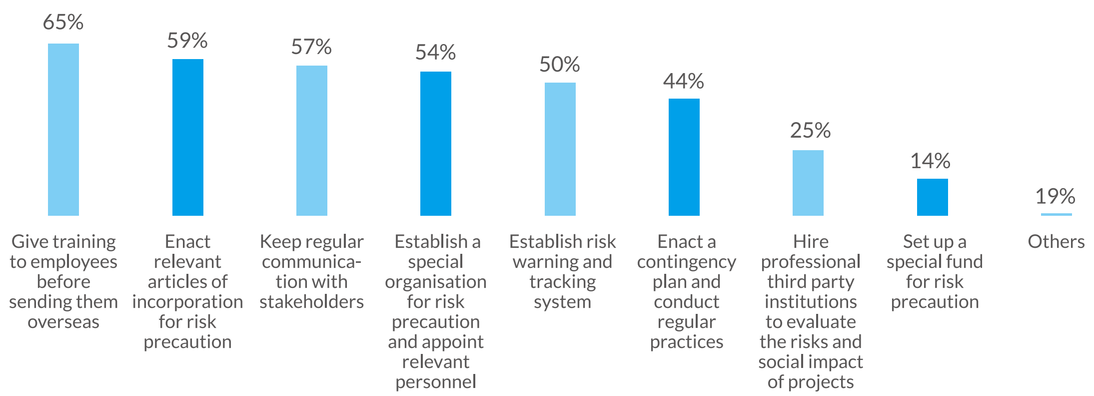
Chinese enterprises generally consider risk management in overseas operations to be quite important. A large majority of the surveyed companies perform well in terms of establishing controlling mechanisms for emerging risks and organisational systems for risk management. However, there is still room for Chinese enterprises to improve in terms of establishing risk precaution mechanisms, such as risk assessment systems, risk warning systems, and a corporate culture for risk management (see Figure 4.38).



* Valid responses: 493 (90%)

Figure 4.38 Overseas risk management systems (multiple-answer question)

In terms of risk prevention measures, those most commonly used are carrying out pre-service training of designated personnel prior to their overseas assignment, and formulating relevant corporate rules and regulations. Worth noting is that Chinese enterprises are becoming aware of the fact that communication with stakeholders is an important measure for effective risk prevention, and thus have been consciously strengthening frequent communication with stakeholders in their daily operations (see Figure 4.39).



* Valid responses: 497 (91%)

Figure 4.39 Risk precaution measures adopted by enterprises (multiple-answer question)

In terms of the main risks that Chinese enterprises encounter during their overseas operations, the respondents state that the political situation, employee safety, and local prices and inflation are the three most common risks they face. Nonetheless, environmental and community issues, which are major concerns of stakeholders in host countries, especially for local residents, governments and NGOs, have not yet garnered equal attention from Chinese enterprises (see Table 4.1).

Table 4.1 Main risks faced in host countries

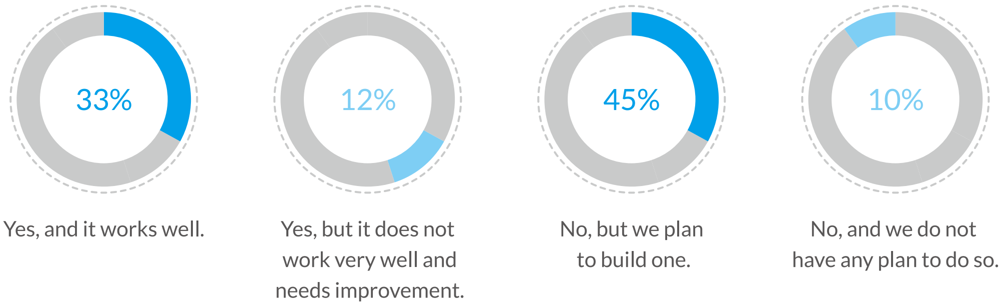
Main risks faced in host countries	Ranking
Political situation	1
Employee safety	2
Local prices and inflation	3
Labour issues	4
Corruption	5
Diseases	6
Environmental issues	7
Community issues	8

* Valid responses: 491 (90%)

When asked whether the host country government has issued any policies, regulations, or guidance to strengthen the sustainable development of multinational corporations, 439 enterprises (90%) respond "no" or "I don't know", and only 49 (10%) gave an affirmative answer. It can therefore be deducted that, on the one hand, the host country governments can enhance their efforts in policy-making and legislation with regard to sustainable development; on the other hand, Chinese enterprises should be more active in looking for more information about relevant policies in the host countries for better risk management.

Among the surveyed Chinese enterprises operating overseas, only 45% have built a management mechanism to ensure sustainable development[1], with 12% of them responding that the established mechanisms are not very effective and need further improvement; 45% plan to establish such mechanism but have not yet taken action (see Figure 4.39). A complete management system would in fact have a direct influence on the implementation of sustainable development practices, and plans in this regard should be fast-tracked.

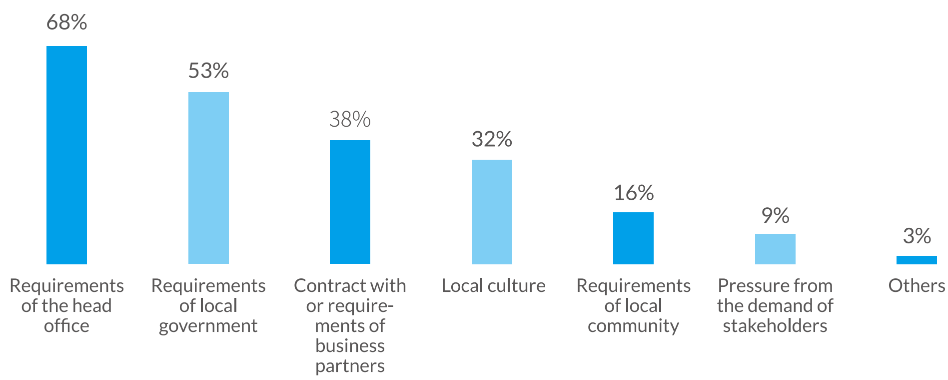
[1] This is a survey based on enterprises' self-reporting of their sustainable development, so the understanding of certain terms may differ between respondents and between respondents and the research team. The understanding of "management mechanisms for sustainable development overseas" or whether "the systems work well" may not be uniform.



* Valid responses: 503 (92%)

Figure 4.40 Establishment of management mechanism for overseas sustainable development

The questionnaire also explores the fundamental driving forces for enterprises to engage in sustainable development practices and social responsibility overseas. Nearly 70% of the surveyed enterprises fulfil sustainable development practices to meet the corporate requirements of the head office; More than half of the surveyed companies state that their main motivation is the requirements of local governments; other impetuses include "contract with or requirements of business partners (38%)", and "local culture (32%)" (see Figure 4.41).



* Valid responses: 499 (91%)

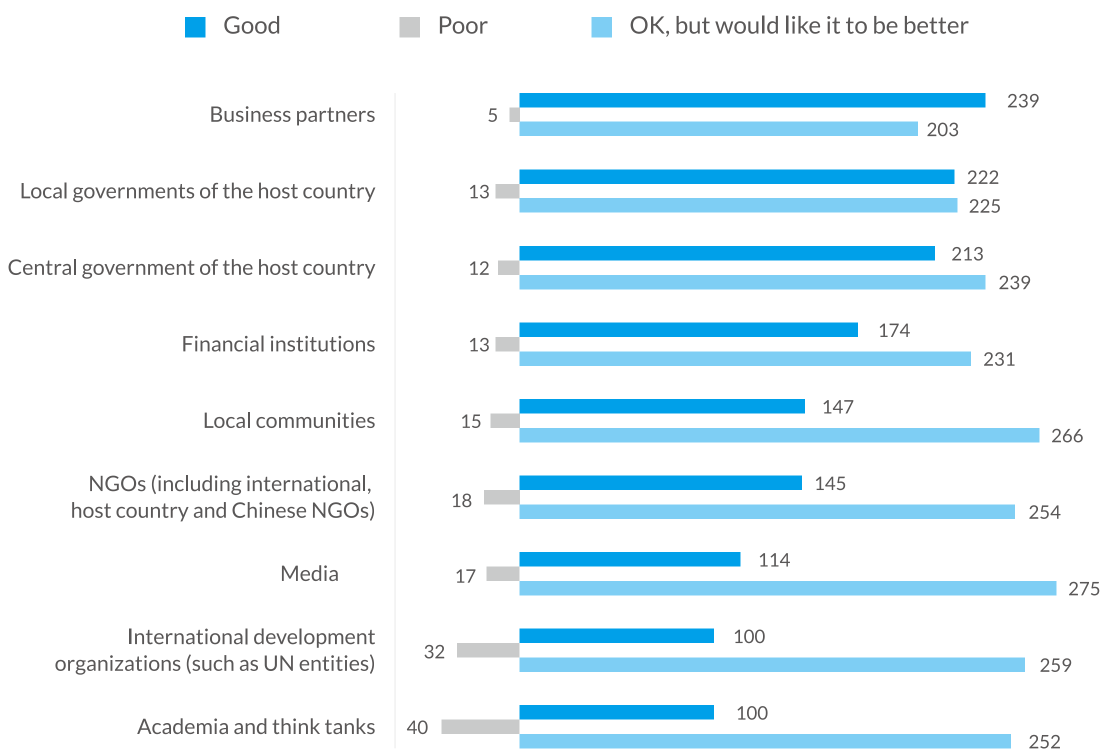
Figure 4.41 Fundamental driving forces for enterprises' sustainable development practices and social responsibility overseas (multiple-answer question)

Worth noting is that 197 enterprises express that they have joined self-regulatory sustainability mechanisms or accepted reviews for certification of related standards, including 160 enterprises who have obtained ISO certifications. Other mechanisms and standards include OHSAS, SA8000, RIOS certifications, RoHS Directive, IECEE HS Reporting Services for Hazardous Substances, HACCP validation, IPSO certification, CPISA, REACH, FSC, SASO, CNAS, RMP of New Zealand, LFPC, GB/T, GOST of Russia, IFC, ADB, IEC, GOTS, OEKOTEX100, BCSI, OCS. 82 surveyed enterprises have commissioned third party professional organisations to conduct ESG due diligence, while 71 enterprises have had ESG due diligence carried out by financial institutions. This suggests that, when engaged in investment cooperation in the Belt and Road region, Chinese enterprises have utilised international sustainability standards and mechanisms to strengthen their sustainable management and to enhance their performance in sustainable development.

4.4.4 Stakeholders Engagement

Both the Belt and Road Initiative and the 2030 Agenda highlight full and inclusive engagement of diversified stakeholders to achieve mutual benefits and development where "no one is left behind". Therefore, the survey also explores how enterprises view their various stakeholders.

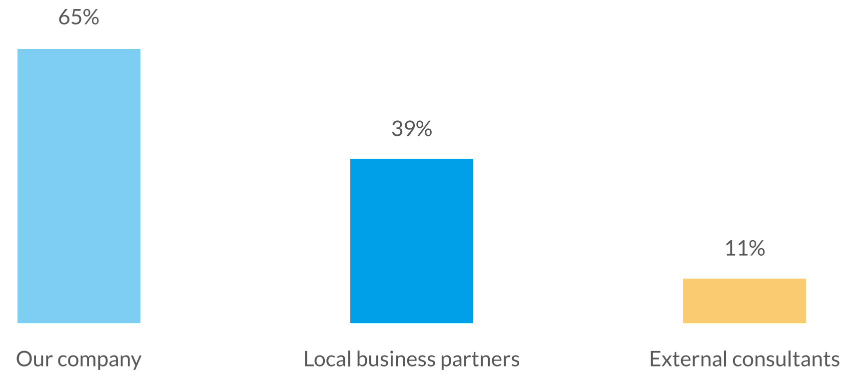
Surveyed Chinese enterprises generally believe that they have relatively good relationships with business partners and host country government agencies whereas their relationships with academic institutions, international development organisations and media still need to be improved (see Figure 4.42).



* Valid responses: 492 (90%)

Figure4.42 Relationships with local stakeholders

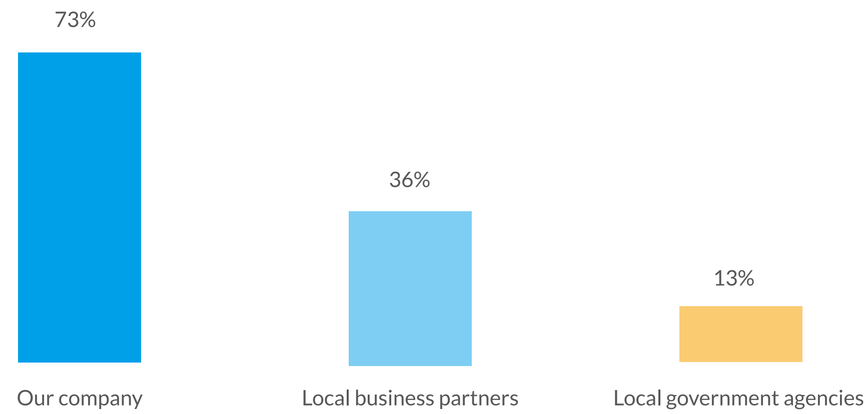
65% of the enterprises choose to engage stakeholders directly; 39% choose to do so via local business partners; others (11%) delegate the responsibility to external consultants (see Figure 4.43).



* Valid responses: 512 (94%)

Figure 4.43 Responsible parties for engaging with local stakeholders (multiple-answer question)

80% of the surveyed enterprises indicate that they have consulted with stakeholders. Of these enterprises, 73% organise the consultation themselves; 36% state that consultations were organised by local business partners; and 13% have had consultation process led by local government agencies. The survey indicates that enterprises mainly communicate with stakeholders by the following means: private meetings (63%), email (52%), telephone (48%), written notices and print materials (24%), and public forums (22%) (see Figure 4.44).



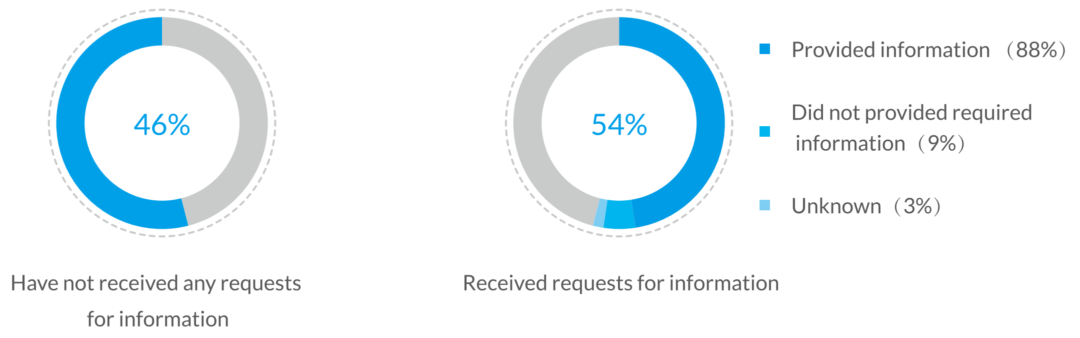
* Valid responses: 503 (92%)

Figure 4.44 Responsible parties for organising the consultation process (multiple-answer question)

Disclosure of project information can help stakeholders better understand the potential impacts on, risks and economic and social benefits to the project. Failure to effectively disclose that information in a timely manner may lead to a series of negative consequences, including disputes and reputation or credibility damage to the firm because of the dissemination of untrue information, among others.

The survey shows that 56% of the enterprises have already established information disclosure policies;

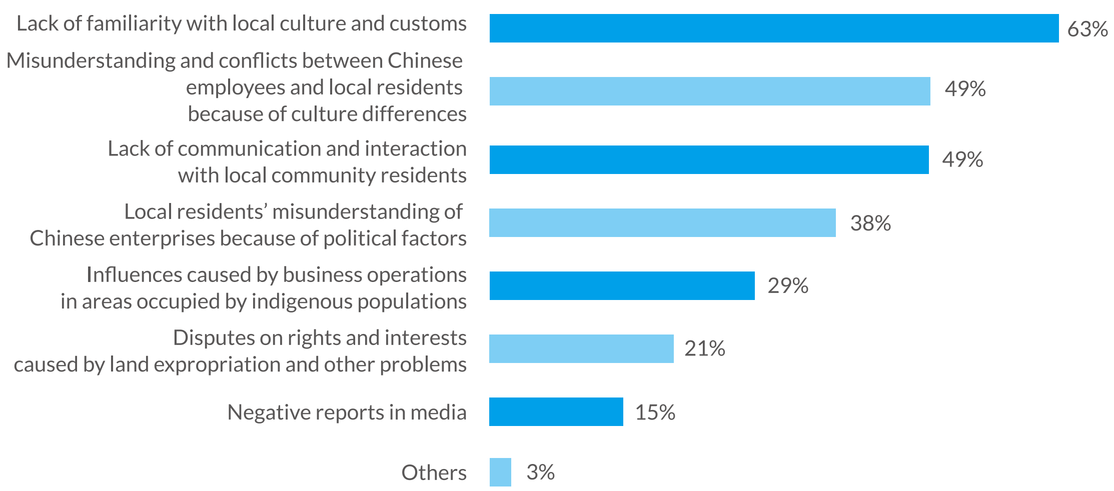
and 54% indicate that stakeholders have at least once requested information from them. Of the 262 enterprises who have received such requests, a majority (88%) provide the information requested, while 23 (9%) enterprises do not (see Figure 4.45).



* Valid responses: 489 (89%)

Figure 4.45 Requests from stakeholders for information

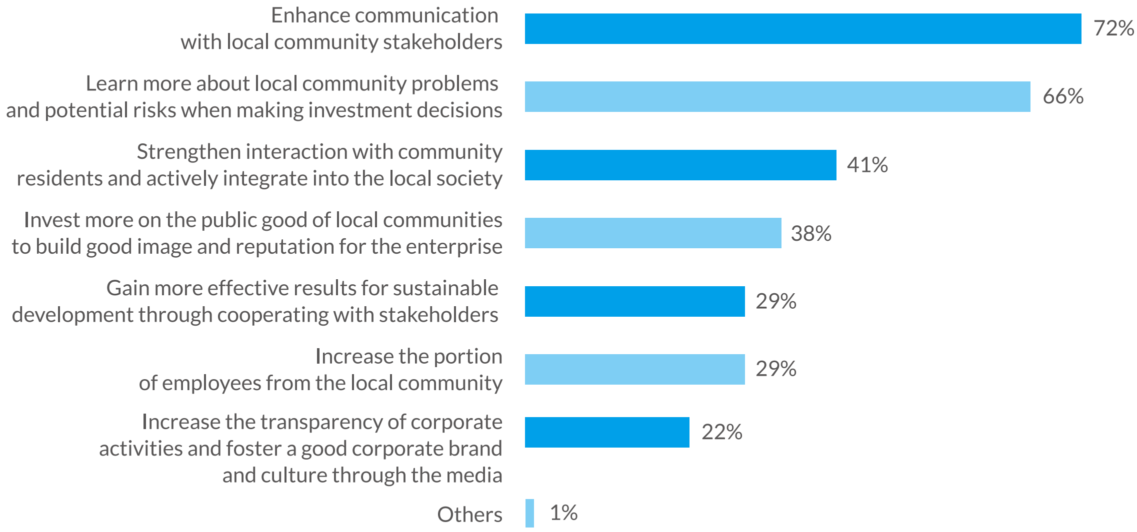
The surveyed enterprises state that the three major reasons for encountering problems with communities overseas are: lack of familiarity with local culture and customs, misunderstanding and conflicts between Chinese employees and local residents caused by culture differences, and lack of communication and interaction with local community residents. In addition, Chinese enterprises are concerned that local residents' misunderstand Chinese enterprises due to political factors As well, the impact of business operations on indigenous populations is also a concern (see Figure 4.46).



* Valid responses: 459 (84%)

Figure 4.46 Main reasons for community problems encountered by Chinese enterprises overseas (choose the top three)

72% of the surveyed enterprises stress the need to enhance communication with local community stakeholders; 66% emphasise the need to learn more about local community problems and potential risks when making investment decisions; some enterprises emphasise the need to strengthen interactions with community residents (41%) and invest more in the public welfare of local communities (33%). Notably, only a few enterprises choose to increase the transparency of corporate activities and to build corporate branding and culture through the media (see Figure 4.47). One reason could be that some enterprises are short of capacity and experience regarding information disclosure and engagement with the media, and therefore need to improve this area in the future.



* Valid responses: 478 (87%)

Figure 4.47 Experiences in building good community relations (choose the top three)

Corporate social responsibility reports (or sustainability reports) is one approach to disclose corporate information to the public. 6% of the surveyed enterprises publish their country-specific reports in the host country every year; 7% publish country-specific reports occasionally; and 29% incorporate overseas CSR activities into their main corporate social responsibility reports. However, more than half of the enterprises (58%) have not yet released corporate social responsibility or sustainability reports for their overseas investments (see Figure 4.48).

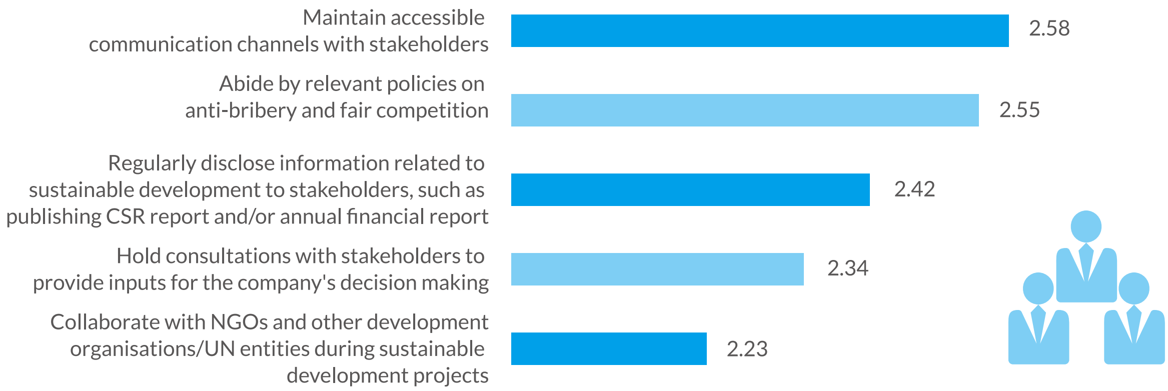
* Valid responses: 483 (88%)

Figure 4.48 Publication of social responsibility or sustainability reports for overseas investment

Further analysis of the 282 enterprises that have never released social responsibility reports for their overseas operations in terms of the nature of their business, the scale of their investment and years of their operations shows that enterprises with an investment scale of more than US$15 million outperform those with an investment scale of less than US$15 million (45% and 60% respectively); and enterprises with a shorter term of operations underperform in comparison to those with a longer term (68% of the enterprises with a term of less than 3 years had never published such reports).

4.4.5 Stakeholder Voices

Chinese enterprises are seeking to enhance their corporate governance when operating in the Belt and Road region, for example, by opening up accessible communication channels with stakeholders. Nevertheless, stakeholders believe that companies still need to put more effort into cooperating with NGOs and United Nations agencies, and in consulting with stakeholders (see Figure 4.49).



* Stakeholders were asked to rate from a scale of 1 to 5. Options are: 1-Not at all; 2-To a limited extent; 3-Neutral; 4-To some extent; 5-To a large extent; N/A

Figure 4.49 Stakeholders' views on the corporate governance of Chinese enterprises in the Belt and Road regions

4.4.6 Case Studies

SDG 17.16: Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

Julong Group Achieves Mutual Benefits with Farmers via Joint Plantation in Indonesia

Julong Group is a multinational oils and fats enterprise based in Tianjin, covering the entire value chain including plantation, processing, logistics, trades and merchandising, R&D, branding, and financial services in the oil and grain industry. In 2006, Julong entered the oil palm upstream industry in Indonesia through building oil palm plantations, and constructed the China·Indonesia Julong Agricultural Industry Cooperation Zone (Cooperation Zone). They describe their model as "one zone with multiple parks, joint development, and whole industry chain development".

In the operation of the Cooperation Zone, Julong has worked to establish an interactive, cooperative and inclusive development relationship with Indonesian local governments, social organisations and residents, based on the concept of "harmonious development and mutual benefits".

First, Julong set up an "environment department" to control potential environmental risks during the oil palm planting process and address misunderstandings from Indonesian stakeholders. In October 2014, Julong officially became a certified member of the Roundtable on Sustainable Palm Oil (RSPO) and acquired a trade license certified by RSPO. Julong has also applied the RSPO standard management in its plantations in Indonesia, and is involved in initiatives on sustainable palm oil organised by RSPO, World Wildlife Fund (WWF) and other organisations in order to promote RSPO's development in China.

Joint plantation between Julong Group and local residents in Indonesia

Julong's approach to integrating with local communities is to always consider "what to leave to the local people" together with "what the company produces". Julong and local villagers have partnered on implementing a large-scale plantation, forming a "company + farmers" mutual support mechanism. The cooperation zone has provided employment opportunities for local residents and developed a scientific salary and benefit system. In this way, the native Dayaks, who have been living on rice planting, hunting and fishing for generations, have become modern plantation workers, and their income has increased from less than RMB 3,000 per year to more than RMB 3,000 per month - every household can now afford a TV and motorcycle. At present, Julong has over 7,000 non-Chinese staffs, accounting for nearly 90% of all employees. While offering technical trainings for local employees in Indonesia, Julong also signed cooperation agreements with universities in China, including Nankai University and Tianjin Foreign Studies University to enhance the skills of the staff and promote cultural exchanges between China and Indonesia through tailored trainings and education for cross-cultural international professionals.

Julong also invested a considerable amount in the construction of hydropower, electricity, roads, bridges, hospitals, schools and other public infrastructure to improve the production and living conditions of local residents. Furthermore, Julong also respects all beliefs and ethnic customs of the Indonesian people. Mosques, Buddhist temples and Christian churches have been built in the Cooperation Zone, and prayer time and religious holidays are taken into consideration while scheduling breaks and arranging work schedules.

SDG 17.16: Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

HOdo's Relationships with Multiple Stakeholders in Cambodia

HOdo is a key enterprise group from Jiangsu Province, China dealing with clothing, rubber tyres, biopharmaceuticals and real estate. The Cambodia Sihanoukville Special Economic Zone (SSEZ), led by HOdo, is an important project of the Belt and Road Initiative built in Sihanoukville Province, Cambodia.

In operating the SSEZ, HOdo proposed a Common Success for Eight Parties concept, that is, to establish win-win relationships with eight stakeholders including shareholders, employees, customers, suppliers, business partners, the government, the environment and communities.

SSEZ incorporates Cambodia’s development needs into its construction and development efforts. With good partnerships with the Council for the Development of Cambodia, the commercial, customs, commodity inspection and labour authorities of Cambodia, and the government of Sihanoukville Province, firms located in SSEZ enjoy such privileges as having their requirements be given priority by the government and having one-stop-shop administrative services established on the project’s premises. In addition, SSEZ’s development is supported by the Cambodian government through taxation facilitation policies, etc.

For investors, SSEZ is an important centre for investing in Cambodia, where investors can benefit from preferential policies. In addition, business opportunities in SSEZ also stem from cluster effect and vertical integration. After 10 years development, SSEZ has achieved the scale of an international industrial park, with well-established infrastructure. 109 enterprises, of which 94 are China-funded, 12 from third countries, and 3 local enterprises, are currently located there.

SSEZ provides training for locals

HOdo paid particular attention to local enterprises and residents when constructing the SSEZ. At the beginning, the project was opposed by local villagers. To address the opposition, Chinese project employees conducted field visits to the villages, and promised the villagers that they would be able to earn a cow every three months after the project was put into operation. This promise has already come true in that local villagers have become "white collar" workers in the special zone and are generally able to earn US$200-300 per month, which means they can afford to buy a cow with one month's salary. Currently, enterprises in the SSEZ have provided employment for 16,000 locals, updated the local industry structure and lifted the standard of living significantly for local residents.

Apart from providing jobs, SSEZ also provides skills trainings for locals to improve their livelihoods. Connecting with local colleges and universities, SSEZ recommends management experts to residential enterprises, and has established a local labour market that regularly holds job fairs, aligning the enterprises' labour needs with local people's employment demands. Moreover, SSEZ set up a training centre in partnership with the Wuxi Institute of Commerce, providing professional skills and language training for 23,500 local employees and students from surrounding villages so far. In addition, it has sent two batches of Cambodian trainees to China on study exchanges. SSEZ requires on-premises enterprises to stringently adhere to the employee welfare policies stipulated by the Cambodian government to guarantee the rights and interests of local employees.

SSEZ has also strengthened its ties and friendship with local people by means of funding education, alleviating poverty and conducting friendship activities. For example, SSEZ enterprises donated US$254,000 to build schools locally and has provided local people with assistance such as improving conditions in primary schools, one-on-one assistance to poor students, and free Chinese language training. SSEZ has also renovated local infrastructure to improve local conditions. The company has established a China-Cambodia Friendship volunteer team to expand the reach of its assistance. It also advocates corporate social responsibility among residential enterprises, guiding them to integrate into local communities by joining poverty alleviation and assistance efforts to form a favourable business ecology for their operations.

The chief of Bet Trang Town, Sihanoukville Province, said, "Before Sihanoukville Special Economic Zone was set up, 60% of the 5,000 population were below the poverty line. Nine years later, it has declined to 10%. In the past, the annual income per capita in our town was US$400 only, but it has reached US$1,000 now. In the past, our public security was worrisome, but nowadays, brightly lit classrooms in the evening are full of adults and children learning Chinese...SSEZ has become our symbol. It is a critical component of our development, and we sincerely wish SSEZ a brighter future."

17 PARTNERSHIPS FOR THE GOALS

SDG 17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

HNA Group Establishes a Management System for Sustainable Development and Strengthens Global Multi-party Partnerships

Founded in 1993 as a local aviation transportation operator, HNA Group has developed into a large multinational conglomerate encompassing core divisions of aviation, hospitality, tourism, real estate, retail, finance, logistics, shipbuilding and eco-tech.

The establishment of a sound management system for sustainable development and an effective stakeholder communication mechanism is a key step for Chinese enterprises operating overseas to transform social responsibility consciousness into practices of sustainable development. Although more and more Chinese companies have begun to approve of the values of "corporate social responsibility", they are still quite inexperienced in sustainable development. In particular, there are still multiple challenges in terms of being geared to relevant international norms on sustainable development, information disclosure, and establishing long-term interaction mechanisms with stakeholders.

HNA has always regarded corporate social responsibility as one of its strategic development goals, and is committed to actively implementing the 2030 Agenda for Sustainable Development. Setting up a social responsibility committee in 2016, HNA Group has facilitated the full integration of social responsibility into the organisation and the daily operations of the enterprise through the formation of a social responsibility management system, with the Group's Social Responsibility Committee as its decision-making body, the Group's Department of Social Responsibility and Brand as its management centre, and the Group's three-tier management and control system as its foundation. Meanwhile, through developing the Group's social responsibility and brand indicator system, formulating the Work Plan of the HNA Group for Social Responsibility and Brand Staff Members to Work with Certificates, organising more than 100 employees to participate in qualifications attestation training, and guiding subordinate enterprises to publish social responsibility reports and carry out social responsibility pilot projects, HNA Group has promoted the full integration of the concept and requirements of social responsibility into the company strategy, business operations and enterprise management. In addition, according to the dynamic changes of its own characteristics and the evolution of the economic and social development environment, HNA Group has constantly optimised its corporate social responsibility practices, dynamically adjusted the key points to fulfil social responsibility duties, and continuously enhanced the effectiveness of corporate social responsibility practices.

The framework of the social responsibility management system has laid a good foundation for HNA Group to implement sustainable development in its overseas operations. Over the years, HNA Group has been actively working with governments, international organisations, civil society organisations and other global stakeholders to build a partnership alliance for sustainable development so as to create greater social value.

With respect to cooperation with government departments, HNA Group partnered with the Government of Hainan Province and Kampong Cham Province of Cambodia to carry out two “China Hainan · Cambodia Brightness Trips” in 2016, curing a total of 266 cataract patients.

In terms of partnerships with international organisations, HNA has been working with UNICEF, WFP, UNESCO and other UN agencies since 2010 to promote global sustainable development by utilising HNA’s business resources and the international agencies’ professional advantages. Among them, HNA Group and WFP jointly launched a “School Meals” program in Ghana, providing the girls in 10 regions of Ghana with nutritious school meals and “take-home rations”. To date, the project has provided continuous support for nearly 3,900 girls and their families.

Nepalese Prime Minister Prachanda presenting a letter of thanks to HNA Group

HNA Group frequently uses its corporate influence to gain public support and cooperate with social organisations to implement philanthropic activities. For example, after the devastating earthquake in Nepal in 2015, HNA Group's Volunteers Association launched a campaign to recruit rescue volunteers for Nepal. The number of applicants reached nearly 1,000 in just 12 hours. HNA Group also mobilised its resources in the aviation field to help China transport volunteers and relief supplies to Nepal.

CHAPTER 5

TOWARDS THE SUSTAINABLE DEVELOPMENT OF CHINESE ENTERPRISES OVERSEAS

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

5.1 Recommendations for Chinese Policy Makers

1) Enhance investment planning and project guidance: Government agencies can conduct research, and formulate and implement sustainability strategic planning for overseas investment and cooperation under the Belt and Road Initiative, including strengthening the orientation towards sustainable development and the requirements of responsible operations in overall planning, country-specific/regional planning and industry planning, to enhance the in-depth integration and coordination between the Belt and Road Initiative and the 2030 Agenda at the policy and planning level. Meanwhile, competent government agencies must strengthen guidance for the implementation of sustainable development in prioritised areas, including formulating operational guidelines for sustainable overseas investment that highlight the principles of both the Belt and Road Initiative and the 2030 Agenda, in order to provide guidance for Chinese enterprises on balancing the economic, social and environmental goals of their overseas investment.

2) Strengthen legal protection and policy incentives: Government agencies are advised to establish sustainable development and responsible investment as principles in the policy and legal systems that pertain to Chinese enterprises' investment and cooperation along the Belt and Road. They can also encourage and support sustainable, responsible investment projects via policies related to the Belt and Road Initiative, especially in terms of financing and taxation, to encourage enterprises to embark on sustainable development and responsible investment projects, and to enhance enterprises' contribution to advancing the goals of the 2030 Agenda.

3) Enhance risk mitigation mechanisms and localisation of operations: Relevant government agencies, especially their overseas representative offices, can support the establishment of social and environmental risk warning and mitigation mechanisms targeting the Belt and Road countries, in order to help enterprises respond to risks and crises promptly. Relevant government agencies and industry associations are also advised to enhance guidance on localisation and to raise enterprises' awareness of the importance of localisation through advocacy, training programs and consultations, with the aim of having localisation incorporated into operational concepts and embodied in concrete management measures and operations of enterprises. Ultimately, this will help enterprises integrate into their host communities quickly and more efficiently to promote the realisation of the 2030 Agenda locally while achieving business success.

4) Support think tank development and information services: The government can support and mobilise various types of think tanks to strengthen research and analysis on the political, economic, cultural, industrial and environmental circumstances of the Belt and Road countries and on their risk coping and sustainable development capacities. The government can strengthen information services for overseas investment and promote effective integration and efficient utilisation of various types of informational resources. This will facilitate exchange of constructive suggestions and ideas between stakeholders and enterprises on sustainable development and the 2030 Agenda by providing them with information on policies and regulations, market conditions, projects and sustainable development.

5) Deepen international exchanges and multi-stakeholder cooperation: The government is advised to improve the policy framework, strengthen dialogue and cooperation between governments and between civil society actors, establish and accommodate multi-level exchanges and communication, and promote bilateral, multilateral and regional dialogues and communication, including setting up bilateral/multilateral mechanisms for long-term cooperation and experience sharing and exchanges for China and countries along the Belt and Road to facilitate the fulfilment of the 2030 Agenda. Meanwhile, the government can establish platforms to increase awareness of sustainable, advanced technologies and projects with both economic and social benefits to create more investment opportunities conducive to sustainable development.

5.2 Recommendations for Chinese "Going Global" Enterprises

1) **Raise awareness and enhance knowledge:** Chinese "going global" enterprises need to be fully aware that the Belt and Road Initiative is not just promoting the achievement of common economic prosperity, but also paving "a path to peace and friendship that promotes understanding and trust and enhances communication in all respects". Therefore, enterprises must develop a thorough understanding of the core values of the Belt and Road Initiative, and continue to build "a community of shared responsibilities and a community of shared destiny" that are conducive to fulfilling the 2030 Agenda locally, based on "communities of shared interest" and through sustainable development strategies and responsible operations.

2) **Manage risks:** Apart from conducting economic feasibility studies, Chinese enterprises must also examine the varying global, national, social and cultural contexts along the Belt and Road. As enterprises select countries to invest in, they need to stay informed of the political and social circumstances in these countries. Moreover, they need to enhance capacity for identifying, analysing, and assessing social and environmental risks underlying their investments, as well as to establish and continue to improve their risk control systems, including standardised operational management, compliance management and risk assessment and management systems. Throughout the life cycle of their investment projects, enterprises should ensure ongoing review of risks for responsible operations and sustainable development and of planning and implementing the corresponding risk coping strategies on the basis of effective risk-based due diligence management systems, and, when necessary, communicate with stakeholder regarding progresses in establishing such mechanisms. These strategies ultimately work toward the goal of incorporating corporate responsibility into leaders' decision-making processes and management of stakeholder relations, thereby helping enterprises establish sustained risk warning and prevention mechanisms.

3) **Explore opportunities:** Leveraging the framework of' the 2030 Agenda, Chinese enterprises can analyse and research the development needs of countries along the Belt and Road, and accordingly identify synergies between the demands and their products, as well as the alignment between the investment-promoting policies related to the Belt and Road Initiative and the policy goals of the host countries. The enterprises can then turn these synergies into business opportunities for themselves and local business partner through sustainable, innovative R&D and business expansion, with the aim of achieving win-win outcomes for both their own business development and local social development over the long term.

4) **Strengthen communication:** During the whole process of project investment and operations, Chinese enterprises need to proactively communicate with stakeholders in the host countries and keep them involved in the process. Enterprises should pay special attention to social organisations that have significant social impact on local development and say in the discourse (for example, labour unions, ethnic and religious groups, local and international NGOs, etc.), and engage in dialogue and cooperation with them on issues related to sustainable development, the goals under the 2030 Agenda and corporate operations. Effective communications can help establish a localised, multi-dimensional network of social support for enterprises' long-term, sustainable operations in addition to obtaining and maintaining social license for their investments.

5) **Value talent:** Chinese enterprises need to establish sound mechanisms for recruitment and training, take effective measures to attract, retain and select managerial and R&D personnel with different expertise, raise both the quantity and quality of the staff with innovative and interdisciplinary mindsets, and work towards localisation and internationalisation of their employees. Meanwhile, they should also enhance awareness and capacity building relating to sustainable development and responsible operations in their human resources

management to encourage their staff to take the initiative to identify and prevent social and environmental risks in overseas operations and management, build the image of the Belt and Road Initiative as responsible citizens, and take part in facilitating local communities to fulfil the 2030 Agenda.

5.3 Recommendations for Other Stakeholders

1) Host country governments: Governments of the Belt and Road countries can actively respond to and participate in the Belt and Road Initiative, and integrate the Initiative into their domestic programs and plans aimed at promoting the 2030 Agenda, in order to enact policies that are conducive not only to investment promotion and trade facilitation, but also to sustainable development. At the national level, such policies include those facilitating and promoting international cooperation in production capacity and cross-border investment. At the regional level, government agencies can adopt regional governance strategies and establish coordination mechanisms for corporate responsibility and sustainable development that is tailored to and coherent with local conditions, with a goal of creating a fair, efficient and responsible environment for investors, as well as robust, inclusive regional and international trade systems. In the meantime, governments need to improve their domestic industrial structures and boost the vitality of industries with the ultimate purpose of generating mutual benefits, common prosperity and sustainable development along the Belt and Road.

2) Business partners: The upstream and downstream business partners of Chinese enterprises need to make full use of the business opportunities brought by the Belt and Road Initiative and the 2030 Agenda. At the same time, they need to support and practise responsible and sustainable development throughout their value chains across the Belt and Road countries. Hence, business partners of Chinese enterprises should comply with applicable codes of conduct for corporate responsibility and sustainable development; as well, they should also utilise commercial mechanisms to control risks in implementing social responsibility and sustainable development as part of the effective management of their business relations with Chinese enterprises. As such, Chinese enterprises can contribute to efforts to promote responsible, sustainable value chains, business models and patterns of production and consumption in coordination with their partners.

3) Community and social organisations: host country communities (residents and social organisations) that are recipients of China's foreign investment, as well as international and local social organisations (including NGOs and labour unions) focused on the economic, social and environment issues in the Belt and Road countries need to better understand the role that Chinese enterprises play in facilitating local economic and social development, improving livelihoods and implementing the 2030 Agenda in their countries. Therefore, local community and social organisations can initiate dialogue and interactions with Chinese enterprises to enhance information exchange and strengthen mutual trust. Alternatively, they can provide assistance to Chinese enterprises in advancing sustainable development efforts through objective and impartial monitoring and evaluation, open and timely sharing of experience, and adequate and practical capacity building initiatives. This will help Chinese enterprises engage in responsible and sustainable investment and address sustainable development challenges facing host communities through cooperation, including through the development of inclusive, effective platforms for dialogue, information exchange and joint actions involving multiple stakeholders.

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Appendix: Questionnaire for Chinese Enterprises along the Belt and Road

Questionnaire for Chinese Enterprises
2017 Report on the Sustainable Development of Chinese Enterprises Overseas
Countries along the Belt and Road
(To be filled in by Chinese companies in the field offices)

Introduction

The United Nations Development Programme in China (UNDP China), the Chinese Academy of International trade and Economic Cooperation (CAITEC) of the Ministry of Commerce (MOFCOM) of China, and the Research Centre of the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council of China jointly initiated this survey to understand the sustainability performances of Chinese enterprises overseas, especially in the social and environmental aspects. The results collected from this survey will be used for the 2017 Report on the Sustainable Development of Chinese Enterprises Overseas.

Requirements

(1) The questionnaire is designed for Chinese enterprises that are conducting economic and trade cooperation with countries in the Belt and Road Regions.

(2) The questionnaire should be filled out by the responsible managers in the field offices of the company.

(3) To ensure the validity and integrity of the results, please answer all questions faithfully. If you do not have experience with or cannot assess some of the aspects questioned, please fill in "N/A".

(4) Please write on the lines "________________" and check the boxes "□".

Privacy statement

All your answers will be kept confidential and used only for this research.

Name and professional address of respondent (optional):

First Name:.. Family name:..

Company:.. Title/position:..

Country/City:.. E-mail:..

Phone:.. Date of filling:..

Questionnaire

I. Basic Information (7 questions)

(1) Type of company (parent company)

☐ State-owned enterprise

☐ Privately-owned enterprise

☐ Other, please state here: ....

(2) Please indicate the countries your company operates in (below is a list of countries under the Belt and Road initiative for reference):

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

(3) Overseas investment scale of your company:

☐ ≤US$0.5mn

☐ >US$0.5mn and ≤US$3mn

☐ >US$3mn and ≤US$15mn

☐ >US$15mn and ≤US$50mn

☐ >US$50mn and ≤US$0.1bn

☐ >US$0.1bn

(4) The industry it belongs to: (core business)

☐ Agriculture, forestry and fishing ☐ Mining and quarrying

☐ Manufacturing ☐ Electricity, gas, steam and air conditioning supply

☐ Water supply; sewerage, waste management and remediation activities

☐ Construction ☐ Transportation and storage

☐ Wholesale and retail trade; repair of motor vehicles and motorcycles

☐ Accommodation and catering ☐ Information and communication

☐ Finance and insurance ☐ Real estate

☐ Professional, scientific and technical activities ☐ Administrative and support service activities

☐ Public administration and defence; compulsory social security

☐ Education ☐ Human health and social work activities

☐ Arts, entertainment and recreation ☐ Other service activities

(5) Type of cooperation and overseas investments (you may choose more than one option)

☐ Greenfield Investment ☐ Overseas Mergers and Acquisition ☐ Engineering Contract

(6) In which areas has your company promoted infrastructure development in countries along the Belt and Road: (you may choose more than one option)

☐ Highway construction ☐ Railway construction

☐ Water conservancy ☐ Electricity

☐ Logistics ☐ Telecommunication

☐ Port construction ☐ Municipal infrastructure

☐ Bridge construction ☐ Aviation and water transportation

☐ Petroleum, coal and natural gas ☐ Housing

☐ Others, please specify: ………………………………………………

☐ Not participated in infrastructure development

(7) How long has the company been operating overseas:

☐ Over 20 years ☐ 15-20 years ☐ 10-15 years ☐ 5-10 years ☐ 3-5 years ☐ Less than 3 years

II. People

- Impact on Local Community
- Employment and Labour Rights

• Impact on Local Community (5 questions)

(1) Have you conducted a social impact assessment (SIA) before launching your project?

☐ Yes ☐ No (please ignore question 2 and 3 below)

(2) If you have conducted an SIA, how is it conducted? (you may choose more than one option)

☐ By hiring an external expert/company ☐ Conducted in-house

☐ Public consultation with various stakeholders ☐ Others (please specify: ....)

(3) What did you do with the SIA report and recommendations?

☐ Adopted the recommendations in formulation of our local business strategy

☐ Adopted the recommendations into our project implementation process

☐ The recommendations were not adopted

(4) Since entering this country, has your company conducted any practices of sustainable development in the following areas:

Sustainable Development Practices	Yes (if yes, please briefly describe the type of projects, financial amount, benefitiaries, partners included, etc.).	No
SDG 1: Poverty alleviation (such as investing in rural infrastructure)	☐	☐
SDG 2: End hunger (such as food donations, agricultural productivity enhancement, agricultural technology transfer, etc.)	☐	☐
SDG 3: Health research and services (such as building or renovating hospitals, donating medicines, improving local health services, etc.)	☐	☐

continued

SDG 4: Education services (such as building or renovating schools, donating stationery and books to students, volunteering in schools, etc.)	☐	☐
SDG 5: Gender equality (such as engaging in women empowerment projects, supporting female entrepreneurs, etc.)	☐	☐
SDG 6: Clean water and sanitation (such as building toilets or water storage facilities, providing clean drinking water, etc.)	☐	☐
SDG 7: Affordable and clean energy (such as donating solar power systems to local communities)	☐	☐
SDG 12: Responsible consumption and production (such as reducing waste water, exhaust etc. recycling and efficient use of natural resources etc.)	☐	☐
SDG 13: Climate action (such as awareness raising activities to combat climate change)	☐	☐
SDG 14: Life below water (such as beach cleanup activities)	☐	☐
SDG 15: Life on land (such as tree planting, animal and wildlife protection activities, etc.)	☐	☐
Other areas, please specify	☐	

(5) How much do you spend on supporting the development of the host community as a percentage of your annual profit? (............%)

● Employment and Labour Rights (8 questions)

(1) Has the host country government imposed a policy regarding the lowest threshold of local employment?

☐ Yes (the lowest threshold is ....) ☐ No

(2) What kinds of measures have been taken by your company to safeguard employees' rights and benefits? (you may choose more than one option)

Measures to safeguard employees' rights and benefits	For Chinese employees	For local employees
On time wage payment	☐	☐
Offer overtime pay	☐	☐
Offer annual leave	☐	☐
Offer maternity leave	☐	☐
Offer social insurance	☐	☐
Offer health insurance	☐	☐
Offer meals on site	☐	☐
Others, please specify	☐	☐

(3) What training programmes have you provided to your local and Chinese employees in 2016? (you may choose more than one option)

Training programmes	Chinese Employees	Local Employees
Safety training	☐	☐
Technical skills training	☐	☐
Managerial skills training	☐	☐
Language training	☐	☐
Working culture training	☐	☐
Other (please specify)	☐	☐

(4) Have you established a management system for employees' occupational health and safety?

☐ Yes, sound management system has been established.

☐ Yes, the management system for occupation health is under establishment

☐ No.

(5) Were there any health or safety accidents in 2016?

☐ Yes, please state how many in 2016: .... No ☐

(6) The major labour problems that your company has encountered overseas, and how evident they are:

The major labour problems that your company has encountered overseas, and how evident are they	Evident	Moderately Evident	Less Evident
Disputes about labour relations contract	☐	☐	☐
Protection of labour rights	☐	☐	☐
Lack of experience in working with labour union	☐	☐	☐
Occupational health and safety	☐	☐	☐
Training and education	☐	☐	☐
Disagreement on payment and benefits	☐	☐	☐
Disputes about work injury compensation	☐	☐	☐
Strikes	☐	☐	☐
Cultural gap	☐	☐	☐
Learn and respect local customs	☐	☐	☐
Others, please specify	☐	☐	☐

(7) The company's opinion, in terms of building good labour relations:

Opinions on building good labour relation (The options have been set into 5 scales with 1 referring to "the least important" and 5 referring to "the most important")	1	2	3	4	5
Comply with local laws and regulations on labour employment	☐	☐	☐	☐	☐
Enhance the integration of Chinese and local employees	☐	☐	☐	☐	☐
Increase the portion of local employees in the management team	☐	☐	☐	☐	☐
Become familiar with the function of local labour organizations and build well-functioning communication mechanisms	☐	☐	☐	☐	☐
Provide more promotion opportunities for local employees	☐	☐	☐	☐	☐
Learn and respect local culture and customs	☐	☐	☐	☐	☐
Learn from the management experience of other multinational corporations	☐	☐	☐	☐	☐
Provide more training for local employees	☐	☐	☐	☐	☐

(8) How does your company resolve labour issues? (you may choose more than one option)

☐ Direct negotiation with the affected party ☐ Negotiation via a third party

☐ Compensation ☐ Terminate the services of the relevant parties

☐ Other, please specify: ....

III. Prosperity

- **Business Return**
- **Supply Chain Development**
- **Technology Spillover**

• Business Return (2 questions)

(1) What is the financial situation of your overseas investment project(s)?

☐ The project(s) has yielded significant profit ☐ The project(s) has yielded a small profit

☐ Break-even ☐ The project(s) has not made a profit yet

(2) The main market for your products (including services such as construction service)

☐ The host country ☐ China ☐ Other country

• Supply Chain Development (3 questions)

(1) What are the purchasing channels for your company's overseas business? (you may choose more than one option)

☐ Purchase internally from China

☐ Purchase externally from China, through an intermediary that is sourced in China

☐ Purchase from host countries

☐ Purchase from a third country

☐ Others (Please specify): ....

(2) If possible, do you prefer to purchase products and services from where the project takes place in order to be more localised?

☐ If yes, please specify on the percentage of local purchases. .... % ☐ No

(3) What are the barriers to the purchase of local products and services?

☐ No such products or services available ☐ Low quality

☐ Low quantity ☐ Price prohibitive ☐ Others, please specify: ....

- ## Technology Spillover (3 questions)

(1) To what degree has your company assisted suppliers and subcontractors in improving their technology and management?

☐ Good ☐ Fair ☐ Average ☐ Not at all

(2) What are the main technology spillover methods utilised during the enterprise's external investment cooperation? (you may choose more than one option)

☐ Establishing Research & Development centre in the host country

☐ Establishing incubator in the host country

☐ Co-production through joint venture

☐ Selling intellectual properties to the host country, including patents, copyrights, etc.

☐ Providing technical consultation services and people-to-people exchange to the host country

☐ Providing technical assistance to the host country (such as free trainings, imparting technologies, etc.)

☐ Others, please specify: ....

(3) What are the difficulties you encounter when trying to transfer technology? (you may choose more than one option)

☐ Difficulties in matching different standards

☐ Lack of basic infrastructure ☐ Lack of skilled work force

☐ Lack of funding ☐ Lack of support from the local government

☐ Lack of support from local stakeholders ☐ Others, please specify: ....

IV. Planet

- Environmental Impact Assessment
- Environmental Protection and Biodiversity Conservation

• Environmental Impact Assessment (2 questions)

(1) Has an environmental impact assessment (EIA) been conducted prior to the overseas investment project?

☐ Yes, no suggestions for improvement have been provided

☐ Yes, suggestions provided but have not been implemented

☐ Yes, suggestions provided and are being implemented

☐ Yes, suggestions provided and have been completely implemented

☐ No, EIA is not required.

☐ No, EIA is required but has not been conducted.

(2) If you have conducted an EIA, how is it conducted? (you may choose more than one option)

☐ By hiring an external expert/company ☐ Conducted in-house

☐ Other (please specify..............)

• Environmental Protection and Biodiversity Conservation (3 questions)

(1) Has your company installed any pollution-control equipment? (you may choose more than one option)

☐ Sewage ☐ Exhaust ☐ Solid waste

☐ Noise ☐ Others, please specify ....

(2)Has your company enforced any policy on responsible procurement (such as environment-friendly products)?

☐ Yes, please specify.................................... ☐ No, but we plan to formulate one.

☐ No, and we do not have any plans to do so

(3) To what extent have the biodiversity protection policies of the host country affected operational decisions?

☐ Very important ☐ Important ☐ Relatively important

☐ Have some effects ☐ No effects

V. Partnership and Participation

- **Cooperation Modalities**
- **Fair Competition**
- **Risk Management**
- **Stakeholder Engagement**

• Cooperation Modalities (6 questions)

(1) What is your attitude to the development strategies, policies, and regulations in the host country?

☐ It is closely incorporated into our corporate strategy and operations

☐ We see it as a reference

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

☐ Little attention is paid to those regulations as they are less relevant to the company's development

(2) How long does your company plan to be in this country for this project?

☐ 1-2 years ☐ 3-5 years ☐ 5-10 years

☐ 10-20 years ☐ More than 20 years

(3) Has the local government stipulated any environmental and social sustainability requirements for the projects?

☐ No

☐ If yes, please list them: ....

(4) When carrying out projects in the host country, rank which standards and regulations you will follow first? (1-4)

Types of standards	Rank
Local standards	☐
Chinese standards	☐
International standards	☐
Other (please specify)	☐

(5) Financing channels and the degree to which your company has worked with the following types of financial institutions

Degree of Cooperation	Chinese Financial Institutions	Host Country's Financial Institutions	Other Financial Institutions
Close	☐	☐	☐
Average	☐	☐	☐
No cooperation	☐	☐	☐

(6) Have the financial institutions stipulated any environmental or social sustainability requirements for the loans?

☐ No

☐ If yes, please list the name of the requirement and the issuing financial institution: ....

• Fair Competition (5 questions)

(1) In the past three years, who are your company's primary competitors in overseas operation in host countries?

☐ Chinese enterprises

☐ Local companies

☐ Multinational corporations based in other countries, please specify countries:

(2) What do you see as the strengths of Chinese companies? (you may choose more than one option)

- ☐ Low cost
- ☐ Skilled labour force
- ☐ Strong finance support
- ☐ Advanced technology and equipment
- ☐ Win-win cooperation
- ☐ Work ethic
- ☐ High productivity
- ☐ Access to global markets
- ☐ Others, please specify

(3) Has your local office established systems in the following areas? (you may choose more than one option)

- ☐ Business Integrity
- ☐ Anti-corruption
- ☐ Anti-commercial bribery
- ☐ Anti-unfair competition
- ☐ Others: --

(4) Has your company been investigated in the host country due to breach of local laws and regulations on investment, taxation, employment, environmental protection or intellectual property?

- ☐ No
- ☐ Yes, it happened once
- ☐ Yes, it happened more than once

(5) Has your company been investigated due to commercial bribery or other corruption?

- ☐ No
- ☐ Yes, it happened once
- ☐ Yes, it happened more than once

● Risk management (9 questions)

(1) What are some of the mechanisms you have set up to establish the frame for overseas risk management system? (you may choose more than one option)

- ☐ Build up organizational system for risk management
- ☐ Establish standard risk assessment system
- ☐ Establish risk warning system
- ☐ Establish controlling mechanism for emergent risks
- ☐ Cultivate corporate culture of risk management
- ☐ Others, please specify: ----------------------------------

(2) What are the major actions you have taken for risk precaution in the past three years? (you may choose more than one option)

☐ Enact relevant articles of incorporation for risk precaution

☐ Establish a special organization for risk precaution and appoint relevant personnel

☐ Set up a special fund for risk precaution

☐ Enact a contingency plan and conduct regular practices

☐ Establish a risk warning and tracking system

☐ Keep the regular communication with stakeholders

☐ Hire professional third party institutions to evaluate the risks and social impact of projects

☐ Give training to employees before sending them overseas (such as trainings on local culture, language, safety, anti-corruption, etc.)

☐ Others, please specify

(3) What are the risks your company is facing in its overseas operation? (you may choose more than one option)

Main risks the company is facing in its overseas operation (The options have been set into 5 scales with 1 referring to "the risk is very low" and 5 referring to "the risk is very high")	1	2	3	4	5
Corruption	☐	☐	☐	☐	☐
Political Situation	☐	☐	☐	☐	☐
Labor Issues	☐	☐	☐	☐	☐
Community Issues	☐	☐	☐	☐	☐
Environmental Issues	☐	☐	☐	☐	☐
Employee Safety	☐	☐	☐	☐	☐
Local prices and inflation	☐	☐	☐	☐	☐
Diseases	☐	☐	☐	☐	☐
Others (Please specify):					

(4) Has the host country government issued any policy, regulation, or guidance regarding strengthening the sustainable development of MNCs?

☐ Yes (please specify: ....) ☐ Not sure

(5) Have you built a management mechanism to ensure sustainable development, specifically for overseas businesses?

☐ Yes, and it works well.

☐ Yes, but it does not work very well and needs improvement.

☐ No, but we plan to build one.

☐ No, and we do not have any plan about that.

(6) What are the fundamental driving forces for your overseas branches to engage sustainable development practices and social responsibility? (you may choose more than one option)

☐ Requirements of headquarters

☐ Local culture

☐ Requirements of local government

☐ Requirements of local community

☐ Pressure from the demand of employees, consumers, media, the public and other stakeholders; please specify: ....

☐ Contract with or requirements of business partners

☐ Others, please specify: ....

(7) Have you enacted any self-regulatory mechanisms for the sustainability of your industry, or accepted any reviews for certification of related standards (including but not limited to the Sustainable Development Goals, ISO International Standards, RIOS Certification, RoHS Directive, IECEE HS Reporting Services for hazardous substances, PAS2050, SA8000 standard or other ethical trade certification, FES, organic agriculture certification, RSPO, Better Cotton, REACH, CPSIA, etc.)?

☐ Yes, please specify: ....

☐ No

(8) Have you ever hired a professional third party institution to conduct ESG Due Diligence?

☐ Yes ☐ No

(9) Has any financial or investment institution ever carried out ESG Due Diligence on your company, for financing purposes?

☐ Yes ☐ No

If yes, please answer question 8.b and 8.c

(8.b) Is that an Equator Principles Review? ☐ Yes ☐ No

(8.c) The due diligence was conducted by:

☐ Chinese-funded financial institution ☐ Foreign financial institution

☐ Chinese equity investor ☐ Foreign equity investor

● Stakeholder engagement (11 questions)

(1) How would you categorse your relationships with local stakeholders?

Stakeholders Categories	Good	Poor	Ok, but would like it to be better
Central government of the host country	☐	☐	☐
Local government of the host country	☐	☐	☐
Non-Governmental Organization (NGO), including International Non-governmental organizations (INGO), NGOs in the host country, and Chinese NGOs	☐	☐	☐
International Development Organizations, such as UN entities	☐	☐	☐
Academia, think tanks	☐	☐	☐
Business partner of Chinese enterprises (including local or international)	☐	☐	☐
Financial institutions	☐	☐	☐
Local community	☐	☐	☐
Media	☐	☐	☐

(2) Who is responsible for engaging with stakeholders in the host country?

☐ Local partners in the host country ☐ Our company itself

☐ External consultant ☐ Others, please specify ....

(3) Have you consulted with the local stakeholders?

☐ Yes ☐ No

(4) Who organises this consultation process?

☐ Our company

☐ Local business partners

☐ Local government agencies

☐ Other stakeholders, please specify: ....

(5) How do you communicate with the local stakeholders?

☐ Public forum ☐ Private meetings

☐ Notices and printed materials ☐ Email

☐ Phone ☐ Others, please specify: ....

(6) Is there a company policy on information disclosure to the public?

☐ Yes ☐ No

(7) Have any local stakeholders requested any information from your company?

☐ Yes ☐ No

(8) If your company has received requests from local stakeholders for information, has your company provided the information as requested?

☐ Yes ☐ No

(9) What are the main reasons for community problems your company has come across overseas? (Choose the top three)

☐ Influences caused by business operations on areas occupied by indigenous populations

☐ Lack of familiarity with local culture and customs

☐ Lack of communication and interaction with local community residents

☐ Disputes on rights and interests caused by land expropriation and other problems

☐ Misunderstanding and conflicts between Chinese employees and local residents because of culture difference

☐ Local residents' misunderstanding towards Chinese enterprises because of political factors

☐ Negative media reports

☐ Others (Please specify):--------------------

(10) What are the experiences from your company on building good community relationships? (Choose the top three)

☐ Learn more about local community problems and potential risks when making investment decisions

☐ Enhance communication with local community stakeholders (government, NGOs, residents and so on)

☐ Strengthen interaction with community residents and actively integrate into the local society

☐ Invest more in the public good of the local community to build a good image and reputation for the enterprise

☐ Increase the portion of employees from the local community

☐ Increase the transparency of corporate activities and foster a good corporate brand and culture through the media

☐ Gain more effective results on sustainable development through cooperating with stakeholders (including other enterprises)

☐ Others (please specify): --------------------

(11) Has your company published a corporate social responsibility (CSR) or sustainability report regarding your operation overseas?

☐ Yes, we publish our own country report yearly

☐ Yes, we publish our own country report occasionally

☐ Yes, our CSR activities are included into the yearly CSR report published by headquarters

☐ No

Chinese Academy of International Trade and Economic Cooperation,
Ministry of Commerce of the People's Republic of China

Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China

United Nations Development Programme China