China Ethics 8

Liu Baocheng / Zhang Mengsha

CSR Report on Chinese Business Overseas Operations

对外经济贸易大学
国际经济伦理研究中心
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FOREWORD

Along its millenniums of history, China as a great agrarian empire, blessed by the Yellow and Yangtze Rivers, had shown little interest in overseas expansion. Its preoccupation had been incessantly centered on fending off foreign intrusion into its sparse enough land and its rich enough civilization. Unlike nomadic tribes or industrialized states, all agricultural powers have their own insuperable settled comfort radius. Complacent with the bountiful land as well as the magnitude of its own meek populace and reverent ministers, Chinese rulers of all ancestry were bestowed with neither the ambition to conquer a piece of exotic land nor to colonize a barbarian populace. The discovery of the Silk Road in the Han Dynasty (202 B.C.-220 A.D.) was fortuitous maneuver since the strategic intent was to ally those tribes in the western region to flank on the Mongolian incursions. The oceanic expedition in the Ming Dynasty (1368-1644 A.D.) that antedated Christopher Columbus voyages across the Atlantic Ocean was by no means an adventure, but rather was initiated to beseech the dethroned emperor, and thence evolved into a quaint déjà vu to flaunt the dynastic magnanimity over those underdeveloped world, which ended up with an orgy of national expenditure. Despite of the 18,000km coast lines, China had long perceived itself more as a landlocked center of the world. There had been even little incentive to interact or trade with other parts of the world.

China's door was forced open during the Opium Wars (1840-1860) by the allied troops from western countries resulting in the free access by Europeans to all Chinese trading ports all along the coast and rivers. A super-stable, self-sufficient sovereign empire locked out for centuries was torn apart into a semi-colonized and semi-feudal society in the aftermath of the Anglo-Chinese trade dispute settlement. As Confucius puts it: to be aware of humiliation is nearing gallantry. Reaction from the Chinese toward such humiliation imposed upon by the western world was found along two tractions. One was to further tighten the door and restore an insulated China through dispelling all foreigners and their influence, hence the Boxers Rebellion. The other was to reflect on the development gap and learn western technologies in pursuit of a modernization drive under the banner of Westernization Movement. Merely relying on modern warship and weaponry purchased from Europe did not make a stronger China, a grim lesson learned after the perilous defeat during the Sino-Japanese War in the end of 19th century. China began to search for institutional therapies from Europe and Japan for a democratic drive, which led to the demise of the last dynasty. With half a century's turmoil and struggle, scarred by the two World Wars, an independent China embraced Marxism and Leninism for a socialistic path. The romance with Soviet Union and other comrade socialist partners soon trailed in the laneway while Cold War lingered on, only to send China into desolate isolation.

China's spectacular growth in capital accumulation is ascribed to its domestic reform and open-door policy institutionalized as belatedly as since the end of 1978. Growth in outbound direct investment (ODI) from the country outpaced the rest of the world over the past decade. Domestic reform deviated the pious course of Soviet type of socialism by distributing collective land to individual households and transforming state-owned factories into for-profit corporations accountable for their own loss and gains. The open-door policy was to boost the country's export drive while, relatedly, attracting foreign direct investment into the designated special economic and development zones. Since 2013, China became the largest global exporter enjoying mounting surplus with major trading partners.

The biggest advantage China enjoys in infrastructure development and export boom is its abundant supply of cheap labor force from the countryside. Destitute of cash income toiling on the land, more than 300 million farmers have left their family behind and swamped those coastal cities as floating workers for jobs in construction sites and assembly lines. Amidst the chorus of admiration captured over its rise as a colossal economic might, China's export endeavor has been increasingly beset by anti-dumping and countervailing actions launched by its rivals and partners. Shifting manufacture sites to overseas marketplace would help China to alleviate the tension over its trade surplus. Trade composition has been gradually upgraded along the value chain from exporting raw materials and semi-manufactured goods, now to complete package of equipment. China hitherto offers itself as the world factory spreading its two ends overseas – supply of raw materials and destination of manufactured goods – earning its margin as a the largest contract manufacturer. Therefore, coupled by the rising domestic consumption, securing a steady supply of strategic resources from overseas such as energy, iron ore and timber, *inter alia*, becomes crucial to sustain its upward trajectory. The other end of the market is where the end buyers reside. China used to rely heavily on foreign investors who maintain existing channels of distribution for its export. With time home grown exporters have learned to stretch their line of distribution by getting closer to the end market. In view of the fact that brands serve as licenses to penetrate into those chain stores and soliciting purchase orders from large distributors, vertical integration with those established brands concentrated in the developed economies is the most viable option to add value to "made in China" which bears little brand equity. Lack of experience working together with foreign colleagues, a convenient approach is to acquire their strategic assets. That explains why merger and acquisition constitutes the bulk of Chinese overseas investment. More recently, Chinese investors are moving along a third traction, i.e. to acquire those hidden champions with huge promise for technological innovation.

Chinese regulators had been obstinately restrictive over capital outflow until early 1990s notwithstanding its astronomical foreign exchange reserves as a result of its aggressive export drive heavily subsided by the state. Such cupidity has invited open antipathy as neo-mercantilism by the world community fueled by increasing protectionist sentiment as a sequela from the looming financial crisis. Over the past decades, China was lectured and coaxed by the western world to open its market under the notion that that every nation would benefit from free trade, and was given 15 grace years for transition into a full market economy since its accession into the World Trade Organization in 2001. Unfortunately, today, 15 years later, state-owned enterprises, limited market access, currency control, structural impediments to regulatory transparency, government intervention into business operations, are among those justifications for western powers to deny its full market status.

Outbound investment was negligible before 2004 when Chinese government typically represented by the National Development and Reform Commission and the Ministry of Commerce began to lift the floodgate of stringent approval system. The ensuing years till 2016 witnessed a steady process of liberation, when Chinese outbound investment reached its historical peak above USD170 billion. Although it reassures the business community there is no reversal of its policy orientation, over the past two years, seeing the massive capital exodus for fear of local currency depreciation and lured by the continuous interest hike in the United States, Chinese government dwindled its currency liberalization process and circumscribed "irrational" outbound investment in sectors like entertainment, real estate, hospitality and sports clubs. Unnerved by policy inconsistency, businesses, once their foreign currency is approved, would rush to make investment decisions that may end in a poor bargain in terms and conditions. Now against the tax reform in the United States alluring global investment, it is predictable that the government unwilling to join the portended race of tax cut, will further tighten its grip over capital outflow.

China's resilient economic growth has created a spillover effect by more than 30% of the world growth since the outburst of the global financial crisis. By the same token, as the second largest source of global investment, the global suffusion of Chinese companies – 174 countries as of end of 2016 - has contributed to the creation of job opportunities, generation of tax revenue for the local communities and host governments. Multinational companies are overjoyed with the big dollar offered by Chinese buyers when they are eager to divest their uncompetitive business units for strategic transitions. With decades of experience, every year, approximately half a million Chinese workers appear on various construction sites around the world – from air and sea ports, railways, power stations and real estate development. They've earned commendable reputation for their meritorious discipline, diligence and efficiency.

Over the past two decades, the game rule for global competition and cooperation has undergone salient convergence from "freedom" to "fairness", among which business ethics is brought ostentatiously into the picture to reshape the business environment. On top of a motley of cross cultural differences, criteria for purchase decisions are no longer confined to quality and price therein offered; inquiry is made into how business activities are conducted with ethical integrity – from examination of corporate mission and governance to assessment workplace safety, gender equity and environmental impact. The intricate annexation of business ethics as soft rules has perplexed Chinese policymakers and business leaders when they've just managed to tread on the learning curve to comply with those hard rules such as international treaties and local legislations.

Ideologically, Chinese firms are willing to engage in global initiatives without binding force in the fields of corporate social responsibility (CSR) and sustainable development to attire their corporate image. Thousands of Chinese companies have signed up the UN Global Compact, and quite a few the UN Women's Empowerment Principles (WEPs) and Dow Jones Sustainability Index. Their CSR reports are getting glossier with narratives more grandiloquent. Nonetheless, few are able to seriously integrate these soft commitments of accountability and credibility into corporate policy and business behavior. More and more of these firms are continually being delisted by the UN Global Compact Office simply for failure of reporting progress. A practical consideration is compliance with ethical outsourcing requirements levied by multinational partners; that means immediate business interest. In many cases, multinationals with their tantalizing business orders are more effective in pushing through ethical business conduct along the value chain.

Inadequate risk assessment in ideological and cultural differences typically ends up in deplorable failure in global investment. So far, there are few domestic institutions available to offer professional knowledge and advice to Chinese firms. At the point of market entry, Chinese investors are more ready to fling all these types of homework with an awesome check dissipated to international consulting firms such as PWC, KPMG, DTT and EY, known as the “big four”, with minimal in-house expertise to engage. Most Chinese companies are inherently short of cultural diversity with highly homogeneous human resource composites. Foreign employees, if any, are technicians and sales people, who can hardly mingle in senior management. Its circle culture is resistant to ethnical assimilation, reprehended as a Great Wall Syndrome, where Chinese employees, or even Chinese employees from the same hometown tend to congregate in a capsule, while interaction with the local community, communication with the media, and engagement with NGOs, all kept at drawdown. “Reticence about speech and dexterity at action” is the cannon for inter-cultural engagement of the First Automobile Company who has already extensive global presence. Cynics refer this isolationism as a Chinatown malady. Expatriates managing an overseas project are lonely wolves without family in company, and empowerment from headquarter is generally insufficient for them to make on-spot decisions or respond to media interview requests.

As a principle manifested in China’s diplomacy, Chinese foreign aid and corporate philanthropic projects deliberately avoid attachment of political conditions, nor are they willing to engage NGOs as a third eye. While the host politicians are happy with this approach, the effectiveness of Chinese donations is overcast with doubts when local management skills are scarce, not to mention corruptive deals involved. Chinese firms are generous enough to offer donations to local development projects from stadiums to schools and hospitals, ostensibly those landmark buildings. However, they must be aware that while money can talk the talk, it cannot walk the walk. Effective philanthropy entails more than cash contribution, to include voluntary work, and more essentially routine supervision and assistance. Infrastructure projects overseas are normally arranged on turnkey basis where Chinese contractors choose to pluck out of operational management after completion. Without long-term domiciled engagement in such projects Chinese firms lose the opportunity of brand building and cultural assimilation.

Nurtured under an authoritarian government, carrying the remnants from the state command economy, state-own firms who are the kingpins of Chinese outbound investment, would have no difficulty to propitiate local authorities in their first move. The fallacious assumption that a nod of a political leader would turn a green light to every step, which are usually the case in China, largely explains why a number of projects bumped into bulkhead half way when other stakeholders begin to rally and backfire. The unheralded level of democracy – multi-partisanship, trade union, constituency, NGOs, religious groups – is often taken as surprise as businesses dredge in uneven tenor.

The globalization drive of Chinese firms is yet a benighted journey. A sudden roaring presence around the globe is inevitably petulant. Confronted with mounting challenges, a number of deals end up in a fiasco. To square the circle, the bulk of their homework has to be completed at home. Deployment of double standards between domestic and overseas behaviors is treacherous on its own. The past decade attested a major attitudinal shift among Chinese policymakers toward the issue of CSR – from rejection to admission. It is sanctioned in the amended Chinese Company Law, and corruptive behavior overseas is also made lucidly punishable under Chinese Criminal Law. The supervisory authority over state-owned enterprises demands CSR reports, and the regulatory authority over stock exchanges follows suit for public companies. Ministry of Commerce also promulgated a credit record system for corporate behavior overseas. Motion is going on to create a separate enforceable CSR Act. Nonetheless, there is so far no single legislation against foreign corruption practices. Sizeable business associations begin to introduce CSR guidelines among their membership. More profoundly, academic circle and civil society are getting increasingly active in promoting the CSR concept, structure and practical skill sets among existing and future business leaders.

The most proactive approach to pave the way for globalization is to acculturate the world. China has made a number of attempts to spread its culture around the world by sponsoring Confucius institutes and recreation centers in various countries. While Chinese rising influence is being felt in multiple dimensions, these efforts is yet confined in rather a narrow definition in terms of popularizing mandarin language and cultural events, which has not touched the kernel of ideological confluence and cohesion. Chinese leaders raise strong utterance to participate and possibly lead in the global rule setting process. The ultimate vision derived from Confucius is to attain the zenith of world pacification. But the edifying epigram of Confucius reminds us, before anything, the first step is to start with a just mindset and self-discipline.

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January 16, 2018

1

EVOLUTION OF THE CONCEPT OF CSR

The concept of Corporate Social Responsibility (CSR) emerged in the 1950s. Based on varying guiding CSR principles, main CSR action, CSR drivers and CSR policy instruments, Frederick (2009) identified four chronological phases of CSR development. (Table 1-1)

Table 1-1 Four Stages of CSR Development

CSR_1: Corporate Social Stewardship (1950s-1960s)
Guiding CSR Principle: Corporate managers are public trustees and social stewards Main CSR Action: Corporate philanthropy CSR Drivers: Executive conscience and company reputation CSR Policy Instruments: Philanthropy and public relations
CSR_2: Corporate Social Responsiveness (1960s-1970s)
Guiding CSR Principle: Corporations should respond to legitimate social demands Main CSR Action: Interact with stakeholders and comply with public policies CSR Drivers: Stakeholder pressures and government regulations CSR Policy Instruments: Stakeholder negotiations and regulatory compliance
CSR_3: Corporate/Business Ethics (1980s-1990s)
Guiding CSR Principle: Create and maintain an ethical corporate culture Main CSR Action: Treat all stakeholders with respect and dignity CSR Drivers: Human rights and religio-ethnic values CSR Policy Instruments: Mission statements, ethics codes, social contracts
CSR_4: Corporate Global Citizenship (1990s-2000s)
Guiding CSR Principle: Accept responsibility for corporate global impacts Main CSR Action: Adopt and implement global sustainability programs CSR Drivers: Globalization disruptions of economy and environment CSR Policy Instruments: International code compliance, sustainability policy

Source: Frederick, W. C. (2009). Corporate Social Responsibility: Deep Roots, Flourishing Growth, Promising Future. In Crane, A., McWilliams, A., Matten,

D., Moon, J., & Siegel, D. S. (Eds.), The Oxford Handbook of Corporate Social Responsibility (pp. 522-531). New York: Oxford University Press.

1.1 1950s–1960s

The publication by Howard R. Bowen in 1953 of his landmark book Social Responsibilities of the Businessman is deemed to mark the beginnings of the modern period of literature on this subject. As he proposed, the term "social responsibilities of businessmen" refers to "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society", which is synonymous with "public responsibility", "social obligations", and "business morality".

During the 1960s, CSR literature expanded with discussions about what it really means and whether companies should be assumed those responsibilities. Davis (1960) set forth his definition of CSR within a management context, as it refers to "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest", which "can be 'justified' as having a good chance of bringing long-run economic gain to the firm". He further argued that "social responsibilities of businessmen need to be commensurate with their social power", and the avoidance of social responsibility leads to gradual erosion of that power. Frederick (1960) suggested that "businessmen should oversee the operation of an economic system that fulfils the expectations of the public", and CSR implies "a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms".

McGuire (1963) stated that "the idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations" and the corporation must take an interest in politics, the welfare of the community, education, and the happiness of its employees.

Meanwhile, some scholars raised their objections to the concept of CSR. Harvard Professor Theodore Levitt (1958) warned the business world about the dangers of social responsibility, fearing that the advocacy of CSR would detract from the profit motive which was critical for business success. Furthermore, he held that promoting the general welfare was not the responsibility of business, but the job of government. Neoclassical economist Milton Friedman (1962, 1970) pointed out that "there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game."

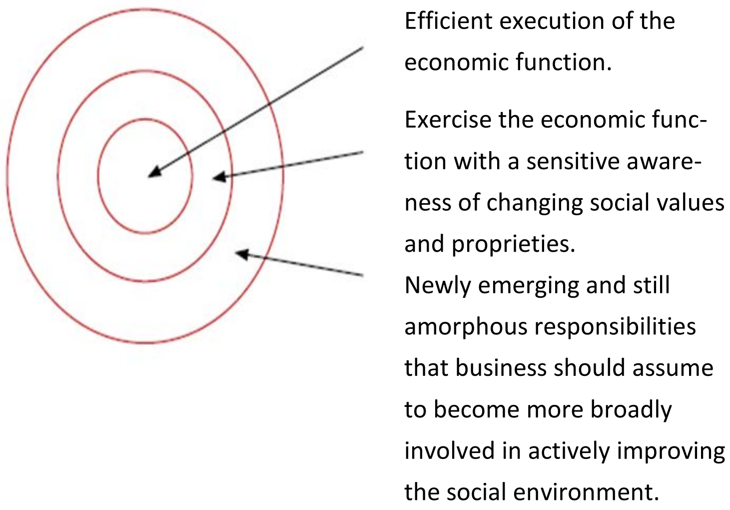
1.2 1960s–1970s

The CSR concept grew in popularity during the 1960s and 1970s with the rise of social movements as well as legislation for environmental protection, consumer rights and labor rights. Definitions of CSR proliferated and became more action-oriented.

Johnson (1971) identified the key stakeholders for whom companies should be responsible by proposing that "instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation". Steiner (1971) linked CSR with benefits for businesses as he considered CSR as "a philosophy that looks at the social interest and the enlightened self-interest of business over the long run".

The Committee for Economic Development (CED) in 1971 articulated a definition of CSR by describing it as three concentric circles of responsibilities, based on the observation that the terms of the contract between society and business were changing in substantial and important ways. The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic function - products, jobs, and economic growth. The intermediate circle encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities: for example, with respect to environmental conservation; hiring and relations with employees; and more rigorous expectations of customers for information, fair treatment, and protection from injury. The outer circle outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment. (Figure 1-1)

Figure 1-1 CED Model for Corporate Responsibility



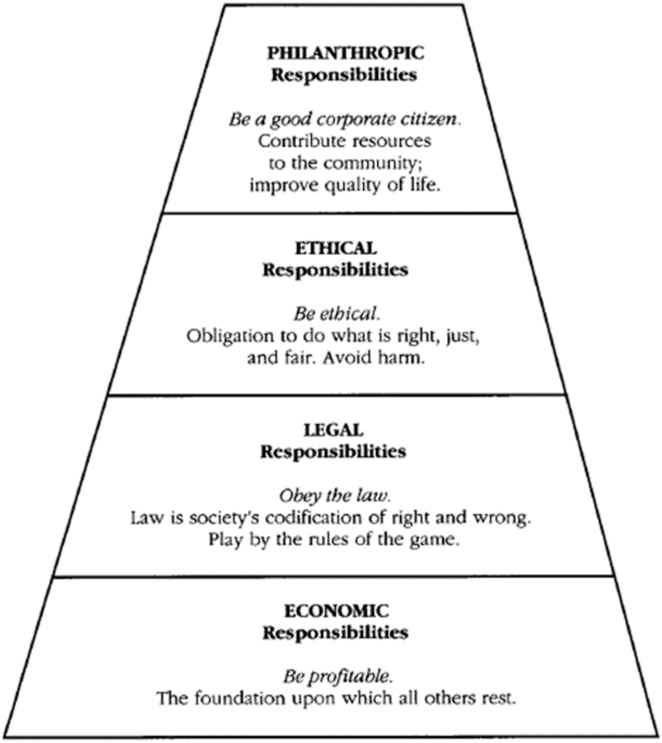
Source: Committee for Economic Development. (1971). Social Responsibilities of Business Corporations. New York.

Carroll (1979, 1991) put forward a pyramid model of CSR by categorizing the social responsibilities of business into four groups - economic, legal, ethical, and discretionary (philanthropic) responsibilities. Fundamentally, the business organization is the basic economic unit in the society. As such it has a responsibility to produce goods and services that society wants and to sell them at a profit. The profit motive serves as the primary incentive for entrepreneurship.

At the same time, society expects business to pursue its economic mission within the framework of the law. Legal responsibilities reflect a view of "codified ethics" in the sense that they embody basic notions of fair operations. Ethical responsibilities extend beyond obedience to the legal requirements, and embrace those behaviors and practices that are expected or prohibited by societal members.

Finally, philanthropy encompasses corporate actions that are in response to society's expectation that business be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill. The distinguishing feature between philanthropic and ethical responsibilities is that the former are not expected in an ethical or moral sense. Communities desire firms to contribute their money, facilities, and employee time to humanitarian programs or purposes, but do not regard the firms as unethical if they do not provide the desired level. (Figure 1-2).

Figure 1-2 Pyramid of Corporate Social Responsibility



Source: Carroll, A. B. (1991). The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. Business Horizons, 34(4), 39-48.

On this basis, Carroll (1979) conceptualized a corporate social performance (CSP) model constituted by social responsibility, social issues and social responsiveness[1], and suggested CSR notion be incorporated into management process. (Figure 1-3)

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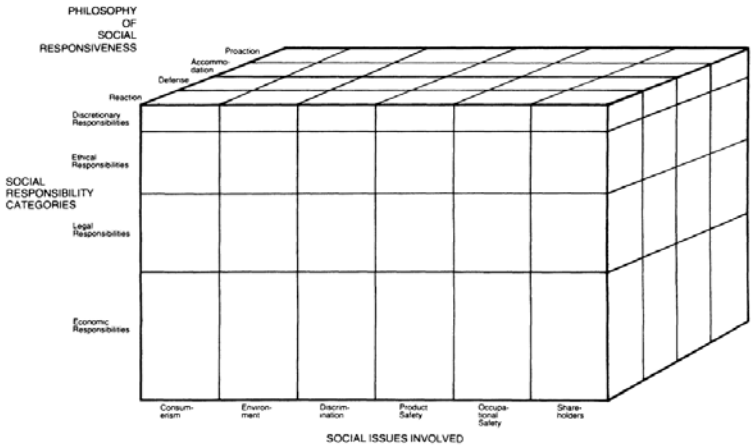
[1] Frederick (1978) defined "corporate social responsiveness" as the capacity of a corporation to respond to social pressures.

Figure 1-3 Carroll's Corporate Social Performance Model



Source: Carroll, A. B. (1979). A Three-Dimensional Conceptual Model of Corporate Performance. Academy of Management Review, 4(4), 497-505.

1.3 1980s–1990s

Since the 1980s, the conflicts between human and nature, capital and labor escalated with the development of economic globalization and multinational companies. As a consequence, environmental protection, labor and human rights drew the attention of the global community, giving rise to CSR movement first in the West and now spread across the world. In the meantime, the academia started to search business cases for CSR, focusing more on the implementation of CSR concept and the influence on business performance.

In 1984, the stakeholder theory was popularized by R. Edward Freeman's publication *Strategic Management: A Stakeholder Approach*. In a broad sense, "stakeholder" includes any group or individual who can affect or is affected by the corporation. It is suggested that the success of business relies on its ability to coordinate stakeholder interests instead of maximizing profit for shareholders. (Figure 1-4)

Figure 1-4 Stakeholder Model

Source: Drawn by the authors.

At the same time, Carroll's CSP model was refined by many scholars such as Wartick & Cochran (1985) and Wood (1991). Wartick & Cochran (1985) proposed that the ethical component is fundamental in the concept of CSR, and social responsiveness provides the approach to realizing social responsibility. It has become the general means to the ends of satisfying corporate social obligations (Table 1-2). The CSP model reflects an underlying interaction among the principles of social responsibility, the process of social responsiveness, and the policies developed to address social issues (Figure 1-5). Wood (1991) further produced a definition of CSP as “a business organization’s configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s societal relationships” (Figure 1-6).

Table 1-2 Differences between Social Responsibility and Social Responsiveness

	Social Responsibility	**Social Responsiveness**
Major considerations	Ethical	Pragmatic
Unit of analysis	Society	The firm
Focus	Ends	Means
Purpose	“Window out”	“Window in”
Emphasis	Obligations	Responses
Role of the firm	Moral agent	Producer of goods and services
Decision framework	Long term	Medium and short term

Source: Wartick, S. L., & Cochran, P. L. (1985). The Evolution of the Corporate Social Performance Model. Academy of Management Review, 10, 758-769.

Figure 1-5 Wartick & Cochran’s Corporate Social Performance Model

Principles	**Processes**	**Policies**
Corporate Social Responsibilities	Corporate Social Responsiveness	Social Issues Management
Economic Legal Ethical Discretionary	Reactive Defensive Accommodative Proactive	Issues Identification Issues Analysis Response Development

Directed at:	Directed at:	Directed at:
The Social Contract of Business Business as a Moral Agent	The Capacity to Respond to Changing Societal Conditions Managerial Approaches to Developing Responses	Minimizing "Surprises" Determining Effective Corporate Social Policies
Philosophical Orientation	Institutional Orientation	Organizational Orientation

Source: Wartick, S. L., & Cochran, P. L. (1985). The Evolution of the Corporate Social Performance Model. Academy of Management Review, 10, 758-769.

Figure 1-6 Wood's Corporate Social Performance Model

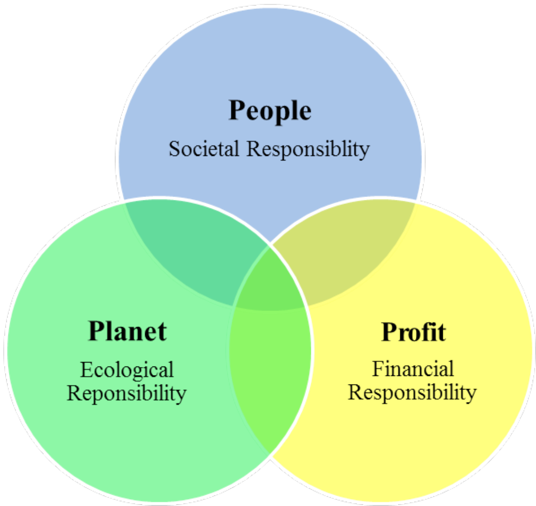
Principles of Corporate Social Responsibility
Institutional principle: legitimacy Organizational principle: public responsibility Individual principle: managerial discretion
Processes of Corporate Social Responsiveness
Environmental assessment Stakeholder management Issues management
Outcomes of Corporate Behavior
Social impacts Social programs Social policies

Source: Wood, D. J. (1991). Corporate Social Performance Revisited. Academy of Management Review, 16(4), 691-718.

1.4 1990s–Present

John Elkington as a world authority on corporate responsibility and sustainable development coined the term “Triple Bottom Line (TBL)” in *Cannibals with Forks: Triple Bottom Line of 21st Century Business* published in 1997 to describe the economic, environmental and social dimensions of corporate responsibility. This concept is also known as “3Ps” that enterprises should take into account - profit, planet and people. Many organizations have adopted the TBL framework to measure and report their performance. (Figure 1-7)

Figure 1-7 Triple Bottom Line Framework



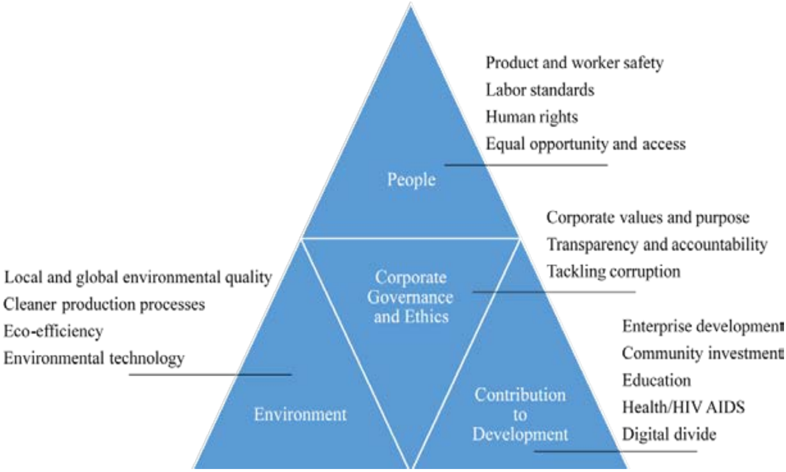
Source: Drawn by the authors.

In 1999, the United Nation (UN) Global Compact was announced by former UN Secretary General Kofi Annan in an address to the World Economic Forum (WEF) and was officially launched the next year, calling on the business community to align strategies and operations with ten universal principles on human rights, labor, environment and anti-corruption, and join hands with governments and other public institutions to take actions that advance societal goals on global poverty reduction, natural resources conservation, environmental protection, etc.

Since then, more international organizations have put forward their interpretation of CSR in a global context. For example, the World Business Council for Sustainable Development (WBCSD, 1999) proposed that CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large. The European Commission (2001) viewed CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

Nowadays, “corporate citizenship” has emerged as a prominent term describing the role of business in society. The WEF developed a global corporate citizenship framework in 2002, including good corporate governance and ethics, responsibility for people, responsibility for environmental impacts, and broader contribution to development. 34 of the world’s biggest multinational corporations signed the joint statement and made the commitment to formulate a strategy for managing their company’s impact on society and its relationships with stakeholders. (Figure 1-8).

Figure 1-8 Global Corporate Citizenship Framework



Source: World Economic Forum. (2002). Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards. Geneva: World Economic Forum and the Prince of Wales International Business Leaders Forum.

In a word, there is hitherto not a universally accepted definition of CSR, despite its global popularity, but stakeholder, social, economic, voluntariness and environmental turn out to be the most frequently used dimensions (Dahlsrud, 2006).

2

GLOBAL CSR MOVEMENT

With the convergence of ideology, accelerating economic integration and increasing information transparency, business ethics has emerged as a field that drew international attention after the end of the Cold War and further advanced toward institutionalization. CSR as the kernel of business ethics, has been expanded in terms of its intensional and extensional meaning. Centered on issues such as environmental protection, community relations, product security, labor rights, fair competition, business integrity and so forth, international organizations, sovereign governments, industry association, and civil society organizations actively propose initiatives, establish standards, and facilitate legislation. Given this trend, enterprises could either comply with regulations or voluntarily take CSR concerns into their business operations. For multinational companies, implementing CSR strategy is an important approach to sustainable competitiveness, with expectations from the home country, host countries and other stakeholders across the globe.

2.1 The Role of International Organizations

2.1.1 United Nations (UN)

Sustainable Development Goals

In 2000, the United Nations set the 8 Millennium Development Goals (MDGs) with concrete targets and indicators for poverty reduction, following the adoption of the UN Millennium Declaration. As enormous progress has been made over the past years, the MDGs have been replaced by the Sustainable Development Goals (SDGs), which include a series of 17 ambitious goals to end poverty, fight inequality and injustice, and tackle climate change by 2030. (Table 2-1)

To deliver the goals, six essential elements are highlighted to help frame and reinforce the universal, integrated and transformative nature of the sustainable development agenda, which places more emphasis on the cooperation between developed and developing countries and the realities of differentiated national needs and capacities. (Figure 2-1)

Table 2-1 Millennium Development Goals and Sustainable Development Goals

Millennium Development Goals (MDGs)
Eradicate extreme poverty and hunger Achieve universal primary education Promote gender equality and empower women Reduce child mortality Improve maternal health Combat HIV/AIDS, malaria and other diseases Ensure environmental sustainability Global partnership for development
Sustainable Development Goals (SDGs)
End poverty in all its forms everywhere End hunger, achieve food security and improved nutrition and promote sustainable agriculture Ensure healthy lives and promote well-being for all at all ages Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all Achieve gender equality and empower all women and girls

Ensure availability and sustainable management of water and sanitation for all
Ensure access to affordable, reliable, sustainable and modern energy for all
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Reduce inequality within and among countries
Make cities and human settlements inclusive, safe, resilient and sustainable
Ensure sustainable consumption and production patterns
Take urgent action to combat climate change and its impacts*
Conserve and sustainably use the oceans, seas and marine resources for sustainable development
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 peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Strengthen the means of implementation and revitalize the global partnership for sustainable development
* Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change.

Source: http://www.un.org/millenniumgoals/;
http://www.un.org/sustainabledevelopment/sustainable-development-goals/

Figure 2-1 Six Essential Elements for Delivering the SDGs

Source:

http://www.un.org/ga/search/view_doc.asp?symbol=A/69/700&Lang=E

In 2016, China released the China's Position Paper on the Implementation of the 2030 Agenda for Sustainable Development and the China's National Plan on Implementation of the 2030 Agenda for Sustainable Development, covering guiding thoughts and general principles, achievements and experience, opportunities and challenges, and overall approaches and detailed plans. Besides, China called for the G20 states to formulate the G20 Action Plan on the 2030 Agenda for Sustainable Development, which was highly praised by the international community.

United Nations Global Compact

Launched in 2000, the United Nations Global Compact (UNGC) is both a policy platform and practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business strategies and operations with ten universally accepted principles on human rights, labor, environment and anti-corruption (Table 2-2), and to catalyze strategic actions to advance broader societal goals, such as the UN MDGs and SDGs, with an emphasis on collaboration and innovation. It is the world's largest voluntary corporate sustainability initiative illustrated by more than 10 000 corporate signatories in over 170 countries. [2]

Table 2-2 The Ten Principles of the United Nations Global Compact

Human Rights
Businesses should support and respect the protection of internationally proclaimed human rights; and Make sure that they are not complicit in human rights abuses.
Labor
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; The elimination of all forms of forced and compulsory labor; The effective abolition of child labor; The elimination of discrimination in respect of employment and occupation
Environment
Businesses should support a precautionary approach to environmental challenges;

[2] https://www.unglobalcompact.org/what-is-gc/participants

Undertake initiatives to promote greater environmental responsibility;
Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Businesses should work against corruption in all its forms, including extortion and bribery.

Note: The ten principles of the UNGC are derived from the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption, all of which enjoy global recognition.

Source: https://www.unglobalcompact.org/what-is-gc/mission/principles

UN Guiding Principles on Business and Human Rights

In 2011, the United Nations Human Rights Council unanimously endorsed the UN Guiding Principles on Business and Human Rights (UNGPs), a set of guidelines for States and companies to prevent and address human rights abuses committed in business operations. Based on the UN "protect, respect and remedy" framework, the UNGPs encompass three pillars:

- The State Duty to Protect: States have existing obligations to respect, protect and fulfil human rights and fundamental freedoms, and must protect against human rights abuse within their territory and/or jurisdiction by third parties, including business enterprises;
- The Corporate Responsibility to Respect: Business enterprises should avoid infringing on the human rights of others and seek to prevent or mitigate adverse human rights impacts related to their operations; and

- Access to Remedy: As part of their duty to protect against business-related human rights abuse, States must take appropriate steps to ensure, through judicial, administrative, legislative or other appropriate means, that when such abuses occur within their territory and/or jurisdiction those affected have access to effective remedy.

International Labor Organization Conventions

The International Labor Organization (ILO) as a specialized agency of the UN, aims to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue on work-related issues. ILO set international labor standards in forms of conventions and recommendations covering freedom of association, collective bargaining, and industrial relations, forced labor, elimination of child labor and protection of children and young persons, equality of opportunity and treatment, etc. As an original member, China has so far ratified 26 ILO conventions. (Table 2-3)

Table 2-3 ILO Conventions Ratified by the Chinese Government

No.	Title	Time of Adoption	Time of Ratification
C007	Minimum Age (Sea) Convention	1920	1936.12.2
C011	Right of Association (Agriculture) Convention	1921	1934.4.27
C014	Weekly Rest (Industry) Convention	1921	1934.5.17
C015	Minimum Age (Trimmers and Stokers) Convention	1921	1936.12.2
C016	Medical Examination of Young Persons (Sea) Convention	1921	1936.12.2
C019	Equality of Treatment (Accident	1925	1934.4.27

	Compensation) Convention		
C022	Seamen's Articles of Agreement Convention	1926	1936.12.2
C023	Repatriation of Seamen Convention	1926	1936.12.2
C026	Minimum Wage-Fixing Machinery Convention	1928	1930.5.5
C027	Marking of Weight (Packages Transported by Vessels) Convention	1929	1931.6.24
C032	Protection against Accidents (Dockers) Convention (Revised)	1932	1935.11.30
C045	Underground Work (Women) Convention	1935	1936.12.2
C059	Minimum Age (Industry) Convention (Revised)	1937	1940.2.21
C080	Final Articles Revision Convention	1946	1947.8.4
C100	Equal Remuneration Convention	1951	1990.11.2
C111	Discrimination (Employment and Occupation) Convention	1958	2006.1.12
C122	Employment Policy Convention	1964	1997.12.17
C138	Minimum Age Convention	1973	1999.4.28
C144	Tripartite Consultation (International Labor Standards) Convention	1976	1990.11.2
C150	Labor Administration Convention	1978	2002.3.7

C155	Occupational Safety and Health Convention	1981	2007.1.25
C159	Vocational Rehabilitation and Employment (Disabled Persons) Convention	1983	1988.2.2
C167	Safety and Health in Construction Convention	1988	2002.3.7
C170	Chemicals Convention	1990	1995.1.11
C182	Worst Forms of Child Labor Convention	1999	2002.8.8
MLC2006	Maritime Labor Convention	2006	2015.11.12

Source:http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:103404

Principles for Responsible Investment

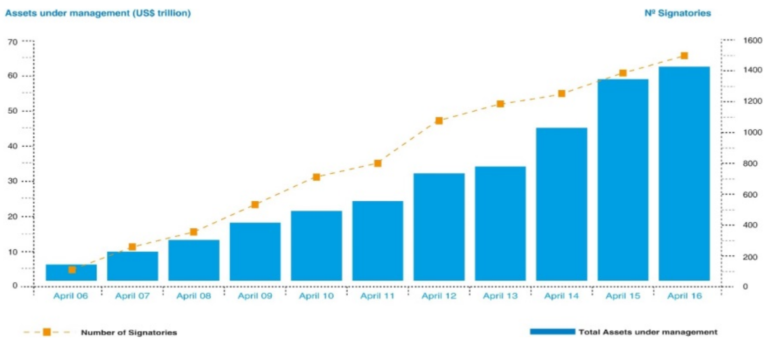
The Principles for Responsible Investment (PRI) was launched in 2006 by the United Nations Environment Program (UNEP) Finance Initiative and the UN Global Compact, providing a voluntary framework by which all investors can incorporate environmental, social and governance (ESG) issues into their decision-making and ownership practices and so better align their objectives with those of society at large. By April 2016, approximately 1 500 investment institutions have become signatories, with over US$60 trillion assets under management. (Table 2-4, Figure 2-2)

Table 2-4 The Six Principles for Responsible Investment

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Source: https://www.unpri.org/about

Figure 2-2 Number of Signatories of PRI and Assets under Management



Source: https://www.unpri.org/about

2.1.2 European Union (EU)

In 2001, the European Commission (EC) presented the *Green Paper: Promoting a European Framework for Corporate Social Responsibility*, defining CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. It aimed to launch a wide debate on how the EU could promote CSR at both the European and international level, and suggested an approach based on the deepening of partnerships in which all actors have an active role to play.

In 2002, the EC published the *Communication from the Commission concerning Corporate Social Responsibility: A Business Contribution to Sustainable Development* proposing an EU action framework for CSR, and launched the first EU Multi-Stakeholder Forum on CSR to exchange good practices and assess common guidelines.

In 2006, the EC published the *Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility*, emphasizing the crucial role of CSR in support of sustainable growth and more and better jobs.

In 2011, the *A Renewed EU Strategy 2011-14 for Corporate Social Responsibility* was put forward by the European Commission, where CSR was redefined simply as “the responsibility of enterprises for their impacts on society”, removing the voluntariness element. Besides, the new policy presented an action agenda covering the following 8 areas:

1. Enhancing the visibility of CSR and disseminating good practices;
2. Improving and tracking levels of trust in business;
3. Improving self- and co-regulation processes;
4. Enhancing market reward for CSR;
5. Improving company disclosure of social and environmental information;

6. Further integrating CSR into education, training, and research;
7. Emphasizing the importance of national and sub-national CSR policies;
8. Better aligning European and global approaches to CSR.

2.1.3 Organization for Economic Co-operation and Development (OECD)

In 1976, the Organization of Economic Cooperation and Development (OECD) adopted the *OECD Guidelines for Multinational Enterprise*, the most comprehensive set of government-backed recommendations on responsible business conduct in existence today. In 2011, the *Guidelines* was updated for the 5th time, providing voluntary principles and standards in areas such as disclosure, human rights, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition, and taxation. So far, all 34 OECD countries and 12 non-OECD countries[3] have adhered to the *Guidelines*, and set up National Contact Points (NCPs) that are tasked with furthering the effectiveness of the *Guidelines* by undertaking promotional activities, handling inquiries, and providing a mediation and conciliation platform for resolving issues that arise from the alleged non-observance of the *Guidelines*.

2.1.4 Extractive Industries Transparency Initiative (EITI)

Countries with an abundance of natural resources tend to suffer from poverty, conflict and corruption, which is usually referred to as the "resource curse" or the "paradox of plenty". To tackle this problem, the Extractive Industries Transparency Initiative (EITI) was launched in 2002 by then British Prime Minister Tony Blair at the World Summit on

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[3] Argentina, Brazil, Colombia, Costa Rica, Egypt, Jordan, Latvia, Lithuania, Morocco, Peru, Romania, Tunisia.

Sustainable Development in Johannesburg, to promote the open and accountable management of oil, gas and mineral resources. By the end of 2016, the EITI Standard has been implemented in 50 countries around the world. [4]

2.1.5 Social Accountability International (SAI)

In 1997, Social Accountability International (SAI) developed one of the world's first auditable social certification standards for decent workplaces across all industries - SA8000 (Social Accountability 8000), getting support from the business sector and consumers in the West. In 2014, SA8000 was revised for the 5th time, covering requirements concerning child labor, forced or compulsory labor, health and safety, freedom of association & right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration, and management system.

2.1.6 Global Reporting Initiative (GRI)

In 1999, the Global Reporting Initiative (GRI) developed a comprehensive sustainability reporting framework, providing a detailed list of indicators with regard to corporate economic, environmental and social performance. In 2013, the 4th edition of the GRI Sustainability Reporting Guidelines - G4 was published, adopted by thousands of organizations in over 90 countries. [5]

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[4] https://eiti.org/countries

[5] https://www.globalreporting.org/information/about-gri/Pages/default.aspx; http://database.globalreporting.org/

2.1.7 International Organization for Standardization (ISO)

In 2010, the International Organization for Standardization (ISO) launched ISO26000 - Guidance on Social Responsibility, following five years of negotiations between many different stakeholders across the world. The guidance applies to all types of organizations regardless of their size or location, as “social responsibility” is defined as “responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that

- contributes to sustainable development, including health and the welfare of society;
- takes into account the expectations of stakeholders;
- is in compliance with applicable law and consistent with international norms of behavior; and
- is integrated throughout the organization and practiced in its relationships”.

On this basis, ISO26000 put forward 7 principles including accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, respect for human rights; and identified 7 core subjects consisting of organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.

2.2 The Role of National Governments

With the development of economic globalization and multinational companies, especially since the outbreak of the global financial crisis in 2008 to promote CSR, has been recognized as an important task of government as well as an effective way of coping with social and environmental issues. Some countries have formulated their own national CSR strategy and strengthened legislation in relevant areas, hoping to promote sustainable development and national competitiveness.

For instance, the German government released the *National Strategy for Corporate Social Responsibility* - *Action Plan* for CSR in 2010, aiming to: (1) anchor CSR even more firmly in enterprises; (2) increase the credibility and visibility of CSR; (3) integrate CSR into education, training, science and research; (4) strengthen CSR in international and development-policy contexts; (5) encourage CSR's contribution to meeting societal challenges; (6) continued development of a CSR-friendly environment.

The French government adopted the *National Sustainable Development Strategy 2010-2013*, identifying 9 challenges that both the public and private players must take up to move towards a green and fair economy: (1) sustainable consumption and production; (2) knowledge society; (3) governance; (4) climate change and energies; (5) sustainable transport and mobility; (6) conservation and sustainable management of the biodiversity and natural resources; (7) public health, risk prevention and management; (8) demography, immigration and social inclusion; (9) international challenges of sustainable development and the fight against global poverty.

Currently, CSR principles are increasingly codified into national laws on labor rights, consumer rights, environmental protection, fair competition, anti-corruption, etc. In 2014, the Council of the European Union adopted the Directive as regards disclosure of non-financial and diversity information by certain large undertakings and groups, which should be brought into forces by the Member States by the end of 2016[6]. Developing countries also strengthened CSR legislation in recent years. For example, the Sierra Leone government imposed a timber export ban

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[6] Council of the European Union. Press Release ST 13606/14 (Presse 481), Brussels, 29 September 2014.

and urged relevant ministries to strengthen supervision, so as to protect the ecological environment. The Indian Parliament passed the Companies Act 2013, rendering undertaking CSR activities mandatory for certain companies[7].

Legislation on indigenous enterprises operating overseas initially targets bribery (Table 2-5), then more broadly corporate governance and stakeholder management, with the characteristics listed below:

1. Besides sporadic articles in code law and case law as well as international conventions, specific laws are promulgated to regularize the behavior of indigenous enterprises operating overseas.
2. The target of anti-bribery law extends from the public to the private sector.
3. The Presumption of Bribery is established as a principle.
4. Penalties, regulators and procedures are explicitly set up. For instance, the U.S. Foreign Corrupt Practices Act of 1977 (FCPA) stipulates criminal, civil, or administrative liabilities; and the penalty is US$2 million at present, but potentially much higher based on the Alternative Fines Act. In addition, natural persons facing criminal charges are expected to be taken into custody for less than 5 years, and forbidden to engage in related industries. The U.S. Securities and Exchange Commission (SEC) and Department of Justice (DOJ) are in charge of the investigation and litigation of FCPA cases, with SEC responsible for civil investigations and litigations against public companies and DOJ criminal and private ones.
5. Long-arm jurisdiction is enforced. For example, the U.S. antitrust laws allow the courts to assert extraterritorial jurisdiction over foreign parties if the cartels harm the American economy.

[7] http://www.rmlt.com.cn/2014/0729/299018.shtml

6. Cross-cultural variance in CSR is taken into consideration, as bribery is exempted from certain laws should it be under duress or within legal bounds.
7. Companies are assumed duties such as self-inspection, external supervision, audit, whistle-blowing, and so forth. On May 20th of 2005, the U.S. DOJ issued a penalty decision against the Diagnostic Products Corporation (DPC), who disclosed that its subsidiary in Tianjin had offered bribes totaling US$1.623 million to doctors at China's state-owned hospitals over the previous 11 years starting from 1991, in order to persuade the hospitals to purchase DPC's products. Eventually, the company was fined US$2.00 million and US$2.04 million respectively by the U.S. DOJ and SEC, and paid US$0.75 million for preliminary hearing and other fees.

It is worth noting that non-U.S. companies and individuals are also subject to the provisions of the FCPA, meaning that the Chinese companies listed on a U.S. exchange by means of variable interest entity (VIE) or reverse merger may be put within its reach. What's more, the UK's Bribery Act went into effect in 2011, under which the crime of a commercial organization failing to prevent bribery is punishable by an unlimited fine, and bribery of foreign public officials is also a target of the legislation.

Table 2-5 Anti-Bribery/Corruption Measures in Some Countries (Regions)

Jurisdiction	**Description**
Australia	The Australian anti-bribery regime is currently under Government review. So far, the track record of prosecutions is sparse. However, OECD pressure is causing a greater focus on investigations and legislative tightening of exceptions.

Belgium	In Belgium, both public and private bribery, as well as passive and active bribery are criminalized. The Criminal Code imposes both fines and imprisonment when bribery is proven.
China	For certain types of bribery, the threshold for prosecution has been revised by the Interpretation of Several Issues Concerning the Application of Law in Handling Criminal Cases Related to Graft and Bribery (law on "Bribery Interpretation"), which was released on April 18, 2016. The sanctions range from criminal detention to death penalty and a fine shall be imposed. If the circumstances are serious, the court may also confiscate assets.
France	In addition to the existing criminalization of bribery and influence peddling that can lead to a fine up to €5 000 000, French legislation is about to evolve in favor of a more efficient prevention of such offences, through compliance programs. The objective is also to have a harmonized approach with regard to bribery issues by bringing French legislation closer to the international standards set by the FCPA and the UK Bribery Act.
Germany	German law differentiates between criminal sanctions against bribery in the public sector on the one hand and in private business on the other hand as well as administrative offences. A business can avoid conviction under the corporate offence of bribery, if it can show that there were adequate procedures in place designed to prevent active and passive bribery.
Hong Kong	Hong Kong's anti-bribery and corruption regime comprises a combination of statutory and common law offences; criminalizes offering, soliciting and receiving bribes; also criminalizes possession of disproportionate wealth by current or

	former public servants; applies in both public and private sectors, and can have extra-territorial impact; and is enforced by a specialized and independent anti-corruption agency.
Italy	Legislative Decree 231/2001 introduced the liability of Italian companies for bribery criminal offences. Companies shall be liable if they cannot prove that they have put in place adequate procedures and controls.
Saudi Arabia	The Combating Bribery Law and the Civil Service Law criminalize various forms of corruption, including active and passive bribery. Those violating the law by accepting bribes face up to 10 years in prison or fines of up to 1 million Riyals.
Singapore	Singapore's main anti-bribery legislation, the Prevention of Corruption Act has a broad reach and covers both public and private bribery and targets both recipients and givers of bribes. The PCA defines a bribe by reference to the term "gratification", which broadly covers both financial and non-financial benefits. There are no exceptions or defenses.
Spain	The Spanish Criminal Code punishes both payment and receipt of bribes to and by not only public officials but also persons entrusted with public service functions. Since 2010 legal entities can also be found liable for bribery, and the sanctions that may be imposed are severe (e.g. fines of up to €9,000,000, dissolution and termination of the company). Companies can avoid criminal liability by proving that they have implemented corporate compliance programs to prevent bribery as long as the task of verifying the effectiveness of the compliance programs was endorsed by a body of the company with independent powers or by a third party legal entity.

United Arab Emirates	The UAE Federal Penal Code criminalizes bribery and attempted bribery in the public and private sectors, but distinguishes between the two sectors. A bribe is anything that confers a benefit with the intent to procure an employee to act (or to abstain from an act) in violation of their duties, even if the act is not within their official duties. A bribe is still a bribe even if it is accepted without actual intent to violate his/her duties. A briber, or intermediary, may seek exemption from applicable sanction by reporting the crime prior to its discovery. The applicable sanction depends on whether the bribe arose in the public or private sector. Sanctions include imprisonment (for up to 10 years) and fines.

Source: King & Wood Mallesons. Anti-Bribery and Corruption: An International Guide. http://www.kwm.com/en/au/knowledge/downloads/anti-bribery-and-corruption-guide-2016-20160726

2.3 The Role of Multinational Enterprises

In the 1990s, CSR movement commenced among multinational enterprises (MNEs) under pressure from the consumer movement, marked by the formulation and implementation of codes of conduct. Levi Strauss, the U.S. jeans maker, first developed a code of conduct in 1991 after its sweatshops being exposed. In its wake, many MNEs, including Nike, Adidas, Disney, Walmart, and IKEA, set up their own codes of conduct with specialized departments and personnel in charge of implementation and review. Nevertheless, these codes were established more for the sake of business interests, and social supervision was insufficient.

As the movement was push forward by non-governmental organizations (NGOs), media and other stakeholders, the essence of the codes of conduct started to change from internal self-regulation to external social-regulation. OECD statistics showed that there were 246 codes of conduct around the world by 2000, of which 118 were established by MNEs, 92 by industry associations or trade associations, 32 by NGOs, and 4 by international organizations.[8]

Nowadays, an increasing number of MNEs adopted international CSR principles voluntarily (Table 2-6). They realize that, with the process of globalization and informatization accelerating and global civil society expanding, it is imperative to practice responsible business by strengthening compliance management, taking into account the needs of multi-stakeholders when creating wealth for shareholders, and committing to people-oriented governance and strategy, which would bring competitive advantages in both domestic and overseas markets and be conducive to achieving sustainable development.

Table 2-6 International CSR Principles

Title	**Applicable Industry**
Forest Stewardship Council (FSC) Principles and Criteria	Forestry
Marine Stewardship Council (MSC) Principles and Criteria for Sustainable Fishing	Fishery
Extractive Industries Transparency Initiative (EITI)	Oil, Gas and Mining Industries
Equator Principles (EPs)	Finance

[8] Research Team at the Institute of Labor Science at the Ministry of Labor and Social Security. (2004). Study on the Coping Strategy for the CSR Movement. Review of Economic Research, 81, 3-16.

Electronic Industry Code of Conduct (EICC)	Electronic Industry
International Council of Toy Industries (ICTI) Code of Business Practices	Toy Industries
Clean Clothes Campaign (CCC) Code of Labor Practices	Garment Industry
Ethical Trading Initiative (ETI) Principles of Implementation	Multi-industry
Fair Labor Association (FLA) Workplace Code of Conduct	Multi-industry
Business Social Compliance Initiative (BSCI) Code of Conduct	Multi-industry
Worldwide Responsible Accredited Production (WRAP) Principles	Multi-industry
Global Social Compliance Program (GSCP) Reference Code	Multi-industry
International Finance Corporation / World Bank's Environmental, Health and Safety Guidelines	Multi-industry
AA1000 Series of Standards	Multi-industry
SA8000	Multi-industry
Global Reporting Initiative (GRI)	Multi-industry
ISO26000 Guidance on Social Responsibility	Multi-industry

ISO14001 Environmental Management System	Multi-industry
ISO37001 Anti-bribery Management Systems	Multi-industry
ISO20121 Standard for Sustainable Events Management	Multi-industry

Source: Compiled by the authors.

The rise of socially responsible investment (SRI) further stimulated proactive CSR practices. The globally renowned MSCI KLD 400 Social Index, Dow Jones Sustainability Indices (DJSI) and FTSE4Good Index Series are all developed by evaluating corporate social performance[9]. In 2008, these type of indices began to launch in the Chinese capital market. (Table 2-7)

Table 2-7 Global and Domestic SRI Indices

Name	**Institution**	**Launch Time**
MSCI KLD 400 Social Index	Morgan Stanley Capital International, Inc. and KLD Research & Analytics, Inc.	1990
Dow Jones Sustainability Indices	Dow Jones & Company and RobecoSAM	1999
FTSE4Good Index Series	Financial Times and London Stock Exchange	2001
Global Compact 100 Index	UNGC and Sustainalytics	2013

[9] Refer to Appendix 1 to 3 for the ratings models.

TEDA Environment Protection Index	Shenzhen Securities Information Co., Ltd. and Tianjin Teda Co., Ltd.	2008
CNI-CBN-Aegon Industrial CSR Index	China Business Network, Aegon Industrial Fund, and Shenzhen Securities Information Co., Ltd.	2009
SSE Social Responsibility Index	Shanghai Stock Exchange and China Securities Index Co., Ltd.	2009

SRI is now widely accepted by international investors, who concern not only the corporate financial performance, but also the performance on environmental protection, labor practices, and community involvement. Based on the *2014 Global Sustainable Investment Review* released by the Global Sustainable Investment Alliance (GSIA), the sustainable investment market has continued to grow in every region of the world, rising from US$13.3 trillion at the start of 2012 to US$21.4 trillion at the start of 2014, an increase of 61%; and from 21.5% to 30.2% of the professionally managed assets in the regions covered, an increase of 8.7%. (Table 2-8, Table 2-9)

Table 2-8 Growth of SRI Assets by Region, 2012-2014

Region	**2012**	**2014**	**Growth Rate**
Europe	8 758	13 608	55%
United States	3 740	6 572	76%
Canada	589	945	60%
Australia/New Zealand	134	180	34%

Asia	40	53	33%
Total	13 261	21 358	61%

Source: http://bit.ly/1FSoj9C

Table 2-9 Proportion of SRI Relative to Total Managed Assets, 2012-2014

Region	**2012**	**2014**	**Growth**
Europe	49.0%	58.8%	9.8%
Canada	20.2%	31.3%	11.1%
United States	11.2%	17.9%	6.7%
Australia	12.5%	16.6%	4.1%
Asia	0.6%	0.8%	0.2%
Global	21.5%	30.2%	8.7%

Source: http://bit.ly/1FSoj9C

Global CSR rankings are gaining currency these years, as the lists published by well-known magazines like *Fortune* and *Forbes* have included an evaluation of CSR performance, which would have a remarkable impact on the corporate fame and reputation. According to the *2016 Global CSR RepTrak 100* released by the Reputation Institute, Google Inc. has been a champion for 3 consecutive years by outstanding performance in citizenship, governance and workplace dimensions. In terms of environmental protection, its data centers use 50% less energy than typical ones, and committed over US$1 billion to renewable energy projects.

CSR is also a significant force in promoting corporate innovation and sustainable development. The 3M's Pollution Prevention Pays (3P) program is a good illustration, which celebrated its 40th anniversary in 2015. It helps prevent pollution at the source, redesign products, improve manufacturing processes, and recycle waste. Over the last 40 years, the program has prevented over 2.1 million tons of pollutants and saved nearly US$2 billion based on aggregated data from the first year of each 3P project. [10]

[10] http://multimedia.3m.com/mws/media/1214315O/2016-3m-sustainability-report.pdf

3

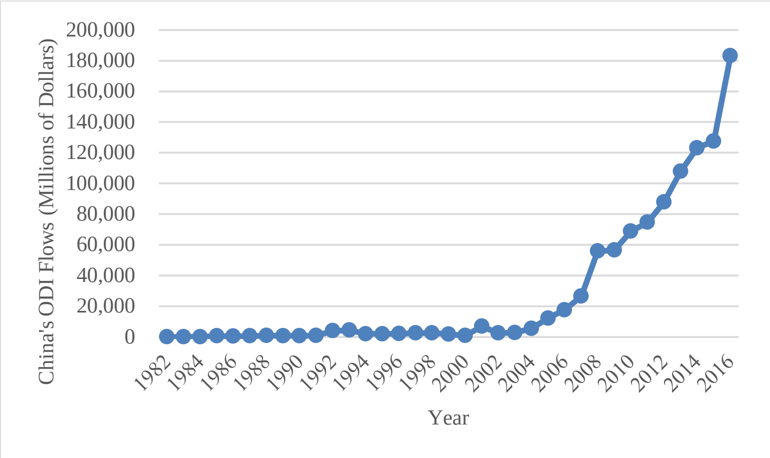
A BRIEF HISTORY OF CHINESE ENTERPRISES “GOING GLOBAL”

The world has witnessed an increasing number of Chinese enterprises “going global”, in other words, expanding their operations in overseas markets through outbound direct investments (ODI), international contracting projects and export of labor service.

In 1978, the reform and opening up policy was introduced, and the Third Plenum of the 11th Central Committee of the Communist Party of China (CCCPC) set a goal to actively develop equal and reciprocal economic cooperation with the rest of the world on the basis of self-reliance. A batch of incentive measures formulated by the State Council came out the next year, including the permission to start a business overseas. In 1979, a joint venture between the Beijing Friendship Commercial Service Corporation and the Tokyo Maruichishoji Corporation named Jinghe Co. Ltd. was founded in Tokyo as China’s first joint venture overseas, which marked the beginning of China’s foreign direct investment and international operation.

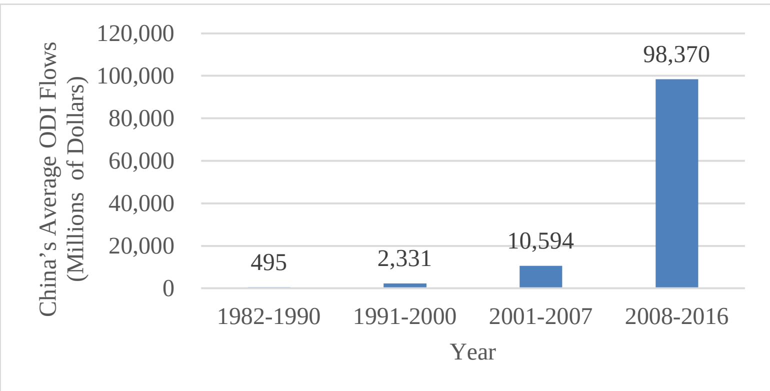
According to statistics from the United Nations Conference on Trade and Development (UNCTAD), China’s outbound direct investment has gone through four stages of development: (1) initial development (1980s); (2) growth (1990s); (3) rapid development (2001-2007); and (4) surge in investment scale (2008-2016). The average ODI Flows at each stage turned out to be US$0.495 billion, US$2.331 billion, US$10.594 billion, and US$98.370 billion. (Figure 3-1, Figure 3-2)

Figure 3-1 China's ODI Flows, 1982-2016



Source: UNCTAD datacentre

Figure 3-2 China's Average ODI Flows at Different Stages of Development



Source: UNCTAD datacenter

3.1 Initial Development

At the inception of the reform and opening up process in the 1980s, China's ODI was limited due to its weak economic conditions, shortage of foreign exchange, and the companies' lack of experience in international management.

During this period, Chinese government imposed stringent restrictions on corporate overseas investment. Prior to 1983, all ODI projects regardless of the form or the amount must be submitted to the State Council (Foreign Investment Commission) for approval. In 1983, the former Ministry of Foreign Trade and Economic Cooperation (MOFTEC) was empowered by the State Council as the department in charge of the approval and administration of China's ODI.

In 1984, the MOFTEC issued the *Notice on the Authority and Principles of the Review and Approval of Non-trade Joint Ventures Founded in Foreign Countries or Hong Kong and Macao*, stipulating that relevant enterprises must be approved by competent department at provincial or municipal level before investing abroad, regardless of the amount of the project. In 1985, the MOFTEC issued the *Trial Regulations on the Review and Approval Process and Administrative Measures of Non-trade Enterprises Founded in Foreign Countries*, stipulating that project over US$1 million shall be subject to the approval of MOFTEC; other projects shall be subject to the approval of local competent department after getting permission from the Chinese embassy.[11]

The State Administration of Foreign Exchange (SAFE) issued the *Regulations on Foreign Exchange Administration for Overseas Investment* in 1989 and the *Implementation Rules on Foreign Exchange Administration for Overseas Investment* in 1990, according to which the foreign exchange used for overseas investment should generally be

[11] http://aaa.ccpit.org/Category7/Asset/2007/Jul/24/onlineeditimages/file71185259698809.pdf

raised by domestic investors, and the profit or other foreign exchange earnings of foreign enterprises shall not be misappropriated or retained overseas without the approval of the department of foreign exchange administration.

According to the *Yearbook of China's International Economics and Trade*, 801 non-trade enterprises were approved by the Chinese government to set up overseas during 1979 and 1990, with a total investment of US$1.028 billion.[12] Targeted industries included shipping service, finance and insurance, catering service, etc., and then expanded to resource exploitation after 1984. A handful of large and powerful state-owned enterprises (SOEs) started to conduct cross-border acquisitions, illustrated by China International Trust and Investment Corporation (CITIC) who acquired the American forest land in 1984, an Australian electrolytic aluminum plant and a Canadian pulp mill in 1986, and an American steel mill in 1988, etc.

3.2 Growth

In the 1990s, the 14th National Congress of the Communist Party of China (CPC) decided to develop a socialist market economy and "actively expand China's ODI and transnational business". Compared with the previous stage, China's ODI slightly increased, despite the domestic restrictive policies and the impact of the 1997 Asian financial crisis.

In 1991, the State Planning Commission published the Opinions on Strengthening Overseas Investment Project Management and the Regulations on Compilation, Review and Approval of Proposals and Feasibility Reports of Overseas Investment Projects, emphasizing that "The country is not in readiness for large-scale overseas investment", and corporate overseas investment must be "in line with the national macro-

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[12] Editorial Board. Yearbook of China's International Economics and Trade 1991. Beijing: China Society Press, 1991, p.56.

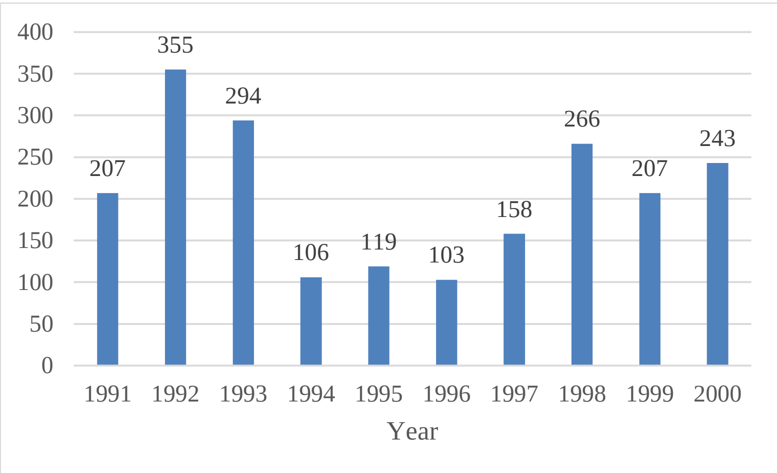
economic goals and plans, and be strictly in accordance with specified approval procedure".

MOFTEC formulated the Regulations on the Review and Approval and Administration of Non-trade Enterprises Founded in Foreign Countries (Trial Implementation) in 1992, according to which projects over US$1 million shall be approved by the State Planning Commission and relevant departments; project over US$30 million shall be submitted to the State Council for permission after getting preliminary approval from the State Planning Commission and relevant departments; projects less than US$1 million shall be approved by departments of the State Council or comprehensive departments designated by the people's government of provinces, autonomous regions, municipalities and municipalities with independent planning status according to the above rules of approval.

Thereafter, other government departments successively issued related regulations with the aim to strengthen the administration of corporate overseas investment. In 1992, the State Administration of State Assets, the Ministry of Finance and the SAFE issued the *Interim Measures for the Registration and Administration of Overseas Property Rights of State-owned Enterprises*. In 1993, the State Administration of State Assets, the MOFTEC, and the General Administration of Customs issued the *Regulations on Establishing Enterprises by Investing State Physical Assets Abroad*; the SAFE issued the *Rules on the Examination of Foreign Exchange Risk in Overseas Investment and the Source of Foreign Exchange*. In 1994, the Ministry of Finance issued the *Urgent Notice on Implementing the Notice of the State Council on Suspending Cross-border Acquisition and Further Strengthening the Administration of Overseas Investment*.

Under these policies, the number of non-trade overseas enterprises approved by the Chinese government generally declined in 1992-1996 (Figure 3-3). This trend continued 1997, when the government started to loosen the restrictions on corporate overseas investment to alleviate the impact of the Asian Financial Crisis on China's export. The 15th CPC National Congress proposed "to encourage outbound investment that takes advantage of the nation's comparative edge, and to better utilize the domestic and international markets and resources." In 1999, the MOFTEC, the former State Economic and Trade Commission, and the Ministry of Finance issued the *Opinions on Encouraging Enterprises to Develop Processing and Assembling Business with Supplied Materials Overseas*, and the SAFE issued the *Notice on Simplifying the Foreign Exchange Administration over Processing and Assembling Business with Supplied Materials Overseas*, to promote China's ODI in the form of processing trade.

Figure 3-3 Number of Non-trade Enterprises Founded in Foreign Countries Approved by the Chinese Government, 1991-2000



Source: Yearbook of China's International Economics and Trade.

Statistics showed that by the end of 2000, 2 859 non-trade enterprises had been approved by the Chinese government to set up in 153 countries and regions, with a total investment of US$3.725 billion.[13] China's ODI became more diversified in terms of industries and investors. SOEs such as Shougang Group and China National Petroleum Corporation (CNPC) invested in Malaysia, Indonesia, Dubai, Peru, etc., meanwhile private enterprises such as Fuyao Group, Haier Group, Wanxiang Group, and TCL Group invested in the U.S., the Philippines, Indonesia, Malaysia, Vietnam, etc.

3.3 Rapid Development

In 2001, the Fourth Session of the 9th National People's Congress (NPC) adopted the *Outline of the 10th Five-Year Plan for National Economic and Social Development*, and "to implement the 'going global' strategy" was explicitly put forward:

> "China will encourage outbound investment that takes advantage of the nation's comparative edge, and expand the areas, channels and forms of international economic and technical cooperation. We will continue to develop international contracting projects and labor cooperation, and encourage enterprises with competitive advantage to develop processing trade overseas, so as to stimulate the export of product, service, and technology. We will support international cooperation in exploiting resources that the nation lacks of, and thus promote the domestic industrial restructuring and resource exchange. We will encourage enterprises to utilize foreign intellectual resources to establish research and development institutions and design centers overseas. We will support capable enterprises to operate globally so as to achieve international development. We will improve the service system for

[13] Editorial Board. Yearbook of China's International Economics and Trade 2001. Beijing: China International Business and Economics Press, 2001, pp.768-772.

> overseas investment, and set the stage for implementing the "going global" strategy in areas such as finance, insurance, foreign exchange, taxation, human resource, law, information service, entry and exit administration, etc. We will improve the corporate governance structure and internal control mechanism of enterprises investing overseas, and regularize the supervision of overseas investment. "

In the same year, China acceded to the World Trade Organization (WTO), ushering China's opening up process to a new phase. In 2002, the 16th CPC National Congress pointed out that "To implement the 'going global' strategy is an essential move in the new phase of opening up. China will encourage and support enterprises with comparative advantage to invest oversea, regardless of their ownership, simulate the export of goods and services, and develop a batch of capable transnational enterprises and reputable brands."

In order to encourage Chinese enterprises to go global, the Chinese government gradually loosened the restrictions on outbound investment by facilitating the approval process of corporate overseas investment on the one hand, and deepening the reform of foreign exchange administration on the other.

In terms of outbound investment administration, the Ministry of Commerce (MOFCOM) issued the *Notice on the Pilot Work Relating to the Review and Approval of Overseas Investment* in 2003, and started the reform of devolving the approval authority and facilitating the review and approval process in 12 pilot provinces and cities.

In 2004, the State Council issued the *Decision on Reforming the Investment System*, explicitly proposing "to encourage and support capable enterprises of all ownership to invest overseas". According to the attached *Catalogue of Investment Projects Subject to Government Approval (2004)*, resource exploitation overseas investment projects over US$30 million and non-resource exploitation overseas investment projects with over US$10 million foreign exchange shall be subject to the approval of the National Development and Reform Commission (NDRC). As for other overseas investment projects, those invested by central enterprises shall be recorded at the NDRC and the MOFCOM; those invested by other enterprises shall be approved by local governments in accordance with applicable regulations. The establishment of overseas enterprises (excluding financial enterprises) shall be subject to the approval of the MOFCOM.

Accordingly, the NDRC in that year issued the *Interim Measures for the Administration of the Approval of Overseas Investment Projects*. In addition to the above requirements, it stipulated that resource exploitation overseas investment projects over US$200 million and non-resource exploitation overseas investment projects with over US$50 million foreign exchange shall be subject to the approval of the State Council after getting permission from the NDRC. The MOFCOM issued the *Provisions on the Issues to be Considered for the Approval of Establishment of Overseas Enterprises* and the *Provisions on the Issues to be Considered for the Approval of Establishment of Enterprises in Hong Kong and Macau Special Administrative Regions by Chinese Mainland Enterprises*, according to which central enterprises establishing overseas enterprises (excluding financial enterprises) shall be subject to the approval of the MOFCOM, other enterprises establishing enterprises in countries listed in the attachment to the provisions shall be subject to the approval of the competent department of commerce at provincial level.

In terms of foreign exchange administration, the SAFE authorized 24 provinces and cities to carry out the pilot reform of foreign exchange administration for overseas investment since 2002. The reform measures included providing a quota of foreign exchange, removing the foreign exchange risk review for overseas investment, abolishing the system of deposit for repatriated profit gained from overseas investment, allowing the reinvestment of profits generated from overseas enterprises, and allowing the purchase and use of domestic foreign exchange to invest overseas, etc.

Thereafter, the SAFE issued the *Notice on the Issues Regarding Removing Deposit for Repatriated Profit Gained from Overseas Investment* in 2002 and the *Notice on the Issues Regarding Simplifying the Review of the Source of Foreign Exchange* in 2003, which marked the abolishment of the two administrative approvals.

In 2005, the SAFE issued the *Notice on the Issues Regarding Expanding the Pilot Reform of Foreign Exchange Administration for Overseas Investment* to promote the reform across the nation, increase the quota of foreign exchange for overseas investment from US$3.3 billion to US$5.0 billion, and raise the threshold of the review of the source of foreign exchange for overseas investment from US$3 million to US$10 million.

In the same year, the SAFE issued the *Notice on Adjusting the Administration of External Financing Guarantees Provided by Domestic Banks to Enterprises Investing Overseas*. It aimed at facilitating the overseas investment by managing the balance of external financing guarantees provided by domestic banks to enterprises investing overseas and abolishing the approval process on a transaction by transaction basis.

In 2006, the SAFE issued the *Notice on Adjusting Certain Foreign Exchange Administrative Policies Concerning Overseas Investment*, which contained two important adjustments: one was to remove the restriction on the purchase quota of foreign exchange for overseas investment; the other was to allow domestic investors to remit the initial expenses abroad for overseas investment projects after getting permitted.

The discourse on “implementing the ‘going global’ strategy” was slightly changed in the *Outline of the 11th Five-Year Plan for National Economic and Social Development*. Specifically, the strategy will contribute to “the diversification of the products’ country of origin instead of stimulating the export. In addition, enterprises engaged in cross-border mergers and acquisitions (M&As) and capital operation were said to be supported:

> "China will support capable enterprises to engage in foreign direct investment and transnational business. Focusing on the competitive industries, we will guide the enterprises to develop overseas processing trade, and thus to promote the diversification of the products' country of origin. We will cultivate and develop transnational enterprises by cross-border M&As, holding shares, going public, restructuring, etc. We will expand the cooperation in overseas resource exploitation under the principle of advantage complementation, equality and reciprocity. We will encourage enterprises to participate in overseas infrastructure construction, improve the performance of contracting projects, and gradually deepen the labor service cooperation. We will improve the promotion and security system for overseas investment, enhance the planning, coordination and risk management of overseas investment, and strengthen the supervision of overseas state-owned assets."

Stimulated by the national policies, China's average ODI flows in 2001-2007 turned out to be 4 times more than that in the 1990s. By the end of 2007, China's ODI stock for the first time exceeded US$100 billion, spanning 173 countries and regions. China's ODI stock covered a variety of industries, and nearly 90% of the capital was invested in leasing and business service, wholesale and retail trade, finance, mining, transport, storage and post, and manufacturing. In China's total non-financial ODI stock, the proportion of investment made by Chinese private enterprises increased substantially. [14]

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[14] 2007 Statistical Bulletin of China's Outward Foreign Direct Investment, http://images.mofcom.gov.cn/fec/201512/20151204091015199.pdf

More and more Chinese enterprises invested overseas by cross-border M&As with mixed results, drawing international attention. Examples include Lenovo's acquisition of IBM's PC business in the United States, CNPC's acquisition of PetroKazakhstan Inc., China COSCO Shipping Corporation Ltd.'s acquisition of the American Cagban Port (failed), Shanghai Automotive Industry Corporation's merger with the Korean SSANG YONG Motor Company (failed), TCL Group's merger with the French Thomson Group (failed), China Minerals Corporation's acquisition of the Canadian Noranda Aluminum Holding Corp. (failed), Haier Group's acquisition of the American toy manufacturer Mattel (failed), and China National Offshore Oil Corporation (CNOOC)'s acquisition of the American oil firm Unocal (failed).

3.4 Surge in Investment Scale

The 2008 global financial crisis led to numerous companies in developed countries suffering from both shrinking market and capital shortage, which however, gave opportunities for Chinese enterprises to takeover. Statistics from the MOFCOM showed that China's ODI flows for the first time hit US$50 billion in that year, more than twice of that in the previous year, US$30.2 billion of which were realized by M&As, accounting for 54% of the total. [15]

In 2009, the *Measures for Outbound Investment Administration* issued by the MOFCOM stipulated the approval authority and procedures for different overseas investment projects, rendering corporate overseas investment facilitated and regularized. In the same year, the *Provisions on the Foreign Exchange Administration for Outbound Direct Investment by Domestic Institutions* issued by the SAFE expanded the source of foreign exchange for ODI, replaced prior review with post registra-

[15] 2008 Statistical Bulletin of China's Outward Foreign Direct Investment, http://images.mofcom.gov.cn/fec/201512/20151204090727967.pdf

tion, and replaced the approval system of remittance by domestic institutions for ODI with registration system.

In 2011, the *Outline of the 12th Five-Year Plan for National Economic and Social Development* proposed "to accelerate the implementation of 'going global' strategy", and required that "enterprises that are 'going global' and conduct international cooperation projects must fulfill social responsibilities and benefit the local people":

> "China will follow the strategy of market orientation and self-willingness of enterprises to guide enterprises with different ownerships to develop overseas investment cooperation in an orderly manner. China will deepen the development of international energy resources and mutually beneficial processing cooperation. China will support the carrying out of technology R&D investments abroad and to encourage leading enterprises in the manufacturing industry to conduct foreign investment to create internationalized marketing and sales channels and famous brands. China will enlarge international cooperation in the agricultural sector and develop overseas engineering contracts, labor cooperation and cooperation projects that can improve living standards in local areas. China will gradually develop its own large cross country corporations and cross country financial institutions to increase China's level of international operations. China will conduct research for overseas investments and enhance scientific evaluation of investment projects. China will increase its ability of comprehensive all-round consideration, optimize the cross-agency coordination system, and enhance the guidance and services to enforce the 'going out' strategy. The formulation of laws and regulations concerning overseas investments will be speeded up and optimized. China will actively discuss and sign mutual agreements on investment protection and agreements to avoid double taxation as well as other multilateral or bilateral agree-

> ments. China's overseas investment promotional system will be improved to increase the level of investment facilitation for enterprises to invest overseas and to protect the overseas rights of China and to minimize different kinds of risks. Enterprises that are 'going global' and conduct international cooperation projects must fulfill social responsibilities and benefit the local people."

Since 2013, China has put forward the "Belt and Road (B&E)" initiative and the "Made in China 2025" plan, providing new opportunities for Chinese enterprises going global. In 2015, the CCCPC and the State Council issued the *Several Opinions on Developing a New System of Open Economy*, which explicitly proposed "to establish a new regime to promote the 'going global' strategy", "to enhance the principal status of enterprises and individuals in outbound investment, strive to raise the quality and efficiency of outbound investment", and "to urge Chinese enterprises to fulfill social responsibilities and establish a good image". The *Outline of the 13th Five-Year Plan for National Economic and Social Development* released in 2016 explicitly proposed to "support enterprises to expand overseas investment, and deeply integrate into the global industrial chain, value, and logistics chain", "establish an administrative system for overseas investment that is primarily based on registration and supplemented with approval, improve the incentive and service system for overseas investment, and facilitate the investing process". The NDRC, the MOFCOM, the SAFE and other relevant departments also introduced a series of policies to encourage Chinese enterprises to go global, boosting China's ODI at a high speed.

In 2015, China became a net capital exporter and the world's second largest ODI investor for the first time, with ODI stock exceeding US$1 trillion. In 2016, China's ODI flows hit another record high, and investment in non-financial sectors alone reached US$170.11 billion. [16]

[16] http://www.mofcom.gov.cn/article/ae/slfw/201706/20170602588327.shtml

4

STATUS QUO OF CHINESE BUSINESS OVERSEAS OPERATION

China has become more economically open and engaged in international collaborations since 2001, when the "going global" strategy was officially launched. China has signed bilateral investment treaties with more than 100 countries including the 65 Belt and Road countries (Appendix 4), and launched bilateral investment treaty negotiations with the U.S. and EU. From 2011 to 2016, Chinese enterprises operating overseas paid a total of US$161.5 billion tax to the host countries, and hired 6 120 thousand local employees.

For the year 2016, Chinese enterprises invested in 7 961 foreign companies spreading across 164 countries, and the investment in non-financial sectors alone reached US$170.11 billion, increasing by 44.1% over the last year. In particular, US$14.53 billion was invested in the B&R countries.[17]

In 2016, Chinese enterprises completed international contracting projects worth US$159.42 billion, growing by 3.5%, and newly signed contracts worth US$244.01 billion, growing by 16.2%. 815 new projects were worth more than US$50 million, increasing by 94, and the amount of these contracts totaled US$206.69 billion, accounting for 84.7% of all

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[17] MOFCOM Department Official of Outward Investment and Economic Cooperation Comments on China's Outward Investment and Cooperation in 2016, http://www.mofcom.gov.cn/article/ae/ag/201701/20170102502097.shtml

the newly signed projects. In particular, the turnover of completed projects in the B&R countries turned out to be US$75.97 billion, making up 47.7% of the total; and the value of newly signed contracts was US$126.03 billion, occupying 51.6%. By the end of 2016, the number of cooperation zones that have begun to take shape established by Chinese enterprises along the B&R countries reached 56, with accumulated investment of US$18.55 billion. 1 082 enterprises whose production value totaled US$50.69 billion have entered the cooperation zones, and the tax paid to the host countries amounted to US$1.07 billion, creating about 177 000 jobs for the local people.[18]

4.1 Outbound Direct Investment[19]

4.1.1 Investment Scale

China's ODI expanded rapidly since the "going global" strategy was launched. From 2002 to 2016, China's ODI kept growing for 14 consecutive years with an average annual increase of 35.8%. In 2016, China's ODI across all industries reached US$196.15 billion, 34.7% higher than with the previous year. It was the second time that China's outward foreign direct investment (FDI) exceeded the inward FDI, continuing to be the second largest ODI investor. (Table 4-1, Figure 4-1, Figure 4-2)

By the end of 2016, China's ODI stock totaled US$1 357.39 billion, increasing by US$259.53 billion, 45.4 times that in 2002. It accounted

[18] Ibid.

[19] According to *China's Statistical Rules on Outbound Direct Investment*, "outbound direct investment" refers to investment made by Chinese domestic investors in forms of cash, physical goods, intangible assets, etc. to establish, hold shares, merge or acquire enterprises in foreign countries or Hong Kong, Macau, and Taiwan, which results in more than 10% ownership or actual control over the corporate operation.

for 5.2% of the global ODI stock and ranked in 6th place, up from 0.4% and 25th in 2002. (Table 4-1, Figure 4-3, Figure 4-4)

However, given the proportion of China's GDP and export of goods in the world, China's ODI will probably continue to increase. Besides, when taking into consideration China's ODI stock-to-GDP ratio, there is still plenty of headroom for it to grow. (Figure 4-5, Figure 4-6)

Table 4-1 China's ODI Flows and Stock, 2002-2016

(Billions of Dollars)

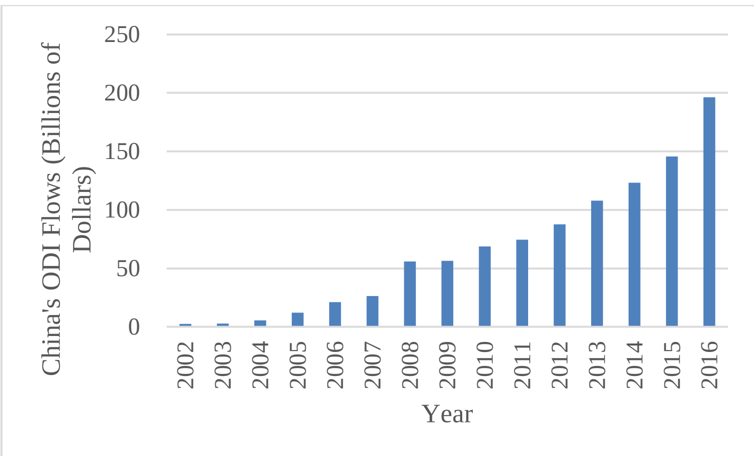
Year	**ODI Flows**	**Global Rank**	**ODI Stock**	**Global Rank**
2002	2.70	26	29.90	25
2003	2.85	21	33.20	25
2004	5.50	20	44.80	27
2005	12.26	17	57.20	24
2006	21.16	13	90.63	23
2007	26.51	17	117.91	22
2008	55.91	12	183.97	18
2009	56.53	5	245.75	16
2010	68.81	5	317.21	17
2011	74.65	6	424.78	13
2012	87.80	3	531.94	13

2013	107.84	3	660.48	11
2014	123.12	3	882.64	8
2015	145.67	2	1 097.86	8
2016	196.15	2	1 357.39	6

Note: China's outward direct investment statistical system was not established until 2002; the data for 2002 to 2005 includes China's non-financial ODI only, collected by the Ministry of Commerce and the National Bureau of Statistics; since 2006, the Ministry of Commerce, the National Bureau of Statistics and the State Administration of Foreign Exchange has collected China's ODI data across all industries.

Source: Statistical Bulletin of China's Outward Foreign Direct Investment

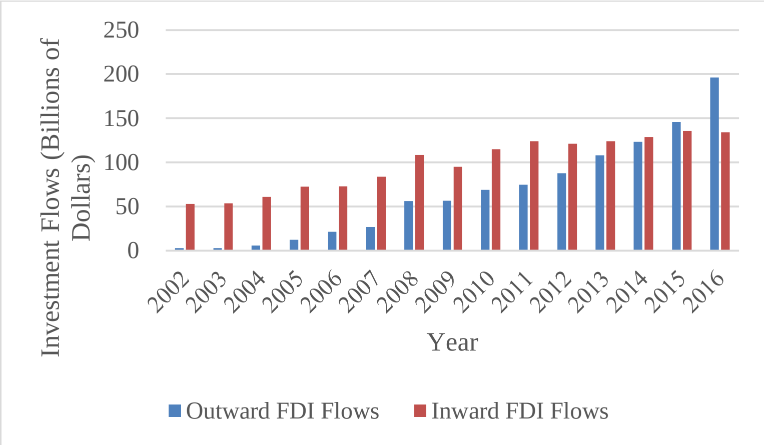
Figure 4-1 China's ODI Flows, 2002-2016



Note: The data for 2002 to 2005 includes China's non-financial ODI only, and data for 2006-2016 includes China's ODI across all industries.

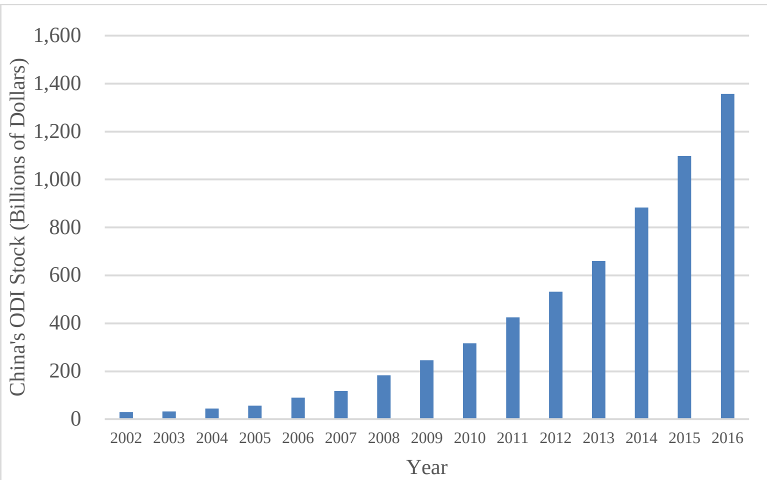
Source: Statistical Bulletin of China's Outward Foreign Direct Investment

Figure 4-2 China's Outward and Inward FDI Flows, 2002-2016



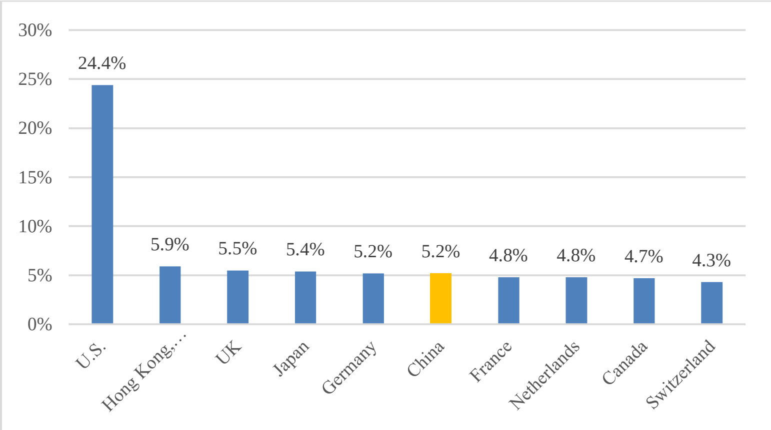
Source: The data for outward FDI flows was collected from the Statistical Bulletin of China's Outward Foreign Direct Investment published by the MOFCOM, and the data for inward FDI flows was collected from the World Investment Report published by the UNCTAD.

Figure 4-3 China's ODI Stock, 2002-2016



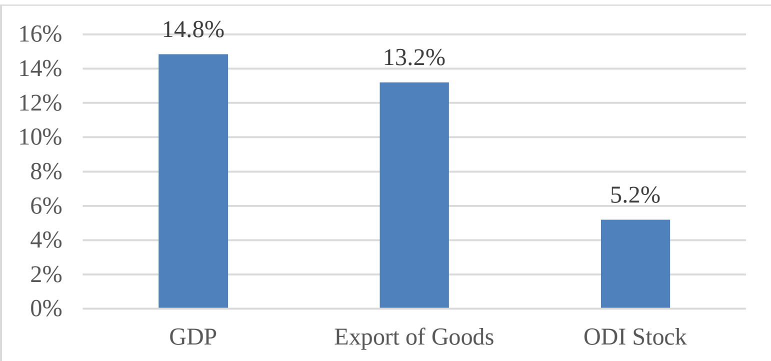
Source: Statistical Bulletin of China's Outward Foreign Direct Investment

Figure 4-4 Top 10 Economies by ODI Stock and Their Share, 2016



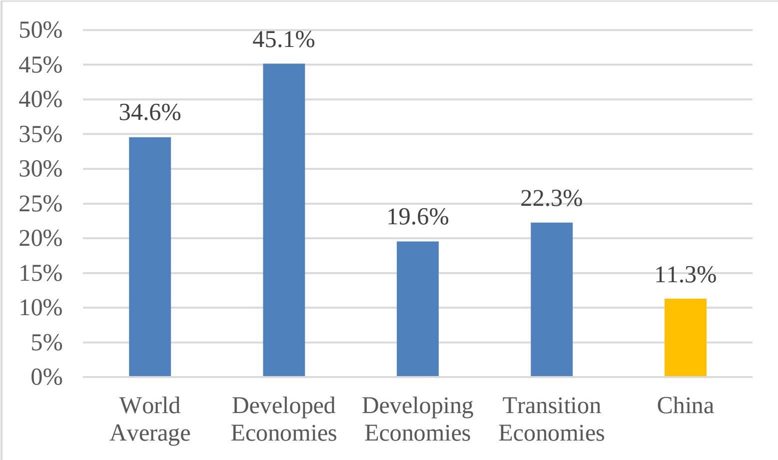
Source: The data for ODI stock was collected from the Statistical Bulletin of China's Outward Foreign Direct Investment published by the MOFCOM, and other data was collected from the World Investment Report published by the UNCTAD.

Figure 4-5 China's Global Share of GDP, Export of Good, and ODI Stock, 2016



Source: The data was respectively collected from the World Bank database, the WTO database, and the Statistical Bulletin of China's Outward Foreign Direct Investment.

Figure 4-6 ODI Stock-to-GDP Ratio, 2016



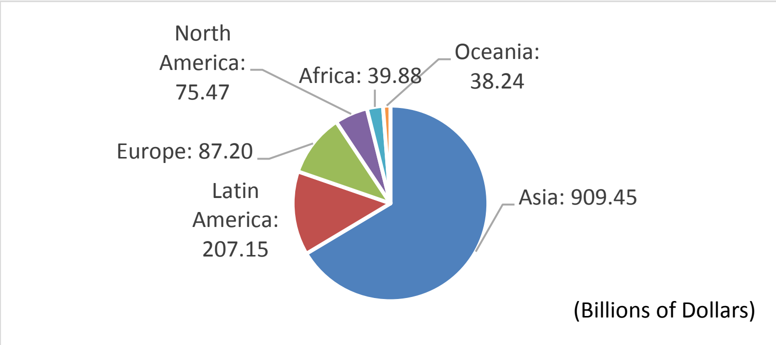
Note: According to the classification of economies by the UNCTAD, developed economies include the member countries of the OECD (excluding Chile, Mexico, the Republic of Korea and Turkey), plus the new European Union member countries which are not OECD members (Bulgaria, Croatia, Cyprus, Latvia, Lithuania, Malta and Romania), plus Andorra, Bermuda, Liechtenstein, Monaco and San Marino. Transition economies include South-East Europe, the Commonwealth of Independent States and Georgia. Developing economies refer to all economies not specified above in general.

Source: UNCTAD datacenter.

4.1.2 Geographic Distribution

In 2016, Asia received US$139.27 billion, accounting for 66.4% of the China’s total ODI flows, followed by Latin America US$27.23 billion, 13.9%; North America US$20.35 billion, 10.4%; Europe US$10.69 billion, 5.4%; Oceania US$5.21 billion, 2.7%; and Africa US$2.40 billion, 1.2%. (Figure 4-7)

Figure 4-7 Geographic Distribution of China's ODI Flows, 2016



Source: Statistical Bulletin of China's Outward Foreign Direct Investment

By the end of 2016, China's ODI stock in Asia reached US$909.45 billion, accounting for 67.0% of the total, followed by Latin America US$207.15 billion, 15.3%; Europe US$87.20 billion, 6.4%; North America US$75.47 billion, 5.6%; Africa US$39.88 billion, 2.9%; and Oceania US$38.24 billion, 2.8%. (Table 4-2, Figure 4-8, Figure 4-9)

Table 4-2 Geographic Distribution of China's ODI Stock, 2007-2016

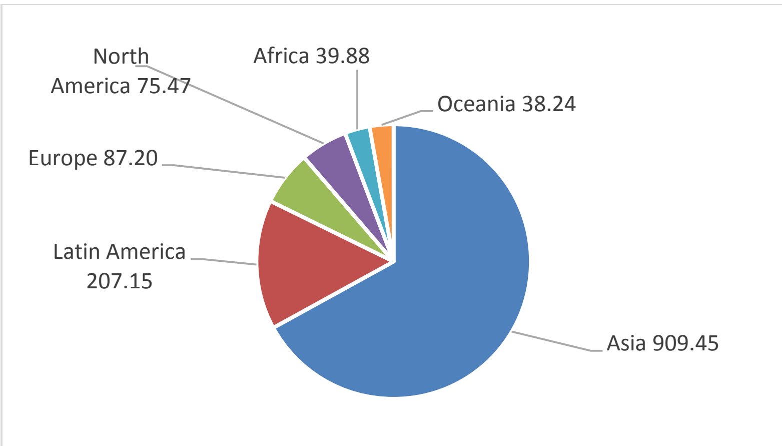
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Asia	79.22	131.32	185.55	228.15	303.43	364.41	447.41	600.97	768.90	909.45
Latin America	24.70	32.24	30.60	43.88	55.17	68.21	86.10	106.11	126.32	207.15
Europe	4.46	5.13	8.68	15.71	24.45	36.98	53.16	69.40	83.68	87.20
North America	3.24	3.66	5.18	7.83	13.47	25.50	28.61	47.95	52.18	75.47
Africa	4.46	7.80	9.33	13.04	16.24	21.73	26.19	32.35	34.69	39.88
Oceania	1.83	3.82	6.42	8.61	12.01	15.11	19.02	25.86	32.09	38.24
Total	117.91	183.97	245.76	317.21	424.78	531.94	660.48	882.64	1097.86	1357.39

Source: Statistical Bulletin of China's Outward Foreign Direct Investment

Figure 4-8 Geographic Distribution of China's ODI Stock, 2007-2016

Source: Statistical Bulletin of China's Outward Foreign Direct Investment

Figure 4-9 Geographic Distribution of China's ODI Stock, 2016



Source: Statistical Bulletin of China's Outward Foreign Direct Investment

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Specifically, China's ODI stock in Asia was mainly concentrated in Hong Kong (China), Singapore, Indonesia, Macao (China), Laos, Kazakhstan, Vietnam, United Arab Emirates, Pakistan, Myanmar, Thailand, Cambodia, Korea, Israel, Mongolia, Malaysia, etc., and that in Hong Kong (China) alone accounted for 85.8% of the stock in Asia.

China's ODI stock in Latin America was mainly concentrated in the Cayman Islands, the British Virgin Islands, Brazil, Venezuela, Argentina, Ecuador, Jamaica, Peru, Trinidad and Tobago, Mexico, etc., and that in the Cayman Islands and the British Virgin Islands accounted for 93.2% of the stock in Latin America.

China's ODI stock in Europe was mainly concentrated in the Netherlands, the United Kingdom, Russia, Luxembourg, Germany, France, Sweden, Norway, Italy, etc., and that in the EU countries accounted for 80.1% of the stock in Europe.

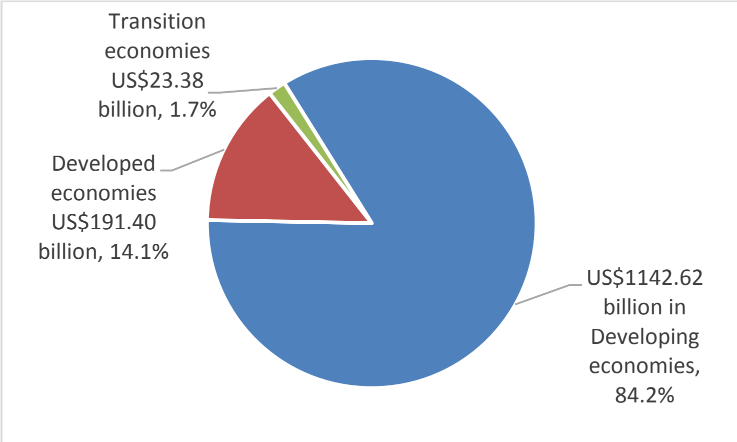
China's ODI stock in North America was mainly concentrated in the United States and Canada, accounting for 97.1% of the stock in the region.

China's ODI stock in Africa was mainly concentrated in South Africa, Congo (DRC), Zambia, Algeria, Nigeria, Ethiopia, Ghana, Zimbabwe, Angola, Tanzania, Mauritius, Sudan, Kenya, etc.

China's ODI stock in Oceania was mainly concentrated in Australia and New Zealand, accounting for 92.7% of the stock in that area.

According to the classification of economies by the UNCTAD, China's ODI stock in developing economies amounted to US$1 142.62 billion by the end of 2016, accounting for 84.2% of the total; that in developed economies reached US$191.40 billion, occupying 14.1%; and another US$23.38 billion was invested in transition economies, making up 1.7%. (Figure 4-10)

Figure 4-10 Distribution of China's ODI Stock by Type of Economy, 2016



Note: For statistical purposes, the data for China do not include those for Hong Kong Special Administrative Region (Hong Kong SAR), Macao Special Administrative Region (Macao SAR) and Taiwan Province of China.

Source: Statistical Bulletin of China's Outward Foreign Direct Investment

Specifically, in developing economies, the stock in Hong Kong (China) amounted to US$780.75 billion, accounting for 68.3%, and the stock in ASEAN countries reached US$71.55 billion, accounting for 6.3%.

The European Union took the lion's share of China's ODI stock in developed economies, receiving US$69.84 billion and accounting for 36.5%. It was followed by the United States, receiving US$60.58 billion and accounting for 31.7%; Australia, US$33.35 billion and 17.4%; Canada, US$12.73 billion and 6.6%; Israel, US$4.23 billion and 2.2%; Norway, US$2.64 billion and 1.4%; and Japan, US$3.18 billion and 2.0%.

In transition economies, countries that were most attractive to Chinese investors included Russia, receiving US$12.98 billion and making up 55.5%; Kazakhstan, US$5.43 billion and 23.2%; Kyrgyzstan, US$1.24 billion and 5.3%; Tajikistan, US$1.17 billion and 5.0%; and Turkmenistan, US$0.25 billion and 1.1%.

Excluding the Cayman Islands and the British Virgin Islands, Chinese enterprises majorly invested in Hong Kong (China), the United States, Singapore, Australia, Netherlands, United Kingdom, Russia, and Canada. China's ODI stock in each of these economies was above US$10 billion, and their combined share added up to 71.6%. (Table 4-3)

Table 4-3 China's ODI Stock in Major Economies, 2016

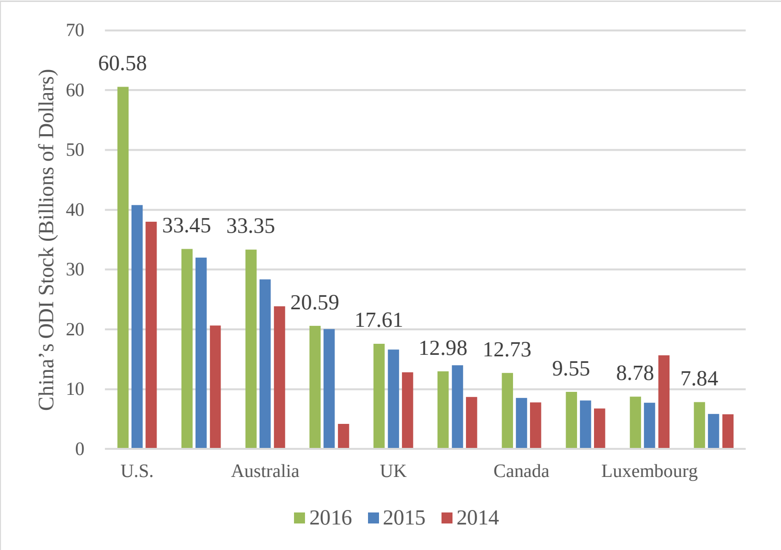
Economy	ODI Stock (Billions of Dollars)	Share (%)
Hong Kong, China	780.75	57.5
United States	60.58	4.4
Singapore	33.45	2.5
Australia	33.35	2.5
Netherlands	20.59	1.5
United Kingdom	17.61	1.3
Russia	12.98	1.0
Canada	12.73	0.9
Total	972.03	71.6

Source: Statistical Bulletin of China's Outward Foreign Direct Investment

In recent years, the growth of Chinese ODI in developed countries in Europe and North America outpaced that in resource-rich countries in Asia, Africa and Latin America. Except Hong Kong (China), Macau

(China), the Cayman Islands and the British Virgin Islands, the top 10 destinations of China's ODI stock by the end of 2016 turned out to be the United States, Singapore, Australia, the Netherlands, the United Kingdom, Russia, Canada, Indonesia, Luxembourg, and Germany. (Figure 4-11)

Figure 4-11 Top 10 Destinations of China's ODI Stock, 2016

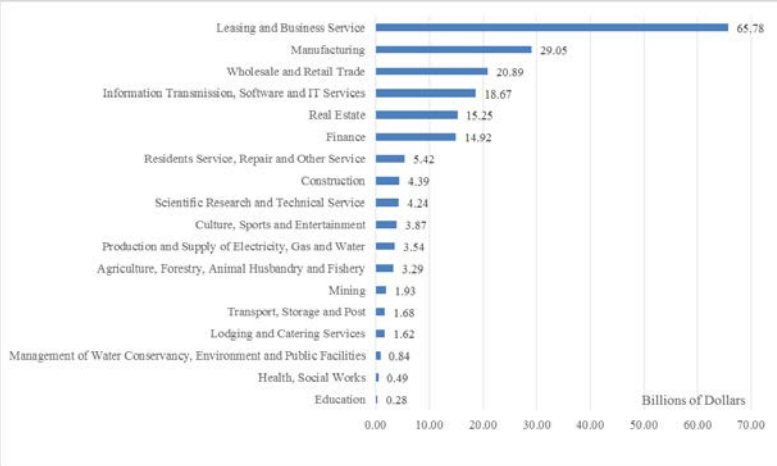


Source: Statistical Bulletin of China's Outward Foreign Direct Investment

4.1.3 Industrial Distribution

In 2016, China's ODI covered 18 industries, of which the top 5 in terms of ODI flows were leasing and business service, attracting US$65.78 billion and accounting for 33.5% of the total; manufacturing, US$29.05 billion and 14.8%; wholesale and retail trade, US$20.89 billion and 10.7%; information transmission, software and IT services, US$18.67 billion and 9.5%; and real estate, US$15.25 billion and 7.8%. (Figure 4-12)

Figure 4-12 Industrial Distribution of China’s ODI Flows, 2016



Source: Statistical Bulletin of China’s Outward Foreign Direct Investment

In general, China’s ODI flows were fairly concentrated in industries such as leasing and business service, finance, manufacturing, wholesale and retail trade, and mining. In 2007-2016, more than 70% of China’s ODI flows targeted these five industries. Affected by the depressed prices of bulk commodities, China only invested US$1.93 billion in mining, sharply decreasing by 82.8%. In recent years, China’s ODI tended to be more diversified, indicated by the rising proportion of other industries in the total ODI flows. (Table 4-4, Figure 4-13)

Table 4-4 Industrial Distribution of China's ODI Flows, 2007-2016

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Leasing and Business Service	5.61	21.72	20.47	30.28	25.60	26.74	27.06	36.83	36.26	65.78
Finance	1.67	14.05	8.73	8.63	6.07	10.07	15.11	15.92	24.25	14.92
Manufacturing	2.13	1.77	2.24	4.66	7.04	8.67	7.20	9.58	19.99	29.05
Wholesale and Retail Trade	6.60	6.51	6.14	6.73	10.32	13.05	14.65	18.29	19.22	20.89
Mining	4.06	5.82	13.34	5.71	14.45	13.54	24.81	16.55	11.25	1.93
Other Industries	6.44	6.04	5.60	12.80	11.18	15.73	19.03	25.95	34.71	63.58
Total	26.51	55.91	56.53	68.81	74.65	87.80	107.84	123.12	145.67	196.15
Proportion of the Five Industries	76%	89%	90%	81%	85%	82%	82%	79%	76%	68%
Proportion of Other Industries	24%	11%	10%	19%	15%	18%	18%	21%	24%	32%

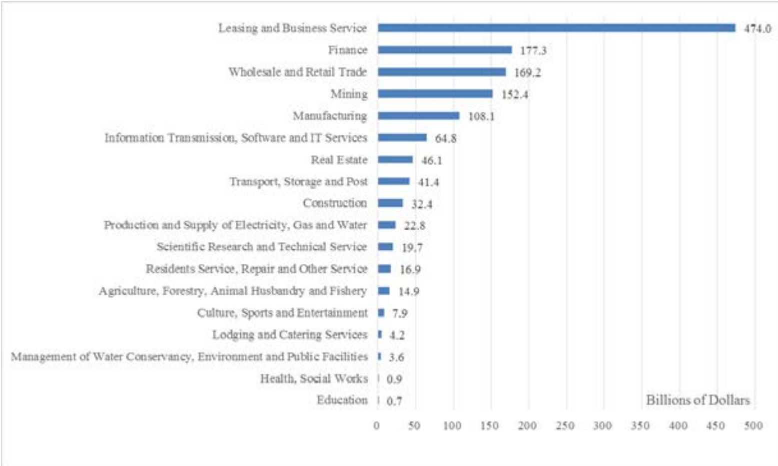
Source: Statistical Bulletin of China's Outward Foreign Direct Investment

Figure 4-13 Industrial Distribution of China's ODI Flows, 2007-2016

Source: Statistical Bulletin of China's Outward Foreign Direct Investment

In terms of China's ODI stock, the top 5 targeted industries by the end of 2016 were leasing and business service, attracting US$474.0 billion and accounting for 34.9%; finance, US$177.3 billion and 13.1%; wholesale and retail trade, US$169.2 billion and 12.5%; mining, US$152.4 billion and 11.2%; and manufacturing, US$108.1 billion and 8.0%. (Figure 4-14)

Figure 4-14 Industrial Distribution of China's ODI Stock, 2016



Source: Statistical Bulletin of China's Outward Foreign Direct Investment

In terms of geographic distribution of China's ODI stock by the end of 2016, the most popular industries for the investment in Asia were leasing and commercial services, finance, and wholesale and retail trade; in Africa were construction, mining, and manufacturing; in Europe were mining, manufacturing, and finance; in Latin America were leasing and business services, information transmission, software and IT services, and wholesale and retail trade; in North America were manufacturing, finance, and mining; and in Oceania were mining, real estate, and finance. (Table 4-5)

Table 4-5 Top 5 Industries of China's ODI Stock in Each Continent, 2016

Continent	**Industry**	**ODI Stock (US$ bn)**	**Proportion (%)**
Asia	Leasing and Business Services	385.50	42.4
	Finance	118.95	13.1
	Wholesale and Retail Trade	117.00	12.9
	Mining	71.72	7.9
	Manufacturing	62.40	6.9
	Subtotal	755.57	83.2
Africa	Construction	11.30	28.3
	Mining	10.41	26.1
	Manufacturing	5.09	12.8
	Finance	4.56	11.4
	Scientific Research and Technical Services	1.91	4.8
	Subtotal	33.27	83.4
Europe	Mining	23.86	27.3
	Manufacturing	17.51	20.1
	Finance	14.44	16.6
	Wholesale and Retail Trade	7.87	9.0
	Leasing and Business Services	7.08	8.1
	Subtotal	70.76	81.1

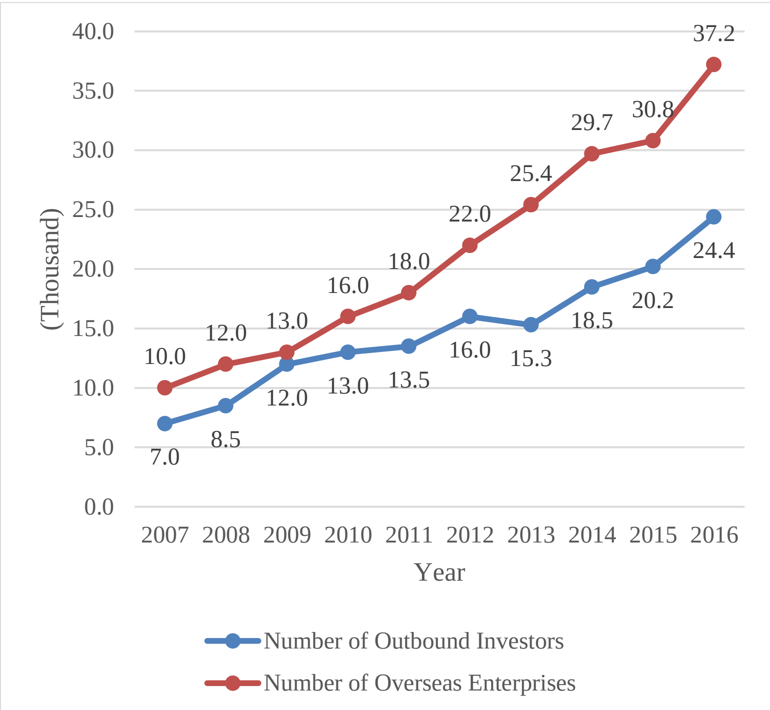
Latin America	Leasing and Business Services	69.04	33.3
	Information Transmission, Software and IT Services	38.02	18.4
	Wholesale and Retail Trade	37.14	17.9
	Finance	24.26	11.7
	Mining	15.93	7.7
	Subtotal	184.39	89.0
North America	Manufacturing	17.13	22.7
	Finance	12.39	16.4
	Mining	9.59	12.7
	Leasing and Business Services	8.88	11.8
	Real Estate	6.23	8.2
	Subtotal	54.22	71.8
Oceania	Mining	20.85	54.5
	Real Estate	4.43	11.6
	Finance	2.74	7.2
	Leasing and Business Services	2.00	5.2
	Wholesale and Retail Trade	1.63	4.3
	Subtotal	31.65	82.8

Source: Statistical Bulletin of China’s Outward Foreign Direct Investment

4.1.4 Investor Characteristics

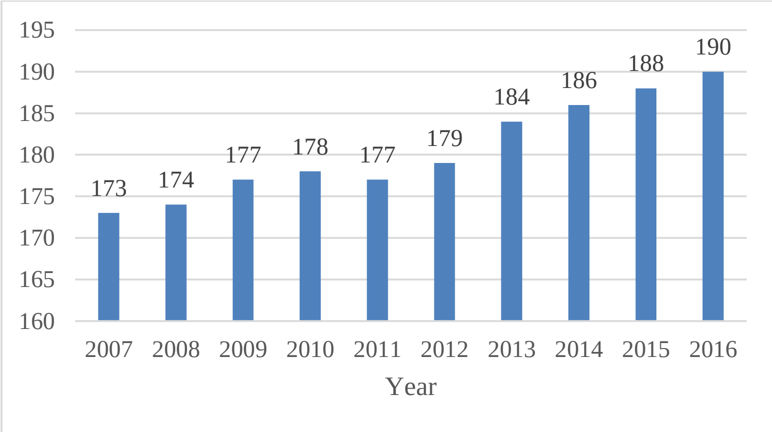
Since 2007, the number of Chinese enterprises “going global” has increased, so has the number of destinations. By the end of 2016, 24 400 domestic investors had established 37 200 enterprises overseas, spreading across 190 countries and regions, with foreign assets totaled US$5 trillion. (Figure 4-15, Figure 4-16)

Figure 4-15 Number of Chinese Outbound Investors and Overseas Enterprises, 2007-2016



Source: Statistical Bulletin of China’s Outward Foreign Direct Investment

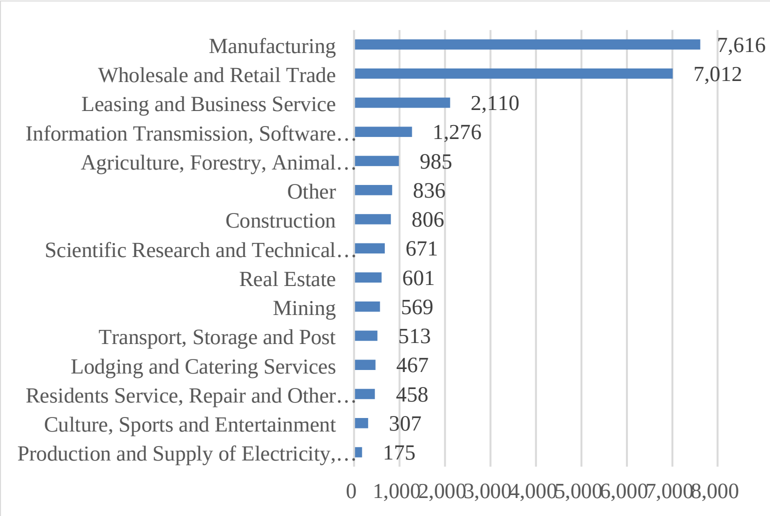
Figure 4-16 Number of China's ODI Destinations, 2007-2016



Source: Statistical Bulletin of China's Outward Foreign Direct Investment

In terms of the industrial distribution of Chinese domestic investors, by the end of 2016, a total of 14 600 enterprises were from manufacturing sector and wholesale and retail trade sector, accounting for 59.9% of the total. More precisely, the manufacturing sector ranked first with 7 616 investors, accounting for 31.2%, and most enterprises were engaged in computer, communication and other electronic equipment manufacturing, special purpose machinery manufacturing, garment and decoration, textile, general purpose machinery manufacturing, the production of medicine, electrical machinery and equipment manufacturing, metal products manufacturing, chemical raw material and products manufacturing, automobile manufacturing, rubber and plastic manufacturing, etc.; the wholesale and retail trade sector ranked second with 7 012 investors, accounting for 28.7%. In addition, there were 2 110, 1 276, 985, 806, and 671 enterprises from leasing and business service sector, information transmission, software and IT services sector, agriculture, forestry, animal husbandry and fishery sector, construction sector, and scientific research and technical service sector invested overseas, making up 8.7%, 5.2%, 4.0%, 3.3% and 2.8% respectively of the total Chinese investors. (Figure 4-17)

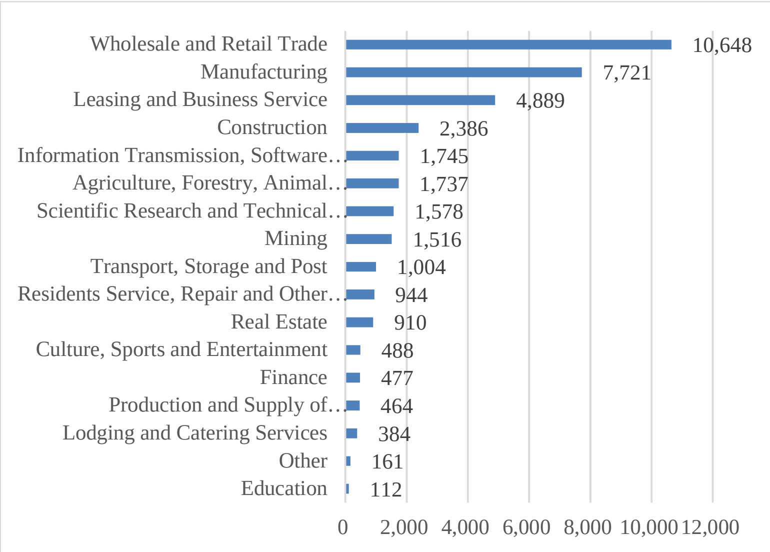
Figure 4-17 Industrial Distribution of Chinese Domestic Investors, 2016



Source: Statistical Bulletin of China's Outward Foreign Direct Investment

In terms of the industrial distribution of Chinese overseas enterprises, wholesale and retail trade sector, manufacturing sector and leasing and business service sector turned out to be the most popular ones. The number of overseas enterprises in these three industries added up to 23 258, accounting for 62.7% of the total. More precisely, there were 10 648 enterprises in wholesale and retail sector, making up 28.7%; 7 721 enterprises in manufacturing sector, making up 20.8%; and 4 889 enterprises in leasing and business service sector, accounting for 13.2%. In addition, there were 2 386, 1 745, 1 737, 1 578, and 1 516 enterprises respectively belong to construction sector, information transmission, software and IT services sector, agriculture, forestry, animal husbandry and fishery sector, scientific research and technical services sector, and mining sector, occupying 6.4%, 4.7%, 4.7%, 4.3%, and 4.1% of the total Chinese overseas enterprises. (Figure 4-18)

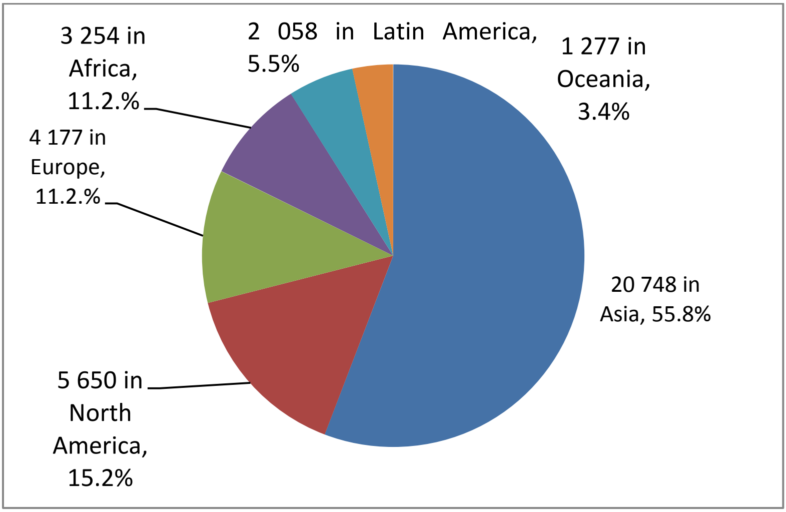
Figure 4-18 Industrial Distribution of Chinese Overseas Enterprises, 2016



Source: Statistical Bulletin of China's Outward Foreign Direct Investment

By the end of 2016, as many as 20 748 overseas enterprises established by Chinese were located in Asia, accounting for 55.8% of the total. It was followed by 5 650 Chinese enterprises operating in North America, accounting for 15.2%; 4 177 in Europe, accounting for 11.2%; 3 254 in Africa, accounting for 8.8%; 2 058 in Latin America, accounting for 5.5%; and 1 277 in Oceania, accounting for 3.4%. (Figure 4-19)

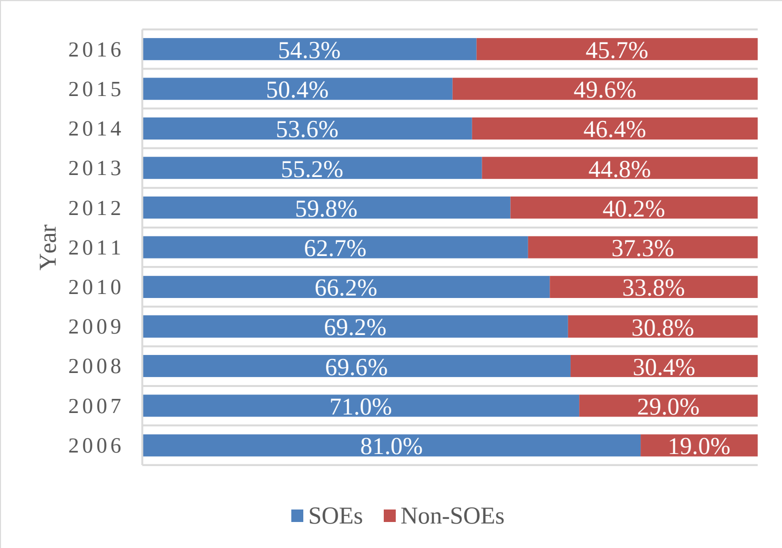
Figure 4-19 Geographic Distribution of China's Overseas Enterprises, 2016



Source: Statistical Bulletin of China's Outward Foreign Direct Investment

It becomes evident that China's non-state-owned enterprises (non-SOEs) have played a more prominent role in overseas investment over the last few years. By the end of 2015, they took a share of 49.6% of China's non-financial ODI stock, a huge growth from 19.0% in 2006, and was merely neck and neck with SOEs. In 2016, the proportion of non-SOEs declined slightly to 45.7% (Figure 4-20)

Figure 4-20 Distribution of China's Non-Financial ODI Stock by Type of Enterprise, 2006-2016

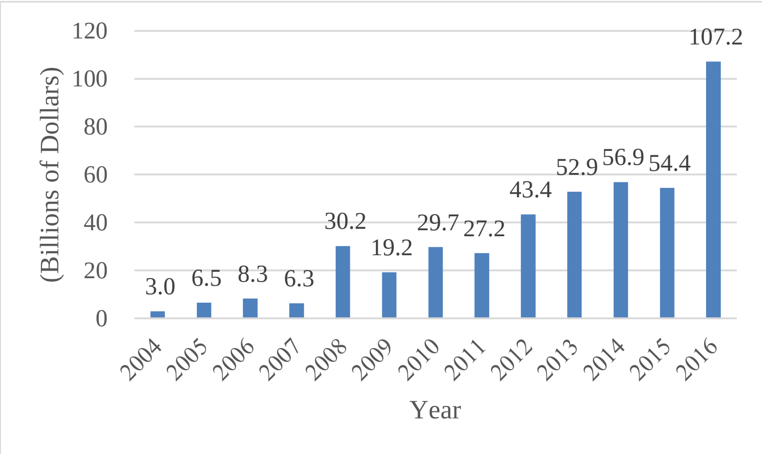


Source: Statistical Bulletin of China's Outward Foreign Direct Investment

4.1.5 Cross-border M&As

China emerged as a global player in M&A market recently. According to the statistics from the MOFCOM, Chinese enterprises conducted 765 cross-border M&As involving 74 countries and regions and 18 industries in 2016, and the actual transaction value reached a record high of US$135.3 billion. In particular, 200 transactions were taken place in the manufacturing industry and 109 in the information transmission, software and IT services industry, the actual transaction value of which amounted to US30.1 billion and US$26.4 billion respectively. (Figure 4-21)

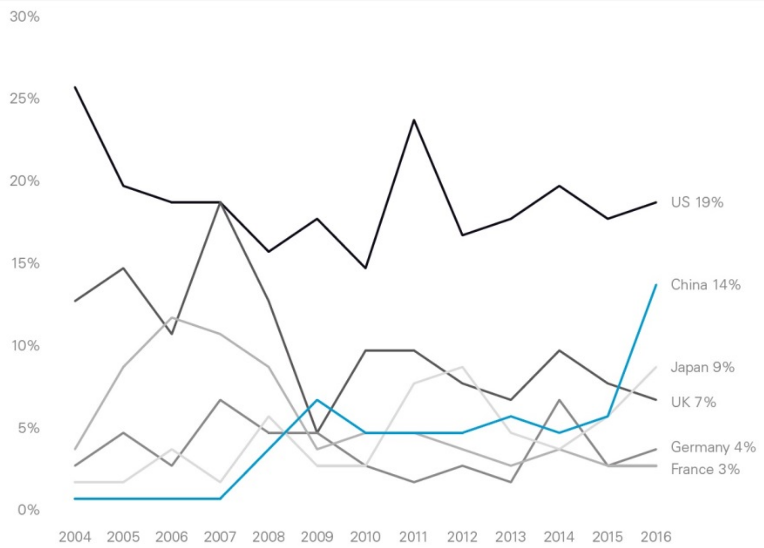
Figure 4-21 Transaction Value of China's Cross-Border M&As, 2004-2016



Source: Statistical Bulletin of China's Outward Foreign Direct Investment

A report from the Rhodium Group showed that Chinese outbound M&A grew at a remarkable pace over the past decade. In 2005, the value of Chinese cross-border M&As totaled less than US$10 billion, almost negligible in the global market. By 2009, the amount had risen threefold to US$30 billion - in part because Chinese companies, which were largely shielded from the negative effects of the global financial crisis, were able to seize opportunities to purchase assets at discounted prices. From 2010 to 2015, the annual value of completed Chinese outbound M&As fluctuated between US$30 billion and US$60 billion and then rocketed to more than US$100 billion in 2016, accounting for 14% of global cross-border M&A value. (Figure 4-22)

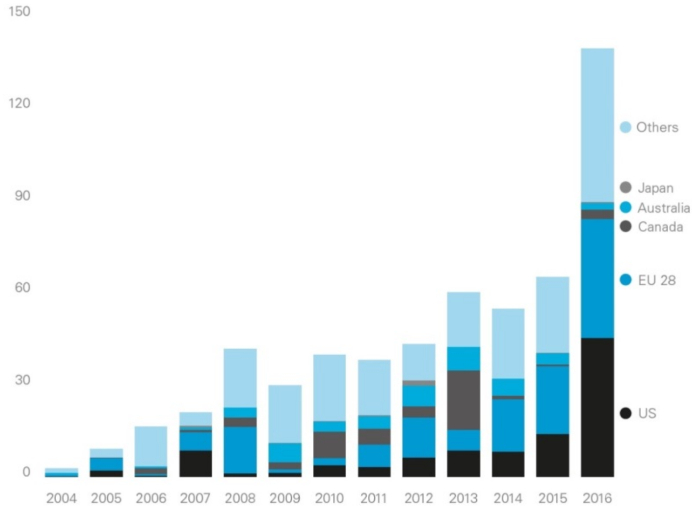
Figure 4-22 Country-of-origin Share of the Total Value of All Completed Global Cross-border M&As, 2004-2016



Source: Rhodium Group. China's Rise in Global M&A: Here to Stay. http://www.usmergers.whitecase.com/chinas-rise-in-global-ma-here-to-stay

The geographic and industrial distributions of China's cross-border M&As were both changing during the last ten years. In the early 2000s, Chinese acquisitions mostly targeted resource-rich economies in Asia, Africa and Latin America, while investment was shifted to developed economies such as the United States, the European Union, and Canada in recent years. In addition, the industries involved have become more diversified, as non-extractive sectors played a bigger role. In 2016, developed economies captured two-thirds of Chinese M&As by value, and the share of energy and materials assets was only 20%. Other targeted industries included high technology, financials, industrials, and real estate, respectively occupying 24%, 13%, 12%, and 11%. (Figure 4-23, Figure 4-24)

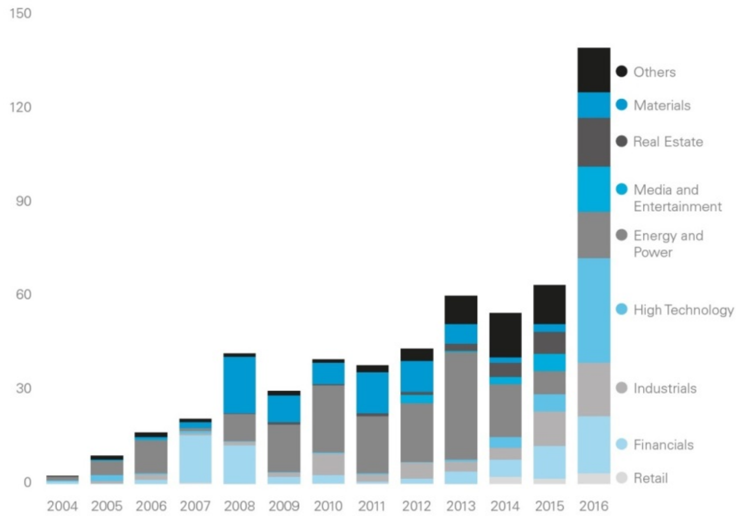
Figure 4-23 Geographic Distribution of China's Cross-border M&As, 2004-2016



Note: Dataset includes all completed M&A transactions by ultimately Chinese-owned firms, aggregated by date of completion.

Source: Rhodium Group. China's Rise in Global M&A: Here to Stay. http://www.usmergers.whitecase.com/chinas-rise-in-global-ma-here-to-stay

Figure 4-24 Industrial Distribution of China's Cross-border M&As, 2004-2016



Note: Dataset includes all completed M&A transactions by ultimately Chinese-owned firms, aggregated by date of completion.

Source: Rhodium Group. China's Rise in Global M&A: Here to Stay. http://www.usmergers.whitecase.com/chinas-rise-in-global-ma-here-to-stay

4.2 International Contracting Projects

Chinese enterprises have started to conduct international contracting projects since the late 1970s. Dating back to the inception of the opening up reform, the number of Chinese international contractors was less than 100, and the scale and number of projects were rather limited. In the middle of the 1980s, China's international contracting business began to expand in terms of both scale and area. Apart from building projects such as housing, road and bridge projects, Chinese enterprises started to carry out projects with higher technical requirements like power station projects.[20] Based on the statistics from the National Bureau of Statistics, from 1979 to 1990, Chinese enterprises signed 5 139 international project contracts worth US$12.804 billion, and the turnover of completed ones totaled US$7.883 billion.[21]

In the 1990s, China's international contracting made progress in improving the policy regime, fostering the growth of relevant enterprises and strengthening their operational capability. As a result, the business rapidly expanded to more than 180 economies and various industries. In 1999, Chinese enterprises for the first time signed international project contracts worth of more than US$10 billion, and the turnover of completed projects exceeded US$8.5 billion.[22]

Since the "going global" strategy was implemented in 2001, China's international contracting business has kept growing. The value of contracts signed in 2006 increased by 123% than the previous year, and this trend continued. After three decades of development, Chinese international contractors successfully got contracts worth over US$100 billion in 2008. It was only 7 years from then on that the yearly signed contract value doubled. (Figure 4-25)

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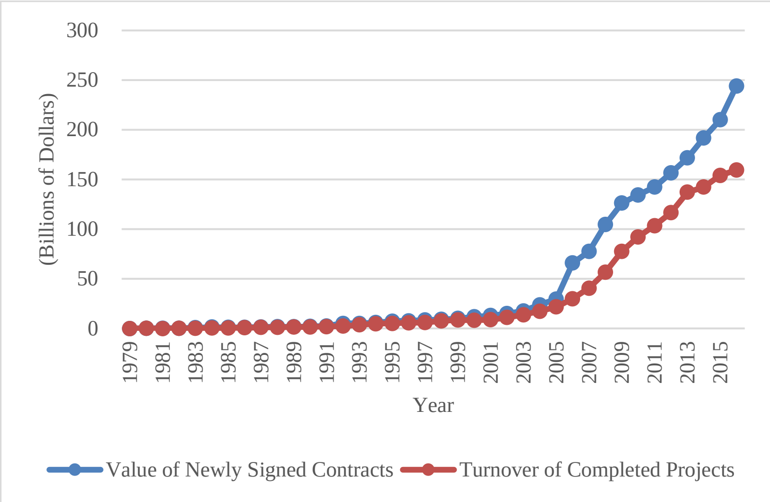
[20] Chang, J. To Seize the Strategic Opportunities for International Contracting - A Review of the Development of China's International Contracting Projects over the Past Three Decades. Jiangsu Foreign Economic Relations and Trade Forum, 2008(2): 77-79.

[21] http://data.stats.gov.cn/easyquery.htm?cn=C01

[22] Ibid.

Figure 4-25 Development of China's International Contracting, 1979-2016

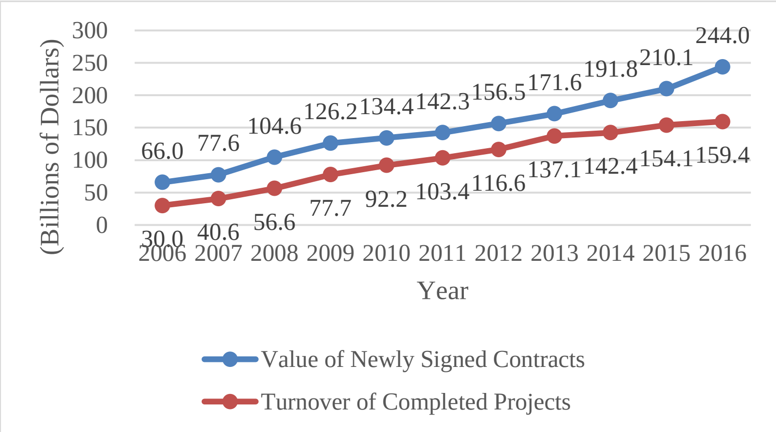


Source: National Bureau of Statistics

4.2.1 Scale

According to statistics from the MOFCOM, the average annual growth rate of the value of China's international contracting projects and the turnover of completed projects in 2006-2016 both exceeded 20%. In 2016, the newly signed contracts were worth US$244.01 billion, an increase of 16.2% on a year-on-year basis; and the turnover of completed projects was US$159.42 billion, growing by 3.5%. By the end of 2016, the accumulated contract value and the turnover of completed projects respectively topped US$1.8 trillion and US$1.2 trillion. (Figure 4-26)

Figure 4-26 Development of China's International Contracting, 2006-2016

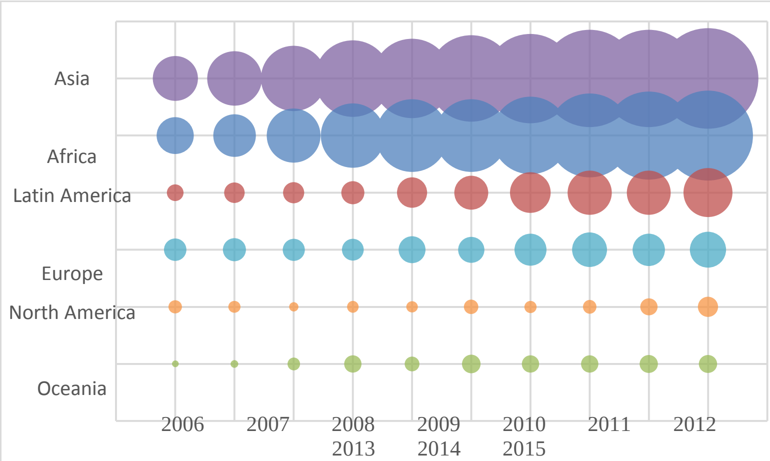


Source: http://fec.mofcom.gov.cn/article/tjsj/

4.2.2 Distribution

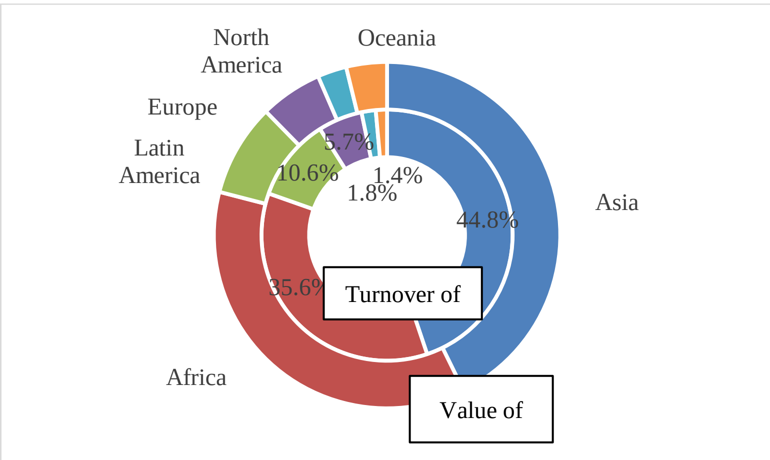
While consolidating the Asian and African markets, Chinese international contractors actively exploited market opportunities in Latin America, Europe, North America, and Oceania in recent years. In 2015, the proportion of the value of newly signed contracts in Asia, Africa, Latin America, Europe, North America, and Oceania turned out to be 42.7%, 36.3%, 8.6%, 5.8%, 2.7%, and 3.8%, and that of the turnover was 44.8%, 35.6%, 10.6%, 5.7%, 1.8%, and 1.4%. (Figure 4-27, Figure 4-28)

Figure 4-27 Geographic Distribution of the Turnover of China's Completed International Contracting Projects, 2006-2015



Source: National Bureau of Statistics

Figure 4-28 Geographic Distribution of China's International Contracting Projects, 2015



Source: MOFCOM. Report on Development of China's Outward Investment and Economic Cooperation 2016.
http://fec.mofcom.gov.cn/article/tzhzcj/tzhz/upload/zgdwtzhzfzbg2016.pdf

Driven by the "Belt and Road" initiative as well as the "Made in China 2025" plan, Chinese international contractors performed actively particularly in the B&R countries. According to China International Contractors Association, the B&R countries occupied half of the top 10 overseas markets for Chinese contractors by yearly signed contract value in 2016. The value of newly sign contracts in Pakistan, Malaysia, and Indonesia added up to over US$10 billion, and that in Iran, Bangladesh, Laos, Iraq, United Arab Emirates, and Saudi Arabia also exceeded US$5 billion. The number and the value of bids made by Chinese enterprises for contracting projects in the B&R countries increased by 58% and 52% respectively, compared with last year. The 8 158 contracts were signed along the B&R countries with a value of US$126.03 billion, increasing by 36.0% and accounting for 51.6% of the total contract value of China's international contracting projects. The turnover of completed projects was US$75.97 billion, increasing by 9.7% and accounting for 47.7% of the total. Chinese international contractors were mainly engaged in industries such as electric power engineering (US$39.04 billion), building construction (US$21.76 billion), transportation construction (US$20.62 billion), petrochemical projects (US$16.75 billion), and industrial construction and manufacturing (US$7.90 billion), the combined proportion of which was 84.3%.[23]

Benefited from the domestic industrial upgrading, Chinese international contractors appear to be more competitive in transportation construction, electric power engineering, and building construction. In 2016, the value of the newly signed contracts in transportation construc-

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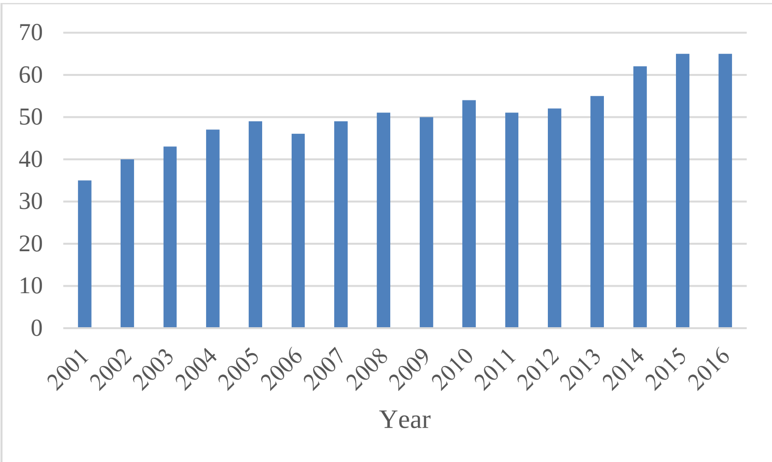
[23] Gong, C. Overview of the Development of China's International Contracting Business in 2016. International Project Contracting and Labor Service, 2017(4): 20-25.

tion was US$55.75 billion, accounting for 22.8%; in electric power engineering was US$53.59 billion, increasing by 17.3%; in building construction was US$46.17 billion, increasing by 25.3%.

4.2.3 Global Status

More and more Chinese international contractors are among the world's best nowadays. According to the annual lists of Top 225/250 International Contractors published by the American magazine Engineering News-Record (ENR)[24], the number of Chinese Enterprises listed has grown from 35 in 2001 to 65 in 2016, and the share of their overseas revenue in all the top contractors has moved up from 4.6% to 19.3%. (Figure 4-29, Figure 4-30)

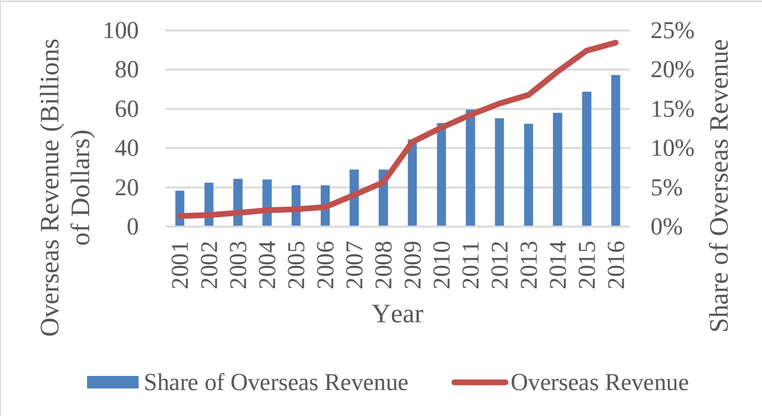
Figure 4-29 Number of Chinese Enterprises on the List of ENR Top 225/250 International Contractors, 2001-2016



Source: ENR Top 225/250 International Contractors, 2001-2016

[24] ENR published Top 225 International Contractors in 2001-2012 and Top 250 International Contractors since 2013, according to the construction revenue generated outside of each company's home country in the previous year.

Figure 4-30 Overseas Revenue and Its Share of Chinese Enterprises on the List of ENR Top 225/250 International Contractors, 2001-2016



Source: ENR Top 225/250 International Contractors, 2001-2016

Based on the ENR 2016 Top 250 International Contractors, 65 Chinese enterprises were found on the list, more than any other countries. The overseas revenue of these contractors totaled US$93.68 billion, increasing by 4.5%; and it accounted for 19.3% of all the top contractors, 2.1% more than the previous year. (Table 4-6, Table 4-7)

Table 4-6 Distribution of the ENR 2016 Top 250 International Contractors

Nationality	**No. of Firms**	**Int'l Revenue (US$ mil.)**	**Proportion (%)**
American	39	47 319.2	9.7
Canadian	1	3 172.1	0.7
European	52	212 263.3	43.6
British	2	7 825.2	1.6
German	4	29 113.3	6.0

French	5	34 556.0	7.1
Italian	15	25 620.6	5.3
Dutch	3	9 749.8	2.0
Spanish	11	59 797.0	12.3
Other European	12	45 601.5	9.4
Australian	3	9 931.1	2.0
Japanese	14	25 167.7	5.2
Chinese	65	93 674.9	19.3
Korean	12	40 580.4	8.3
Turkish	39	22 591.7	4.6
Brazilian	2	15 740.7	3.2
All Others	23	15 882.6	3.3
All Firms	250	486 323.6	100

Source: Peter, R. & Tulacz, G. (2016). The Top 250 International Contractors: Seeking Stable Markets. ENR, August 22/29, 37-44.

Table 4-7 Chinese Enterprises on the List of ENR 2016 Top 250 International Contractors

No.	**Rank**		**Firm**
	2016	**2015**	
1	3	5	China Communications Construction Group Ltd.
2	11	11	Power Construction Corp. of China
3	14	17	China State Construction Engineering Corp. Ltd.

4	20	23	China Railway Group Ltd.
5	23	27	China National Machinery Industry Corp.
6	45	44	China Gezhouba Group Co. Ltd.
7	49	49	China Metallurgical Group Corp.
8	55	58	China Railway Construction Co. Ltd.
9	58	52	CITIC Construction Co. Ltd.
10	60	47	China Civil Engineering Construction Corp.
11	67	76	China National Chemical Eng'g Group Corp.
12	68	64	China Petroleum Pipeline Bureau
13	74	74	China International Water & Electric Corp.
14	75	84	Sinopec Engineering (Group) Co. Ltd.
15	77	81	Qingjian Group Co. Ltd.
16	84	66	China Petroleum Eng'g & Construction Corp.
17	88	**	Harbin Electric Int'l Co. Ltd.
18	92	93	China General Technology (Group) Holding Co.
19	95	137	China Jiangsu Int'l Econ-Tech. Coop. Group
20	97	86	CGCOC Group Co. Ltd.
21	103	112	China Jiangxi Corp. For Int'l Eco. & Tech. Coop.
22	104	115	Weihai Int'l Eco. & Tech. Coop. Co. Ltd.
23	105	100	Shanghai Construction Group
24	107	72	Dongfang Electric Corp.
25	109	110	China Zhongyuan Engineering Corp.

26	111	129	Zhongmei Engineering Group Ltd.
27	112	**	Norinco International Cooperation Ltd.
28	115	109	Beijing Construction Eng’g Group Co. Ltd.
29	116	118	XPCC Construction & Eng’g (Group) Co.
30	117	146	Zhejiang Construction Invest. Grp. Co.
31	119	165	China Huanqiu Construction & Eng’g Corp.
32	124	120	China Geo-Engineering Corp.
33	125	127	Sinopec Zhongyuan Petroleum Eng’g Ltd.
34	127	126	Anhui Construction Eng’g Group Co. Ltd.
35	128	**	China Electric Power Equipment And Tech. Co.
36	129	171	China Nonferrous Metal Ind.’s Foreign E & C Co.
37	130	113	China Henan Int’l Cooperation Group
38	131	142	Zhingding Int’l Eng’g Co. Ltd.
39	144	**	Shanghai Urban Construction (Group) Corp.
40	145	153	Anhui Foreign Economic Construction (Group) Co.
41	150	155	Jiangsu Nantong Sanjian Construction Group Co.
42	153	148	Shenyang Yuanda Aluminum Industry Eng’g Co.
43	160	131	Sinosteel Equipment & Engineering Co. Ltd.
44	166	138	China Energy Eng’g Grp. Tianjin Elec. Power Con-str.
45	167	181	China Shandong Int’l Eco. & Techn. Coop. Grp.
46	168	154	China Wu Yi Co. Ltd.

47	171	206	Beijing Urban Construction Group Co. Ltd.
48	172	**	Pan-China Construction Group Co. Ltd.
49	176	212	Sinopec Oilfield Service Shengli Corp.
50	179	104	China Nat'l Complete Plant Imp. & Exp. Corp.
51	183	195	Yanjian Group Co. Ltd.
52	185	182	Nantong Construction Group Co. Ltd.
53	186	**	China Yunnan Construction Eng'g Group Co.
54	189	**	Shandong Zijian Construction Group Co.
55	194	152	China Dalian Int'l Eco. & Tech. Coop. Grp.
56	196	194	China Gansu Int'l Corp. For Eco. & Tech. Coop.
57	204	222	Jiangsu Nantong Liujian Constr. Group Co.
58	209	128	China Petroleum Engineering Co. Ltd.
59	211	172	Yantai Int'l Eco. & Techn. Cooperation Grp. Co.
60	212	178	Daqing Oilfield Construction Group Co. Ltd.
61	213	210	Chongqing Int'l Construction Corp.
62	218	**	Zhejiang Communications Constr. Group Co.
63	230	196	Shandong Kerui Petroleum Equipment Co.
64	236	**	China Power Engineering Consulting Group Co.
65	249	91	Shanghai Electric Group Co. Ltd.

Note: ** Firms not ranked in 2015

Source: http://www.enr.com/toplists/2016-Top-250-International-Contractors1

Comparatively, Chinese international contractors took a higher market share in Africa (54.9%) and Asia (25.0%) than other listed companies. In the Middle East, Chinese firms had 17.2% of the market, second only to the Korean firms; in Latin America and the Caribbean, the market share was 13.7%, less than the Spanish and Brazilian companies. The markets in the United States, Europe, and Canada are still to be expanded, as Chinese contractors only hold a market share of 7.3%, 3.6%, and 0.8% respectively. (Table 4-8)

Table 4-8 Market Share of the ENR Top 250 International Contractors, 2016

(%)

Nationality	Middle East	Asia	Africa	Europe	U.S.	Canada	Latin America /Caribbean
American	5.8	11.5	1.4	8.6	-	60.6	11.4
Canadian	1.2	0.9	0.5	0.1	0.8	-	0.6
European	32.3	28.5	25.3	75.2	71.0	27.6	40.7
British	6.5	0.6	1.3	1.3	0	0	0.3
German	1.9	9.7	0.2	2.5	22.5	4.6	0.7
French	0.9	3.6	5.6	20.7	5.4	10.5	2.5
Italian	7.0	3.4	10.1	4.7	1.5	3.2	6.8
Dutch	1.2	1.0	1.8	6.2	0	0	1.3
Spanish	4.9	9.5	2.4	12.2	28.6	8.9	25.9

Other European	10	0.7	3.8	27.6	12.9	0.4	3.2
Australian	1.2	3.0	0.2	1.2	5.2	6.6	0.1
Japanese	1.7	11.6	0.5	2.9	10.9	2.7	0.8
Chinese	**17.2**	**25.0**	**54.9**	**3.6**	**7.3**	**0.8**	**13.7**
Korean	21.2	12.9	5	1.1	0.7	1.7	6.9
Turkish	7.9	5.5	4.7	7.2	0.2	0	0
Brazilian	0.2	0	3.2	0	0.2	0	24.5
All Others	11.4	1.1	4.5	0.2	3.6	0.1	1.3
All Firms	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: http://www.enr.com/toplists/2016-Top-250-International-Contractors1

Except for the European and the Canadian markets, Chinese firms can be found in every list of regional champions. The performance of China Communications Construction Group (1st in the African market, 4th in the Asian market, and 5th in the Middle East market), Power Construction Corporation of China (2nd in the African market, 6th in the Asian market, and 10th in the United States market), and China State Construction Engineering Corporation Ltd. (5nd in the African market, 7th in the Asian market, and 9th in the United States market) were particularly outstanding. (Table 4-9)

Table 4-9 Chinese Enterprises on the List of ENR 2016 Top 10 International Contractors by Region

Region	**Rank**	**Firm**
Africa	1	China Communications Construction Grp.
	2	Power Construction Corp. of China
	3	China Railway Group Ltd.
	5	China State Construction Eng’g Corp. Ltd.
	6	China Civil Eng’g Construction Corp.
	10	China Railway Construction Co. Ltd.
Asia	4	China Communications Construction
	6	Power Construction Corp. of China
	7	China State Construction Eng’g Corp. Ltd.
United States	9	China State Construction Eng’g Corp.
	10	Power Construction Corp. of China
Middle East	5	China Communications Construction
Latin America /Caribbean	9	China Nat’l Machinery Industry Corp.

Source: http://www.enr.com/toplists/2016-Top-250-International-Contractors1

With regard to industrial champions, Chinese contractors failed to make the top 10 only in petroleum and manufacturing. Specifically, four Chinese firms pioneered in water conservation, three in power construction, two in telecommunications, and one each respectively in transportation, buildings, industrial, and sewer/waste projects. (Table 4-10)

Table 4-10 Chinese Enterprises on the List of ENR 2016 Top 10 International Contractors by Industry

Industry	**Rank**	**Firm**
Transportation	1	China Communications Construction
Buildings	5	China State Construction Eng'g Corp.
Power	1	Power Construction Corp. of China
	6	China Gezhouba Group Co. Ltd.
	8	China National Machinery Industry Corp
Industrial	6	China Metallurgical Group Corp.
Water	3	China Communications Construction
	5	Power Construction Corp. of China
	8	China Int'l Water & Electric Corp.
	10	China National Machinery Industry Corp.
Sewer/Waste	5	China Communications Construction
Telecommunications	5	China Communications Construction
	7	China Nat'l Machinery Industry Corp.

Source: http://www.enr.com/toplists/2016-Top-250-International-Contractors1

4.3 International Labor Cooperation

4.3.1 Scale

Generally, China's international labor cooperation has been on the rise since 2006, despite a slight drop in the number of labor dispatched in the recent two years. In 2016, 494 thousand Chinese people were dispatched overseas, 36 thousand less than the previous year, of which 230 thousand were dispatched through international contracting projects and 264 thousand through international labor cooperation projects. By the year end, 969 thousand people remained in host countries, decreasing by 58 thousand compared with a year earlier, and the accumulated dispatched labor force reached 8 500 thousand. (Table 4-11, Figure 4-31)

Table 4-11 Overview of China's International Labor Cooperation, 2006-2016

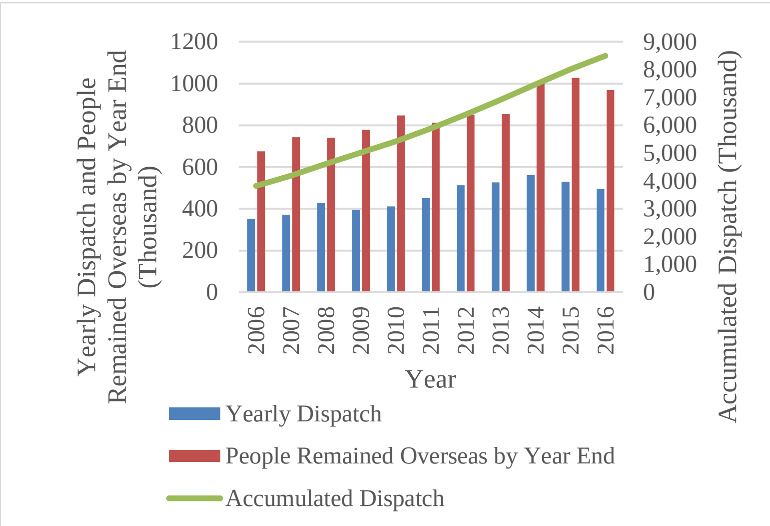
(Thousands)

Year	Yearly Dispatch	People Remained in Host Countries by the End of the Year	Accumulated Dispatch
2006	351	675	3 820
2007	372	743	4 190
2008	427	740	4 620
2009	395	778	5 020
2010	411	847	5 423
2011	452	812	5 880
2012	512	850	6 390

2013	527	853	6 920
2014	562	1 006	7 476
2015	530	1 027	8 020
2016	494	969	8 500

Source: http://fec.mofcom.gov.cn/article/tjsj/

Figure 4-31 Overview of China's International Labor Cooperation, 2006-2016



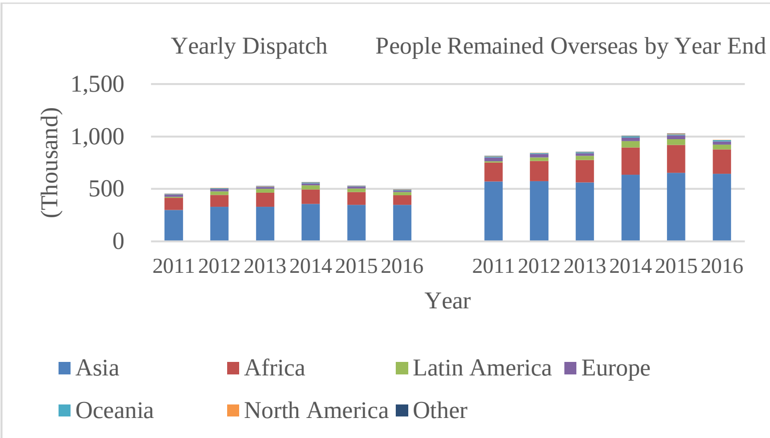
Source: http://fec.mofcom.gov.cn/article/tjsj/

4.3.2 Geographic Distribution

China's international labor service is mainly provided for the Asian and African markets, based on the geographic distribution of both the yearly patch and the number of labor remained overseas by the year end. In 2016, China dispatched 349 thousand people to Asia, almost the same as the previous year. The number of Chinese workers dispatched to

Africa, Europe, and Latin America respectively decreased by 32 thousand, 4 thousand, and 3 thousand. Meanwhile, the Oceanian and the North American markets respectively attracted 2 thousand and 700 more Chinese workers than the previous year. By the year end, there were 644 thousand Chinese workers remaining in Asia and 233 thousand in Africa, together making up over 90% of the total; and another 46 thousand, 29 thousand, 13 thousand, and 4 thousand remained in Latin America, Europe, Oceania, and North America respectively. (Figure 4-32)

Figure 4-32 Geographic Distribution of Chinese International Labor, 2011-2016



Source: National Bureau of Statistics

In 2016, Chinese international labor of all types that were dispatched to Macau (China), Hong Kong (China), Singapore, Japan, Algeria, Saudi Arabia, Panama, Malaysia, Iraq, and Pakistan amounted to almost 300 000, accounting for 60.6% of total. People remained in Japan, Macau (China), Singapore, Algeria, Hong Kong (China), Saudi Arabia, Angola, Panama, Malaysia, and Indonesia by the end of that year totaled more than 635 000, making up 65.6% of all Chinese workers overseas. (Table 4-12)

Table 4-12 Chinese International Labor in Major Economies, 2016

Economy	**Yearly Dispatch**	**Share (%)**	**Economy**	**People Remained Overseas by Year End**	**Share (%)**
Macau, China	69 717	14.1	Japan	146 007	15.1
Hong Kong, China	40 028	8.1	Macau, China	122 636	12.7
Singapore	37 724	7.6	Singapore	100 612	10.4
Japan	36 577	7.4	Algeria	91 596	9.5
Algeria	29 931	6.1	Hong Kong, China	47 825	4.9
Saudi Arabia	29 423	6.0	Saudi Arabia	42 069	4.3
Panama	18 824	3.8	Angola	29 428	3.0
Malaysia	12 883	2.6	Panama	19 662	2.0
Iraq	12 541	2.5	Malaysia	19 197	2.0
Pakistan	11 863	2.4	Indonesia	16 435	1.7
Total	299 511	60.6	Total	635 467	65.6

Source: Wen, Y. Review of the Development of China’s International Labor Cooperation in 2016. International Project Contracting and Labor Service, 2017(3): 39-44.

4.3.3 Industrial Distribution

By the end of 2016, Chinese international workers of all types were mainly engaged in construction, manufacturing, and transportation. The labor force in these industries totaled 706 thousand, accounting for 72.8%. Compared with the previous year, all industries witnessed either a slight or a substantial drop in the number of Chinese international workers, except for lodging and catering services, and science, education, culture, healthcare and sports. (Table 4-13, Figure 4-33)

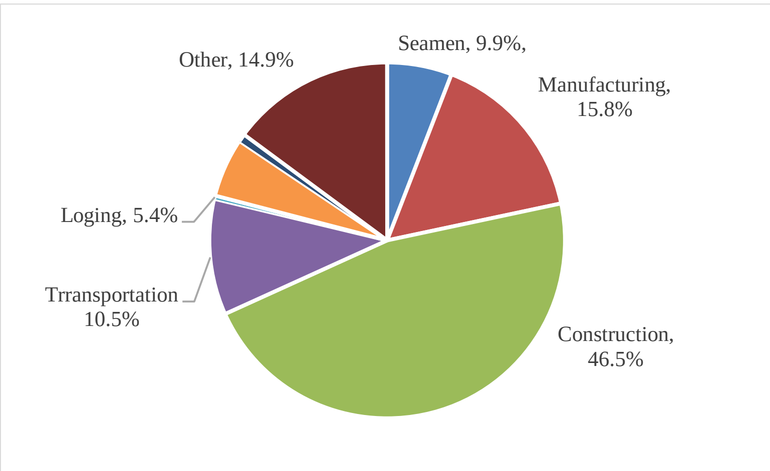
Table 4-13 Industrial Distribution of Chinese International Labor, 2016

Industry	People Remained Overseas by Year End (Thousand)	Proportion (%)	Growth
Agriculture, forestry, husbandry and fishery	57	5.9	-2 016
Fishing crew	23	2.4	-822
Agricultural workers	18	1.9	-490
Manufacturing	153	15.8	-8 906
Textile and garment	21	2.2	-2 359
Electronics	15	1.5	-2 335
Machinery	18	1.9	-1 583
Construction	451	46.5	-36 932
Transportation	102	10.5	-14 657
Seamen	96	9.9	-15 523

IT and software services	3	0.3	-143
Lodging and catering services	52	5.4	4 023
Science, education, culture, healthcare and sports	7	0.7	653
Other	144	14.9	-68
Total	969	100.0	-58 046

Source: Wen, Y. Review of the Development of China's International Labor Cooperation in 2016. International Project Contracting and Labor Service, 2017(3): 39-44.

Figure 4-33 Industrial Distribution of Chinese International Labor, 2016



Source: Wen, Y. Review of the Development of China's International Labor Cooperation in 2016. International Project Contracting and Labor Service, 2017(3): 39-44.

4.4 Foreign Aid Projects

In the 1950s, China began to provide economic aid and technical assistance to other countries, in particular DPRK and Vietnam. Following the Asian-African Conference in Bandung, Indonesia in 1955, the scope of China's aid extended from socialist countries to other developing countries, along with the improvement of China's foreign relations. In 1956, China began to aid African countries. After the adoption of the policies of reform and opening up in 1978, China's economic cooperation with other developing countries extended from economic aid to multi-form and mutually-beneficial cooperation. In the 1990s, in the course of the shift from the planned economy to the socialist market economy, China took a series of measures to reform its foreign aid mechanism, focusing on diversifying the sources and means of funding. Since the 21st Century, China's foreign aid was not limited to intergovernmental cooperation, but conducive to economic cooperation at corporate level, which gave further impetus to Chinese enterprises "going global".

There is no law on foreign aid in China, but only a few regulations promulgated by the MOFCOM. (Table 4-14)

Table 4-14 China's Regulations on Foreign Aid

Year	Title	Department
2014	Measures for the Administration of Foreign Aid (Trial Implementation)	MOFCOM
2015	Measures for the Qualifications Accreditation of Foreign Aid Project Implementation Enterprises (Trial Implementation)	MOFCOM
2015	Measures for the Administration of Complete Foreign Aid Projects (Trial Implementation)	MOFCOM

2015	Measures for the Administration of Foreign Aid Goods and Materials Projects (Trial Implementation)	MOFCOM
2015	Measures for the Administration of Foreign Aid Technical Assistance Projects (Trial Implementation)	MOFCOM
2015	Measures for the Procurement Administration of Foreign Aid Projects (Trial Implementation)	MOFCOM
2016	Measures for the Administration of the Use of Foreign Aid Signs (Trial Implementation)	MOFCOM

In December 2016, the State Council Information Office of China published the White Paper *The Right to Development: China's Philosophy, Practice and Contribution*. It clearly stated that "China upholds the principles of mutual respect, equality of treatment, win-win cooperation, and common development, and promotes the interests of its own people and the common interests of other peoples. China supports the developing countries, especially the least developed countries (LDCs), in reducing poverty, improving people's wellbeing and the development environment, in order to build a human community of shared future."

According to the White Paper, over the past 60 years China has provided approximately RMB400 billion in aid to 166 countries and international organizations. It has trained more than 12 million personnel from developing countries, and dispatched over 600,000 people to aid development in other countries. Seven hundred people have given their lives in the course of these programs. Since 2008, China has been the largest export market of the LDCs, and absorbed about 23 percent of their exports. To improve economic growth and standards of living in the developing countries, China will set up a South-South Cooperation Fund, increase its investment in the LDCs, write off certain countries' debts, establish an International Development Knowledge Center and further the Belt and Road Initiative. In the coming five years China will implement six "One Hundred Programs" targeting developing countries - 100 poverty reduction programs, 100 agricultural cooperation programs, 100 trade aid programs, 100 eco-protection and climate change programs, 100 hospitals and clinics, and 100 schools and vocational training centers. One hundred and twenty thousand training opportunities and 150,000 scholarships will be made available to developing countries in China, and 500,000 vocational technical personnel will be trained. China will set up a South-South Cooperation and Development Academy, and give the World Health Organization US$2 million in cash aid.

4.4.1 Appropriation

Financial resources provided by China for foreign aid generally fall into 3 types: grant (aid gratis), interest-free loan and concessional loan. Grant is offered to help recipient countries build small or medium-sized social welfare projects, and to fund human resources development cooperation, technical cooperation, material assistance and emergency humanitarian aid. Interest-free loan is used to construct public facilities and launch projects to improve people's livelihood. Concessional loan is provided to undertake manufacturing projects and large and medium-sized infrastructure projects with economic and social benefits, or for the supply of complete plants, machinery and electronic products.

By the end of 2012, China aggregately provided RMB345.63 billion for foreign aid, including grants RMB138.52 billion, interest-free loans RMB83.80 billion, and concessional loans RMB123.31 billion. The total appropriation in 2010 to 2012 was RMB89.34 billion, and the amount of the three types of aid money was respectively RMB32.32 billion, RMB7.26 billion, and RMB49.76 billion. Compared with previous years, the proportion of concessional loans showed a noticeable increase. (Table 4-15, Figure 4-34)

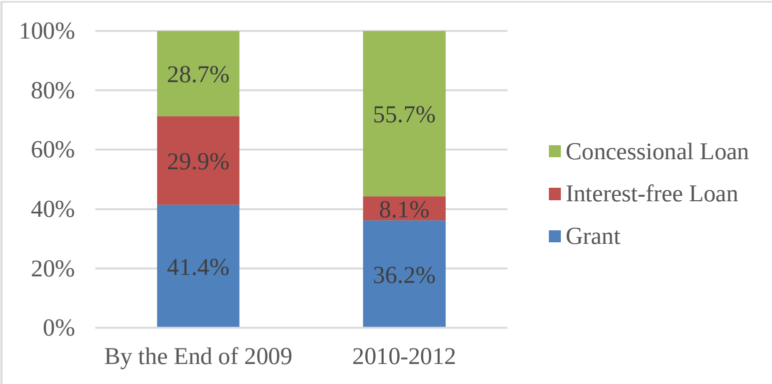
Table 4-15 China's Foreign Aid Funds

(Billions of RMB, %)

	By the End of 2009		**2010-2012**		**By the End of 2012**	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Grant	10.62	41.4	32.32	36.2	138.52	40.1
Interest-free Loan	76.54	29.9	7.26	8.1	83.80	24.2
Concessional Loan	73.55	28.7	49.76	55.7	123.31	35.7
Total	2 56.29	100.0	89.34	100.0	345.63	100.0

Source: China's Foreign Aid (2011); China's Foreign Aid (2014).

Figure 4-34 Proportion of the Three Types of China's Foreign Aid Funds

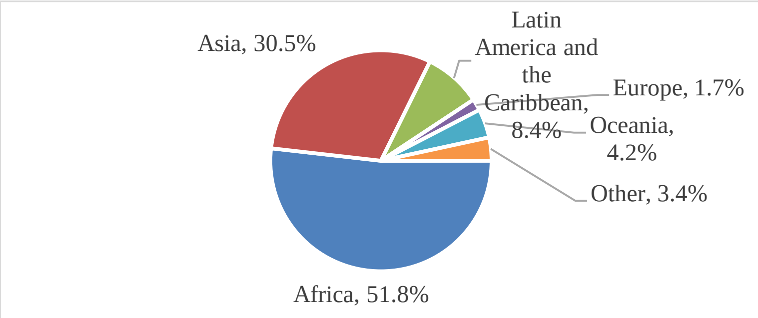


Source: China's Foreign Aid (2011); China's Foreign Aid (2014).

4.4.2 Distribution

From 2010 to 2012, China provided aid to 121 countries, including 51 in Africa, 30 in Asia, 19 in Latin America and the Caribbean, 12 in Europe, and 9 in Oceania. Besides, China offered aid to regional organizations such as the African Union (AU). Asia and Africa turned out to be chief recipient areas, accounted for 51.8% and 30.5% of China's foreign aid funds respectively. (Figure 4-35)

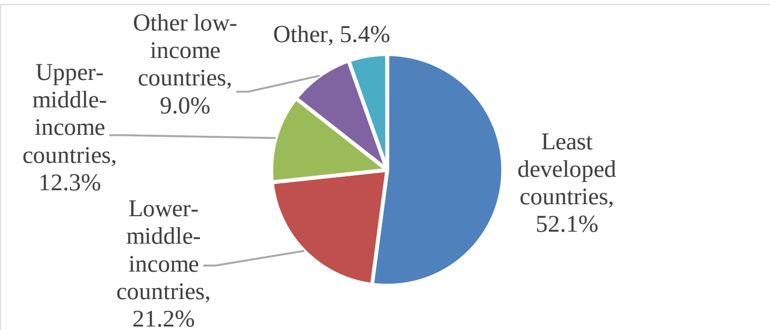
Figure 4-35 Distribution of China's Foreign Aid Funds by Region, 2010-2012



Source: China's Foreign Aid (2014)

In terms of the income level of recipient countries, over 80% of China's foreign aid founds went to the least developed countries, lower-middle-income countries and other low-income countries, which made up 52.1%, 21.2% and 9.0% respectively. (Figure 4-36)

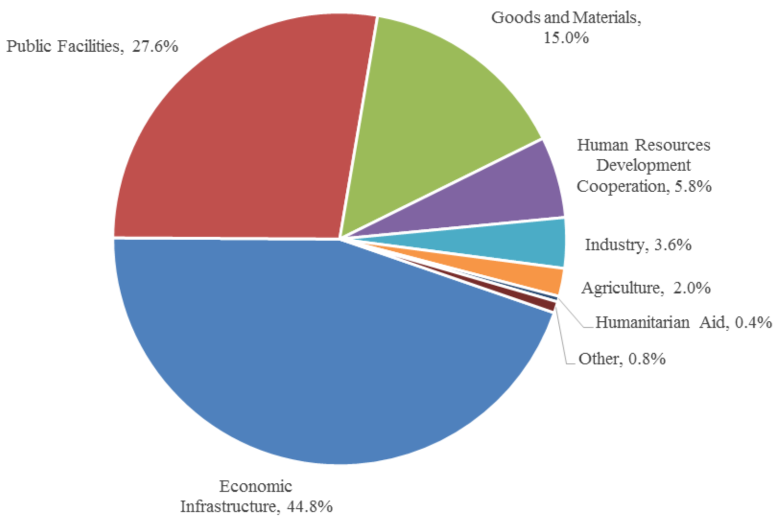
Figure 4-36 Distribution of China's Foreign Aid Funds by Income Level of Recipient Countries, 2010-2012



Source: China's Foreign Aid (2014)

In light of the use of China's foreign aid funds, economic infrastructure, public facilities, and aid materials appeared to be the main areas, respectively occupying 44.8%, 27.6% and 15.0%. (Figure 4-37)

Figure 4-37 Distribution of China's Foreign Aid Funds by Use, 2010-2012



Source: China's Foreign Aid (2014)

4.4.3 Form

China usually provided foreign aid by undertaking complete projects, offering goods and materials, conducting technical and human resources development cooperation, dispatching medical teams and volunteers, offering emergency humanitarian aid, and reducing or exempting the debts of the recipient countries.

From 2010 to 2012, China undertook 580 complete projects in 80 countries, with public facilities, economic infrastructure and agriculture as the focus (Table 4-16); provided 96 countries and regions with 424 batches of goods and materials, including office supplies, mechanical equipment, inspection equipment, transport vehicles, articles for daily use, medicine and medical devices, etc.; completed 170 technical cooperation projects in 61 countries and regions, covering industrial production and management, agricultural planting and breeding, culture and education, sports and physical training, medical and health care, clean energy development, and planning and consultation; and held 1 951 training sessions for officials and technical personnel and on-the-job academic education programs in China, training a total of 49 148 people from other developing countries.

Table 4-16 China's Complete Foreign Aid Projects, 2010-2012

Sector	Number of Projects
Public Facilities	360
Hospitals	80
Schools	85
Civil Buildings	80
Wells and Water Supply	29
Communal Facilities	86
Economic Infrastructure	156
Transport	72
Broadcasting and Telecommunications	62
Power Supply	22
Agriculture	49
Demonstration center for Agricultural Technology	26

Water Conservancy	21
Agricultural Processing	2
Industry	15
Light Industry and Textiles	7
Building Materials and Chemical Industry	6
Machinery and Electronic Industry	2
Total	580

Source: China’s Foreign Aid (2014)

5

DRIVERS OF CHINESE ENTERPRISES "GOING GLOBAL"

In recent years, Chinese enterprises are "going global" at an accelerating pace, due to China's economic development strategy and relevant reform on the one hand, and corporate willingness to improve the brand influence, expand into the international market, extend the industrial chain and so forth on the other.

5.1 National Strategy

Chinese President Xi Jinping proposed the strategic vision on jointly building the "silk road economic belt" and the "21st-century maritime silk road" during his visits to Central and Southeast Asia in September and October 2013, receiving considerable attention from the international community and positive support from relevant countries. In November of that year, the Third Plenum of the 18th CCCPC adopted the *Decision on Several Major Issues Concerning Comprehensively Deepening the Reform*, proposing to "accelerate the construction of interconnection with neighboring countries and regional infrastructure, and press ahead with the construction of the silk road economic belt and the maritime silk road, thus forming a new arrangement of comprehensive opening-up."

In October and November 2014, the Chinese government proposed to establish the Asian Infrastructure Investment Bank (AIIB), and pledged US$40 billion to set up a Silk Road Fund to promote the "Belt and Road" initiative. In December of the year, the "Belt and Road" construction was identified as one of the three national strategies by the Central Economic Work Conference.

In March 2015, the NDRC, MFA, and MOFCOM published the *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, covering the principles, framework, cooperation priorities and mechanisms, which symbolized the completion of the top-level design of the "Belt and Road" strategy. In June, the AIIB was officially established.

In March 2016, the *Outline of the 13th Five-Year Plan for National Economic and Social Development* was published, according to which the "Belt and Road" construction will lead a new round of comprehensive opening-up. It is worth noting that there is a whole chapter on "promoting the 'Belt and Road' construction", suggesting that the "Belt and Road" strategy will be a major objective and a significant move for China's economic and social development in next 5 years. In June, President Xi called for the partner countries to deepen cooperation in environmental protection, medical care and health, talent fostering, and security governance, or to build a "green, healthy, intelligent and peaceful" Silk Road in his speech delivered at the Legislative Chamber of the Uzbek Supreme Assembly.

On May 14th and 15th 2017, the Belt and Road Forum for International Cooperation was held in Beijing with over 100 national delegations and 29 heads of states. So far, more than 100 nations and international organizations have positively respond to the "Belt and Road" initiative, more than 50 economies have signed cooperative agreements with China, more than 20 countries have involved in the international capacity cooperation with China, and 56 economic cooperation zones have been established along more than 20 B&R countries.[25] In 2014-2016, China's ODI in B&R countries exceeded US$50 billion, and the newly signed contract value of international projects in these countries reached US$304.9 billion.[26]

5.2 Institutional Reform

Since the reform and opening up, China's ODI regime gradually transformed from approval to registration-based system. Relevant governmental departments devolved the approval authority and facilitated the review process for several times, in order to encourage Chinese enterprises to go global.

In 2004, the State Council issued the *Decision on Reforming the Investment System*, orienting the reform towards transforming the governmental functions and allowing enterprises greater independence on investment decisions, and released the first *Catalogue of Investment Projects Subject to Government Approval*. As the competent departments of China's overseas investment, the NDRC issued the *Interim Measures for the Administration of the Approval of Overseas Investment Projects*, and the MOFCOM issued the *Provisions on the Issues to be Considered for the Approval of Establishment of Overseas Enterprises* and the *Provisions on the Issues to be Considered for the Approval of Establishment of Enterprises in Hong Kong and Macau Special Administrative Regions by Chinese Mainland Enterprises*.

According to the above mentioned regulations, resource exploitation overseas investment projects over US$200 million and non-resource exploitation overseas investment projects with over US$50 million foreign exchange shall be subject to the approval of the State Council after getting permission from the NDRC. Resource exploitation overseas

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[25] https://www.yidaiyilu.gov.cn/ztindex.htm

[26] https://www.yidaiyilu.gov.cn/xwzx/gnxw/12674.htm

investment projects over US$30 million and non-resource exploitation overseas investment projects with over US$10 million foreign exchange shall be subject to the approval of the NDRC. As for other overseas investment projects, those invested by central enterprises enjoy autonomous decision making but shall be recorded at the NDRC; those invested by other enterprises shall be approved by Provincial Development and Reform Commissions. The establishment of overseas enterprises by central enterprises (excluding financial enterprises) shall be subject to the approval of the MOFCOM, other enterprises establishing enterprises in countries listed by the MOFCOM shall be subject to the approval of the competent department of commerce at provincial level.

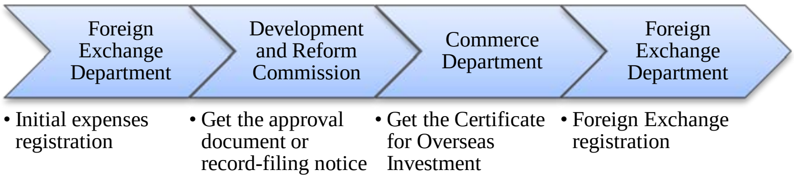
In 2009, the *Measures for Outbound Investment Administration* issued by the MOFCOM stipulated the approval authority for different overseas investment projects. Specifically, any type of enterprise that intend to carry out the following overseas investments shall report to the Ministry of Commerce for approval: (1) overseas investment in countries with which China has not established diplomatic relations; (2) overseas investment in specific countries or regions (the specific name list shall be determined by the Ministry of Commerce in collaboration with the Ministry of Foreign Affairs); (3) overseas investment wherein the Chinese party invests US$100 million or more; (4) overseas investment that involve more than one country (region); or (5) establishing an overseas company for special purposes. Local enterprises that intend to carry out the following overseas investments shall report to the competent department of commerce at provincial level for approval: (1) overseas investment wherein the Chinese party invests not less than US$10 and not more than US$100 million; (2) overseas investment in the energy sector and mining areas; or (3) overseas investment which requires other domestic investment. Enterprises that intend to carry out any other overseas investments shall submit the Application Form for Overseas Investment via the “Overseas Investment Administration System” for approval. The MOFCOM and its local departments are respectively responsible for the approval of overseas investments by central enterprises and local enterprises.

In 2013 and 2014, the State Council released two updates to the *Catalogue of Investment Projects Subject to Government Approval*, first raised the approval threshold to US$1 billion for all types of enterprises, and then completely abolished this approval requirement. Therefore, most ODI projects only need to go through the process of registration, except for those in sensitive countries/regions or sensitive industries.

Accordingly, the *Measures for Outbound Investment Administration* was revised by the MOFCOM in 2014, which introduced the negative list management mode and established a "registration-based, complemented by approval" regime. In other words, regulatory approvals only apply to ODI projects in sensitive countries/regions or sensitive industries, and other projects merely need to be recorded at relevant government departments.

Under the current regime, Chinese enterprises that intend to invest overseas generally have to deal with three government departments: national or local Development and Reform Commission (hereinafter referred to as "Development and Reform Commission"), the Ministry of Commerce or its local departments (hereinafter referred to as "Commerce Department"), and the Sate Administration of Foreign Exchange or its branches (hereinafter referred to as "Foreign Exchange Department"). (Figure 5-1)

Figure 5-1 Approval Process for China's Outbound Direct Investment



Source: Drawn by the authors.

In particular, ODI projects involved state-owned asset require approval from the SASAC or it branches; ODI projects by enterprises in certain industries require additional approval from corresponding industry regulators, for example, the China Banking Regulatory Commission (CBRC), the China Securities Regulatory Commission (CSRC), and the China Insurance Regulatory Commission (CIRC).

5.2.1 Approval from the Development and Reform Commission

According to the Administrative Measures for the Approval and Record-Filing of Outbound Investment Projects (Order No. 9 of the NDRC, 2014), the Decision on Revising Certain Articles of the Administrative Measures for the Approval and Record-Filing of Outbound Investment Projects (Order No. 20 of the NDRC, 2014), and the Catalogue of Investment Projects Subject to Government Approval (2016) issued by the State Council, outbound investment projects merely need to be recorded at relevant government departments, except for those involving sensitive countries/regions or sensitive industries (hereinafter referred to as "sensitive projects"). Specifically, "sensitive countries/regions" include countries with no diplomatic relations with China, countries subject to international sanctions, countries and regions affected by wars, civil strife, etc. "Sensitive industries" include basic telecommunications operations, cross-border development and utilization of water resources, large-scale land development, main power transmission lines and power grids, news media, etc.[27]

Sensitive ODI projects shall be subject to the approval from the NDRC. In particular, projects over US$2 billion shall be submitted to the State Council for approval after getting the NDRC’s opinion. As for non-sensitive ODI projects, those invested by central enterprises shall be recorded at the NDRC. It also goes for projects invested by local enterprises with more than US$0.3 billion. Projects invested by local enterprises with less than US$0.3 billion shall be recorded at provincial Development and Reform Commission. (Table 5-1)

Table 5-1 Approval Authority of China’s Outbound Investment Project

Type of Project	Type of Enterprise	Investment Amount	Approval Authority		
			Provincial Development and Reform Commission	NDRC	State Council
Sensitive project	-	≥ US$2 billion	-	Opinion	Approval
	-	＜US$2 billion	-	Approval	-
Non-sensitive project	Central enterprise	-	-	Record-filing	-
	Local enterprise	≥ US$0.3 billion	-	Record-filing	-
		＜US$0.3 billion	Record-filing	-	-

[27] Article 7 of the Administrative Measures for the Approval and Record-Filing of Outbound Investment Projects (Order No. 9 of the NDRC, 2014)

Source: Compiled by the authors.

Apart from that, investor of an overseas acquisition or bidding project in which the amount of Chinese investment reaches or exceeds US$300 million shall, before engaging in substantive work with external parties, submit a project information report to the NDRC. Specifically, "engaging in substantive work with external parties" means that the investor of an overseas acquisition project signs a binding agreement with an external party, submits binding quotations and submits applications to the government review departments of the counterparty's country or region, or that the Investor of an overseas bidding project formally submits bids overseas.[28]

5.2.2 Approval from the Commerce Department

According to the *Measures for Outbound Investment Administration* (Order No.3 of the MOFCOM, 2014), outbound investment by enterprises that involves sensitive countries/regions or sensitive industries (hereinafter referred to as "sensitive investment") shall be subject to approval-based administration, and other outbound investment shall be subject to record-filing-based administration. Specifically, "sensitive countries/regions" refers to the countries without diplomatic relations with the China and countries subject to United Nations sanctions. If necessary, the MOFCOM may release a list of other countries and regions subject to approval-based administration. "Sensitive industries" refers to the industries involving the export of products and technologies of which export is restricted by the China and the industries with an impact on the interests of one or more countries (regions).[29]

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[28] Article 10 of the Administrative Measures for the Approval and Record-Filing of Outbound Investment Projects (Order No. 9 of the NDRC, 2014)

[29] Article 7 of the Measures for Outbound Investment Administration (Order No.3 of the MOFCOM, 2014)

For outbound investment subject to record-filing-based administration, central enterprises shall report to the MOFCOM, and local enterprises shall report to the Provincial Competent Commerce Department. For outbound investment subject to approval-based administration, central enterprises shall submit the application to the MOFCOM, and local enterprises shall do the same but via the Provincial Competent Commerce Department. What's more, Chinese embassies or consulates overseas shall be consulted. The MOFCOM is responsible for soliciting opinions on outbound investment by central enterprises, and the Provincial Competent Commerce Department is responsible for soliciting opinions on outbound investment by local enterprises. (Table 5-2)

Table 5-2 Approval Authority of Chinese Corporate Outbound Investment

Type of Investment	Type of Enterprise	Approval Authority	
		Provincial Competent Commerce Department	MOFCOM
Sensitive Investment	Central enterprise	-	Opinion solicitation and approval
	Local enterprise	Preliminary review	Opinion solicitation and approval
Non-sensitive Investment	Central enterprise	-	Registration
	Local enterprise	Registration	-

Source: Compiled by the authors.

5.2.3 Registration with the Foreign Exchange Department

According to the Regulations on Foreign Exchange Administration issued by the State Council in 2008, the Provisions on the Foreign Exchange Administration for Outbound Direct Investment by Domestic Institutions and the Notice on Further Simplifying and Improving the Policies of Foreign Exchange Administration for Direct Investment issued by the SAFE respectively in 2009 and 2015, domestic institutions should apply for initial expense registration and foreign exchange registration for outbound direct investment at the bank in their place of registration. The bank shall handle relevant process via the capital account information system of the Foreign Exchange Bureau, and with the certificate of registration, domestic institutions can deal with matters such as purchase and payment of foreign exchange directly at bank.

The "initial expense for outbound direct investment" refers to the fees that need to be paid outward by a domestic institution and are related to outbound direct investment before the domestic institution invests in and establishes a project or enterprise out of China, including but not limited to: (1) guarantee funds that are paid as required by the transferor or in accordance with the laws and provisions of a place where the project is located, when the domestic institution intends to acquire equity of an overseas enterprise or overseas asset rights and interests; (2) bid guarantee funds that are required to be paid in the process of tender and bidding of an overseas project; and (3) fees that are required for market research, lease of office premises and equipment, employment of personnel and appointment of an overseas intermediary agency to provide services, before the domestic institution makes overseas direct investment.[30]

[30] Article 13 of the Provisions on the Foreign Exchange Administration for Outbound Direct Investment

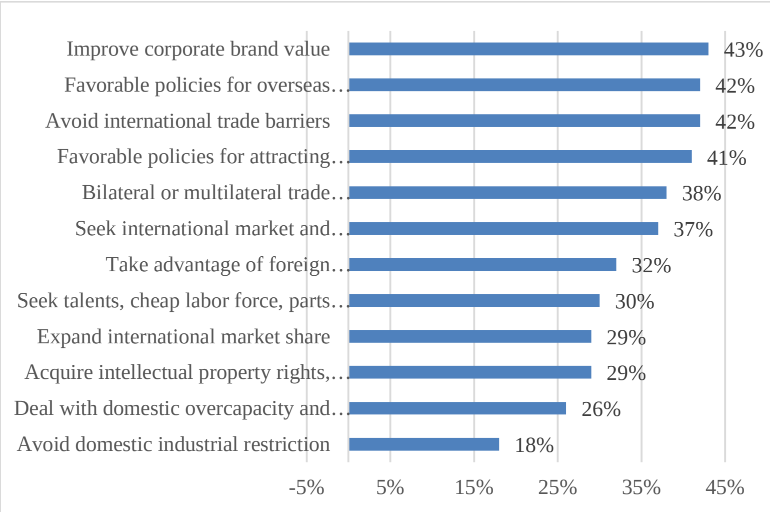
In principle, the cumulative outward remittance of initial expense by domestic institutions should not exceed US$3 million or exceed 15% of the total investment. If exceeded out of reasonable cause, the domestic investor need to submit an explanatory document to the Foreign Exchange Bureau in the place of registration.

Domestic institutions should apply for foreign exchange registration for outbound direct investment under the following circumstances: (1) prior to domestic institutions remitting payment outward by domestic or foreign legal asset or equity (including but not limited to currency, securities, intellectual property rights or technology, stock equity, creditor's rights, etc.); (2) domestic institutions investing overseas by foreign capital or other overseas asset or equity; (3) multiple domestic institutions jointly conducting an ODI program should appoint one institution on their behalf to handle the registration process; and (4) domestic institutions establishing branches overseas applies to the administration for domestic institutions investing overseas.

5.3 Corporate Demand

According to a survey conducted by the Center for China and Globalization (CCG) in 2016, favorable policies for overseas investment (42%), favorable policies for attracting overseas investment (41%), and bilateral or multilateral trade agreements and investment treaties (38%) provided impetus for Chinese enterprises to "go global". Meanwhile, it is worth noting that to improve corporate brand value (43%) has been the primary motive for Chinese overseas investor. Besides, to avoid international trade barriers (42%), to seek international market and extend industrial chain (37%) were also found to be important driving forces. (Figure 5-2)

Figure 5-2 Influencing Factors and Their Importance for Chinese Enterprises "Going Global"



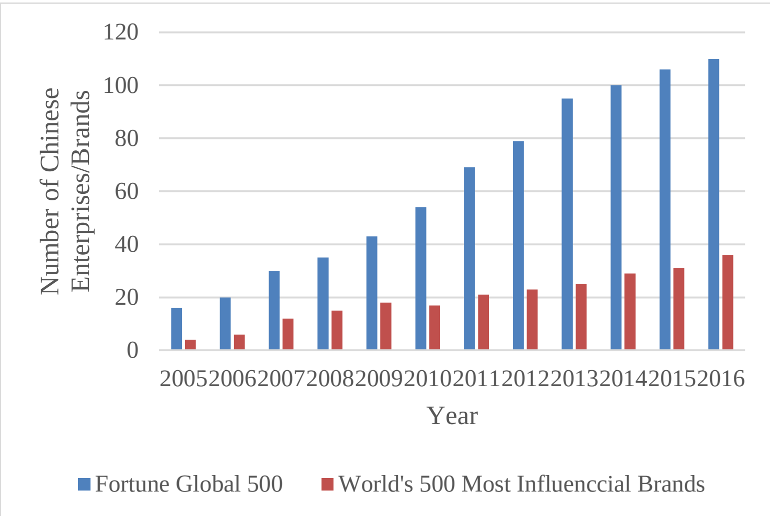
Source: Center for China and Globalization (CCG). Survey Report on Chinese Enterprises Overseas Investment. Wang, H., & Miao, L. Blue Book of Chinese Enterprises Globalization: Report on Chinese Enterprises Globalization (2016). Beijing: Social Sciences Academic Press, 2016: 94-118.

5.3.1 Improve Corporate Brand Value

As a vital intangible asset and a competitive weapon, brand is attached great importance by more and more Chinese companies. According to the *2010 Investigation Report on Chinese Enterprises Overseas Investment and Investment Intention* issued by the Economic Information Department of China Council for the Promotion of International Trade (CCPIT), only 9% of the surveyed enterprises stated that acquiring internationally famous brand was one of their motives to invest abroad. But now, it is the primary driver.

According to the annual lists of Global 500[31] and the World's 500 Most Influential Brands[32] released by Fortune magazine and World Brand Lab respectively, the number of Chinese enterprises kept growing since 2005. Nevertheless, the growth pace of brand influence fell behind that of revenue, indicating the necessity to make more efforts to improve the brand value and brand image during the process of internationalization. (Figure 5-3)

Figure 5-3 Number of Chinese Enterprises/Brands on the Lists of the Fortune Global 500 and the World's 500 Most Influential Brands, 2005-2016



Source: The Fortune Global 500 and the World's 500 Most Influential Brands, 2005-2016

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[31] Brands on the list of the World's 500 Most Influential Brands are ranked by their share of market, brand loyalty, and global leadership.
[32] Companies on the list of the Fortune Global 500 are ranked by revenue.

5.3.2 Avoid International Trade Barriers

The global economic recovery suffered setbacks in recent years, followed by trade protectionism on the rise. Based on the *Report from the Commission to the Council and the European Parliament on Trade and Investment Barriers and Protectionist Trends*, From July 1st, 2014 to December 31th, a total of 201 new potentially trade restrictive measures were introduced by the 31 EU trade partners[33], while only 16 previously imposed measures were actively withdrawn. Since 2008, these countries cumulatively imposed more than 1 000 restrictive measures, while only 180 have been removed.[34]

According to WTO statistics, China has been the biggest target of anti-dumping investigations for 22 consecutive years, and the biggest target of countervailing investigations for 11 consecutive years. By the first half of 2016, 1 170 anti-dumping investigations initiated by 40 economies[35], 112 countervailing investigations initiated by 13 economies[36], and 1 safeguard measures investigation[37] were against China. Under such circumstances, many Chinese companies chose to go global through overseas investment, so as to avoid potential trade conflicts.

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[33] Algeria, Argentina, Australia, Belarus, Brazil, Canada, China, Ecuador, Egypt, India, Indonesia, Japan, Kazakhstan, Malaysia, Mexico, Nigeria, Pakistan, Paraguay, the Philippines, Russia, Saudi Arabia, South Africa, South Korea, Switzerland, Taiwan, Thailand, Tunisia, Turkey, Ukraine, the US and Vietnam.

[34] http://trade.ec.europa.eu/doclib/docs/2016/june/tradoc_154665.pdf

[35] https://www.wto.org/english/tratop_e/adp_e/adp_e.htm

[36] https://www.wto.org/english/tratop_e/scm_e/scm_e.htm

[37] https://www.wto.org/english/tratop_e/safeg_e/safeg_e.htm

5.3.3 Expand International Market Share

China rapidly grew to be "the world's factory" after the reform and opening up, capitalizing on its cheap labor. Engaged in the processing link of the global manufacturing chain, Chinese enterprises used to produce low value-added goods for export. Take iPhone as an example, the Apple corporation takes 74% of the profit, while Chinese workers only earn 2%.[38]

Nowadays, Chinese enterprises prefer to go global by foreign direct investment instead of export. In this way, they can more easily get access to the end market and local society, implement localization strategy, and integrate domestic and international resources. In addition, cross-border M&As is regarded as an efficient way to move up the value chain by more and more Chinese enterprises, which is illustrated by Geely Group acquiring Volvo, Sany Group acquiring Putzmeister, Midea Group acquiring Kuka, etc.

Transnationality Index (TNI) is an indicator of an MNE's engagement in global business, reflecting how internationalized it is. The index is calculated as the arithmetic mean of the following three ratios: the ratio of foreign assets to total assets, the ratio of foreign sales to total sales, and the ratio of foreign employment to total employment.

$$\text{TNI} = \left(\frac{\text{foreign assets}}{\text{total assets}} * 100\% + \frac{\text{foreign sales}}{\text{total sales}} * 100\% + \frac{\text{foreign employees}}{\text{total employees}} * 100\%\right)/3$$

The higher the TNI, the more internationalized an MNE is.

Data from the UNCTAD shows that, the volume of foreign assets possessed by the world's top 100 non-financial MNEs based on their foreign assets in 2014 was US$82.66 billion on average, occupying 60% of the total assets; the foreign sales US$61.32 billion, 66%; and foreign

[38] http://money.163.com/14/1203/10/ACHKAQCC00253G87.html#

employees 96 000, 57% of the total employment. Hence, the TNI is around 60%.

By contrast, Chinese MNEs still lag behind in spite of their progress. Statistics indicate that the volume of foreign assets possessed by Chinese top 100 non-financial MNEs based on their foreign assets was US$8.93 billion on average, the foreign sales US$8.21 billion, foreign employees 7 547, and the TNI was 15.6%.[39]

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[39] MOFCOM. Report on Development of China's Outward Investment and Economic Cooperation 2015.
http://www.fdi.gov.cn/1800000121_35_1089_0_7.html

6

STATUS AND CHALLENGES OF CHINA'S ODI IN MAJOR ECONOMIES

The Elcano Global Presence Report issued by the Elcano Royal Institute in 2016 shows that China ranked second only to the United States based on the Global Presence Index[40], partly due to its rapid economic growth and outward-oriented development model. From 2005 to 2016, the combined value of China's investment and construction worldwide approached US$1.5 trillion.[41] (Figure 6-1).

Meanwhile, China's booming ODI has aroused alarm and suspicion from many countries, resulting in Chinese enterprises subjected to more stringent regulation and more pressure from the international public opinion. Worse still, debt burden and poor financial performance seem not uncommon among Chinese multinationals. Therefore, risk management and capacity building should be attached enough importance to by Chinese enterprises prior to "going global", so as to achieve rational and responsible overseas investment.

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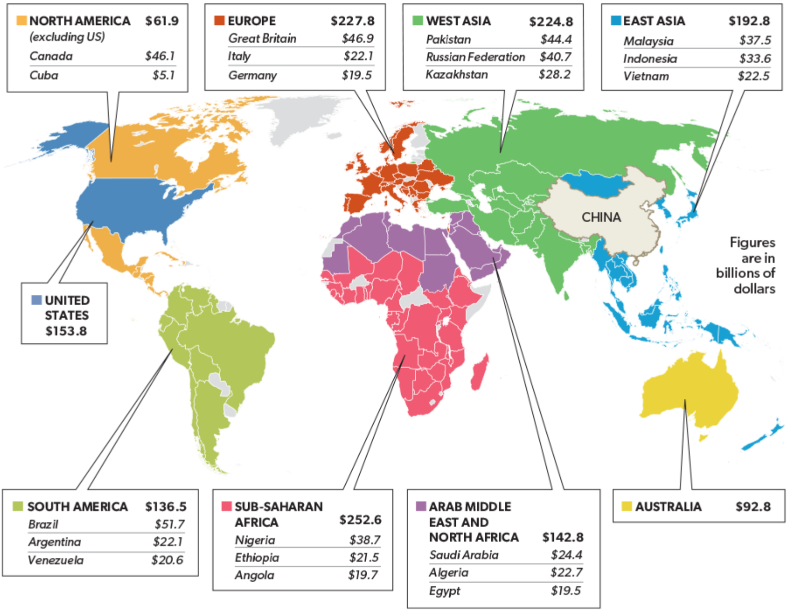
[40] The Elcano Global Presence Index measures global presence of different countries based on three dimensions: economic, military, and soft presence.

[41] Transactions less than US$100 million are excluded.

Figure 6-1 China's Large-scale Investments and Contracts, 2005-2016



Source: http://www.aei.org/china-global-investment-tracker/

6.1 Business Status of Chinese Enterprises Operating Overseas

According to the China Global Investment Tracker, a fully public data set of Chinese investments and contracts worldwide published by the American Enterprise Institute (AEI) and the Heritage Foundation, from 2005 through 2016, Chinese enterprises conducted a total of 1 102 large-scale investment projects and 1 136 construction contract projects overseas (transactions no less than US$100 million), the value of which was US$858.07 billion and US$627.84 billion respectively. Beyond that, 202 projects worth of US$3231.14 billion were labelled as "troubled transactions", meaning investments or constructions where a deal is agreed upon by the parties but then impaired in some way. This can be caused by mistakes by the parties themselves, interference by Chinese or host country regulators, international sanctions, or unrest in the host country.

By investment amount, the large-scale investment projects conducted by Chinese enterprises were concentrated in the Europe, USA and East Asia, accounting for nearly 50% of the total (Table 6-1, Figure 6-2); large-scale investment projects were mainly conducted in Sub-Saharan Africa, West Asia, Arab Middle East and North Africa, accounting for around 70% (Table 6-2, Figure 6-3); and "troubled transactions" frequently happened in Australia, USA, and West Asia (Table 6-3, Figure 6-4), and over 70% in energy, metals, and transport industries (Table 6-4, Figure 6-5).

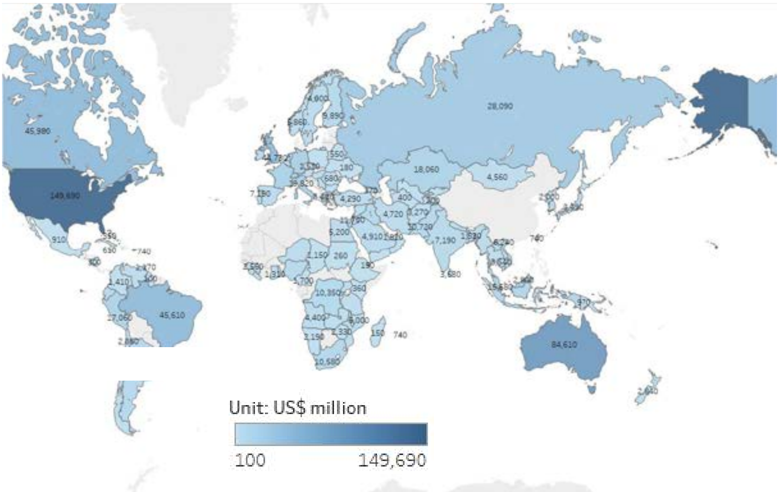
Table 6-1 Geographic Distribution of Large-scale Investment Projects Conducted by Chinese Enterprises, 2005-2016

Region	**Number of Projects**	**Investment Amount (Millions of Dollars)**	**Proportion (%)**
Europe	245	195 910	22.8
USA	199	149 690	17.4
East Asia	153	95 170	11.1
South America	84	89 210	10.4
Australia	129	89 120	10.4
West Asia	109	84 610	9.9
Sub-Saharan Africa	95	73 130	8.5
North America	63	50 560	5.9

Arab Middle East and North Africa	25	30 670	3.6
Total	1 102	776 780	100.0

Source: http://www.aei.org/china-global-investment-tracker/

Figure 6-2 Geographic Distribution of Large-scale Investment Projects Conducted by Chinese Enterprises, 2005-2016



Source: http://www.aei.org/china-global-investment-tracker/

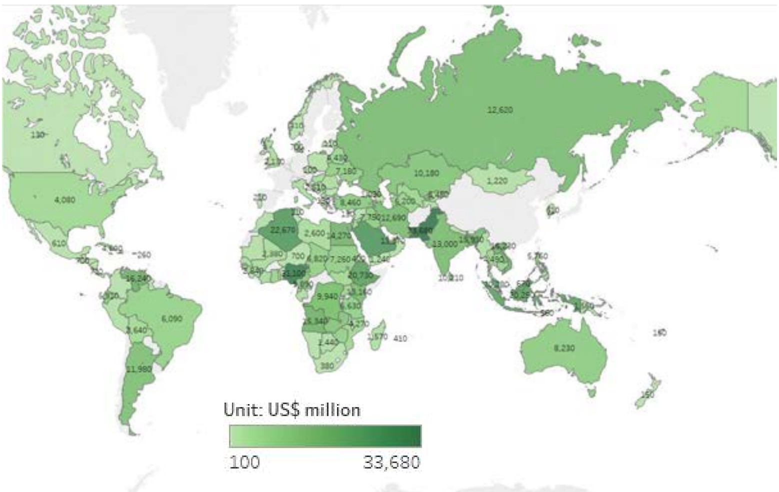
Table 6-2 Geographic Distribution of Construction Contract Projects Conducted by Chinese Enterprises, 2005-2016

Region	**Number of Projects**	**Investment Amount (Millions of Dollars)**	**Propor-tion (%)**
Sub-Saharan Africa	325	179 480	28.6
West Asia	215	135 720	21.6

Arab Middle East and North Africa	209	112 150	17.9
East Asia	210	97 640	15.6
South America	71	47 290	7.5
Europe	59	31 930	5.1
North America	24	11 320	1.8
Australia	13	8 230	1.3
USA	10	4 080	0.6
Total	1 136	627 840	100.0

Source: http://www.aei.org/china-global-investment-tracker/

Figure 6-3 Geographic Distribution of Construction Contract Projects Conducted by Chinese Enterprises, 2005-2016



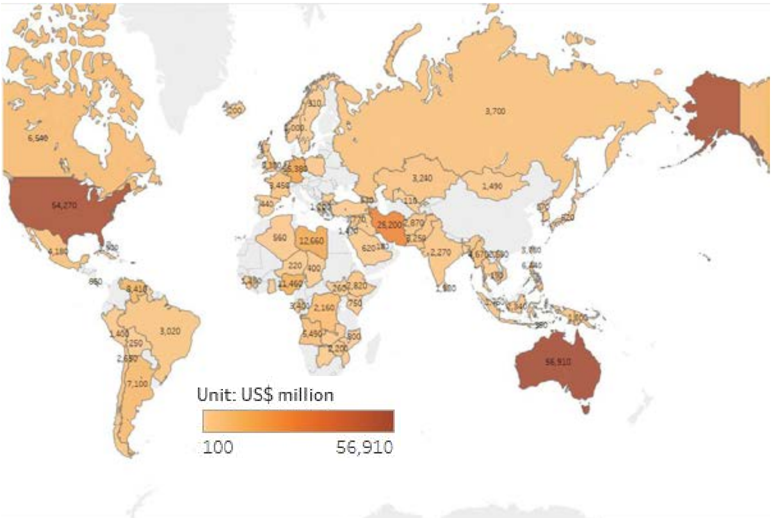
Source: http://www.aei.org/china-global-investment-tracker/

Table 6-3 Geographic Distribution of "Troubled Transactions" Conducted by Chinese Enterprises, 2005-2016

Region	Number of Projects	Investment Amount (Millions of Dollars)	Proporportion (%)
Australia	29	56 910	17.7
USA	27	54 270	16.9
West Asia	22	43 990	13.7
Europe	28	42 470	13.2
Sub-Saharan Africa	30	38 080	11.9
East Asia	32	27 700	8.6
South America	10	22 970	7.2
Arab Middle East and North Africa	15	19 380	6.0
North America	9	15 370	4.8
Total	202	321 140	100.0

Source: http://www.aei.org/china-global-investment-tracker/

Figure 6-4 Geographic Distribution of "Troubled Transactions" Conducted by Chinese Enterprises, 2005-2016



Source: http://www.aei.org/china-global-investment-tracker/

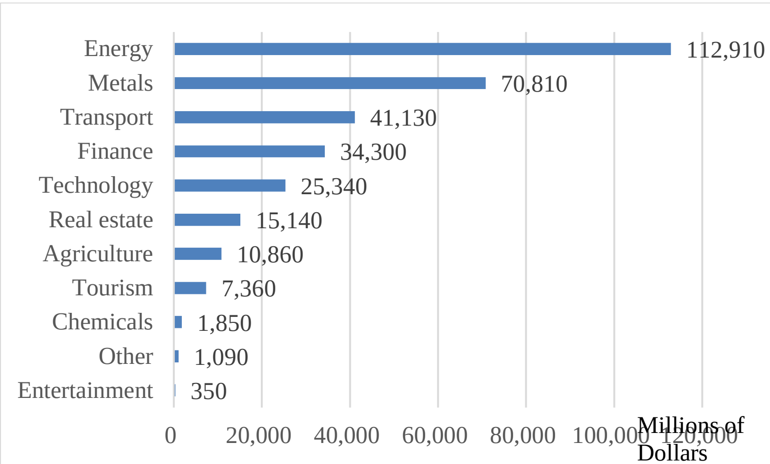
Table 6-4 Industrial Distribution of "Troubled Transactions" Conducted by Chinese Enterprises, 2005-2016

Industry	Number of Projects	Investment Amount (Millions of Dollars)	Proportion (%)
Energy	63	112 910	35.2
Metals	42	70 810	22.0
Transport	33	41 130	12.8
Finance	19	34 300	10.7
Technology	18	25 340	7.9
Real estate	9	15 140	4.7
Agriculture	7	10 860	3.4
Tourism	7	7 360	2.3
Chemicals	1	1 850	0.6

Other	2	1 090	0.3
Entertain-ment	1	350	0.1
Total	202	321 140	100.0

Source: http://www.aei.org/china-global-investment-tracker/

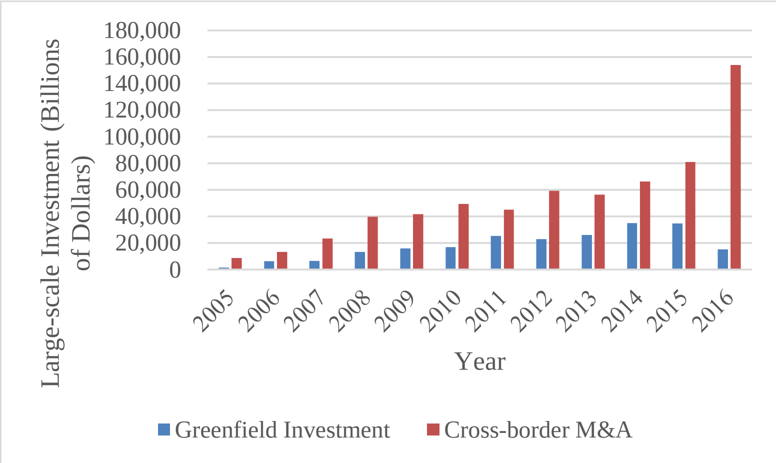
Figure 6-5 Industrial Distribution of "Troubled Transactions" Conducted by Chinese Enterprises, 2005-2016



Source: http://www.aei.org/china-global-investment-tracker/

In 2016, Chinese enterprises invested nearly US$170 billion in large-scale overseas projects, more than 90% of which were cross-borders M&As (Figure 6-6). The problem is that those big companies seeking to acquire foreign firms usually suffer from a heavy debt burden, which put their motive in doubt.

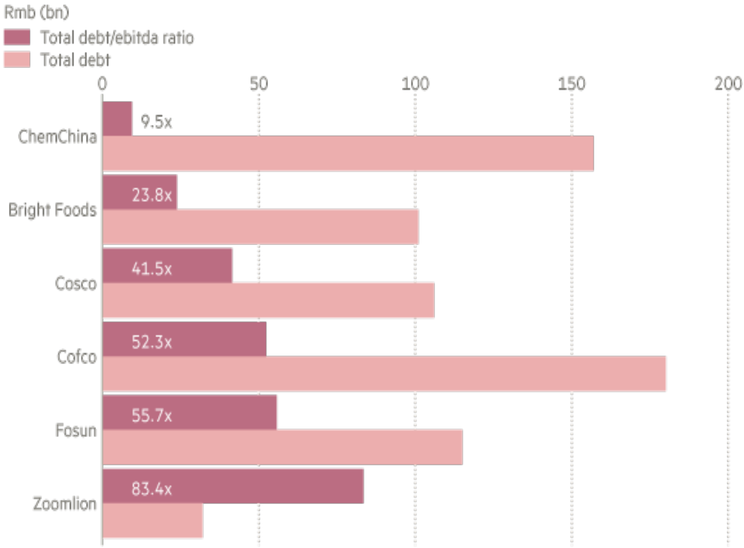
Figure 6-6 Large-scale Investment Projects Conducted by Chinese Enterprises (by Investment Approach), 2005-2016



Source: http://www.aei.org/china-global-investment-tracker/

Zerohedge, a U.S. financial blog, used the ratio of corporate debt to EBITDA (earnings before interest, taxes, depreciation and amortization) to judge whether the debt of a company is too high or not. According to its statistics, some Chinese companies engaged in cross-border M&As with high leverage ratio, leaving huge debt. For instance, Fosun, a serial Chinese acquirer that spent US$6.5 billion on stakes in 18 overseas companies during the first half of 2015, had a total debt of 55.7 times its EBITDA. China Cosco Holdings purchased the Greek Piraeus Port Authority for US$311 million, and promised to invest €500 million in the Greek port despite having a debt to EBITDA ratio of 41.5. Cofco International, the subsidiary of Cofco Corporation acquired a stake in Noble Agri for US$750 million, but its total debt was equivalent to 52.3 times its EBITDA. (Figure 6-7)

Figure 6-7 Several Chinese Multinationals' Debt



Note: All figures are 2015, apart from ChemChina which is full year 2014.

Source: http://www.ftchinese.com/story/001066096

In addition to the debt risk, the financial performance of Chinese multinationals appeared to be worrying as well. According to the audit results of 20 central enterprises for the year 2015 published by the National Audit Office of China in June 2017, some central enterprises suffered from great loss in overseas investment projects, caused by illegal decisions, faulty decisions, or mismanagement. (Table 6-5)

Table 6-5 Chinese Central Enterprises' Loss in Overseas Projects

Company	Loss or Potential Loss
China Huaneng Group	From April 2011 to June 2013, the company spent RMB10.327 billion in a cross-border M&A after collective decision-making, but ended up with a loss due to the electricity market slump.
Dongfeng	From 2000 to 2010, two affiliated companies lost RMB105.245

Motor Corporation	billion caused by mismanagement of overseas investment.
	In 2012, the company decided to sign a cooperation framework agreement with an overseas company before the due diligence was completed, and then changed it into joint venture agreement without the authorization of the project group. It eventually led to a total loss of RMB9 041.81 after the partner company sued for its withdrawal from the cooperation, and RMB6 825.85 was recognized for 2015.
Harbin Electric Company	In 2007, an affiliated company signed an international construction contract without thorough assessment, and the predicted loss was RMB215 million.
Baosteel Group Corporation	In 2011, the corporation approved to establish a joint venture abroad and purchase its idle production line. However, the joint venture was under an anti-dumping investigation after 2 months since the production, and the utilization rate was rather low. By the end of 2015, the accumulative loss amounted to RMB50 million.
	An affiliated company invested US$406 million (RMB2.547 billion) in an overseas iron ore mining project, but did not start production as planned in June 2015.
Sinopec Group	From 2007 to 2011, 4 overseas projects suffered a total loss of RMB3.621 billion because of misjudgment.
China General Technology Group	In 2010, the Group approved an overseas project worth of RMB300 million without sufficient feasibility research, but the project was terminated after 4 months and lost RMB8.3 million on account of the unexecuted cooperation agreement.
China National	By the end of 2016, the affiliated research, the affiliated Hefei Cement Research and Design Institute lost RMB101 million in

Building Material Group	an overseas construction project due to insufficient due diligence.
China Railway Engineering Corporation	From 2009 to 2015, 3 affiliated companies invested RMB6.74 billion in 6 overseas mining projects without approval, evaluation or due diligence, losing RMB1.363 billion by the end of 2015.
	By October 2016, 17 overseas construction projects suffered a loss of RMB1.629 million due to insufficient previous research or internal management. By September 2016, 2 affiliated companies failed to perform 2 overseas projects approved by the internal review, resulting in RMB109 million loss.
China Railway Construction Corporation	Since 2010, there have been 400 construction project contracts altered without the permission of the proprietors, leading to a potential loss of RMB2.408 billion.
	Since 2010, some capital operation or overseas construction projects suffered a loss or potential loss of RMB883 million, and some were about to be suspended or repurchased.
China Electric Power Construction Group	In 2010, an affiliated company invested RMB831 million in an overseas project, ignoring the risk reminder provided by the SASAC and the group investment assessment committee. By November 2016, the accumulative loss was RMB297 million.
	In 2010, an affiliated company spent US$14.08 million to acquire 44% stake of an overseas project. However, it turned out that the risk was underestimated, and the business was forced to liquidate. By the end of 2015, the loss totaled RMB33.95.
	By June 2016, an affiliated company has lost RMB187 million

	in an overseas construction project, which was won by offering a low price.
	By November 2016, 4 affiliated companies accumulatively lost RMB858 million and faced another RMB473 million potential loss because of insufficient assessment and calculation.
China Railway Materials Company	An overseas project invested in 2009 has lost RMB92.86 million in fair value during accounting treatments by June 2016.

Source: Audit Results Released by the National Audit Office of China (No. 10 to No. 29, 2017)

Based on incomplete data, Chinese consortiums have spent RMB15 billion in acquiring foreign football clubs since 2014, not excluding those suffered consistent loss. For example, the United Vansen Sports Company acquired Haaglandse Football Club with €8 million in July 2014. Wanda Group purchased a 20% stake in Atletico Madrid with €45 million in September 2015. From January to August 2016, another 10 acquisitions of this kind took place, the most expensive of which were Sino-Europe Sports Investment Management Changxing Co.'s acquisition of a 99.93% stake in the Italian AC Milan Club with €520 million, and Suning Corporation's acquisition of a 70% stake in the Football Club Internazionale Milano with €270 million.[42] Apart from that, Chinese buyers showed great enthusiasm for hospitality, entertainment, and real estate, with many large cross-border M&As in these industries. (Table 6-6)

[42] http://news.ynet.com/2017/07/20/299081t70.html

Table 6-6 Selected China's Cross-border M&As in Hospitality, Entertainment, and Real Estate Industries

Year	Buyer	Target	Country	Transaction Value (US$ Million)
Hospitality				
2017	Hainan Airlines Group	Hilton Worldwide Holdings	U.S.	6 497
2016	China Life Insurance	280 Starwood Hotels	U.S.	2 000
2015	Anbound Group	Waldorf Astoria Hotels	U.S.	1 950
2015	Jinjing International	Louvre Hotels Group	France	1 591
2015	Fosun International	Club Med	France	1 066
Entertainment				
2016	Wanda Group	Legendary Entertainment	U.S.	3 500
2012	Wanda Group	AMC Entertainment	U.S.	2 640
2016	Wanda Group	Carmike Cinemas	U.S.	1 220
2016	Wanda Group	Odeon & UCI Cinemas	U.K.	1 191
2014	Wanda Group	Hoyts Cinema	Australia	730

Real Estate				
2016	Anbang Insurance	Strategic Hotel	U.S.	5 500
2015	China Investment Corporation	Investa Property Group	Australia	1 785
2016	Evergrande Real Estate Group	Mass Mutual Tower	Hong Kong, China	1 606
2015	China Investment Corporation	10 shopping malls	France / Belgium	1 441
2017	CC Land	Leadenhall Building	U.K.	1 420
2013	Consortium led by SOHO China	General Motors Building	U.S.	1 400
2016	China Everbright Group	Dah Sing Financial Center	Hong Kong, China	1 287
2014	China Investment Corporation	Chiswick Park	U.K.	1 249

Source: http://www.eeo.com.cn/2017/0823/311205.shtml

Since the end of 2016, the Chinese government started to strengthen the supervision of corporate outbound investment, to prevent companies from potential irrational investment and asset transfer. In December 2016, the heads from the NDRC, MOFCOM, People's Bank of China, and SAFE said at the news conference that close attention would be paid to the tendency of "irrational outbound investment" in industries such as real estate, hospitality, cinemas, entertainment, sports club, etc., and the risks embedded in four types of outbound investment including large investment in non-core business, investment by limited partnerships, investment by big subsidiaries of a small parent company, and investment by newly established companies. They also suggest related enterprises make prudent decision.

The SAFE specified four types of abnormal behavior in outbound investment that need close supervision: (1) investment is made by companies established less than several months and without real business; (2) the investment scale is far more than the registered capital of domestic parent company, and the operating status corroborated by the financial statements can hardly support its outbound investment; (3) the investment project is completely unrelated to the core business of the domestic parent company; (4) the source of investment capital is abnormal and may involve in illegal asset transfer for personal interest or underground banks operation.

China's ODI reduced noticeably in the first half of 2017. According to MOFCOM, from January to July 2017, Chinese enterprises invested in 4 411 foreign companies spreading across 148 countries or regions, and the investment in non-financial sectors accumulatively reached US$392.05 billion, decreasing by 41.8% over the last year (equivalent to US$57.2 billion, decreasing by 44.3%). In particular, investment in real estate and that in culture, sports, entertainment reduced by 81.2% and 79.1%, respectively accounting for 2% and 1% of the investment during that period.[43]

In June 2017, the Ministry of Finance released the *Measures on Cross-border Investment and Financial Management of State-Owned-Enterprises*, targeting the following serious problems: (1) hasty decision without solid feasibility study; (2) weak management especially regarding financial risk control; (3) lack of supervision of relevant decision makers and executors.

In August 2017, the NDRC, MOFCOM, People's Bank of China, and SAFE jointly issued the *Guidelines on Further Lead and Regulate the Direction of Overseas Investment*, specifying which investments to

[43] http://www.mofcom.gov.cn/article/ae/ag/201708/20170802627088.shtml

be encouraged, restricted or forbidden. In addition to sensitive industries, the following are classified into restricted outbound investment: (1) investment in industries such as real estate, hotels, cinemas, entertainment, sports clubs, etc.; (2) investment in private equity fund or investment platform without actual business; (3) investment with production equipment cannot meet the technical standard in the host country; (4) investment cannot meet the standard in the host country regarding environment protection, energy consumption, and security.

6.2 ODI in the United States

Based on the China Investment Monitor (CIM) developed by the Rhodium Group[44], China's ODI in the United States remained low before 2008, with the singular exception of Lenovo's purchase of IBM's PC division in 2005 for US$1.75 billion, which pushed China's ODI flows in the U.S. to around US$2.0 billion in that year. The annual investment jumped to over US$4.6 billion in 2010 and then continued to grow at a high pace. In 2016, the United States received US$45.6 billion worth of investment by Chinese companies, which was triple that of the previous year and nearly10 times as much as that in 2010. In particular, the acquisition of Smithfield Foods, Inc. with a payment of US$7.1 billion by Shuanghui Group has been the largest deal. From 2000 to 2016, the CIM dataset recorded 1 360 ODI transactions by Chinese investors in the United States worth a combined value of US$109.5 billion. (Figure 6-8)

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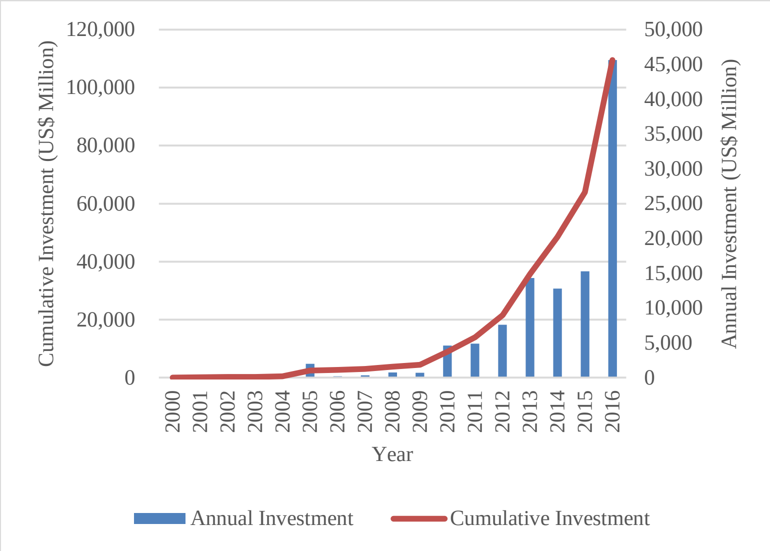
[44] The CIM database tracks FDI transactions by ultimately Mainland Chinese-owned firms in the United States. Portfolio investment transactions are not included. The CIM only counts investments in physical assets in the U.S. In other words, reverse mergers and Chinese firms listing their assets in U.S. markets are not recorded. Only completed transactions are recorded, while pending and promised transactions are excluded. The minimum value for individual deals included in the database is $500 000.

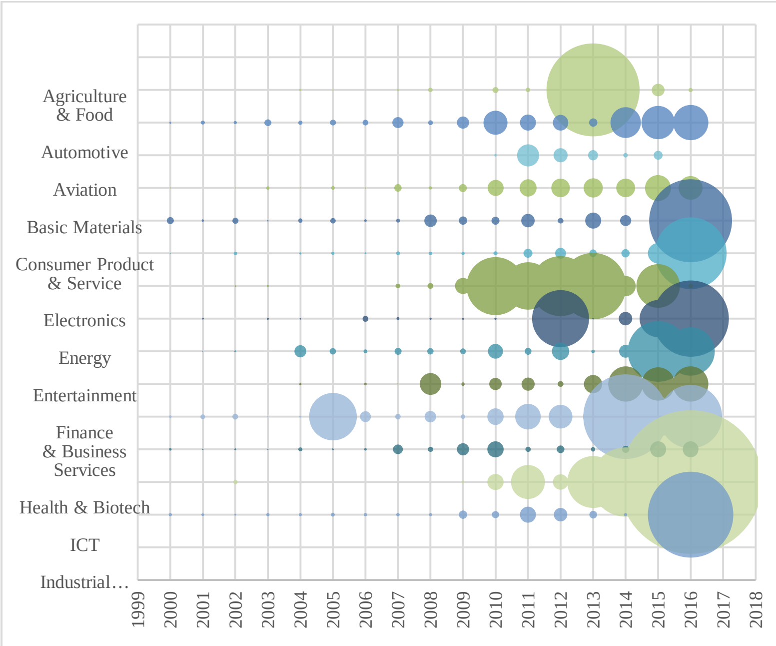
Figure 6-8 China's ODI Flows in the United States, 2000-2016



Source: Rhodium Group. China Investment Monitor. http://rhg.com/interactive/china-investment-monitor.

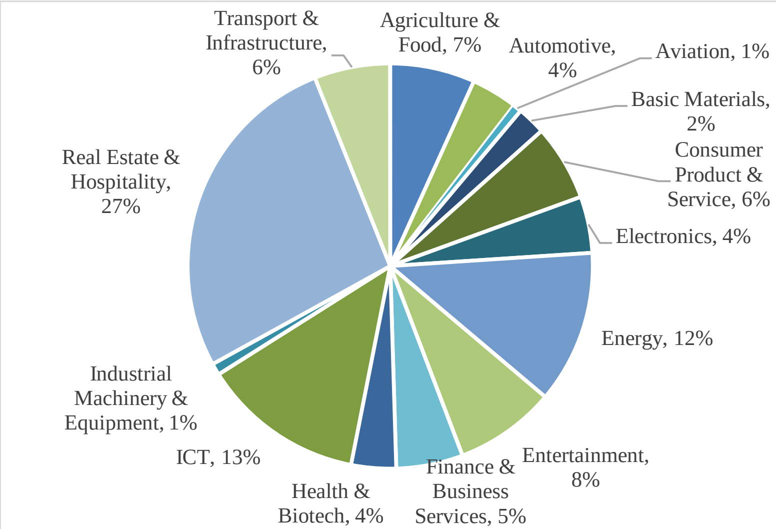
The mix of industries targeted by Chinese investors also changed remarkably. Prior to 2013, the energy sector held a dominant position in China's ODI in the U.S., while more Chinese investors turned to service and advanced manufacturing sectors in recent years. Industries that saw a big increase of Chinese interest from previous years include real estate and hospitality, information and communications technology (ICT), entertainment, transport and infrastructure, consumer product and service, financial and business services. (Figure 6-9, Figure 6-10)

Figure 6-9 Industrial Distribution of China's ODI Flows in the U.S., 2000-2016



Source: Rhodium Group. China Investment Monitor. http://rhg.com/interactive/china-investment-monitor

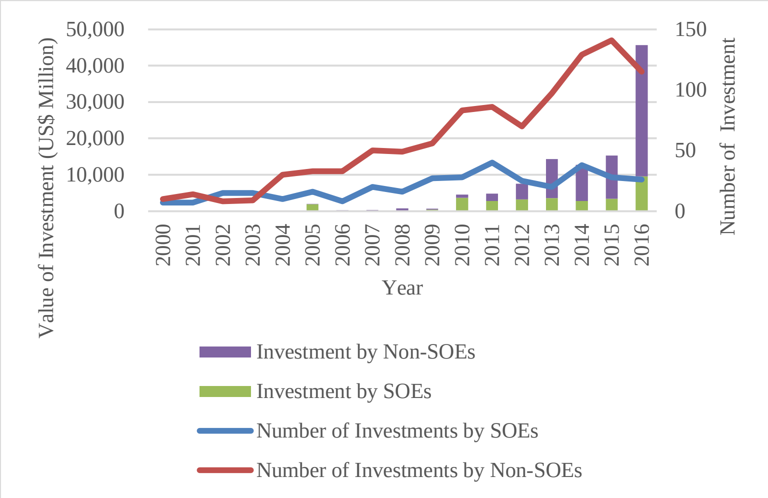
Figure 6-10 Industrial Distribution of China's ODI Stock in the U.S., 2016



Source: Rhodium Group. China Investment Monitor. http://rhg.com/interactive/china-investment-monitor

In line with previous years, private companies continued to drive the growth of China's ODI in the United States. In terms of the number of investment projects, Chinese private enterprises have outpaced the SOEs since 2004. In terms of the amount of investment, Chinese private enterprises took the lead in the recent five years, and their proportion of the total investment kept increasing. (Figure 6-11)

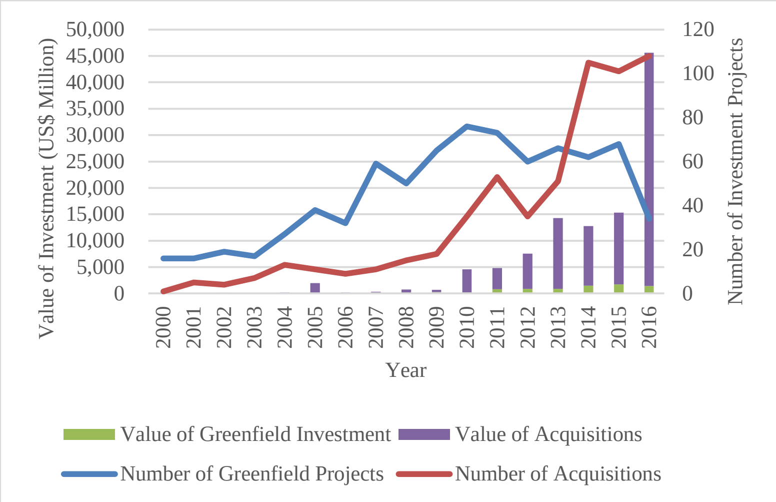
Figure 6-11 China's ODI Flows in the U.S. by Type of Enterprise, 2000-2016



Source: Rhodium Group. China Investment Monitor.
http://rhg.com/interactive/china-investment-monitor

Chinese enterprises used to invest in the U.S. by conducting green-field projects, especially before 2014. But in the recent three years, acquisitions of existing companies and assets have become the preferred mode for Chinese investors to enter the U.S. market, because they allow quicker market access than organic growth. The number of M&As conducted in the three years from 2014 to 2016 even exceeded the sum of that in the prior 14 years. For the period of 2000 to 2016, M&As accounted for more than 90% of total cumulative investment. According to the *2017 Special Report on China's Cross-border Mergers and Acquisitions* jointly published Hurun Report and DealGlobe, in terms of the number of transactions, U.S. companies turned out to be the biggest acquisition target by Chinese buyers in 2016. (Figure 6-12, Table 6-7)

Figure 6-12 China's ODI Flows in the U.S. by Entry Mode, 2000-2016



Source: Rhodium Group. China Investment Monitor. http://rhg.com/interactive/china-investment-monitor

Table 6-7 Top 10 Cross-border M&As by Chinese Enterprises in the U.S., 2016

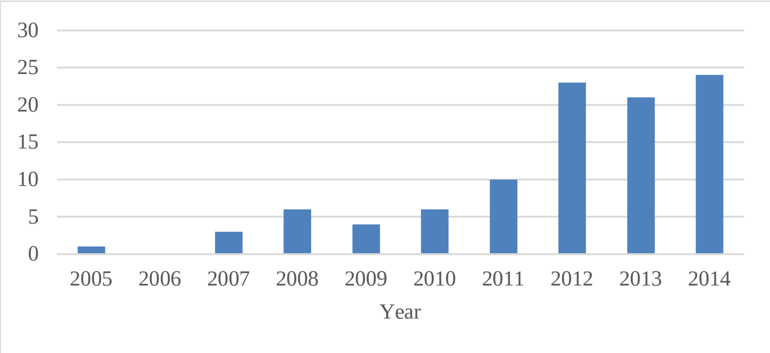
Chinese Buyer	U.S. Target	Transaction Value (US$ Mil)	Industry
Bohai Financial Investment Holding	CIT Group	9 995	Finance
Anbang	Strategic Hotel	6 500	Real Estate
HNA	Hilton Worldwide (25%)	6 496	Entertainment
Tianjin Tianhai	Ingram Micro Inc.	6 009	TMT

Haier	General Electric	5 400	Consumer Product
Wanda	Legendary Entertain-ment	3 500	Entertainment
Apex and PAG Asia Capital	Lexmark International Inc.	3 440	TMT
China Oceanwide	Genworth Financial	2 700	Finance
China Zhong-wang	Aleris Corp.	2 330	Manufacturing
Weichai Power	DH Services Luxem-bourg Holding	2 100	Transport

Source: 2017 Special Report on China's Cross-border Mergers and Acquisitions

It is worth noting that the Committee on Foreign Investment in the United States (CFIUS), an inter-agency committee authorized to review transactions that could result in control of a U.S. business by a foreign person ("covered transactions"), in order to determine the effect of such transactions on the national security of the United States, has increased the scrutiny on cross-border M&As. According to its Annual Report to Congress for CY2014, China was the country with the most "covered" transactions for the third year in a row. What's more, the U.S.-China Economic and Security Review Commission (USCC) in its 2016 Report to Congress recommended the U.S. Congress amend the statute authorizing the CFIUS to bar Chinese state-owned enterprises from acquiring or otherwise gaining effective control of U.S. companies. It expressed concerns that the Chinese SOEs could use the technology, intelligence, and market power they gained from acquiring U.S. companies in the service of the Chinese state to the detriment of U.S. national security. It was reported by the Financial Times that the U.S. was toughening its scrutiny of Chinese deals, throwing a number of high-profile takeover bids into question and helping spur a huge case backlog, citing people familiar with the process.[45] (Figure 6-13, Table 6-8)

Figure 6-13 Number of CFIUS Covered Transactions with Chinese Buyer, 2005-2014



Source: CFIUS Annual Report to Congress. https://www.treasury.gov/resource-center/international/foreign-investment/Pages/cfius-reports.aspx

Table 6-8 CFIUS Covered Transactions by Acquirer Home Country/Economy and Target Sector, 2012-2014

Country /Economy	Manufac-turing	Finance, Information, and Services	Mining, Utilities, and Construction	Wholesale, Retail, and Transporta-tion	Total
China	33	13	19	3	68
UK	20	16	5	4	45

[45] http://finance.ifeng.com/a/20170722/15544724_0.shtml

Canada	4	6	20	10	40
Japan	18	10	5	4	37
France	12	6	0	3	21
Germany	10	7	0	0	17
Nether-lands	4	9	2	0	15
Switzer-land	13	2	0	0	15
Singapore	2	3	3	3	11
Israel	8	2	0	0	10
Spain	4	4	2	0	10
HK, China	5	4	0	0	9
Australia	0	3	3	1	7
India	3	4	0	0	7
Sweden	3	3	0	0	6
South Korea	2	2	1	0	5

Note: Only countries with at least 5 total covered transactions during 2012-2014 are shown.

Source: CFIUS Annual Report to Congress for CY2014

The CFIUS review process is ostensibly voluntary, though CFIUS actively looks for transactions of interest that were not notified and can "invite" parties to file or initiate reviews directly. The process consists of a draft "prefiling" period during which parties may consult with CFIUS; an initial 30-calendar-day review period; a potential additional

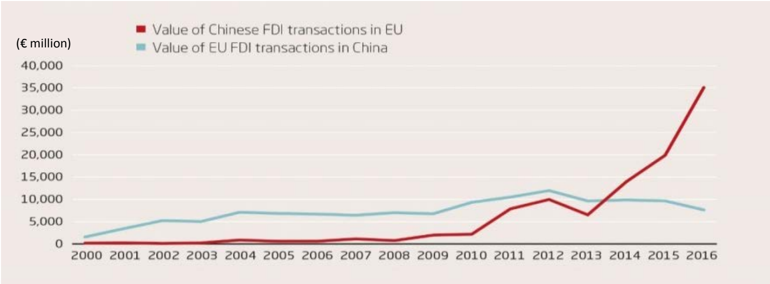
45-calendar-day investigation phase; and, in rare instances, a 15-calendar-day Presidential review period. In cases in which CFIUS has national security concerns, it can impose mitigation requirements to address those issues, recommend the parties abandon the deal if no mitigation is deemed acceptable, or refer the case to the President with a recommendation to block the transaction if the parties will not abandon it. While CFIUS's scope is legally limited to national security only, national security is not defined by law and CFIUS tends to interpret its jurisdiction broadly.

The recent two years witnessed a series of abandoned deals with Chinese buyers due to rigorous CFIUS review. For instance, a Chinese consortium led by GSR Ventures walked away from its US$3.30 billion bid for Philipps' Lumileds unit, Tsinghua Unigroup was blocked to acquire Micron Technology with US$23.00 billion and a 15% stake in Western Digital with US$3.78 billion, Fairchild Semiconductors rejected a US$2.46 billion bid by a Chinese consortium led by China Resources Microelectronics Ltd. and Hua Capital, and Sanan Optoelectronics Co. Ltd. withdrew its US$0.23 billion bid to Global Communications Semiconductors. Commitment

6.3 ODI in the European Union

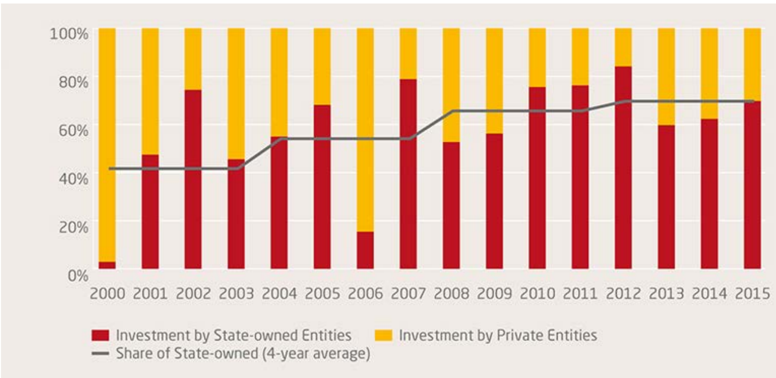
According to a report jointly published by the Mercator Institute for China Studies (MERICS) and the Rhodium Group (RHG), Europe has emerged as a key destination for China's ODI, especially in the recent three years. In 2016, Chinese companies invested as much as EUR35 billion (or US$7.8 billion) in the European Union, a 77 % increase from the previous year. Private companies accounted for 74% of the total investment, which changed the landscape dominated by SOEs. In contrast to this sustained rise of China's investment in the EU, the value of EU ODI transactions in China continued to decrease for the fourth consecutive year to only €8 billion in 2016, which was less than one fourth of the total value of Chinese investments in the EU. (Figure 6-14, Figure 6-15)

Figure 6-14 ODI Flows between the EU and China, 2000-2016



Source: RHG & MERICS. Chinese Investment in Europe: Record Flows and Growing Imbalances. https://www.merics.org/en/merics-analysis/papers-on-china/cofdi/cofdi2017/

Figure 6-15 Distribution of China's ODI Flows in the EU by Type of Enterprise, 2000-2015



Source: RHG & MERICS. A New Record Year for Chinese Outbound Investment in Europe. https://www.merics.org/en/merics-analysis/papers-on-china/cofdi/a-new-record-year-for-chinese-outbound-investment-in-europe/

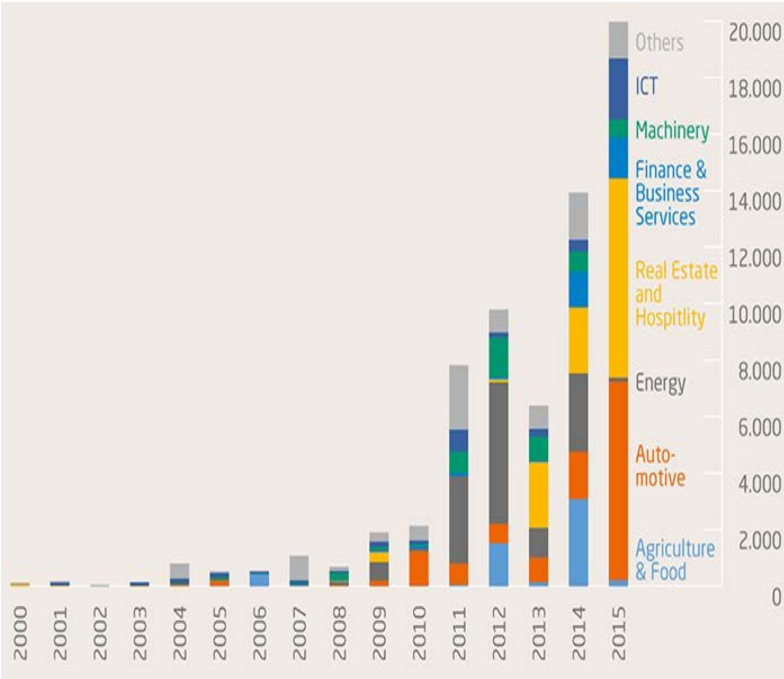
The distribution of China's ODI revealed that Chinese investors were diversifying their investment in the EU. In 2016, advanced manufacturing and service were the most attractive sectors illustrated by several large M&As, suggesting the investors' desire to acquire technology, brands and strategic assets. Compared with the previous three years, China's investment in advanced manufacturing kept growing at a high pace; other sectors that received greater interest include information and communication technology, energy, utilities, transport and infrastructure, and entertainment; while the biggest loser was real estate. (Table 6-9, Figure 6-16, Figure 6-17)

Table 6-9 Major Cross-border M&As by Chinese Enterprises in the EU, 2016

Chinese Buyer	**EU Target**	**Deal Value (€ bn)**	**Industry**	**Country**
Tencent	Supercell	6.7	Gaming	Finland
Midea	Kuka	4.4	Robotics	Germany
Consortium	Global Switch	2.8	Telecoms	UK
HNA	Avolon	2.3	Aviation	Ireland
Ctrip	Skyscanner	1.7	Travel	UK
Beijing Enterprise	EEW Energy	1.4	Energy	Germany
Shandong Ruyi	SMCP Group	1.3	Fashion	France
Wanda AMC	Odeon & UCI	1.1	Entertainment	UK

Source: http://www.ftchinese.com/story/001070946

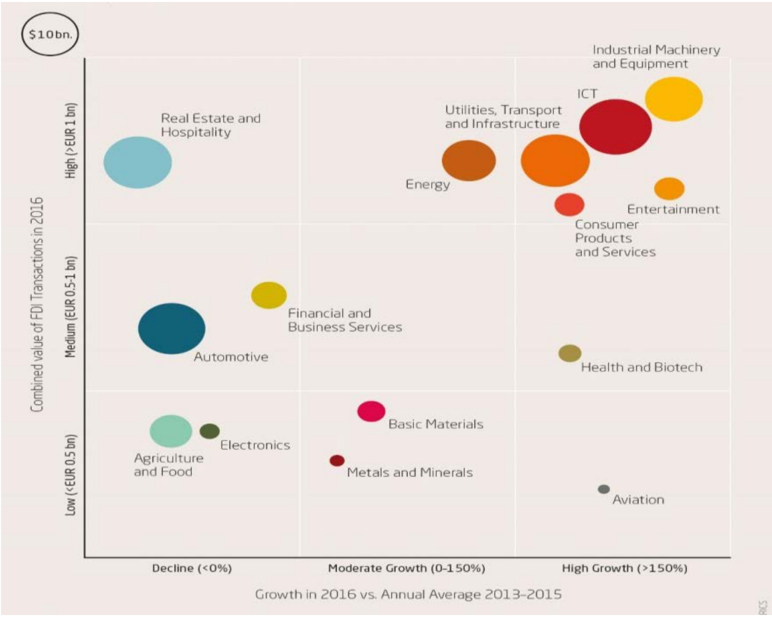
Figure 6-16 Industrial Distribution of China's ODI Flows in EU, 2000-2015



(€ million)

Source: RHG & MERICS. A New Record Year for Chinese Outbound Investment in Europe. https://www.merics.org/en/merics-analysis/papers-on-china/cofdi/a-new-record-year-for-chinese-outbound-investment-in-europe/

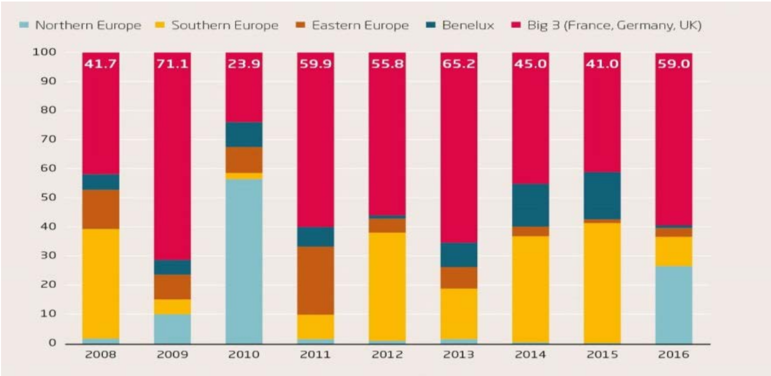
Figure 6-17 Industrial Distribution of China's ODI Flows in the EU, 2016



Source: RHG & MERICS. Chinese investment in Europe: record flows and growing imbalances. https://www.merics.org/en/merics-analysis/papers-on-china/cofdi/cofdi2017/

In 2016, nearly 60% of China's ODI flew into the "Big 3" European economies (Germany, the UK, and France). With €11 billion of completed deals, Germany played an outsized role in attracting Chinese investment, accounting for 31% of China's total ODI in EU. It was the first time that Chinese ODI flows into Germany was greater than the other way around, as German companies only invested less than €4 billion in China. China's investment in Northern European countries also boomed, mostly due to Tencent's investment in Finland's Supercell and HNA group's acquisition of Irish aircraft leaser Avolon. (Figure 6-18, Figure 6-19, Figure 6-20)

Figure 6-18 Regional Distribution of China's ODI Flows in the EU, 2008-2016



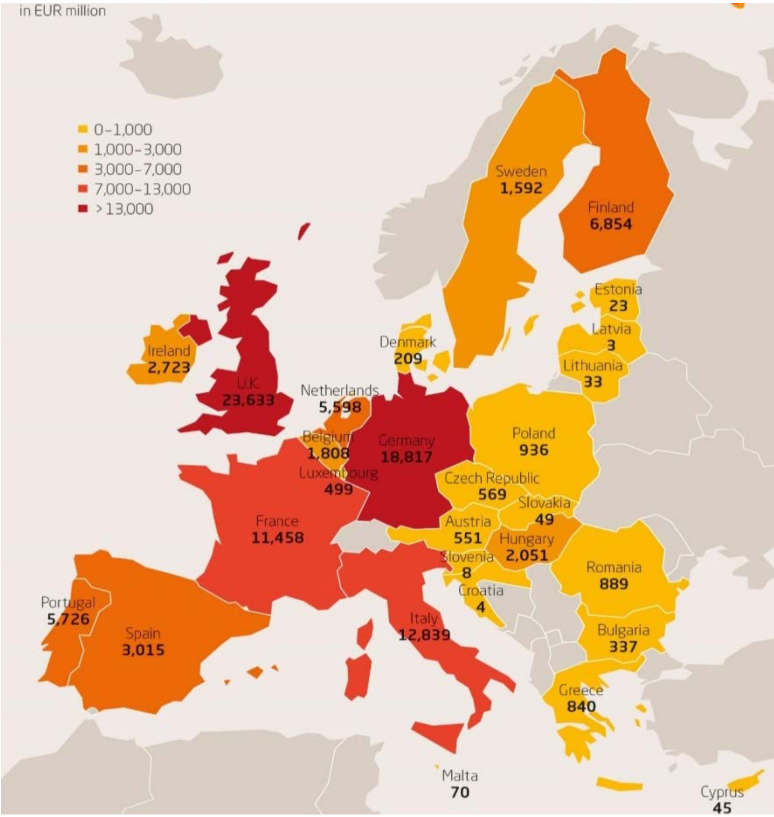
Note: The "Big 3" includes France, Germany, and the UK. "Benelux" includes Belgium, Netherlands, and Luxembourg. "Eastern Europe" includes Austria, Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovakia. "Southern Europe" includes Croatia, Cyprus, Greece, Italy, Malta, Portugal, Slovenia, and Spain. "Northern Europe" includes Estonia, Denmark, Finland, Ireland, Latvia, Lithuania, and Sweden.

Source: RHG & MERICS. Chinese investment in Europe: record flows and growing imbalances. https://www.merics.org/en/merics-analysis/papers-on-china/cofdi/cofdi2017/

Figure 6-19 ODI Flows between Germany and China, 2000-2016

Source: RHG & MERICS. Chinese investment in Europe: record flows and growing imbalances. https://www.merics.org/en/merics-analysis/papers-on-china/cofdi/cofdi2017/

Figure 6-20 Geographic Distribution of China's ODI Stock in the EU, 2000-2016



Source: RHG & MERICS. Chinese investment in Europe: record flows and growing imbalances. https://www.merics.org/en/merics-analysis/papers-on-china/cofdi/cofdi2017/

Nevertheless, heated debates have been spurred by Chinese capital pouring into the EU. Some nations concerned that it would cause a loss of core industrial technology, deteriorate the domestic competitive environment, and even pose a threat to the national security. At the end of 2016, the German Federal Ministry for Economic Affairs and Energy withdrew its approval of Fujian Grand Chip Investment Fund’s takeover of the German chip equipment maker Aixtron, and then blocked the acquisition of the German lighting company Osram by Sanan Optoelectronics Co. Ltd. There was also a batch of M&As which succeeded but not without obstacles. For example, China National Chemical Corporation’s takeover of the Italian tyre manufacturer Pirelli generated a backclash, Midea Group acquiring the German robot manufacturer Kuka was opposed by German government officials, China General Nuclear Power Corporation’s participation in the construction of Hinkley Point C nuclear power station in the UK elicited concerns over security issues and was postponed several times.

German government has already taken measures to widen its control of foreign takeovers of German companies. In July 2017, the cabinet adopted the Amendment to the Foreign Trade and Payments Ordinance presented by the Economic Affairs Ministry, introducing stricter rules for the scrutiny of corporate acquisitions by investors from countries outside the European Union. In parallel to this, the Ministry also launched an initiative at EU level together with Italy and France to bring about changes to EU law.[46]

Under the new Ordinance, the Federal Ministry for Economic Affairs and Energy can scrutinize, and eventually prohibit or restrict, an acquisition of a shareholding of at least 25% in a German company by a non-EU investor if such acquisition endangers Germany’s public order or security. Most of the review periods are extended from two to four months, and the Ordinance now defines the following cases as generally posing risks, thereby giving rise to scrutiny: (1) operators of critical

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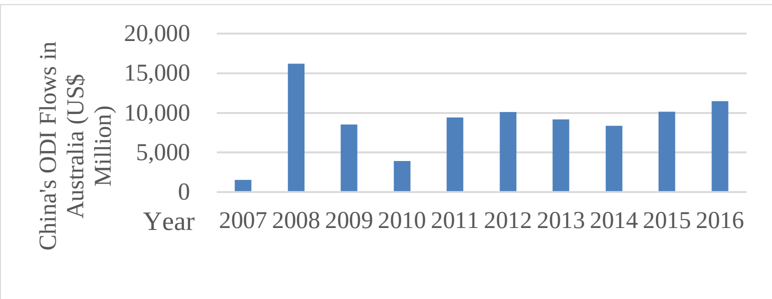
[46] http://www.bmwi.de/Redaktion/EN/Pressemitteilungen/2017/20170712-zypries-besserer-schutz-bei-firmenuebernahmen.html

infrastructure (in particular energy, information technology and telecommunications, transport, health, water etc.) which is of particular importance for the functioning of the community; (2) companies developing or changing industry-specific software for the operation of critical infrastructure; (3) companies entrusted with organizational monitoring measures for telecommunication facilities; (4) companies providing cloud computing services above a certain volume; and (5) companies that are engaged in the area of telematics infrastructure.[47]

6.4 ODI in Australia

According to the report *Demystifying Chinese Investment in Australia* published by the KPMG and the University of Sydney, China's ODI flows in Australia has enjoyed sound growth since 2014. In 2016, it increased 11.7% to AU$15.36 billion (US$11.49 billion), which was second only to that in 2008. Australia retains its position as the second largest recipient of China's ODI with data showing close to US$90 billion of accumulated investment since 2007, behind the United States. (Figure 6-21, Table 6-10)

Figure 6-21 China's ODI Flows in Australia, 2007-2016



[47] https://www.whitecase.com/publications/alert/german-government-tightens-rules-german-investment-control-covering-ma

Source: KPMG & University of Sydney. Demystifying Chinese Investment in Australia (May 2017). http://www.demystifyingchina.com.au/

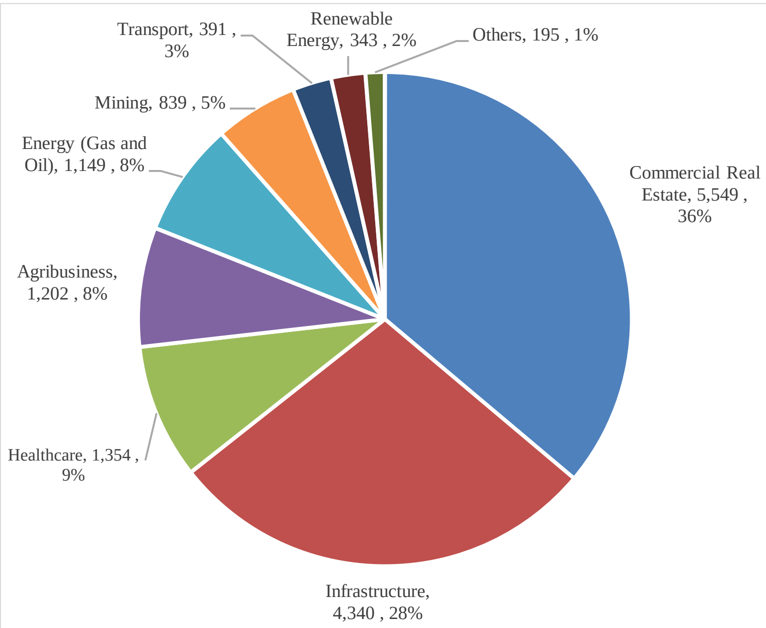
Table 6-10 Selected Major Chinese Investments in Australia, 2016

Target	**Acquirer**	**Industry**	**Value (AU$ mil)**
Asciano Ltd	Consortium including China's CIC Capital	Infrastructure	2 400
Port of Melbourne	Consortium including Future Fund, QIC and China's CIC Capital	Infrastructure	1 940
Santos Ltd	ENN Ecological Holdings Co., Ltd.	Energy (Gas and Oil)	990
W Hotel & Ribbon Residences, Darling Harbour	Greaton via Tianlong Robbon Property Unit Trust	Commercial Real Estate	770
Homebush City Garden, Lidcombe	Yunnan Metro Construction Investment	Commercial Real Estate	660
Kwinana Lithium Plant	Chengdu Tianqi	Mining	400
Genesis Care	China Resources (Holdings) Co Ltd & Macquarie Capital Group Pty Ltd	Healthcare	383

Source: KPMG & University of Sydney. Demystifying Chinese Investment in Australia (May 2017). http://www.demystifyingchina.com.au/

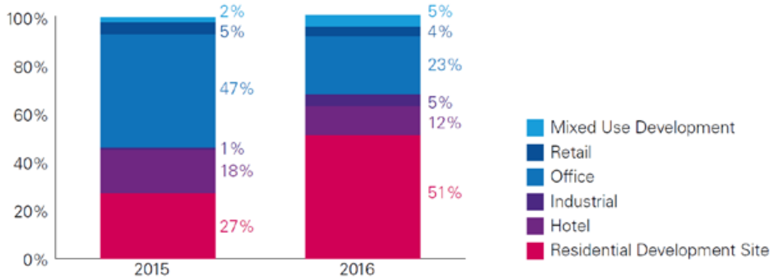
As for industrial distribution, commercial real estate has dominated Chinese investment in Australia for 3 consecutive years, and accounted for 36% of China's ODI flows in 2016. The focus, however, changed from office to residential development site, the proportion of which jumped to 51% from 27% in 2015. Besides, Chinese investment in infrastructure and agriculture also reached a record high. The large acquisitions of the Australian port and rail operator Asciano Ltd. and the Port of Melbourne pushed Chinese investment in infrastructure to AU$4.34 billion. Driven by the rapidly rising demand for premium quality food, Chinese investment in agriculture sector tripled that of 2015 to AU$1.2 billion, concentrating in dairy, meat, seafood, and wine. Healthcare and energy also attracted considerable amount of investment, accounting for 9% and 8% of China's total ODI in Australia respectively. (Figure 6-22, Figure 6-23)

Figure 6-22 Industrial Distribution of China's ODI in Australia, 2016



Source: KPMG & University of Sydney. Demystifying Chinese Investment in Australia (May 2017). http://www.demystifyingchina.com.au/

Figure 6-23 Distribution of China's ODI Flows in Real Estate Sector in Australia, 2015-2016



Source: KPMG & University of Sydney. Demystifying Chinese Investment in Australia (May 2017). http://www.demystifyingchina.com.au/

2016 was a year of significant record, in terms of the number of investment deals made by private Chinese companies as well as by Chinese companies overall. Specifically, private investors signed up 78 deals with a total value of AU$7.6 billion, just slightly lower than that achieved by Chinese SOEs. Commercial real estate, agribusiness and healthcare were sectors most appealing to those private investors, and also made up a sizeable proportion of the total investment. (Table 6-11)

Table 6-11 China's ODI Flows in Australia by Type of Enterprise, 2016

	Value of Deals (AU$ mil)	**Proportion (%)**	**Number of Deals**	**Proportion (%)**
SOEs	7 778	51	25	24
Private Enterprises	7 584	49	78	76
Total	15 362	100	103	100

Source: KPMG & University of Sydney. Demystifying Chinese Investment in Australia (May 2017). http://www.demystifyingchina.com.au/

According to the Australian Foreign Investment Review Board (FIRB)'s annual reports, China has been the largest source of foreign investment by both value and number for the third year in a row. Although state governments and industry have welcomed Chinese investors, the federal government has become increasingly wary of Chinese capital infusion to real estate, infrastructure, and energy sectors.

In 2015, Chinese private company Landbridge won an AU$506 million bid to operate the Port of Darwin with a 99-year lease on the land. However, as Darwin host a military base used by the U.S. Marines, this transaction prompted former U.S. President Obama to raise concerns directly with Malcolm Turnbull, Australia's prime minister. The Australian Strategic Policy Institute, a think-tank, has alleged that Landbridge's investment has connections to the Chinese army and Communist party, and questioned its financial strength.[48] Controversy surrounded two very large Chinese investment projects in 2016. FIRB blocked the takeover of the Australian cattle company Kidman by the China-based Dakang Australia Holdings and Shanghai CRED with AU$370 million, and the Australian Treasurer rejected the acquisition of Ausgrid, a state-owned electricity infrastructure company, by the State Grid Corporation of China with AU$10 billion.

According to a report published by the Australia-China Relations Institute at University of Technology, there are five commonly presented myths in the media about Chinese corporations and politics: (1) all Chinese corporations are controlled by the Chinese government; (2) China has private corporations but they are actually controlled by the Chinese Communist Party (CCP), either directly or indirectly; (3) the CCP and government know what they are doing and act in a unified way; (4)

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[48] http://www.ftchinese.com/story/001073512?full=y

China and its corporations are taking over the world (and taking our jobs); (5) Chinese corporate investment in Australia is a threat to our national security. It will inevitably influence the policy making and public attitudes towards Chinese investment.[49]

In January 2017, the Australian government announced the establishment of the Critical Infrastructure Centre, within the Attorney-General's Department, with the aim to ensure the national security of critical infrastructure from the threat of espinonage, sabotage, or coercion. The Center will undertake coordinated, whole-of-government national security risk assessments, develop and maintain a critical assets register to support government decision-making on foreign investment transactions. Initially, the focus will be on the most critical assets in telecommunications, electricity, water and ports sectors. [50] In February, the Australian government released a discussion paper to seek views on how the Center can work together with state and territory governments, industry and investors to manage the national security risks to critical infrastructure.[51]

6.5 ODI in Africa

China-Africa partnership enjoyed a rapid development in recent decades. Since 2009, China replaced the U.S. and became Africa's biggest trade partner. Statistics from the MOFCOM shows that China's non-financial ODI flows to Africa in 2016 totaled US$3.3 billion with an increase of 14%, covering construction, leasing and business service, mining, manufacturing, wholesale and retail trade, etc.[52]

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[49] http://www.australiachinarelations.org/content/myth-busting-chinese-corporations-australia-1

[50] https://www.attorneygeneral.gov.au/Mediareleases/Pages/2017/FirstQuarter/Keeping-australias-critical-infrastructure-secure.aspx

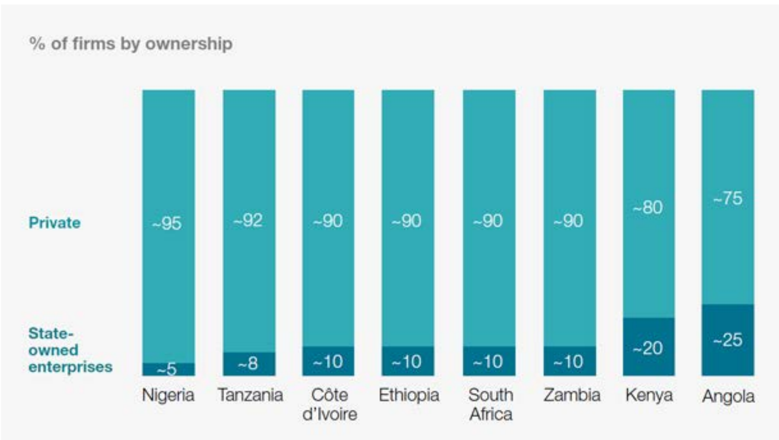
[51] https://www.attorneygeneral.gov.au/Mediareleases/Pages/2017/FirstQuarter/Seeking-views-on-protecting-our-critical-infrastructure.aspx

[52] http://xyf.mofcom.gov.cn/article/date/201702/20170202520441.shtml

According to a report released by McKinsey & Company in 2017[53], China's real financial flows to Africa may be around 15% larger than the official estimates. This discrepancy exists because the official figures, which rely on banking-system data, do not cover informal money-transfer methods often used by smaller businesses. These methods include "mirror transfers," where a local payment is made into the Chinese account of an associate or a family member, who in turn makes a local equivalent payment in Africa to the beneficiary's bank account.

It is found that more than 10 000 Chinese enterprises are doing business in Africa, which is far more than the official data, and 90% are privately owned. Although SOEs tend to make high-value investments (especially in energy and infrastructure sectors), private firms attracted by market opportunities are also numerous. Therefore, China's ODI in Africa is rather a market-driven phenomenon. (Figure 6-24)

Figure 6-24 Ownership of Chinese Enterprises in Africa



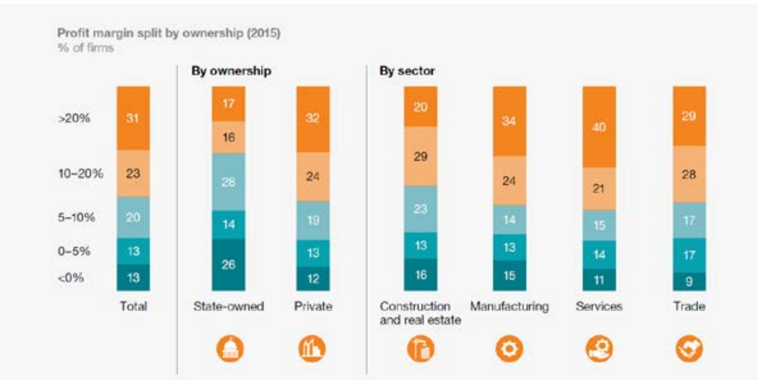
[53] The research involved eight countries - Angola, Ethiopia, Kenya, Côte d'Ivoire, Nigeria, South Africa, Tanzania, and Zambia - that make up approximately two-thirds of sub-Saharan Africa's GDP and around 50% of China's ODI to Africa.

Source: McKinsey & Company. Dance of the Lions and Dragons: How are Africa and China Engaging, and How Will the Partnership Evolve?

Chinese enterprises operate in various industries in Africa, of which one-third are involved in manufacturing, one-fourth in services, over one-fifth in trade, and a lot in construction and real estate.

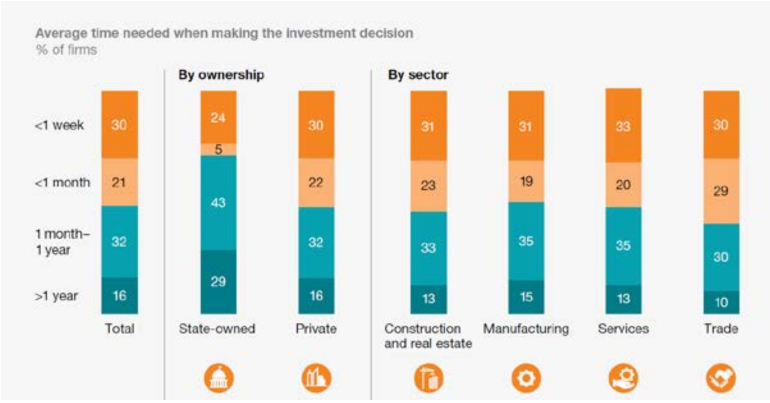
The research indicated that nearly one-third of surveyed Chinese firms reported profit margins for the year 2015 more than 20%, however, a gap existed between SOEs and private firms. Only 17% of surveyed SOEs earned a profit over 20%, and as many as one-fourth suffered from deficit. Comparatively, private firms appear to be more agile and quick to adapt to new opportunities. Most of them are able to make significant investment decisions within a month, and their financial performance generally surpass the SOEs. (Figure 6-25, Figure 6-26)

Figure 6-25 Financial Performance of Chinese Enterprises in Africa



Source: McKinsey & Company. Dance of the Lions and Dragons: How are Africa and China Engaging, and How Will the Partnership Evolve?

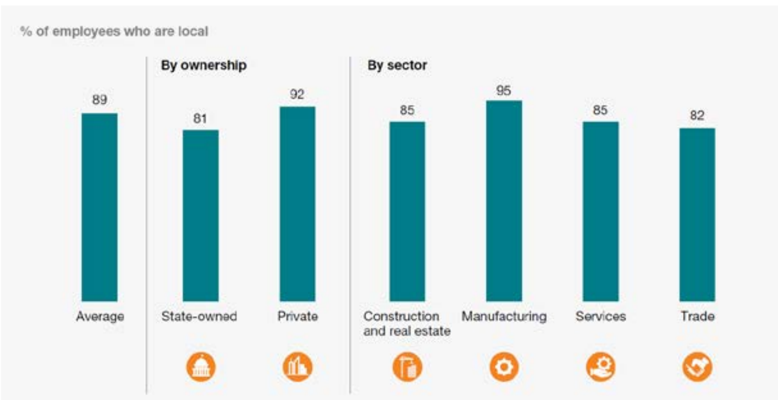
Figure 6-26 Decision Speed of Chinese Enterprises in Africa



Source: McKinsey & Company. Dance of the Lions and Dragons: How are Africa and China Engaging, and How Will the Partnership Evolve?

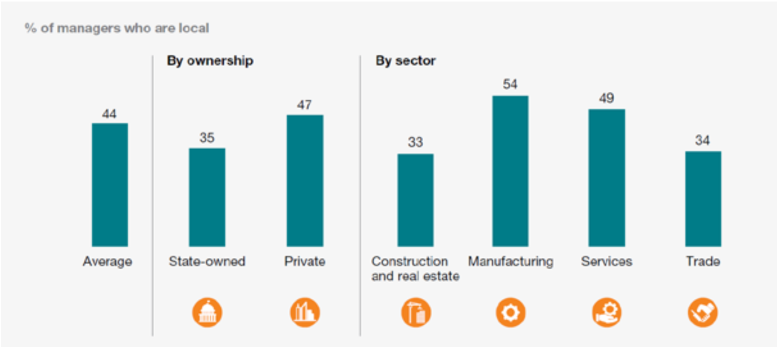
The research found that both Chinese SOEs and private firms employed a considerable number of local employees. At the more than 1 000 companies surveyed, 89% of the employees and 44% of the managers were locals. Not only that, nearly two-thirds of the Chinese employers provided skills training. (Figure 6-27, Figure 6-28)

Figure 6-27 Proportion of Local Employees in Chinese Enterprises in Africa



Source: McKinsey & Company. Dance of the Lions and Dragons: How are Africa and China Engaging, and How Will the Partnership Evolve?

Figure 6-28 Proportion of Local Managers in Chinese Enterprises in Africa

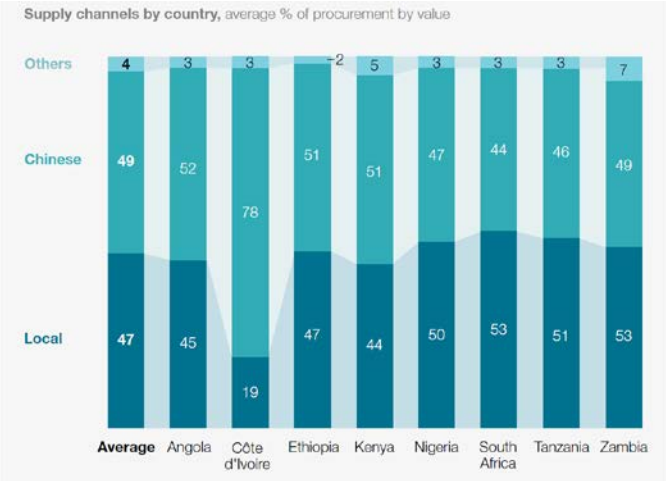


Source: McKinsey & Company. Dance of the Lions and Dragons: How are Africa and China Engaging, and How Will the Partnership Evolve?

In the past three years, 48% of Chinese firms have introduced a new product or service to the local market, and 36% have introduced a new technology. In some cases, Chinese firms have lowered prices for existing products and services by as much as 40% through improved technology and efficiencies of scale. Owing to low cost advantage and speedy delivery, Chinese construction contractors take around 50% of Africa's international engineering, procurement, and construction (EPC) market.

By value, 47% the Chinese firms' procurement in 2015 was from local suppliers. The research suggested that many Chinese companies were willing to cooperate with local suppliers, only that the price and quality of the products they could offer were not satisfactory. African interviewees also agreed that they need to invest in improving their capabilities for products with appropriate price and excellent quality. (Figure 6-29)

Figure 6-29 Proportion of Local Procurement in Chinese Enterprises in Africa



Source: McKinsey & Company. Dance of the Lions and Dragons: How are Africa and China Engaging, and How Will the Partnership Evolve?

On balance, Chinese businesses have been increasingly engaged in Africa and positively influenced the local economy, however, labor rights violation, environmental damage and even vicious competition did exist among Chinese companies in Africa. A comparative study found out that five of the eleven Chinese firms interviewed described not signing employment contracts with employees, or at least not with their Kenyan employees. Virtually every American firm interviewed, in contrast, claimed to sign formal contracts with every employee.[54] A news report said that at the beginning of 2011, more than half of the 1 058 Chinese garment enterprises in South Africa faced huge fines since they paid their employees less than the legal minimum wage.[55] Some

[54] Rounds, Z., & Huang, H. We Are Not So Different: A Comparative Study of Employment Relations at Chinese and American Firms in Kenya.
[55] http://view.163.com/special/reviews/chinaoverseasinvest0125.html

Chinese were reported involved in illegal hunting and smuggling endangered wildlife products such as ivory and rhinoceros horn, which hurt China's international reputation.[56] A report exposed that vicious competition by hostile pricing and slander was not uncommon among Chinese businesses in Africa, but some company finally breached the contract earned by low price.[57]

Meanwhile, how to manage the international public relations with China's rising influence in Africa is another challenge for Chinese outbound investors. According to a research based on the public opinion monitor from June 24th to July 24th 2017, only 8.7% of foreign media reported positively or neutrally on Chinese businesses in Africa and more than 90% showed a negative sentiment.[58] Another study found that African media frequently criticized China in four aspects: (1) Chinese investors plundered African resources; (2) Chinese people took jobs away from the locals; (3) Chinese goods were plenty but of poor quality; (4) Chinese enterprises were not complied with local laws and regulations. These criticisms were partly caused by the western media labelling China with "neo-colonialism", "resources plunderer", "environment destroyer" and "disregard for human rights", and the misconduct of Chinese enterprises as well.[59]

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[56] http://www.trafficchina.org/node/262

[57] http://opinion.caixin.com/2016-08-25/100981865.html

[58] http://www.sohu.com/a/160164985_465554

[59] http://www.guancha.cn/ChenXueFei/2015_07_31_328827_s.shtml

7

IMAGE OF CHINESE BUSINESS OVERSEAS OPERATION

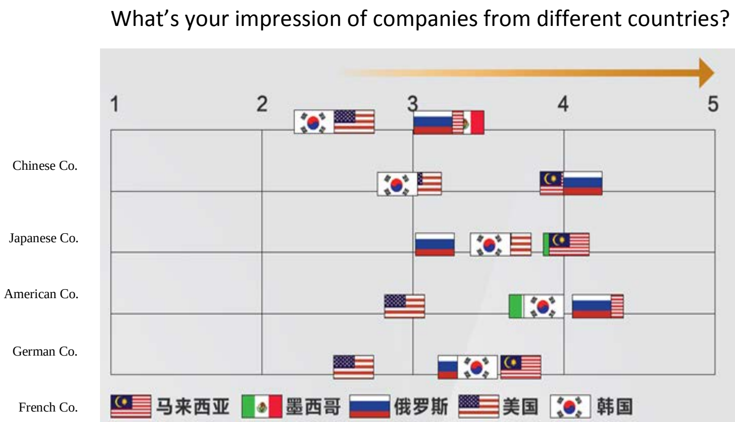
Chinese enterprises ambitiously “going global” made a contribution to the world economy, and created job opportunities and tax income for the host countries, however, incurred criticism for resources plundering, illegal employment, commercial bribery, fake and inferior products, and vicious competition. Though some of these problems were real, some were caused by miscommunication or even conspiracy theory. Several studies show that the international public recognize China’s contributions to the local economy, but Chinese products are primarily perceived as cheap and defective. The entry of Chinese business is sometimes considered as a threat to the local environment and indigenous businesses. How to achieve mutual benefit with multi-stakeholders in international investment and cooperation, and build an image of responsible global citizen is a vital issue for Chinese enterprises.

7.1 Asia-Pacific Region

In 2014, a survey on the overseas image of Chinese enterprises was conducted in Asia-Pacific by China Report, Center for International Communication Studies and Millward Brown, reaching out to 2 544 residents from 5 countries - the U.S., Korea, Russia, Malaysia, and Mexico.

The survey showed that the respondents' general impression of Chinese enterprises were not as good as that of companies from developed countries. Based on their evaluation of companies from the world's biggest five economies, Chinese enterprises got only 2.93 out of 5 on average, comparing with those from France (3.28), the U.S. (3.63), Japan (3.64) and Germany (3.83). On top of that, Chinese enterprises appeared to be more popular in Malaysia, Mexico, and Russia, given that the ratings from residents in those countries were relatively higher, all above 3.00. While this was not the case in developed countries like the U.S. and Korea, where Chinese enterprises only got 2.63 and 2.39. (Figure 7-1)

Figure 7-1 General Impression of Chinese Enterprises

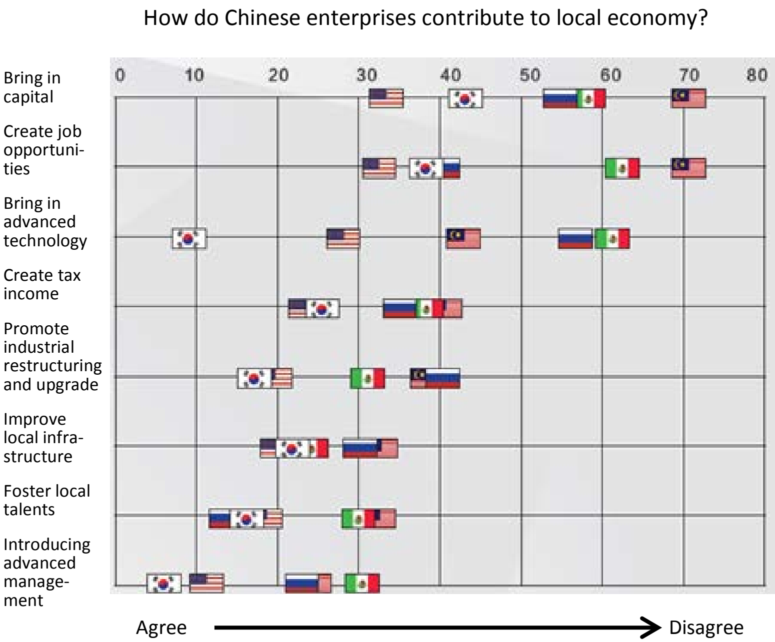


Source: Chinese Enterprises' Overseas Performance Survey Report (2014 Asia-Pacific Edition)

According to the report, around 54% respondents agreed that Chinese enterprises contributed to local economy, and 20% thought the contribution was tremendous. In the meantime, 58% held that Chinese enterprises brought in both opportunities and challenges to local development.

The report indicated that the most significant contributions were considered to be bringing in capital (53%) and create job opportunities (49%), comparing with bringing in advanced technology, creating tax income, promoting industrial restructuring and upgrade, improving local infrastructure, fostering local talents and introducing advanced management. (Figure 7-2)

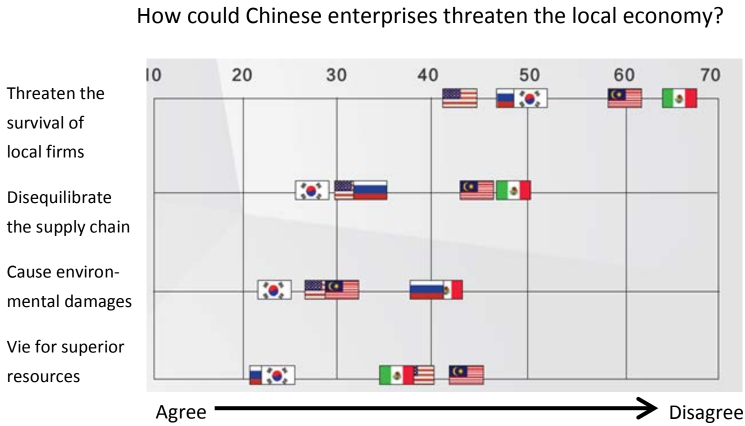
Figure 7-2 Positive Impacts of Chinese Enterprises Going Global on the Host Countries



Source: Chinese Enterprises' Overseas Performance Survey Report (2014 Asia-Pacific Edition)

As for challenges, 54% respondents were concerned about the survival of local firms, more than 30% deemed that Chinese enterprises could disequilibrate the supply chain, cause environmental damages, and vie for superior resources. (Figure 7-3)

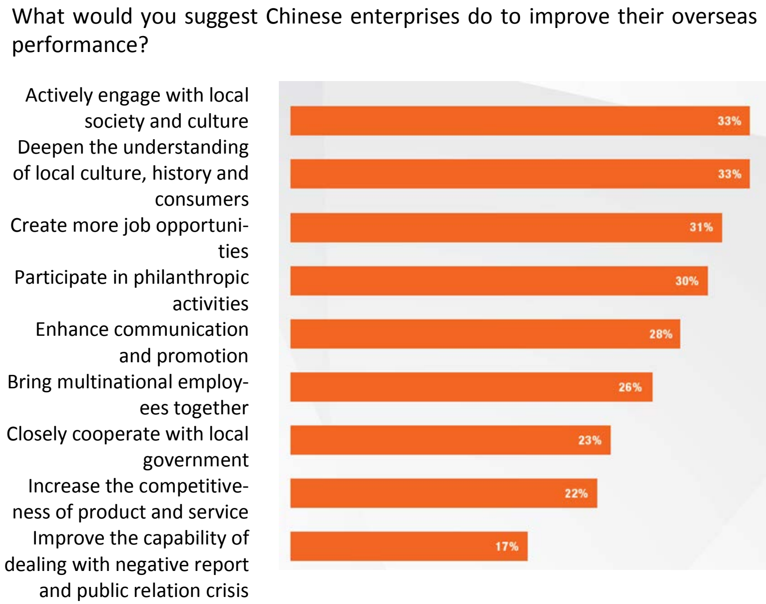
Figure 7-3 Challenges of Chinese Enterprises Going Global on the Host Countries



Source: Chinese Enterprises' Overseas Performance Survey Report (2014 Asia-Pacific Edition)

To effectively improve the performance of Chinese enterprises operating overseas, the respondents suggested that they should actively engage with local society and culture (33%), deepen the understanding of local culture, history and consumers (33%), create more job opportunities (31%), participate in philanthropic activities (30%), etc. (Figure 7-4)

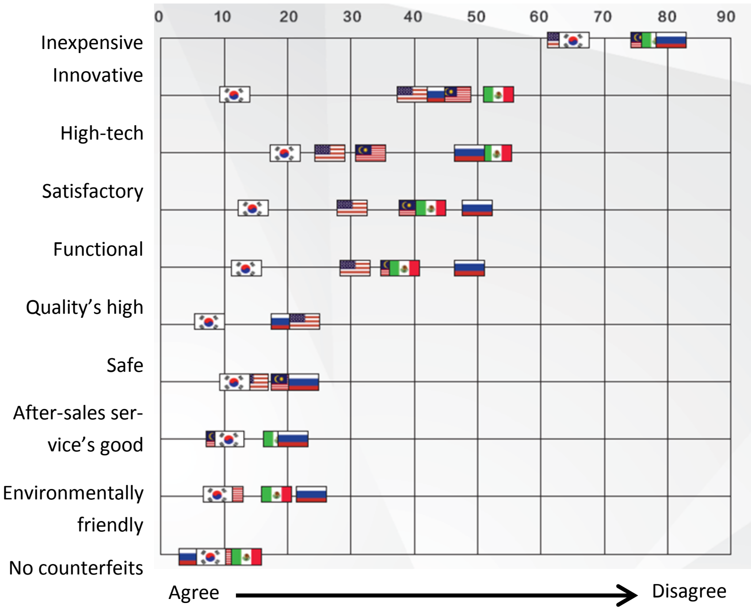
Figure 7-4 Suggestions for Chinese Enterprises Operating Overseas



Source: Chinese Enterprises' Overseas Performance Survey Report (2014 Asia-Pacific Edition)

Based on the evaluations of Chinese enterprises, "inexpensive" turned out to be the most impressive feature, as 73% of the respondents were convinced of that. Besides, more than 30% deemed Chinese products innovative, high-tech, functional, and satisfactory. Nevertheless, a majority of the respondents suggested Chinse products not outstanding in terms of quality, safety, after-sales service, and environmental protection. And selling counterfeits was viewed as the most urgent problem by overseas people. (Figure 7-5)

Figure 7-5 Evaluations of Chinese Products



Source: Chinese Enterprises' Overseas Performance Survey Report (2014 Asia-Pacific Edition)

The research found that the Internet was the most popular channel for overseas people to know China. In the 5 countries covered in the survey, 60% of the public got access to information about Chinese enterprises via the Internet (Figure 7-6). It is worth noting that overseas people generally considered their domestic media reliable, as more than half of the respondents said the local media report was very objective or relatively objective (Figure 7-7).

Through which channels did you gain information about Chinese enterprises?

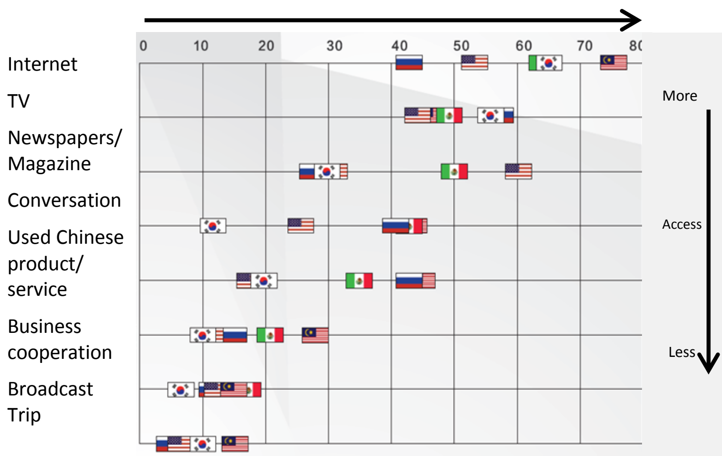


Figure 7-6 Channels to Know Chinese Enterprises

Source: Chinese Enterprises' Overseas Performance Survey Report (ibid.)

Do you think the domestic media report about Chinese enterprises is objective?

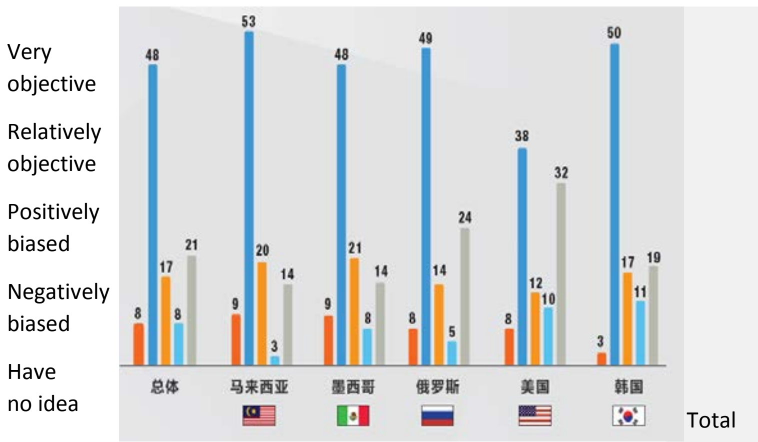


Figure 7-7 Evaluation of Local Media Report about Chinese Enterprises

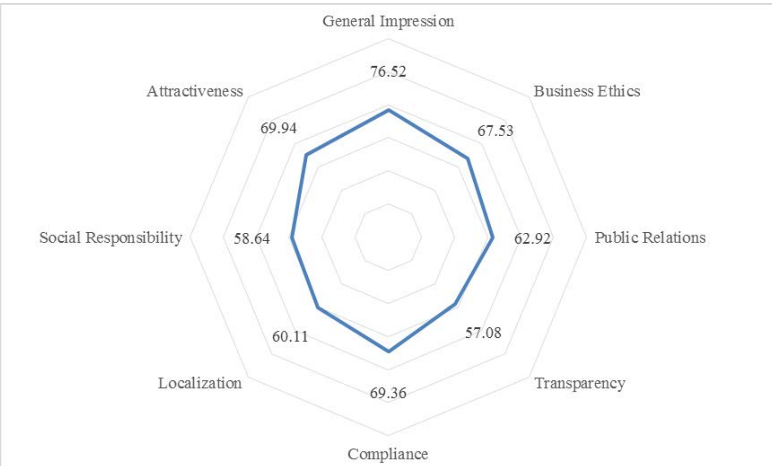
Source: Chinese Enterprises' Overseas Performance Survey Report (ibid.)

7.2 Europe and the U.S.

In 2014, Manchester Business School at University of Manchester, Horizon Institute of Global Development Power, and Yama Ribbons & Bows Co., Ltd. conducted a survey on the reputation of Chinese enterprises overseas, involving respondents who were familiar with Chinese enterprises from the U.S., France, UK, Germany, Italy, Spain and the Netherlands.

The *2014 Overseas Chinese Corporate Reputation Report* finds that Chinese enterprises score higher on general dimensions (general impression 76.52, attractiveness 69.94, and business ethics 67.53), but it is not the case when it comes to practical dimensions except compliance (public relations 62.92, localization 60.11, social responsibility 58.64, and transparency 57.08). In particular, social responsibility and transparency turn out to be the most urgent problems to be corrected. (Figure 7-8)

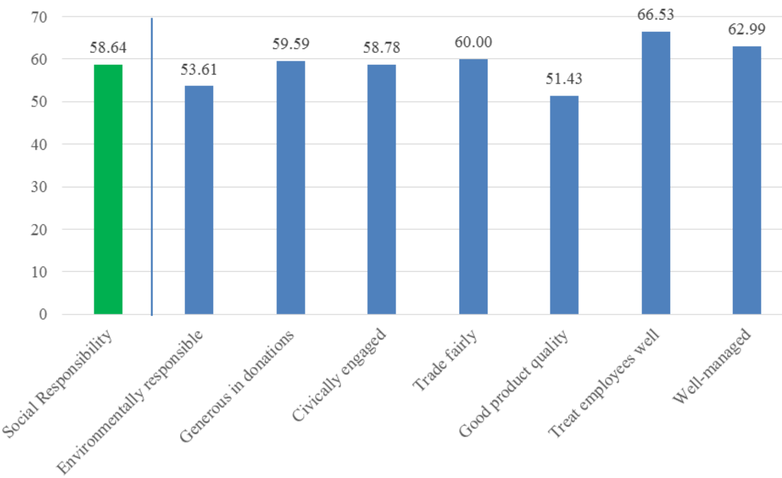
Figure 7-8 Ratings of Chinese Corporate Reputation



Source: 2014 Overseas Chinese Corporate Reputation Report

In terms of social responsibility, the performance of Chinese enterprises is better in employee treatment (66.53) and management (62.99), moderate in fair trade (60.00), charity (59.59) and civil engagement (58.78), but far from satisfactory in environmental responsibility (53.61) and product quality (51.43). (Figure 7-9)

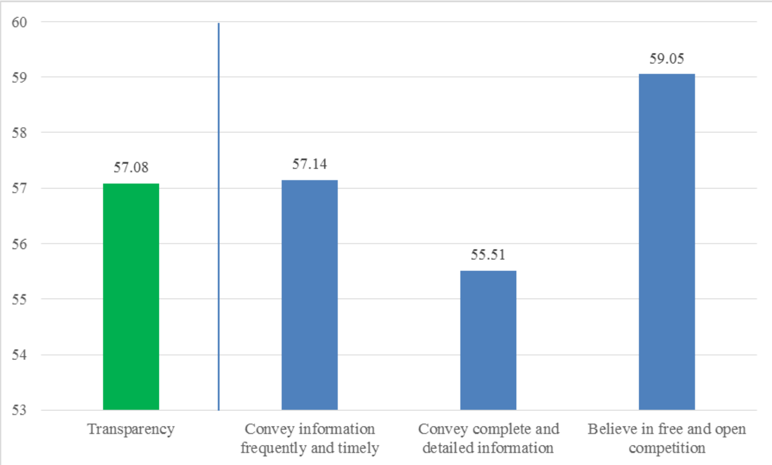
Figure 7-9 Scores of Social Responsibility



Source: 2014 Overseas Chinese Corporate Reputation Report

In terms of transparency, which needs improvement in general, the score of believing in free and open competition (59.05) is relatively higher, compared with conveying information frequently and timely (57.14) and ensuring the information complete and detailed (55.51). (Figure 7-10)

Figure 7-10 Scores of Transparency



Source: 2014 Overseas Chinese Corporate Reputation Report

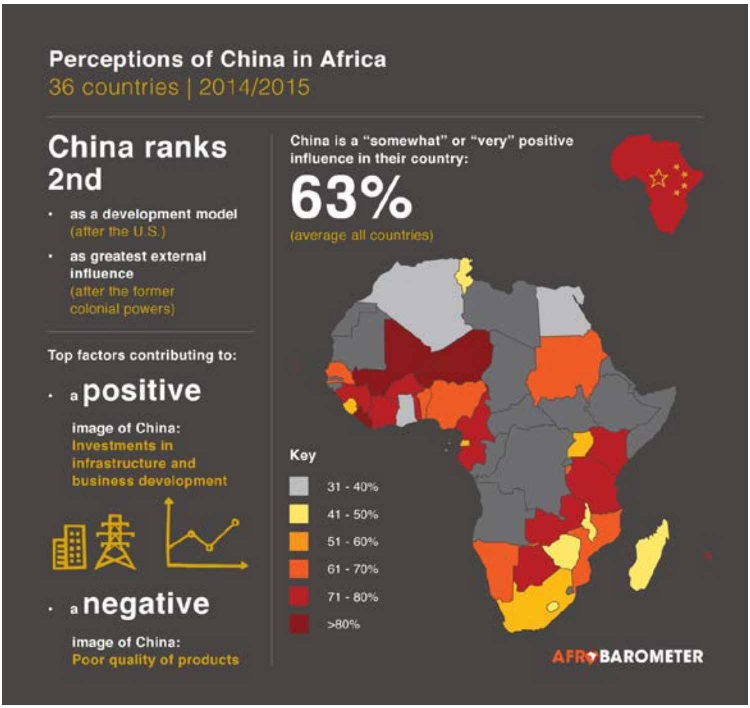
Media analysis reflected three main concerns of the foreign public. Firstly, Chinese enterprises are suspected of being involved in political or even espionage activities, given the business-government relationship. Secondly, it is concerned that Chinese enterprises are not capable in product quality control, which could hurt consumers. Thirdly, Chinese enterprises engaged in cross-border M&As are viewed as threats to the target companies, because they would change the style of those traditional brands and further affect other local brands.

As a matter of fact, these concerns revealed themselves as Huawei was accused of posing a threat to the national security of the U.S. and therefore not allowed to access the market, the U.S. public were worried about food security after Shuanghui Group acquired Smithfield Foods, Inc., Bright Food Group failed to acquire the Australian sugar producer CSR Ltd., the British United Biscuits, the American General Nutrition Corporation, and the French Yoplait, and so forth.

7.3 Africa

Afrobarometer, a pan-African, non-partisan research network, conducted a survey in 2014-2015 covering almost 54 000 citizens in 36 African countries. The findings represented the views of more than three-fourths of the continent's population. It showed that 63% respondents held China is a "somewhat" or "very" positive influence in their country. In terms of providing the best model for national development and having the greatest external influence, China ranked second only to the United States and the former colonial powers respectively. China earned its reputation for the huge investments in infrastructure and business development in Africa, while received criticism for the poor product quality. (Figure 7-11)

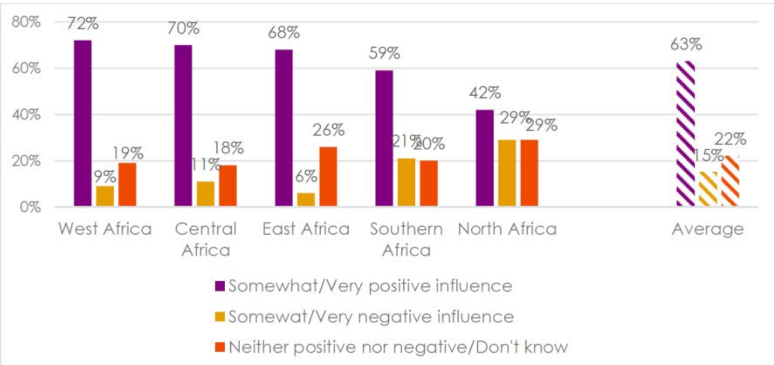
Figure 7-11 Perceptions of China in Africa



Source: Afrobarometer. China's Growing Presence in Africa Wins Largely Positive Popular Reviews

In general, the African public welcome China's economic and political influence in their country. Almost two-thirds (63%) of the respondents see it as "somewhat positive" (35%) or "very positive" (28%), while only 15% see it as "somewhat" or "very" negative. A significant proportion (22%) regard China's influence as neither positive nor negative or say they "don't know". By regions, views are more favorable among people from West Africa (72%), Central Africa (70%), and East Africa (68%). (Figure 7-12)

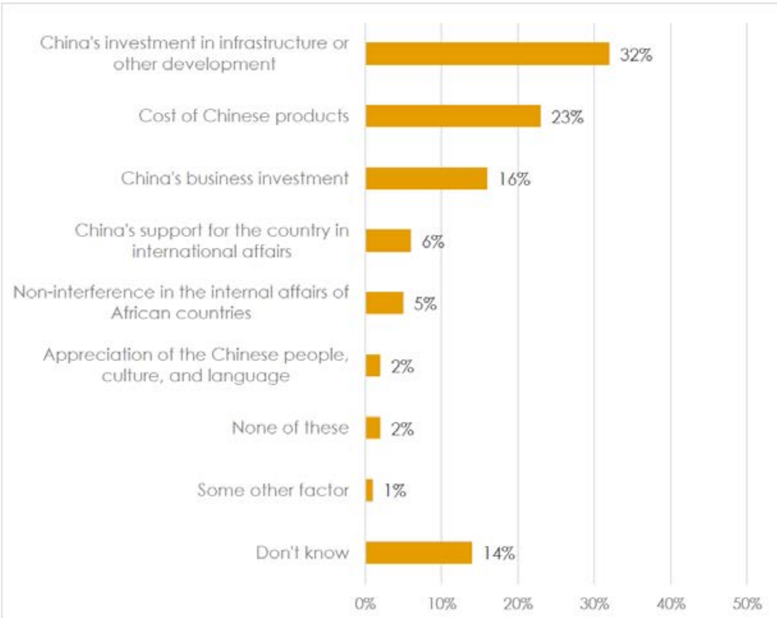
Figure 7-12 Africans' Perception of China's Economic and Political Influence



Source: Afrobarometer. China's Growing Presence in Africa Wins Largely Positive Popular Reviews

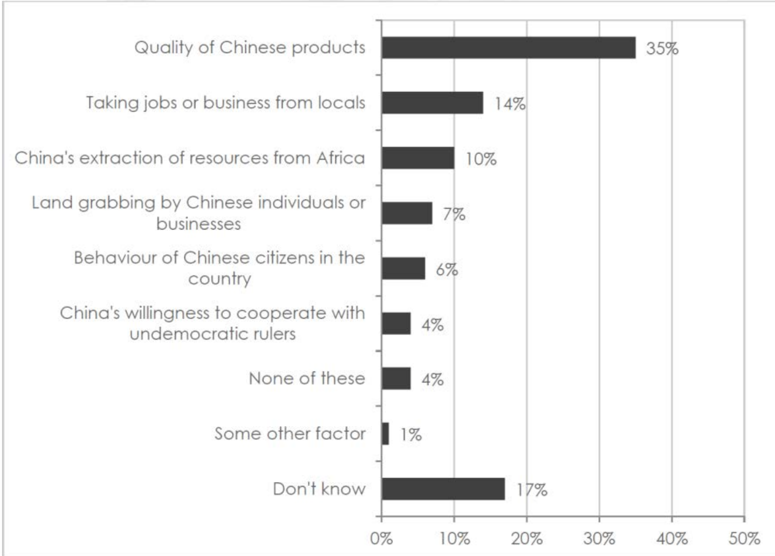
Economic factors turn out to be particularly important to creating a positive image of China. As the respondents identified, factors contribute most to the positive image of China in their country include China's investments in infrastructure or other development projects (32%), the low cost of Chinese products (23%), and large business investments (16%). A few respondents also cite China's support for their country in international affairs (6%), and its hands-off approach to the country's internal affairs (5%). On the other hand, more than one-third (35%) of the respondents contribute the negative image of China to the poor quality of Chinese products. Others expressed concerns that Chinese companies in Africa would take jobs or business away from locals (14%), extract their resources (10%), or grab their land (7%). (Figure 7-13, Figure 7-14).

Figure 7-13 Factors Contributing Most to the Positive Image of China



Source: Afrobarometer. China's Growing Presence in Africa Wins Largely Positive Popular Reviews

Figure 7-14 Factors Contributing Most to the Negative Image of China



Source: Afrobarometer. China's Growing Presence in Africa Wins Largely Positive Popular Reviews

The Ethics Institute of South Africa conducted a survey on Africans' perceptions of Chinese business in Africa in 2014. Based on the opinions of 1 056 residents from 15 African countries, the African public generally recognize China's contributions to local development, but there is still considerable concern about the environmental and social impacts made by the Chinese enterprises.

Overall, the Africans' perceptions of Chinese Business are rather negative, as more respondents gave negative evaluations in all six dimensions. Specifically, as regards reputation of Chinese business in Africa, 43.3% of the feedback is negative and 35.4% positive; quality of Chinese products and services, 55.9% negative and 22.7% positive; social responsibility, 45.7% negative and 21.0% positive; environmental responsibility, 53.9% negative and 11.1% positive; economic responsibility, 40.1% negative and 28.3% positive; and employment practices, 46.0% negative and 19.1% positive. (Table 7-1)

Table 7-1 Africans' Perceptions of Chinese Business in Africa

	Strongly disagree	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
Reputation of Chinese Business in Africa					
Chinese companies have a good reputation in my country	26%	32%	18%	20%	4%
Chinese companies in my country are reliable	17%	25%	26%	27%	5%
Chinese businesses have a positive impact on development	16%	18%	19%	36%	11%
I have personally benefited from Chinese investment in my country	31%	24%	16%	23%	6%
I know at least three Chinese brands	10%	14%	7%	50%	20%
China and my country are equal business partners	33%	29%	14%	18%	6%
Quality of Chinese Products and Services					
Chinese products push domestic products out of the market	47%	32%	10%	7%	5%
I am happy with the infrastructural projects that the Chinese have completed in my country	16%	16%	21%	29%	18%
Chinese companies offer products and services of high quality	36%	32%	20%	9%	3%

Chinese products and services are good value for money	24%	28%	23%	20%	6%
Social Responsibility					
Chinese companies take care of the society/community when taking business decisions	40%	30%	18%	10%	2%
Chinese companies engage with the surrounding communities when they establish operations in my country	36%	29%	16%	16%	3%
Chinese companies make donations to communities and charities in my country	31%	26%	27%	13%	2%
I would like to have Chinese people as my friends	12%	8%	31%	35%	13%
Chinese companies respect African culture and values	29%	20%	27%	18%	6%
Economic Responsibility					
The investment of Chinese companies is contributing to the development of my country	15%	16%	21%	40%	8%
Chinese companies are not involved in corruption when doing business in my country	40%	21%	26%	10%	3%
Environmental Responsibility					
Chinese companies take care of the environment when taking business decisions in my country	39%	27%	22%	10%	2%
Chinese companies doing business in my country follow the applicable environmental laws	35%	25%	24%	14%	2%

When Chinese companies damage the natural environment in my country, they take responsibility to rectify the damage that they have caused	38%	26%	25%	9%	2%
Employment Practices					
Chinese companies create employment opportunities for my country's people	12%	16%	14%	46%	12%
Chinese companies treat their African staff with respect	32%	30%	25%	11%	3%
Chinese companies provide decent working conditions for their employees	34%	31%	23%	10%	2%
Chinese companies are concerned about the health and safety of their employees	32%	32%	25%	10%	2%
Chinese companies operating in my country only use Chinese citizens as employees	7%	20%	18%	41%	14%
Chinese citizens come to my country to work for non-Chinese companies	24%	31%	20%	21%	5%
Chinese companies respect the basic rights of workers	33%	31%	23%	12%	1%
People working for Chinese companies in my country get better paid	40%	28%	23%	7%	2%
People working for Chinese companies in my country get extra benefits	40%	29%	24%	6%	1%
Chinese companies in my country give their employees good training	28%	24%	29%	16%	2%

There is no glass ceiling for promotion in Chinese companies in my country	30%	22%	35%	11%	3%

Source: Geerts, S., Xinwa, N., & Rossouw, D. (2014). Africans' Perceptions of Chinese Business in Africa: A Survey. Geneva: Globethics.net / Hatfield: Ethics Institute of South Africa.

8

CHINA'S EFFORTS IN CSR PROMOTION

The collision of diversified ethical values is usually embedded in global economic interaction, which alerts the enterprises to raise awareness of rules and improve their communication skills. In the 1990s, CSR started to draw attention of the Chinese public as Chinese export industry was hugely impacted by western CSR certifications represented by SA8000. Since 2006, CSR has developed rapidly in China with governmental guidance, industrial initiative, corporate practice, social involvement, and international cooperation. Meanwhile, policies and guidelines on strengthening overseas CSR management have also been promoted with China's rising ODI and expanding international cooperation. Chinese enterprises have been more aware of CSR, however, more actions need to be taken as related studies suggested.

8.1 CSR Development in China

8.1.1 Introduction

The study of CSR in China is later than that in the West on account of its historical background. When the People's Republic of China (PRC) was founded in 1949, a centrally planned system was adopted where state-owned enterprises carried out a lot of social functions under the government mandate while private enterprises were pretty much restricted. This started to change since the reform and opening up policy was launched in 1978, and the aim to develop a socialist market economy was affirmed by the Communist Party of China thereafter. In 1994, the first Company Law of the PRC went into effect, rendering enterprises independent legal entities and thus the subject of social responsibility, though the term "CSR" was not explicitly referred to. Meanwhile, a series of laws were enacted with respect to environmental and social issues, including the Environmental Protection Law (1989), the Trade Union Law (1992), the Consumer Protection Law (1993) and Labor Law (1994).

CSR came into the sight of Chinese scholars along with the process of reform and opening up, but related research was sporadic at that time. As Xu (1987) observed, "the social responsibility of business enterprises are duties that objectively exist in marketing activities to safeguard the public interest, ensure economic growth, and promote social development". Wu (1989) viewed the social responsibility of enterprises as "their legal obligation to society". In 1990, the first book on this topic *Corporate Social Responsibility* edited by Yuan Jiafang came out, wherein CSR was defined as "an enterprise's obligation to confront all kinds of social issues as well as social needs, and to safeguard the fundamental interests of the state, the society and the mankind, while striving for its own survival and growth". Studying CSR from a legal perspective, Liu (1999) argued that a company must not assume that to maximize profit for its shareholders is the only purpose, but should endeavor to promote social interests for all the other stakeholders.

8.1.2 Controversy

Chinese enterprises became more extensively and deeply involved in international competition and cooperation in the process of economic globalization as well as China's opening up, in particular after China acceded to the WTO. In the meantime, the international community expressed growing concerns about issues like labor rights, product quality, and environmental protection.

Base on the Sino-U.S. Human Rights Dialogue, the former Ministry of Foreign Economics and Trade of China and the Ministry of Justice of China promulgated the *Provisions on Reiterating the Prohibition of the Export of Prison Labor Products* in 1991, and signed the Memorandum of Understanding and the Cooperation Statement with the U.S. respectively in 1992 and 1994. Trade companies were thus explicitly forbidden to purchase prison labor products for the purpose of export, directly or indirectly; and prisons were accordingly not allowed to provide such commodities or establish joint ventures or contractual joint ventures with foreign companies.

To protect the corporate reputation, a number of MNEs started to incorporate CSR issues into global supply chain management, conducting CSR audits or requiring CSR certification to urge their foreign suppliers to comply with the ethical codes or standards. However, it was a calamity for the Chinese labor-intensive industry. Thousands of Chinese exporters were kicked out of the market because they failed to get a CSR certification like SA8000. Hence, CSR was once regarded as a technical barrier to trade posed by the West, and drew a lot of attention of the Chinese public.

More literature on CSR came out during this period of time, discussing what CSR contains and features, why companies must bear social responsibility, and how they can fulfil the responsibility.

Lu (2002) stated that CSR refers to corporate obligations to safeguard and promote the interests of the society, as well as to maximize profit for the shareholders. As for the form, the attributes of CSR include: (1) CSR is a kind of relational responsibility or positive responsibility; (2) the objective of CSR is non-shareholder stakeholders; (3) CSR is a continuum of legal and ethical responsibilities, or formal and informal institutions; and (4) CSR amends and supplements the traditional principle of profit maximization. As for the scope, CSR contains responsibilities to (1) employees; (2) consumers; (3) debtors; (4) preserve, protect and wisely utilize the environment and resources; (5) contribute to the economic and social development of the communities involved; and (6) promote social welfare and philanthropy.

Ye & Li (2004) classified CSR into two categories: mandatory responsibility and voluntary responsibility. The former is imposed by laws, regulations, and industrial standards; while the latter is driven by morality and values, which is built on the corporate culture with a recognition of the harmonious relationship between human, nature and society, and in the meantime embodies the human quality and belief of entrepreneurs.

Li (2005) held that “We should understand the enterprises’ social responsibility from three aspects. Firstly, the most important social responsibility is to provide the society with high-quality products and services, human resources and experiences. Secondly, the enterprises must pay more attention to the quality of economic growth, endeavor to reduce pollution and improve the environment. Thirdly, the enterprises should contribute to social harmony, care about not only their own employees but also the community.”

Ma (2006), a senior researcher at the Institute of the Ministry of Commerce strongly opposed the idea of maintaining China’s competitiveness in trade at the expense of social responsibility. As he argued, “should CSR be a new trade barrier, it is a laudable one”.

8.1.3 Acceptance

In 2006, CSR was for the first time acknowledged by law and the national development strategy. At the beginning of that year, the revised *Company Law* took effect where CSR was explicitly expressed in Article 5: “A company that conduct business operations shall abide by laws and administrative regulations, observe social morals and commercial ethics, persist in honesty and good faith, accept supervision by the government and the public, and assume social responsibility." Besides, the *Decisions on Several Major Issues of Building a Harmonious Socialist Society* was endorsed by the Sixth Plenum of the 16th Central Committee of the Communist Party of China (CCCPC), explicitly requiring "to enhance the social responsibilities of citizens, enterprises and other types of organizations". In 2007, the Ministry of Commerce of China (MOFCOM) issued the *Notice on Strengthening the Environmental Monitoring over Export Enterprises* and the *Several Opinions on Strengthening the Social Responsibility Construction of National Economic and Technical Development Zone*. In 2008, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) issued the *Guidelines on the Fulfilment of Social Responsibility by Central Enterprises*.

During this period, theoretical studies on CSR soared and more actors joined the CSR movement. Statistics from the China National Knowledge Internet (CNKI) shows that 6 480 literature regarding CSR were published in 2000-2008, out of which 5 061 were published in 2006-2008[60]. In 2005, the China National Textile and Apparel Council formulated the China Social Compliance 9000 for Textile & Apparel Industry (CSC9000T), taking the lead in developing industrial CSR standard. In 2006, the State Grid Corporation of China released the first CSR report as a pioneer. The Shenzhen Stock Exchange and the Shanghai Stock Exchange respectively issued the *CSR Guidelines for Public Companies* and the *Guidelines on the Disclosure of Environmental Information for Public Companies* in 2006 and 2008.

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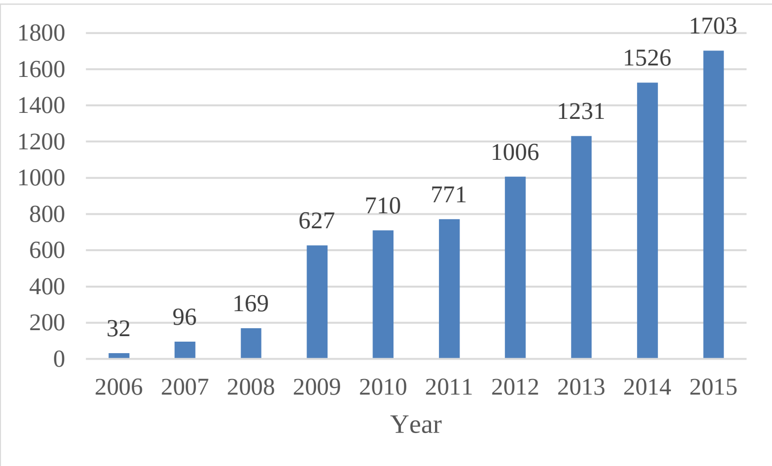
[60] http://www.chinacsr.net.cn/a/lilunyanjiu/20150418/30.html

8.1.4 Rapid Development

In 2008, Chinese civil society burgeoned as a result of the Wenchuan Earthquake and the Beijing Olympic Games. Meanwhile, the exposure of Sanlu milk powder incident triggered nationwide attention to CSR. Since then, CSR movement has accelerated in China.

The number of Chinese enterprises releasing CSR report increased along with a higher level of awareness. Over 80 companies such as State Grid Corporation of China, China State Construction, and Sinosteel Corporation published multi-language reports. Some companies including Sinopec Group, China Electronics Technology Group Corporation, and China Metals Corporation disclosed CSR information on overseas operation. Many companies adopt international reporting standard like the GRI framework, and improve their CSR management and the quality of information disclosure by benchmarking to the world leading companies.[61][62] (Figure 8-1)

Figure 8-1 Number of Chinese Enterprises Releasing CSR Report

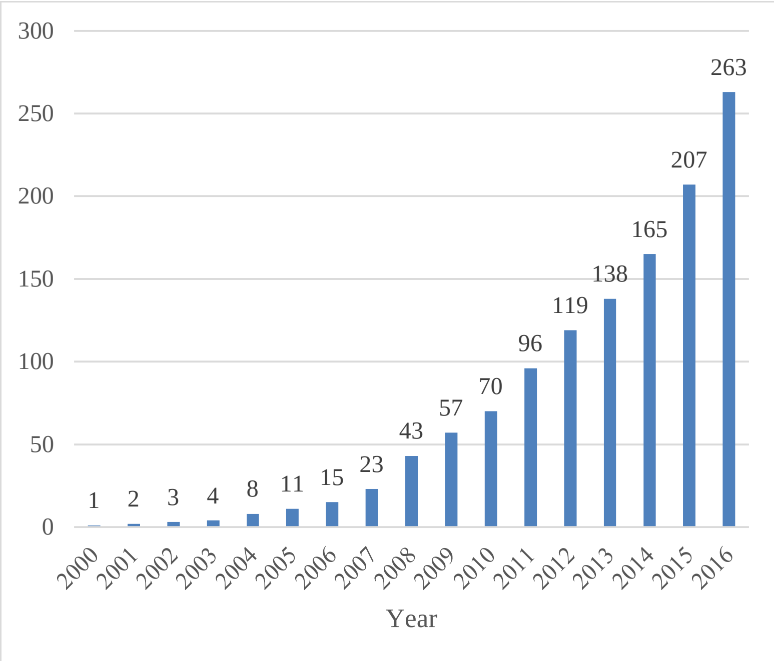


[61] http://news.xinhuanet.com/fortune/2015-01/15/c_127389654.htm
[62] http://news.xinhuanet.com/tech/2015-12/22/c_128556629.htm

Source: White Paper on CSR Report in China

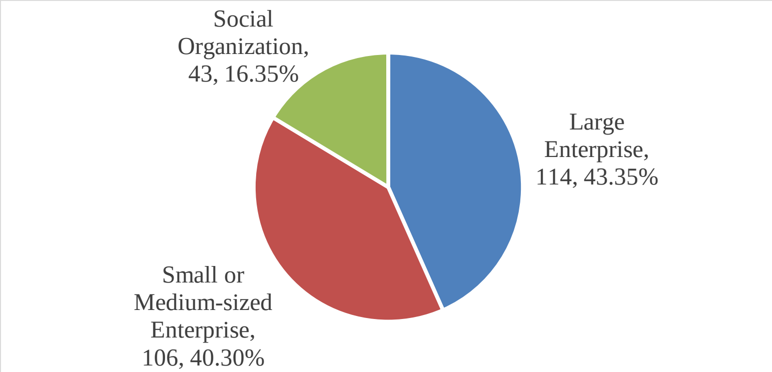
Besides, more and more Chinese companies and social organizations joined the United Nations Global Compact. By the end of 2016, the number of Chinese participants totaled 261, including 113 large enterprises, 105 SMEs, and 43 social organizations. (Figure 8-2, Figure 8-3)

Figure 8-2 Number of Chinese Participants of UNGC



Source: https://www.unglobalcompact.org/what-is-gc/participants

Figure 8-3 Number and Type of Chinese Participants of UNGC by 2016



Source: https://www.unglobalcompact.org/what-is-gc/participants

In terms of CSR-related legislation, the Eighth Amendment to the Criminal Law passed in 2011 added articles against overseas bribery for the first time; the Labor Contract Law amended in 2012 enhanced the responsibility as well as the liability of labor dispatch enterprises; in 2013, the Consumer Protection Law was amended two decades after its promulgation, which added stipulations regarding hot issues such as online shopping, public-interest litigation, punitive damages, etc., and enhanced the sellers' obligation; the Environmental Protection Law amended in 2014 recognized the "polluter pays" principle and the internationally accepted practice of citizen suit, and introduced more strict supervisory and punitive measures[63]; in 2015, the newly amended Food Safety Law further improved the supervisory system and specified the responsibility of producers and sellers.

In terms of institutional construction, the Third Plenum of the 18th CCCPC held in 2013 deliberated and passed the *Decision on Several Major Issues Concerning Comprehensively Deepening the Reform*, prioritizing CSR fulfilment for further reform of state-owned enterprises

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[63] The Environmental Conventions ratified by the Chinese Government are listed in Appendix 5.

(SOEs). In the next year, the Forth Plenum of the 18th CCCPC deliberated and passed the *Decision on Several Major Issues Concerning Comprehensively Promoting the Rule of Law*, explicitly put forward the requirement of "strengthening CSR legislation".

In terms of developing standards, the State Administration for Quality Supervision and Inspection and Quarantine and the Standardization Administration of China jointly issued three national standards on social responsibility in 2015: GB/T 36000-2015 Guide on Social Responsibility, GB/T 36001-2015 Guide on Social Responsibility Report Writing, and GB/T 36002-2015 Guide on Social Responsibility Performance (Appendix 6), all of which went into effect on January 1st, 2016.

In terms of international cooperation, China has established CSR cooperation projects with Germany, Sweden, and the Netherlands, aiming at raising CSR awareness among the Chinese government and business community, enhancing the capability of policy making and implementation, promoting CSR notion, knowledge and good practices, introducing advanced CSR management tools, establishing CSR supervisory and evaluation mechanism, and improving the CSR performance of Chinese enterprises. (Table 8-1)

Table 8-1 China's International CSR Cooperation Projects

Project	**Period**	**Website**
Sino-German CSR Project	From April of 2007 to June of 2014	www.chinacsrproject.org/index_CN.asp
Sino-Swedish CSR Project	From June of 2007 until Now	www.csr.gov.cn
Sino-Dutch CSR Project	From Dec. of 2011 to Dec. of 2016	www.siccsr.org/index.aspx

Besides, China actively engage in global governance and promote inclusive economic growth and sustainable development. In September 2016, the *G20 Guiding Principles for Global Investment Policymaking* was endorsed by its member countries, which established nine principles including to avoid protectionism, to establish open, non-discriminatory, transparent and predictable conditions for investment, to provide strong protection to investors and investments, to develop investment regulations in a transparent manner, to foster investment consistent with the objectives of sustainable development, and to promote responsible investment practices. On May 14th 2017, Chinese President Xi Jinping attended and delivered a keynote speech at the Belt and Road Forum for International Cooperation, proposing to establish a Belt and Road international alliance for green development, strengthen cooperation on ecological and environmental protection, build ecological civilization, and collectively achieve the UN SDGs.

8.2 CSR Development of Chinese Business Overseas Operation

8.2.1 National Regulations

Since 2007, the Chinese government has promulgated a series of policies and regulations on CSR of Chinese enterprises operating overseas, providing guidance or imposing requirements in areas such as business integrity, safety management, corporate culture, environmental protection, and fair competition. (Table 8-2)

Table 8-2 Regulations on CSR of Chinese Enterprises Operating Overseas

Year	**Title**	**Department**
	Administrative Regulations	
2008	Regulations on the Administration of International Contracting Projects	State Council
2012	Regulations on the Administration of International Labor Cooperation	State Council
	Departmental Rules	
2011	Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises	SASAC
2011	Interim Measures for the Administration of Overseas State-owned Property Rights of Central Enterprises	SASAC
2012	Interim Measures for the Supervision and Administration of Overseas Investment of Central Enterprises	SASAC

2013	Interim Measures for Emergency Management of Central Enterprises	SASAC
2014	Measures for the Administration of Overseas Investment	MOFCOM
Departmental Regulatory Documents		
2007	Provisions on Further Regularizing Overseas Contracting Projects	MOFCOM
2007	Notice on Strengthening the Environmental Monitoring over Export Enterprises	MOFCOM, Ministry of Environmental Protection (MEP)
2007	Several Opinions on Strengthening the Social Responsibility Construction of National Economic and Technical Development Zone	MOFCOM
2007	Opinions on Strengthening the Social Responsibility of Banking Institutions	China Banking Regulatory Commission (CBRC)
2008	Guidelines on the Fulfilment of Social Responsibility by Central Enterprises	SASAC

2008	Notice on Further Regulating Overseas Investment and Cooperation of Chinese Enterprises	MOFCOM, Ministry of Foreign Affairs (MFA), SASAC
2009	Guidelines on Sustainable Operation and Utilization of Overseas Forests by Chinese Enterprises	State Forestry Administration, MOFCOM
2010	Application Guidelines on Corporate Internal Control No. 4: Social Responsibilities	Ministry of Finance, China Securities Regulatory Commission, State Auditing Administration, CBRC, China Insurance Regulatory Commission (CIRC)
2010	Trial Measures for Poor Credit Record of Overseas Labor Cooperation	MOFCOM, MFA, Ministry of Public Security (MPS), State Administration for Industry and Commerce (SAIC)

2010	Provisions on Security Management of Overseas Chinese Institutions and Staff	MOFCOM, MFA, National Development and Reform Commission (NDRC), MPS, SASAC, State Administration of Work Safety (SAWS), All-China Federation of Industry and Commerce (ACFIC)
2011	Guidelines on Security Management of Overseas Chinese Enterprises (Institutions) and Staff	MOFCOM, MFA, SASAC, ACFIC
2012	Guidelines on Security Management of Overseas Chinese Enterprises (Institutions) and Staff	MOFCOM
2012	Green Credit Policy	CBRC

2012	Opinions on Corporate Culture Development of Chinese Enterprises Overseas	MOFCOM, International Communication Office of the CCCPC, MFA, NDRC, SASAC, National Bureau of Corruption Prevention, ACFIC
2012	Guidelines on the Fulfilment of Social Responsibility by Certification Organizations	Certification and Accreditation Administration (CNCA)
2012	Guide on Social Responsibility for Chinese International Contractors	MOFCOM
2013	Guidelines on Environmental Protection in Overseas Investment and Cooperation	MOFCOM, MEP
2013	Provisions on Regulating Competition in Overseas Investment and Cooperation	MOFCOM

2013	Provisions on Responding to and Addressing Security Incidents in Overseas Investment and Cooperation	MOFCOM, MFA, Ministry of Housing and Urban-Rural Development, National Health and Family Planning Commission, SASAC, SAWS
2013	Trial Measures for Negative Credit Record in Overseas Investment, Cooperation and Foreign Trade	MOFCOM, MFA, MPS and another 6 Ministries
2013	Guidelines on the Development of Overseas Chamber of Commerce	MOFCOM
2013	Notice of the Ministry of Commerce on Strengthening the Categorized Administration of Chinese Personnel Dispatched Overseas for Overseas Investment and Cooperation	MOFCOM
2013	Guidelines on the Fulfilment of Social Responsibility by Direct-Selling Enterprises	SAIC
2014	Guidelines on Intellectual Property Right of Overseas Enterprises (Trial Implementation)	MOFCOM

2014	Guidelines on the Performance of Social Responsibilities of Online Transaction Platform Operators	SAIC
2014	Guidelines on the Implementation of CSR Reporting System for the Center of National Product Quality Supervision and Inspection	CNCA
2014	Guide on Corporate Green Purchasing (Trial Implementation)	MOFCOM, MEP, Ministry of Industry and Information Technology
2015	National Standards on Social Responsibility	State Administration for Quality Supervision and Inspection and Quarantine, Standardization Administration of China
2015	Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road	NDRC, MFA, MOFCOM
2015	Guidelines on the Fulfilment of Social Responsibility by Insurance Industry	CIRC

2016	Guidelines on the better Fulfilment of Social Responsibility by SOEs	SASAC
2017	Measures on the Supervision and Administration of Overseas Investment by Central Enterprises	SASAC
2017	Guidance on Strengthening Risk Prevention and Control for Banking Services Enterprises "Going Global"	CBRC
2017	Guidance on Promoting Green Belt and Road	MEP, MFA, NDRC, and MOFCOM

8.2.2 Industrial Initiatives

In line with national policies, industrial associations, chambers of commerce, and research institutions actively engage in CSR promotion. By conducting theoretical studies, developing evaluation criteria, and organizing training seminars and communication activities, these organizations serve to raise the awareness of CSR and help equip Chinese enterprises with corresponding capabilities in both domestic and international markets. Since 2006, 43 industrial associations published industrial CSR guide, 11 released industrial CSR report, and 21 established CSR report publishing platform for companies.[64] (Table 8-3)

For instance, the *Guide on Social Responsibility for Chinese International Contractors* was published in 2012, which was developed by China International Contractors Association with guidance from MOFCOM. The Guide details 7 core subjects, including project quality

[64] http://www.wtoguide.net/index.php?g=&m=article&a=index&id=449

and safety, employee rights and career development, customer (proprietor) rights, supply chain management, fair competition, environmental protection, and community involvement and development, offers specific requirements and highlights the key points in CSR management. Using internationally accepted norms like the UNGC and ISO26000 for reference, and taking into account the development of Chinese international contracting industry, it provides an actionable framework for relevant enterprises.

Under the framework of Sino-German CSR Project and the Emerging Market Multinationals Network for Sustainability, the China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters took domestic and foreign regulations or standards as references and developed the *Guidelines for Social Responsibility in Outbound Mining Investments* in 2014, aiming at regulating corporate behavior and guiding enterprises in developing CSR or sustainable strategy and management system. In the next year, the Chamber published the *Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains*, offering detailed operational guidance.

Table 8-3 Industrial CSR Guides in China

Institution	**Year**	**Title**
Shanghai Stock Exchange	2008	Guidelines on Environmental Information Disclosure for Public Companies
	2009	CSR Report Writing Guidelines
Shenzhen Stock Exchange	2010	Compliant Operating Guidelines for Companies Listed on the Main Board
	2010	Compliant Operating Guidelines or

		Companies Listed on the Small and Medium-sized Enterprise (SME) Board
CSR Working Committee of Chinese Electronics Standardization Association	2013	CSR Guide for Chinese Information Technology Industry
	2014	CSR Report Writing Guide for Chinese Information Technology Industry
	2016	CSR Guide for Information Technology Industry (Industrial Standard)
China International Contractors Association	2012	Guide on Social Responsibility for Chinese International Contractors
China National Textile and Apparel Council	2005	China Social Compliance 9000 for Textile & Apparel Industry (CSC9000T)
	2008	CSR Guidelines for Apparel and Textile Enterprises (CSR-GATEs)
China Federation of Industrial Economics	2010	Guidelines on Social Responsibilities of Chinese Industrial Enterprises and Industrial Associations (GSRI-CHINA2.0)
	2013	CSR Assessment System for Chinese Industrial Enterprises
	2015	CSR Guide for Chinese Industrial Enterprises 2015
12 Industrial Associations	2013	Guidelines on the Fulfilment of

including China Construction Industry Association, China Water Transportation Construction Association, China Electric Power Construction Association, etc.		Social Responsibility by Construction Enterprises
	2013	CSR Report Writing Guide for Construction Enterprises (Trial Implementation)
Chinese Forestry Industry Association, China National Forest Products Industry Association	2011	CSR Report Writing Guide for Chinese Forest Enterprises
China Agricultural Association for International Exchange	2014	Pact for Good Operation and CSR Fulfilment in Overseas Agricultural Investment
China Leather Industry Association	2006	CSR Guide for Chinese Leather Industry
China Enterprise Evaluation Association, School of Social Sciences at Tsinghua University	2014	CSR Evaluation Criteria
China General Chamber of Commerce	2013	CSR Evaluation Criteria for Business Services Industry
Research Center for CSR at Division of Economics, Chinese Academy of Social Science	2014	CSR Report Writing Guide (CASS-CSR3.0)
China Petroleum and Chemical Industry Federation	2011	Responsible Care Codes Practice (Industrial Standard)

China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters	2014	Guidelines for Social Responsibility in Outbound Mining Investments
	2015	Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains
China Consumers Association	2007	CSR Guidelines on Consumer Protection
China Banking Association	2009	CSR Guidelines for Chinese Banking Institutions
China Center for SME Cooperation Development & Promotion, National Council for SMEs	2013	CSR Guide for Chinese SMEs

8.2.3 Corporate Engagement

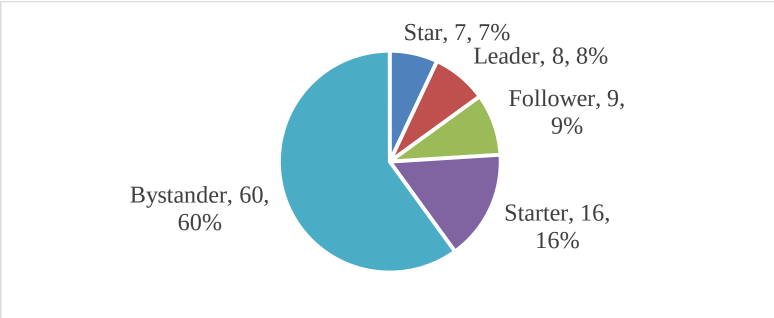
The *Research Report on Corporate Social Responsibility of Chinese Overseas Enterprises (2016-2017)*[65] indicates that Chinese enterprises are still at an initial stage in terms of overseas CSR management and practice, though their CSR awareness is enhanced. Based on the level of overseas CSR management and informational disclosure, enterprises are classified into “stars” (with overseas CSR development index above 80), “leaders” (60-80), “followers” (40-60), “starters” (20-40), and “bystanders” (blow 20).

The report shows that the average overseas CSR development index is 25.67, in other words, Chinese enterprises are generally “starters” in overseas CSR management. Specifically, the proportion of the five kinds

[65] http://www.shangbaoline.com/xh/c/110195.html

of enterprises is: "stars" 7%, "leaders" 8%, "followers" 9%, "starters" 16%, and "bystanders" 60%. (Figure 8-4)

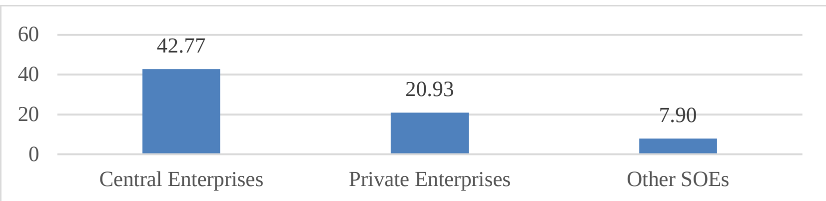
Figure 8-4 Distribution of Overseas CSR Development Index of Chinese Enterprises, 2016



Source: Research Report on Corporate Social Responsibility of Chinese Overseas Enterprises (2016-2017)

It is found that discrepancy exists between different types of enterprises. In general, central enterprises perform relatively better with an average overseas CSR development index of 42.77, private enterprises ranked second (20.93) and other SOEs last (7.90). By development phases, the three types of enterprises turn out to be "followers", "starters" and "bystanders" respectively. (Figure 8-5)

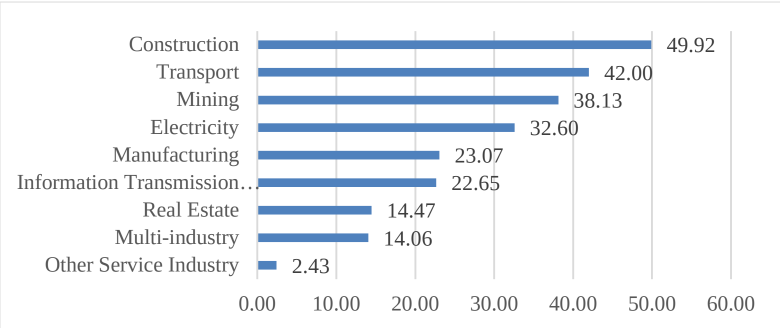
Figure 8-5 Distribution of Overseas CSR Development Index of Chinese Enterprises by Type of Enterprise, 2016



Source: Research Report on Corporate Social Responsibility of Chinese Overseas Enterprises (2016-2017)

In addition, overseas CSR performance also varies among industries. Comparatively, construction companies (49.92) and transport companies (42.00) perform better as “followers”, industries including mining (38.13), electricity (32.60), manufacturing (23.07), and information transmission and technical service (22.65) are at the stage of starting, and real estate (14.47), multi-industry (14.06), and other service industry (2.43) are found to be “bystanders”. (Figure 8-6)

Figure 8-6 Industrial Distribution of Overseas CSR Development Index of Chinese Enterprises, 2016



Source: Research Report on Corporate Social Responsibility of Chinese Overseas Enterprises (2016-2017)

Awareness

According to the *2015 Report on the Sustainable Development of Chinese Enterprises Overseas*[66] issued by United Nations Development Program China, Chinese Academy of International Trade and Economic Cooperation at Ministry of Commerce, Research Center of the State-owned Assets Supervision and Administration Commission of the State Council, most Chinese enterprises operating overseas have a proper understanding of CSR. As many as 85% of the enterprises surveyed

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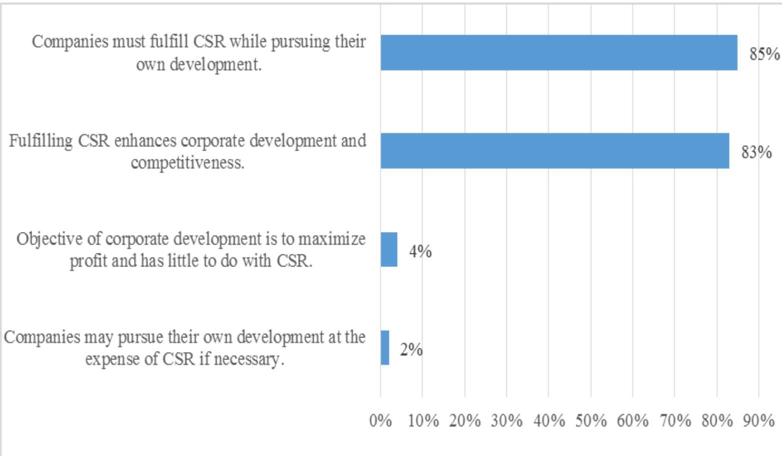
[66] http://www.cn.undp.org/content/china/zh/home/library/south-south-cooperation/2015-report-on-the-sustainable-development-of-chinese-enterprise/

agree that business must fulfill the social responsibilities while pursuing their own development; 83% hold that CSR practices are conducive to enhancing sustainable development capability and competitiveness. However, there remain 4% consider the purpose of business is to maximize profit, rather than bear social responsibilities; 2% even think CSR can be disregarded for their own interests. (Figure 8-7)

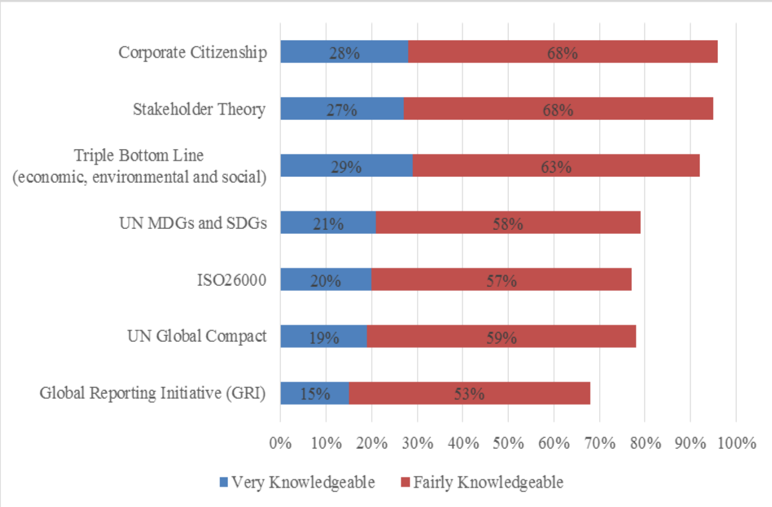
Figure 8-7 Basic Understanding of Corporate Social Responsibility



Source: 2015 Report on the Sustainable Development of Chinese Enterprises Overseas

As for knowledge on CSR-related concepts, Chinese MNEs in general have a better understanding of corporate citizenship, stakeholder theory and triple bottom line (economic, environmental and social) than relevant global initiatives and guidelines, such as the UN MDGs and SDGs, ISO26000, the UN Global Compact, and GRI. (Figure 8-8)

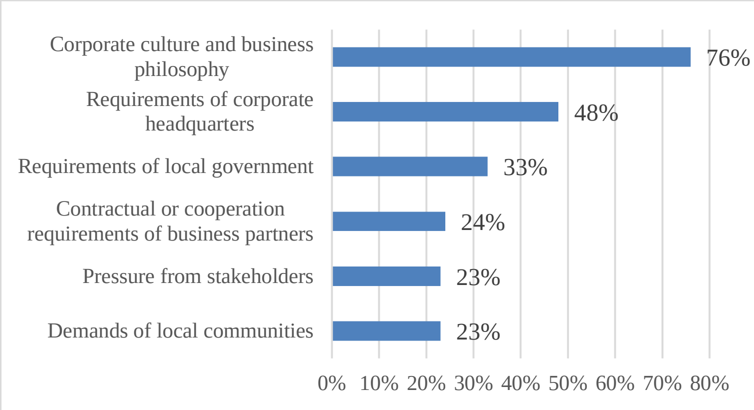
Figure 8-8 Knowledge on CSR-Related Concepts



Source: 2015 Report on the Sustainable Development of Chinese Enterprises Overseas

The report indicates that the overseas CSR practice of Chinese MNEs is primarily motivated by internal factors, as 76% of the surveyed companies state that their CSR practices are driven by the corporate culture and business philosophy, and 48% say the driver is requirements of corporate headquarters. Besides, local government (33%), business partners (24%) and other stakeholders including local communities (23%) are also non-negligible driving forces from outside the companies. (Figure 8-9)

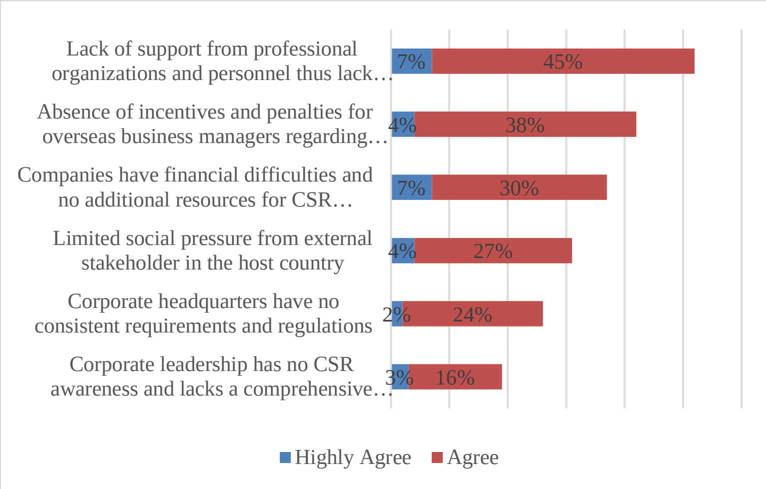
Figure 8-9 Fundamental Motivations for Overseas CSR Practices



Source: 2015 Report on the Sustainable Development of Chinese Enterprises Overseas

According to the surveyed companies, barriers to their overseas CSR practices include lack of professional organizations and talents thus lack of theoretical and practical support (52%), absence of incentives and penalties for responsible persons (42%), financial difficulties and no additional resources (37%), limited social pressure from external stakeholders in the host country (31%), corporate headquarters have no consistent requirements and regulations (26%), corporate leadership has no CSR awareness and lacks a comprehensive understanding of CSR (19%), most of which are internal factors. (Figure 8-10)

Figure 8-10 Barriers to Overseas CSR Practices

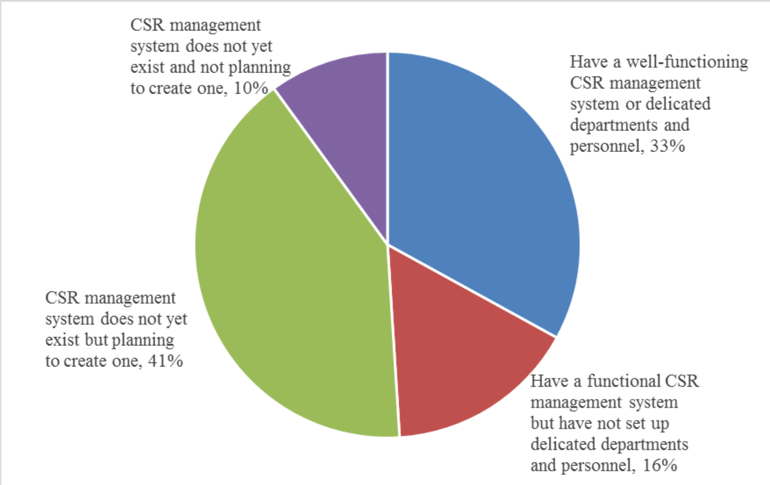


Source: 2015 Report on the Sustainable Development of Chinese Enterprises Overseas

Management System

So far, less than 50% of the surveyed companies have established CSR management system specifically for their overseas business operations. Approximately 33% of the companies reported that their system is well-functioning with dedicated departments and personnel, and another 16% deemed their system functional but the departments and personnel are not yet developed. Companies that plan to create overseas CSR management systems made up 41%, while 10% still had no such plans. (Figure 8-11)

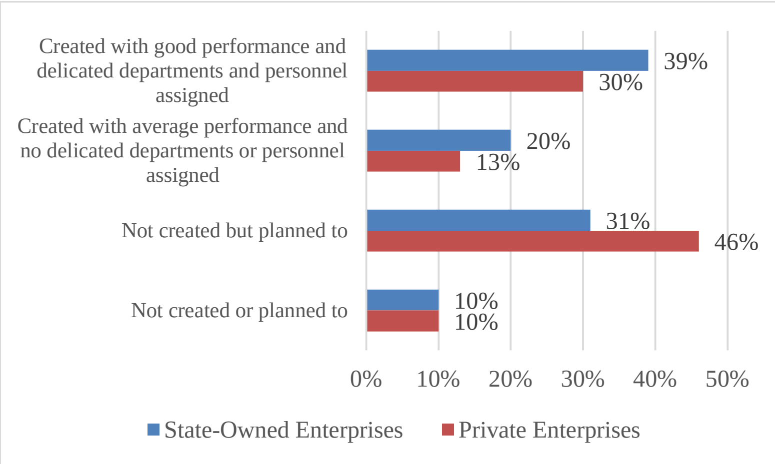
Figure 8-11 Establishment of Overseas CSR Management System



Source: 2015 Report on the Sustainable Development of Chinese Enterprises Overseas

By comparison, Chinese SOEs outperformed the private firms considering the establishment of overseas CSR management system and its performance. Among the surveyed companies, 59% of the SOEs have created such systems, 16 percent higher than the private enterprises. Furthermore, 39% of the SOEs are satisfied with the system performance with dedicated departments and personnel assigned, while only 30% of the private enterprises hold the same opinion. (Figure 8-12)

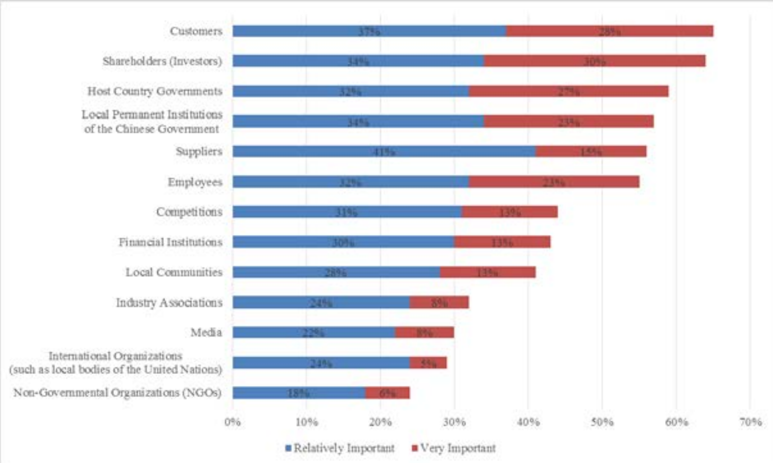
Figure 8-12 Establishment of Overseas CSR Management System by Type of Enterprise



Source: 2015 Report on the Sustainable Development of Chinese Enterprises Overseas

It turns out that the level of importance of various stakeholders attached by Chinese MNEs is mainly determined by their relevance to the core businesses. In order, the five most important stakeholders are customers, shareholders (investors), host country governments, local permanent institutions of the Chinese government, and suppliers; while the five least important stakeholders viewed by Chinese MNEs include NGOs, international organizations (such as local bodies of the United Nations), media, industry associations, and local communities. (Figure 8-13)

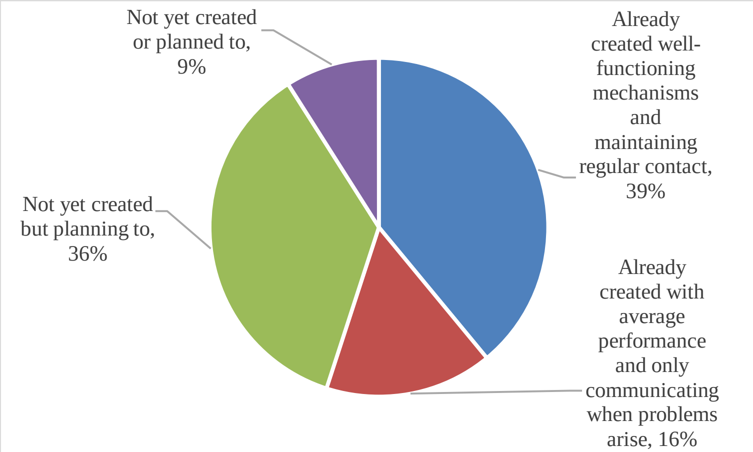
Figure 8-13 Level of Importance of Stakeholders from the Perspective of Chinese Multinational Enterprises



Source: 2015 Report on the Sustainable Development of Chinese Enterprises Overseas

Regarding the mechanism of interaction between Chinese companies and foreign stakeholders, it shows that 55% of the companies have created mechanisms for foreign stakeholders engagement, 39% of the companies currently have well-functioning mechanisms and maintain regular contact with stakeholders while 16% of the companies have average performance in this regard and only communicate with stakeholders when problems arise. However, at present, 45% of the companies have not created any mechanism through which stakeholders in host countries can get involved - 36% are planning to do so while 9% have no such plans. (Figure 8-14)

Figure 8-14 Establishment of Stakeholders Engagement Mechanisms



Source: 2015 Report on the Sustainable Development of Chinese Enterprises Overseas

Corporate Behavior

According to the report *Green Operation of Chinese Enterprises Overseas* issued by KPMG Global China Practice and the Economic Information Department of China Council for the Promotion of International Trade (CCPIT)[67], community impact and economic development (19.5%), environmental impact (15.4%), job opportunity (11.8%), green credit (9.5%), industrial relations (6.5%) are among the top CSR-related concerns of domestic and international media and research institutes. (Figure 8-15)

[67] https://assets.kpmg.com/content/dam/kpmg/pdf/2013/10/China-enterprises-green-globalisation-201310-c.pdf

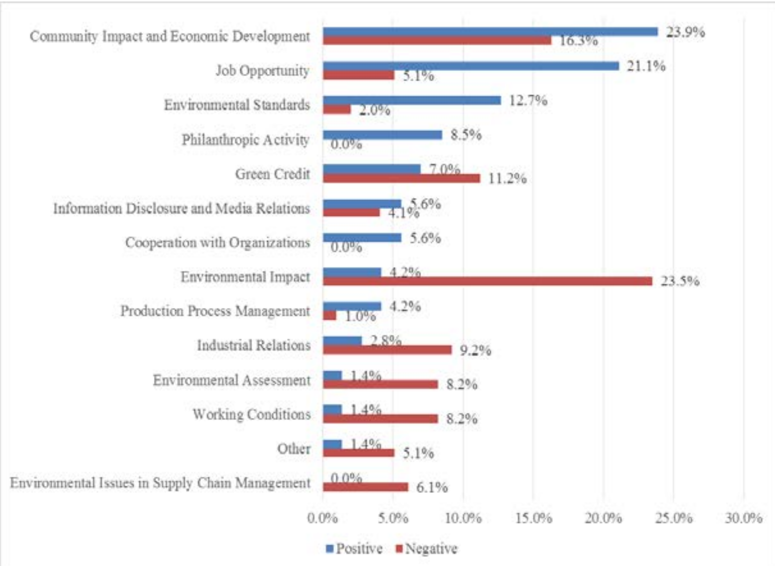
Figure 8-15 Statistics of Cases on CSR Performance of Chinese Business Overseas Operation

Note: The data was collected from November of 2012 to May of 2013.

Source: Green Operation of Chinese Enterprises Overseas

Among the cases on CSR performance of Chinese business overseas operation, 37.4% are positive, while 62.6% are negative. More specifically, Chinese enterprises gained credit with respect to offering job opportunities, setting environmental standards, and conducting philanthropic activities; received mixed reception regarding community impact and economic development, and green credit; and attracted criticism in areas such as environmental impact, industrial relations, environmental assessment and working conditions. (Figure 8-16)

Figure 8-16 Statistics of Cases on CSR Performance of Chinese Business Overseas Operation by Evaluation

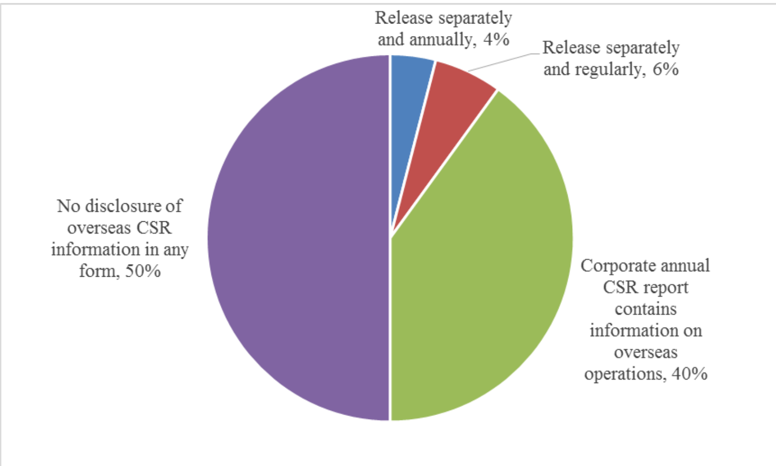


Source: Green Operation of Chinese Enterprises Overseas

It is found that the rigorousness of the institutional environment in the host country has a significant influence on the Chinese MNEs' recognition of CSR. In other words, Chinese MNEs often attach more importance to CSR performance in developed countries, but lack of proactive actions in countries without elaborate systems. Some companies did not take sufficient environmental or social impact assessments nor in a transparent manner. In some cases, discrepancy existed between the assessment made by companies and by social organizations. Some projects had started even before the assessment report was approved. Some companies would rather be fined rather than provide compensation to the residents whose livelihood was affected by their projects or take remedial measures for the environment and society. Some local workers once complained about the working condition and insecure facilities, and some Chinese subsidiaries were fined or even shut down for violating regulations relating to health, security and environmental protection. Compared with voluntary environmental standards and multi-party guidelines, Chinese companies tend to adopt internationally accepted technical standards.

Chinese MNEs are generally reluctant to communicate with local media and institutions. They chronically attach undue importance to the relations with local governments, but ignore the interaction with local communities and NGOs. However, this could block the channels for local people to know the contributions made by the Chinese MNEs, and even make themselves scapegoats for the misbehaviors of other Asian companies. Currently, only 10% of the surveyed companies release CSR reports specific to their overseas operations on an annual or regular basis, and 40% disclose relevant information in their annual CSR reports. Nevertheless, up to 50% of the companies do not disclose overseas CSR information in any form. (Figure 8-17)

Figure 8-17 Release of Overseas CSR Report



Source: 2015 Report on the Sustainable Development of Chinese Enterprises Overseas

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APPENDICES

Appendix 1: MSCI KLD 400 Social Index ESG Ratings Model

Pillars	Themes	Key Issues
Environment	Climate Change	Carbon Emissions Financing Environmental Impact Energy Efficiency Climate Change Vulnerability Product Carbon Footprint
	Natural Resources	Water Stress Raw Material Sourcing Biodiversity & Land Use
	Pollution & Waste	Toxic Emissions & Waste Electronic Waste Packaging Material & Waste
	Environmental Opportunities	Opportunities in Clean Tech Opp’s in Renewable Energy Opportunities in Green Building
Social	Human Capital	Labor Management Human Capital Development Health & Safety Supply Chain Labor Standards
	Product Liability	Product Safety & Quality

		Privacy & Data Security Chemical Safety Responsible Investment Financial Product Safety Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing
	Social Opportunities	Access to Communications Access to Health Care Access to Finance Opp's in Nutrition & Health
Governance	Corporate Governance	Board Ownership Pay Accounting
	Corporate Behavior	Business Ethics Corruption & Instability Anti-Competitive Practices Financial System Instability

Appendix 2: DJSI Assessment Model

Pillars	**Themes**
Economic Dimension	Codes of Conduct/Compliance/Corruption & Bribery Corporate Governance Risk & Crisis Management industry-specific criteria
Environmental Dimension	Environmental Policy/Management System

	Environmental Reporting industry-specific criteria
Social Dimension	Corporate Citizenship and Philanthropy Human Capital Development Labor Practice Indicators Social Reporting Talent Attraction & Retention industry-specific criteria

Appendix 3: FTSE ESG Ratings Model

Pillars	**Themes**
Environment	Climate Change Water Use Biodiversity Pollution & Resources Supply Chain: Environment
Social	Health & Safety Labor Standards Human Rights & Community Customer Responsibility Supply Chain: Social
Governance	Anti-Corruption Tax Transparency Risk Management Corporate Governance

Appendix 4: Bilateral Investment Treaties Signed by China

No.	Continent	Country	Date of Signing	Effective Date	Remarks
1	Europe	Sweden	1982-3-29	1982-3-29	
	Europe	Sweden (Protocol)	2004-9-27	2004-9-27	Effective upon Signing
2	Europe	Germany	1983-10-7	1985-3-18	
	Europe	Germany	2003-12-1	2005-11-11	Re-signed
3	Europe	France	1984-5-30	1985-3-19	Re-signed on Nov. 26th, 2007
	Europe	France	2007-11-26	2010-8-20	Re-signed
4	Europe	Belgium and Luxembourg	1984-6-4	1986-10-5	
	Europe	Belgium and Luxembourg	2005-6-6	2009-12-1	Re-signed
5	Europe	Finland	1984-9-4	1986-1-26	
	Europe	Finland	2004-11-15	2006-11-15	Re-signed
6	Europe	Norway	1984-11-21	1985-7-10	
7	Europe	Italy	1985-1-28	1987-8-28	
8	Europe	Denmark	1985-4-29	1985-4-29	
9	Europe	The Nether-lands	1985-6-17	1987-2-1	
	Europe	The Nether-lands	2001-11-26	2004-8-1	Re-signed
10	Europe	Austria	1985-9-12	1986-10-11	
11	Europe	United Kingdom	1986-5-15	1986-5-15	
12	Europe	Switzerland	1986-11-12	1987-3-18	
	Europe	Switzerland	2009-1-27	2010-4-13	Re-signed
13	Europe	Poland	1988-6-7	1989-1-8	
14	Europe	Bulgaria	1989-6-27	1994-8-21	
	Europe	Bulgaria (Additional Protocol)	2007-6-26	2007-11-10	
15	Europe	Russia	2006-11-9	2009-5-1	
16	Europe	Hungary	1991-5-29	1993-4-1	
17	Europe	The Czech	1991-12-4	1992-12-1	

		Republic and Slo-vakia			
	Europe	Slovakia	2005-12-7	2007-5-25	Additional Proto-col
18	Europe	Portugal	1992-2-3	1992-12-1	
	Europe	Portugal	2005-12-9	2008-7-26	Re-signed
19	Europe	Spain	1992-2-6	1993-5-1	
	Europe	Spain	2005-11-24	2008-7-1	Re-signed
20	Europe	Greece	1992-6-25	1993-12-21	
21	Europe	Ukraine	1992-10-31	1993-5-29	
22	Europe	Moldova	1992-11-6	1995-3-1	
23	Europe	Belarus	1993-1-11	1995-1-14	
24	Europe	Albania	1993-2-13	1995-9-1	
25	Europe	Croatia	1993-6-7	1994-7-1	
26	Europe	Estonia	1993-9-2	1994-6-1	
27	Europe	Slovenia	1993-9-13	1995-1-1	
28	Europe	Lithuania	1993-11-8	1994-6-1	
29	Europe	Iceland	1994-3-31	1997-3-1	
30	Europe	Romania	1994-7-12	1995-9-1	
	Europe	Romania (Additional Protocol)	2007- 4-16	2008-9-1	
31	Europe	Yugoslavia	1995-12-18	1996-9-12	Serbia succeeded the international agreements signed by the former Yugosla-via.
32	Europe	Macedonia	1997-6-9	1997-11-1	
33	Asia	Thailand	1985-3-12	1985-12-13	
34	Asia	Singapore	1985-11-21	1986-2-7	
35	Asia	Kuwait	1985-11-23	1986-12-24	
36	Asia	Sri Lanka	1986-3-13	1987-3-25	
37	Asia	Japan	1988-8-27	1989-5-14	
38	Asia	Malaysia	1988-11-21	1990-3-31	
39	Asia	Pakistan	1989-2-12	1990-9-30	

40	Asia	Turkey	1990-11-13	1994-8-19	
41	Asia	Mongolia	1991-8-25	1993-11-1	
42	Asia	Uzbekistan	1992-3-13	1994-4-12	Re-signed on Apr. 19th, 2011
42	Asia	Uzbekistan	2011-4-19	2011-9-1	Re-signed
43	Asia	Kyrgyzstan	1992-5-14	1995-9-8	
44	Asia	Armenia	1992-7-4	1995-3-18	
45	Asia	Philippines	1992-7-20	1995-9-8	
46	Asia	Kazakhstan	1992-8-10	1994-8-13	
47	Asia	South Korea	1992-9-30	1992-12-4	
	Asia	South Korea	2007-9-7	2007-12-1	Re-signed
48	Asia	Turkmeni-stan	1992-11-21	1994-6-6	
49	Asia	Vietnam	1992-12-2	1993-9-1	
50	Asia	Laos	1993-1-31	1993-6-1	
51	Asia	Tajikistan	1993-3-9	1994-1-20	
52	Asia	Georgia	1993-6-3	1995-3-1	
53	Asia	United Arab Emirates	1993-7-1	1994-9-28	
54	Asia	Azerbaijan	1994-3-8	1995-4-1	
55	Asia	Indonesia	1994-11-18	1995-4-1	
56	Asia	Oman	1995-3-18	1995-8-1	
57	Asia	Israel	1995-4-10	2009-1-13	
58	Asia	Saudi Arabia	1996-2-29	1997-5-1	
59	Asia	Lebanon	1996-6-13	1997-7-10	
60	Asia	Cambodia	1996-7-19	2000-2-1	
61	Asia	Syria	1996-12-9	2001-11-1	
62	Asia	Yemen	1998-2-16	2002-4-10	
63	Asia	Qatar	1999-4-9	2000-4-1	
64	Asia	Bahrain	1999-6-17	2000-4-27	
65	Asia	Iran	2000-6-22	2005-7-1	
66	Asia	Myanmar	2001-12-12	2002-5-21	
67	Asia	DPRK	2005-3-22	2005-10-1	
68	Asia	India	2006-11-21	2007-8-1	
69	Oceania	Australia	1988-7-11	1988-7-11	

70	Oceania	New Zealand	1988-11-22	1989-3-25	
71	Oceania	Papua New Guinea	1991-4-12	1993-2-12	
72	Africa	Ghana	1989-10-12	1990-11-22	
73	Africa	Egypt	1994-4-21	1996-4-1	
74	Africa	Morocco	1995-3-27	1999-11-27	
75	Africa	Mauritius	1996-5-4	1997-6-8	
76	Africa	Zimbabwe	1996-5-21	1998-3-1	
77	Africa	Algeria	1996-10-17	2003-1-28	
78	Africa	Gabon	1997-5-9	2009-2-16	
79	Africa	Nigeria	1997-5-12		Abrogated
	Africa	Nigeria	2001-8-27	2010-2-18	Re-signed
80	Africa	Sudan	1997-5-30	1998-7-1	
81	Africa	South Africa	1997-12-30	1998-4-1	
82	Africa	Cape Verde	1998-4-21	2001-10-1	
83	Africa	Ethiopia	1998-5-11	2000-5-1	
84	Africa	Tunisia	2004-6-21	2006-7-1	
85	Africa	Equatorial Guinea	2005-10-20	2006-11-15	
86	Africa	Madagascar	2005-11-21	2007-7-1	
87	America	Bolivia	1992-5-8	1996-9-1	
88	America	Argentina	1992-11-5	1994-8-1	
89	America	Uruguay	1993-12-2	1997-12-1	
90	America	Ecuador	1994-3-21	1997-7-1	
91	America	Chile	1994-3-23	1995-8-1	
92	America	Peru	1994-6-9	1995-2-1	
93	America	Jamaica	1994-10-26	1996-4-1	
94	America	Cuba	1995-4-24	1996-8-1	
	America	Cuba	2007-4-20	2008-12-1	Re-signed
95	America	Barbados	1998-7-20	1999-10-1	
96	America	Trinidad and Tobago	2002-7-22	2004-12-7	
97	America	Guyana	2003-3-27	2004-10-26	
98	Europe	Malta	2009-2-22	2009-4-1	
99	Europe	Cyprus	2001-1-17	2002-4-29	

100	Africa	Mali	2009-2-12	2009-7-16	
101	Asia	Japan and South Korea	2012-5-13	2014-5-17	
102	Africa	Tanzania	2013-3-24	2014-4-17	
103	America	Canada	2012-9-9	2014-10-1	
104	Africa	Congo	2000-3-20	2015-7-1	

Source:

http://tfs.mofcom.gov.cn/article/Nocategory/201111/20111107819474.shtml

Appendix 5: Environmental Conventions Ratified by the Chinese Government

Title	Time of Adoption	Place of Adoption
International Convention for the Prevention of Pollution of the Sea by Oil	1954	London
Convention on Fishing and Conservation of the Living Resources of the High Seas	1958	Geneva
International Convention for the Regulation of Whaling	1946	Washing-ton, DC.
Plant Protection Agreement for the South-East Asia and Pacific Region	1956	Rome
Convention on the Continental Shelf	1958	Geneva
The Antarctic Treaty	1959	Washing-ton, DC.
Convention of the World Meteorological Organization	1947	Washing-ton, DC.
International Convention Relating to Intervention in the High Seas in Cases of Oil Pollution Casualties	1969	Brussels
International Convention on Civil Liability for Oil Pollution Damage	1969	Brussels
Convention on Wetlands of International Importance Especially as Waterfowl Habitat	1971	Ramsar

Convention Concerning the Protection of the World Cultural and Natural Heritage	1972	Paris
Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, including the Moon and Other Celestial Bodies	1972	Moscow
Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter	1972	London
Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction	1972	London
Protocol Relating to Intervention on the High Seas in Cases of Marine Pollution by Substances other than Oil	1973	London
Annex to the Convention on international trade in endangered species of Wild Fauna and Flora	1973	Washing-ton, DC.
International Convention for the Prevention of Pollution from Ships	1978	London
Convention on the Protection of New Plant Varieties	1978	Geneva
Convention on the Physical Protection of Nuclear Material	1980	Vienna
United Nations Convention on the Law of the Sea	1982	Montego Bay
International Tropical Timber Agreement	1983	Geneva
Vienna Convention for the Protection of the Ozone Layer	1985	Vienna
Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency	1986	Vienna
Convention on Early Notification of a Nuclear Accident	1986	Vienna
Montreal Protocol on Substances that Depletethe Ozone Layer	1987	Montreal
Agreement on the Network of Aquaculture Centres	1988	Bangkok

in Asia and the Pacific		
Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal	1989	Basel
International Convention on Oil Pollution Preparedness, Response and Cooperation	1990	London
United Nations Framework Convention on Climate Change	1992	Rio de Janeiro
Convention on Biological Diversity	1992	Rio de Janeiro
United Nations Convention to Combat Desertification	1994	Paris
Convention on Nuclear Safety	1994	Vienna
Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	1998	Rotterdam

Appendix 6: Guide on Social Responsibility Performance (National Standard)

Core Subjects		**Key Issues**		**Indicators**	
Z	Organizational Governance	Z-1	Decision-making processes and structures	12	12
R	Human Rights	R-1	Civil and political rights	6	12
		R-2	Economic, social and cultural Rights	2	
		R-3	Fundamental principles and rights at work	4	
L	Labor Practices	L-1	Employment and employment relationships	9	39
		L-2	Conditions of work and social protection	11	

		L-3	Social dialogue	5	
		L-4	Health and safety at work	11	
		L-5	Human development and training in the workplace	3	
H	Environment	H-1	Prevention of pollution	9	39
		H-2	Sustainable resource use	9	
		H-3	Climate change mitigation and adaptation	10	
		H-4	Protection of the environment, biodiversity and restoration of natural habitats	11	
G	Fair Operating Practices	G-1	Anti-corruption	10	26
		G-2	Fair competition	5	
		G-3	Promoting social responsibility in the value chain	6	
		G-4	Respect for property rights	5	
X	Consumer Issues	X-1	Fair marketing, factual and unbiased information and fair contractual practices	9	53
		X-2	Protecting consumers' health and safety	10	
		X-3	Sustainable consumption	2	
		X-4	Consumer service, support, and complaint and dispute resolution	7	
		X-5	Consumer data protection and privacy	9	
		X-6	Access to essential services	6	

		X-7	Education and awareness	10	
S	Community Involvement and Develop-ment	S-1	Community involvement	6	42
		S-2	Education and culture	5	
		S-3	Employment creation and skills development	8	
		S-4	Technology development and access	5	
		S-5	Wealth and income crea-tion	10	
		S-6	Health	4	
		S-7	Social Investment	4	

Appendix 7: Organizations Dedicated to CSR Study and Promotion in China

Category	**Organization**
Academia	Corporate Social Responsibility Research Centre Peking Univer-sity Law School
	Unirule Institute of Economics
	Beijing New-century Academy on Transnational Corporations
	Guangdong international corporate social responsibility
	Institute of International Labor and Social Securities
	Energy Research Institute of the National Development and Reform Commission
	Research Center of Corporate Governance at Nankai University
	NGO Research Center Tsinghua University

	Tsinghua University Center for Study of Contemporary China
	Quan Heng Industry Research Institute
	Social Resources Institute
	China Center for Corporate Social Responsibility and Cultures, Xiamen University
	China Academy of Safety Science and Technology
	BELL (Business Environment Learning and Leadership) Program
	China National Institute of Standardization
	China Environment and Sustainable Development Reference and Research Centre
	China Corporate Social Responsibility (CSR) Research Center
	Chinese Academy of Social Sciences
	China SIF
	Institute of Civil Society, Sun Yat-sen University
	Center for International Business Ethics, University of International Business and Economics
Media	Caijing Magazine
	CSR in Action
	China WTO Tribune
	Bilinstar Environmental Protection Net
	China Philanthropy Times
	Economic Observer

	Merchandise and Quality Weekly
	World Environment
	Modern Occupational Safety
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