Chinese businesses in Africa

Perspectives on corporate social responsibility and the role of Chinese government policies

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Executive summary

This research aims to understand the role that Chinese policies and guidelines play in governing Chinese companies overseas, through exploring the experiences and perceptions of representatives in those companies. This discussion paper presents the key findings of fieldwork in Mozambique, Kenya and Uganda during August–September 2015, including a survey and interviews with fifty-eight Chinese personnel working for Chinese companies in these locations. Our findings revealed a complex governance matrix influencing the environmental and social performance of Chinese companies in Africa, in which Chinese policies play only a relatively minor role.

In response to this finding, the paper explores the overall governance environment for Chinese companies interviewed, and asks how the in-country employees understand the Chinese policies and guidelines relative to the role of local laws, contractual obligations, internal company policies, and other unwritten governance factors in the host countries. As this was a perception analysis, we examine not their social and environmental performance but their representatives' perceptions and experiences of the many and complex factors that influence their conduct in Africa.

Our research found that **Chinese policies and guidelines — the first governance factor — generally received a very low level of awareness** among the Chinese company representatives. On average, 55% of the interviewees showed a complete lack of awareness of selected Chinese policy documents, while 30% reported some awareness, and only 15% expressed familiarity. Furthermore, many interviewees felt that the Chinese policies and guidelines were irrelevant to their in-country operations for a variety of reasons, including a lack of understanding of the documents, or a view of the documents themselves as not 'practical' enough, or unclear Chinese jurisdiction over their overseas activities. There were two exceptions to this: first, interviewees paid more attention to policies related to safety or labour than those related to social or environmental; issues second, interviewees in construction and mining showed a relatively high level of awareness about sector-specific voluntary guidelines (though only 17% and 14% of the interviewees respectively reported familiarity with the content). This emphasises that proliferation of voluntary guidelines without proper consideration for dissemination, implementation, uptake and incentives is unlikely to achieve the desired impact.

In addition, the role of the Chinese policies and guidelines depended to a large degree on the type of Chinese company involved. Interviewees from state-owned enterprises (SOEs) showed a higher level of awareness overall; more than half of them reported some level of awareness of the selected documents, compared with only a third for the privately owned company (POE) respondents, and they also generally reported a more positive perception of the Chinese policies and guidelines than private companies. Our results suggest that the links between state-owned companies and the Chinese government create stronger awareness of policy objectives, provide incentives for compliance, and potentially help translate government policy into internal corporate policy.

Privately owned companies, by contrast, had significantly lower awareness of Chinese policies and guidelines than their SOE counterparts. We found that they operate much more independently, have weak communication with Chinese government bodies, seldom receive government-linked support (for instance, in the form of concessional loans) and generally lack accountability mechanisms; some may even lack legal status in China, since they are registered in the local African country only. Attempting to hold them accountable and promote more responsible business practices through the existing Chinese policies and guidelines may thus present significant challenges.

By contrast, **host-country laws and regulations — the second governance factor — stood out as the most important factor** guiding company operations in interviews across all company types and in all three countries. Labour-law compliance was one area of particular emphasis, while interviewees also showed high awareness of local environmental-regulation requirements.

Contrary to common perceptions about Chinese companies bringing large numbers of Chinese workers to Africa from China, the majority of interviewees cited practices of actively hiring local workers, with some also aiming for gender balance.

Although local laws received careful attention from the Chinese companies in the study, their **operations are also strongly shaped by local institutional practices and social norms — the third governance factor — beyond the written laws and policies.** These set of factors include corruption, weak rule of law, and lack of capacity in law enforcement, all of which hinder the power of host-country regulations to protect local social and environmental interests. We found that while interviewees largely saw corruption as a negative, some private companies reported involvement in bribery and other corruption practices, explaining that it was necessary in order to overcome inefficiencies in the system. Given the rapid increase of Chinese OFDI (overseas foreign direct investment) flow from private companies in recent years, and the severely limited influence of the Chinese government over these private businesses, this finding points to important gaps in current governance of overseas Chinese companies.

Furthermore, **internal corporate policies — the fourth governance factor — seem to play an important role** in governing a majority of the practices of the Chinese companies interviewed. While the content of these was not a primary focus of this research, interviewees repeatedly emphasised their importance and described a wide range of corporate-policy approaches to social and environmental safeguards in overseas operations. These varied greatly from company to company, especially according to shareholding type and size, with state-owned enterprises and larger private companies having more structured policies such as transparency measures, and smaller private companies having none, or weaker ones. For state-owned enterprises with robust corporate quality, health, safety and environment policies (QHSEs), interviews revealed that Chinese government policies may play a role in shaping their content, thus identifying an indirect channel through which Chinese policies affect overseas business operations. However, internal corporate policies are often not publicly available, making it difficult for the public to assess their stringency, level of implementation and impacts on local communities and the environment.

Finally, **conditions set by project proprietors and financiers — the fifth governance factor — have critical influence** on the operations of Chinese companies undertaking large-scale construction projects specifically. Such projects attract significant attention from local civil society for their associated social and environmental impacts.

However, our research revealed that the Chinese companies themselves have very limited scope for influence in either the contract terms specified by the project proprietor (the local government in most cases) or the conditions for social and environmental safeguards specified by the financier.

Our research also revealed that **overseas Chinese businesses are not passive actors**. Interviewees discussed their own efforts — many outside of official corporate policy or local laws — to improve their social performance overseas through community engagement and skills training. While not without their challenges, these examples run contrary to the common perception that overseas Chinese businesses are indifferent to social impacts. Building on these existing efforts may provide a useful entry point for more constructive engagement with Chinese companies by the international development community in the future.

Ultimately, the complex governance matrix discussed in this paper demands a realistic assessment of existing Chinese policies and guidelines' limited influence on overseas business conduct. Emerging from our discussions with Chinese business representatives was their desire for the Chinese government to provide *more* tangible support in realising responsible business conduct, beyond the formulation of policies. Specifically, our research revealed four recommendations for the Chinese government: provide up-to-date information on in-country investment risks; negotiate with the local government regarding issues such as visas, crime and safety; install punitive measures for Chinese businesses involved in corruption and other unlawful conducts; and regulate competition among Chinese companies undertaking construction projects to avoid a 'race to the bottom' (extreme price-cutting) by encouraging a stronger role for Chinese embassies and Economic and Commercial Counsellor's Offices (ECCOs).

For members of the international development community concerned with the social and environmental implications of the increasing Chinese business engagement in developing countries, this study also provides some key insights. The diversity of Chinese businesses described above needs to be more clearly recognised in research analysis and targeted strategic engagement. One potentially promising — and often neglected — avenue is the internal corporate policy of Chinese companies; future research could examine how internal policies incorporate social and environmental due-diligence mechanisms, and what influence relevant Chinese policies and international standards have in this process. Future engagement efforts could also focus on assessing how companies implement their own policies on the ground. Another area highlighted for constructive engagement is assisting Chinese businesses to understand complex land rights and associated investment risks overseas.

Abbreviations

AIA	American Institute of Architects
CCCMC	China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters
ECCO	Economic and Commercial Counsellor's Office
EDF	European Development Fund (under the European Commission)
EIA	Environmental impact assessment
EPC	Engineering, Procurement and Construction
FIDIC	*Fédération Internationale Des Ingénieurs-Conseils*
IAOP	International Association of Oil and Gas Producers
ICE	Institution of Civil Engineers
IFC	International Finance Corporation
MOFA	Ministry of Foreign Affairs
MOFCOM	Ministry of Commerce
MEP	Ministry of Environmental Protection
OFDI	Overseas foreign direct investment
POE	Privately owned enterprise
QHSE	Quality, health, safety and environment (policy)
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SOE	State-owned enterprise

Introduction

China's business engagement in developing countries has grown rapidly in the past decade through direct investment, contract projects and trade. China was the third-largest foreign investor in the world between 2012 and 2014, and approximately 80% of its investments flowed to developing countries in 2014.[i] Chinese companies are also eagerly bidding for — and winning — contracts for infrastructure and service projects at an unprecedented rate, particularly in developing countries. For example, 80% of newly signed and completed projects undertaken by Chinese companies in 2014 were located in Asia and Africa.[ii]

As Chinese investments and business operations become increasingly integral to the economic development of countries in the global South, by bridging the 'need gap' in infrastructure,[iii] for example, Chinese overseas businesses have come under increasing scrutiny. Of particular concern for the international community are the social and environmental impacts of these increasing engagements on local communities and ecosystems. This is especially true in countries with low law-enforcement capacity, high corruption levels and other governance challenges.

Within this context, Chinese policymakers and some researchers have been hopeful that the Chinese government, through its policies on overseas foreign direct investment (OFDI) and cooperation, can guide Chinese investors and businesses on a path of responsible business conduct abroad. Indeed, the Chinese government and chambers of commerce have issued a plethora of policies and guidelines — more than thirty of them since 2000 — related to foreign direct investment and business conduct overseas. This is well documented by a number of studies.[iv]

Some researchers remain sceptical of the promise of these OFDI policies and guidelines, questioning how and to what degree they have shaped the social and environmental practices of Chinese businesses overseas.[v] This literature emphasises the very real intention on the part of the Chinese government to promote responsible business conduct overseas; and it points to a growing awareness of sustainability issues, at least among large state-owned enterprises (SOEs). However, it also continually raises uncomfortable uncertainty regarding the actual implementation and impact of the policies, particularly since most lack enforcement and penalty mechanisms.

The debate about the efficacy of Chinese OFDI policies and guidelines in the existing literature, however, misses a few key points. First, focusing on policies and guidelines assumes that governance of overseas Chinese companies should, or does, mirror the top-down structure within China. In reality, Chinese policies and guidelines that attempt to influence overseas actors are only one piece of a complex governance matrix guiding the social and environmental behaviour of these companies.

Second, the prevailing debate — and the Chinese policies and guidelines themselves — largely treat 'Chinese overseas business engagement' as a monolith, while our experiences suggest that these engagements are hugely varied, involving a wide range of degrees of connectivity to China and the host countries, and a wide range of business models including SOEs, POEs (privately owned enterprises), hybrids of the two (private companies with historical links to SOEs), joint ventures, and even informal-sector businesses.[vi] Any measures to improve these engagements need to more clearly distinguish among the various types of Chinese overseas investments, with varying governance implications.

Finally, missing from these discussions are the perceptions and experiences of Chinese businesses themselves. Understanding their views on the Chinese government's policies, and their perspectives on what the Chinese government and others can do to better support their efforts at responsible business conduct, is a necessary next step toward improving China's overseas investments. This research aims to begin to fill these gaps.

Research approach

IIED researchers worked with seven co-researchers to conduct fifty-eight interviews with Chinese businesses operating in ecologically and socially sensitive sectors including energy, infrastructure, construction, natural resources, agriculture and manufacturing in three African countries (Mozambique, Kenya and Uganda). While we acknowledge the existence of hybrid companies operating in Africa, the research focused only on SOEs and POEs. Through this research, we aimed to understand Chinese companies' perception of the regulatory and legal environment, with a particular focus on Chinese policies, and the primary drivers and obstacles involved in conducting responsible business overseas. As this was a perception analysis, we were not concerned with assessing the business conduct of these companies, nor were we looking at impacts in the communities where they operate.

We focused on African countries for three reasons: 1) the high degree of attention to Chinese investments in Africa from the international development and research community; 2) the enormous governance challenges there such as customary land rights, or overlapping land concessions affecting investments in ecologically and socially sensitive sectors; and 3) the often relatively low government capacity for law enforcement, particularly in rural areas. Our findings, however, may be extended to any developing country facing similar governance and capacity challenges. The three African countries in this study were chosen based mainly on the research team's own interests and previous networking.

Methodology

The research team (see Appendix 1) was led by two IIED researchers — one of them Chinese, and one an American fluent in Mandarin — both with extensive experience conducting fieldwork on China-Africa engagements. One African and six Chinese co-researchers were selected through a competitive application process to conduct fieldwork alongside the IIED researchers. These researchers had widely varied backgrounds and affiliations including Chinese and foreign universities, Chinese and international NGOs, and an African foundation. An additional Chinese researcher contributed background policy analysis and contributed to the research survey design. All co-researchers participated in a research-skills training workshop conducted by the IIED researchers, which included discussion of fieldwork methodology, ethics and the sharing of team members' research experiences. Each researcher selected geographic and sectoral focuses for their research, and conducted a literature review prior to fieldwork.

Fieldwork: We interviewed a total of fifty-eight Chinese personnel working for Chinese companies in Mozambique, Kenya and Uganda during August–September 2015. Fieldwork lasted from ten to twenty days per researcher.

Interviews consisted of semi-structured discussions plus a survey for Chinese interviewees. The semi-structured questions focused on the interviewees' perceptions of Chinese and other regulatory factors affecting their operations. (See Appendix 2 for sample questions.) The survey examined the interviewees' familiarity with thirty-two identified Chinese government policies and guidelines. (See Appendix 4 for list of selected documents.) Respondents were asked to choose among 'Familiar (with)', 'Heard of but not familiar (with)' and 'Never heard of before' to identify their level of awareness of each policy. (See Appendix 3 for the text of the survey.) Additionally, one of the researchers conducted three key-informant interviews with stakeholders from non-Chinese government institutions and civil-society groups in Uganda.

Sampling of Chinese businesses relied on 1) prior desk research to identify an initial list of potential interviewees; 2) introductions by local Chinese field assistants; and 3) snowball sampling. We limited the scope of our inquiry into Chinese business engagement overseas to investments from companies with Chinese shareholding, and contract projects undertaken by Chinese companies only (thus excluding trade), as we were primarily interested in business activities with tangible social and environmental implications. Table 1 presents the aggregated attributes of interviewees. The interviewees were told that the data collected was to be used for research purposes, and that their anonymity would be protected in the research write-up. We are therefore only disclosing the minimum amount of detail needed to contextualise our findings throughout this paper.

Table 1. Summary of interviewees

Total number	▪ 58 (all Chinese employees of Chinese-owned companies)
Countries	▪ Mozambique, Kenya and Uganda
Working in SOE vs. POE	▪ SOE 57% (33 individuals) ▪ POE 43 % (25 individuals)
Sector *(based on multiple-choice categories; percentages add up to greater than 100% due to some interviewees' involvement in multiple sectors)*	▪ Construction 43% (25 companies) ▪ Real estate 20% (11 companies) ▪ Trade 20% (11 companies) ▪ Mining and extractives 14% (8 companies) ▪ Energy/electricity and gas 10% (6 companies) ▪ Water supply and waste management 9% (5 companies) ▪ Manufacturing 7% (4 companies) ▪ Agriculture 7% (4 companies) ▪ Other[vii] 5% (3 companies)
Number of years working in Africa	▪ 5.2 years average (min. 1 month to max. 20 years)
Position in the company within Africa *(based on self-identification)*[viii]	▪ Senior management 41% ▪ Mid-level management 28% ▪ Project-level management 9% ▪ Other 12% ▪ Unknown 10%
Gender	▪ Male 86% (50 individuals) ▪ Female 14% (8 individuals)
Size of company *(by employee count)*	▪ Local employees 2 ~ 20,000[ix] ▪ Chinese employees 2 ~ 2,000

Survey design and characteristics of selected policies and guidelines

The survey focused on thirty-two documents (policies and voluntary guidelines; see Appendix 4) issued by the Chinese government and industry associations between 2002 and 2015. Selection of these policies and guidelines was informed by literature review and the authors' previous work, and was heavily influenced by a list of Chinese policies provided in the United Nations Development Programme 2015 report.[x] The selected documents were issued by a variety of Chinese authorities including the Ministry of Commerce (MOFCOM), Ministry of Foreign Affairs (MOFA), Ministry of Environmental Protection (MEP), State-owned Assets Supervision and Administration Commission (SASAC), and industry associations such as the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC). These documents cover performance, worker training and safety, finance, environmental protection, risk management, competition and other issues involved in Chinese companies' investments and trade overseas.

Safety management is featured strongly in the documents. Eight of the policies specifically refer to ensuring safe operations and securing the safety of Chinese expatriates; safety is the only topic for which the government has provided a penalty-enforcement measure.

Taken together, these documents provide a framework for how existing Chinese policies and guidelines might shape the social and environmental performance of Chinese investments in Africa. Comparing the documents over time reveals that the focus has gradually shifted toward sustainability and social responsibility, following an earlier primary focus on operational efficiency and safety and (a limited rage of) local development issues such as job creation. Environmental concerns addressed in the documents issued after 2007 include prevention of pollution, climate-change mitigation and sustainable resource use. These later documents also address specific social concerns including anti-discrimination measures, protection of vulnerable groups, fundamental workplace rights, labour protection and fair operating practices. Labour issues addressed in these documents include employment and employment relations, conditions of work and social protection, social dialogue, health and safety at work, and human development and training at work.

Despite this positive trend in socio-ecologically responsible content, some key weaknesses emerge. First, as mentioned above, the documents generally lack monitoring and enforcement mechanisms; only the *Administrative Regulation on Contracting Foreign Projects* (2008) prescribes fines for Chinese companies engaged in unsafe operations, corruption or illegal activities overseas. We were, however, unable to obtain any evidence as to whether or not this penalty has ever been applied.

In addition, compliance with local legislation and cultural norms stands out as a key principle promoted in these documents. Fifteen of the twenty-six policy documents explicitly require Chinese companies to follow host-country laws and regulations, and twelve of them ask businesses to respect local cultural norms. This emphasis is not surprising, given the Chinese government's general policy of non-interference.[xi] Although encouraging Chinese companies to follow local laws is clearly a positive and necessary message, in many developing countries with weak governance this approach seems to provide inadequate practical guidance for Chinese companies regarding responsible business operations overseas.

Limitations

What follows is a presentation of Chinese business representatives' self-reported perceptions of their experiences. We did not have sufficient field time to observe practices and triangulate findings. In addition, there was limited opportunity for researchers to build trust with interviewees, leading to potential issues of low trust in some interviewees, and possible inconsistency of interview sets. Likewise, our sampling methods were largely guided by rapid networking and personal connections, potentially biasing the interviewee pool.

Furthermore, as we started to review initial survey and interview results, we realised that our narrow survey focus on the titles of the Chinese policy documents may not have captured their full influence; it emerged that policy documents may impact internal corporate policies of SOEs in ways that their employees in Africa may not recognize, thus exerting a real but indirect and unseen influence on their actions. Semi-structured interviews examined how well interviewees understood the contents of the Chinese documents, and some of the more nuanced issues that emerged will be discussed. However, this process of policy influence remains only partially explored in this paper, and further research may refine or contradict some of our findings in the future.

Likewise, although we set out to understand business perceptions, even these first-hand perceptions may not distinguish the influence of Chinese policies from that of others; the various institutional factors governing Chinese business operation in Africa often impose similar requirements. (For example, the obligation to sign contracts with workers appears throughout Chinese policies, host-country legislation, internal corporate policies, contract stipulations and more.) Further, we were not able to tease out the influence of international standards and norms, as they did not significantly figure in our interviews apart from several experienced managers from energy SOEs mentioning the International Finance Corporation (IFC) standards.

Finally, the diversity of background and skills among the co-researchers, and resultant differences in interpreting interview data, made it difficult to achieve a uniform view of the findings. We present this discussion paper not as a presentation of final conclusions but as a means to engage readers in the vibrant debates that we have enjoyed as authors of this report.

Responsible overseas companies: whose responsibility is it?

This discussion paper presents the key findings of the fieldwork described above. Through exploring the experiences and perceptions of personnel within Chinese companies overseas, our aim is to contribute to a better understanding of the role that Chinese policies and guidelines play in governing their behaviour.

Toward this end, the following section explores the overall governance environment for Chinese companies operating in the field sites, and asks how Chinese companies understand the Chinese policies and guidelines relative to the role of local laws, contractual obligations, internal company policies and other factors. We then consider the nature of the companies themselves, highlighting the diversity of actors and business models at play in our fieldwork. Finally, we present the interviewees' descriptions of their own efforts to improve their environmental and social performance overseas within this complex governance matrix.

The last section provides recommendations toward constructive engagement for Chinese policymakers and others in the international development community who hope to help developing countries harness the opportunity presented by Chinese business engagement while minimising its negative social and environmental impacts.

Finally, the conclusion reflects on these findings and introduces questions for further research and discussion.

The complex governance matrix

We set out to understand the role that Chinese policies and guidelines play in governing Chinese companies overseas by asking Chinese company representatives for their perceptions of these documents. The picture that emerged from these interviews, however, was of a complex governance environment affecting the companies' social and environmental behaviours — in which Chinese policies play only a small role.

Interviews revealed that transactions are negotiated and executed within a multi-layered institutional matrix consisting of host-country laws and regulations, host-country governance factors, internal corporate policies, contractual obligations (especially for construction companies) and — least of all — Chinese policies and guidelines. It proved impossible to discuss interviewee perceptions of Chinese policies without placing them within this wider context.

In this section, we consider how interviewees perceive and are influenced by:

1) Chinese policies and guidelines;

2) local laws;

3) unwritten governance factors in the host country;

4) internal company policies; and

5) project-specific and financier conditions.

We examine not the Chinese business people's conduct but their perceptions and experience of the many and complex factors that influence their conduct.

Governance factor 1: Chinese policies and guidelines

Interviewees generally exhibited a low awareness of the Chinese policies and guidelines, and tended to downplay their relative importance vis-a-vis other factors in guiding their social and environmental performance. The reasons for this lack of awareness and perception of irrelevance, however, differed between SOEs and POEs.

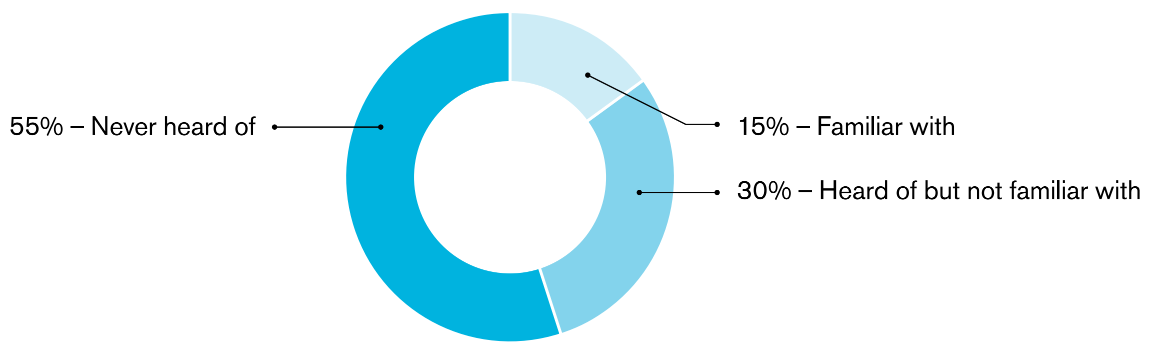
1.1 Low awareness and perceived irrelevance

In general, the Chinese businesses interviewed felt that the existing Chinese policies provided neither incentives nor disincentives sufficient to be considered relevant *on the ground*. Some interviewees even explained that they did not feel it was very important to familiarise themselves with these documents for operational purposes; in one SOE interviewee's words, they were "not an important factor guiding their daily operations in Africa".

The general consensus among interviewees was that the contents of Chinese policy documents are too broad and impractical to be useful for solving "real problems" (SOE interviewee, Kenya). Indeed, a majority of the interviewees questioned their relevance to day-to-day operations; with the exception of country-specific guidelines issued by MOFCOM, no policies or guidelines were noted by interviewees as providing practical guidance in their daily business operations. Furthermore, some interviewees explicitly stated that Chinese polices and regulations were out of date and unsuitable for adapting to the actual circumstances.

This general sense of irrelevance is supported by our survey results, which indicate a low level of awareness toward the Chinese policies and guidelines. As shown in Figure 1, on average across the 32 selected policies and guidelines, 55% of the interviewees showed a complete lack of awareness ("never heard of them"), while 30% reported some awareness ("heard of them but were not familiar with them"), and only 15% expressed familiarity ("familiar with them").

Figure 1. Awareness of Chinese overseas business policies and guidelines among all respondents



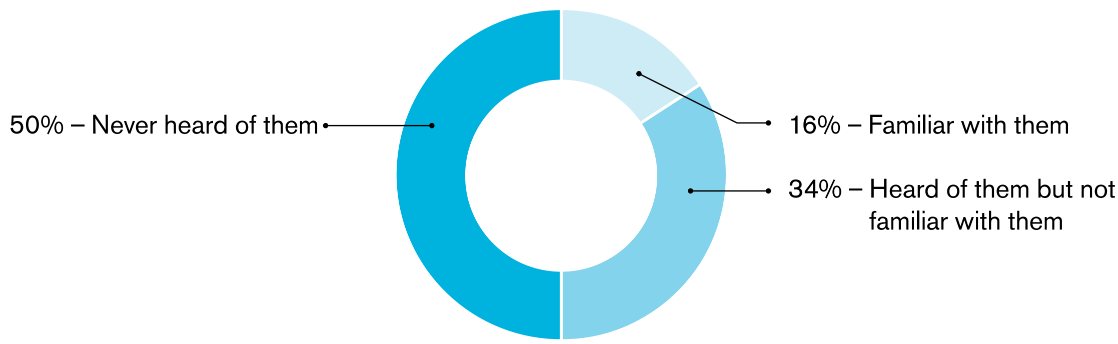
Interviewees who claimed familiarity with the policies said that they had learned of them through various channels: compulsory trainings for SOE employees before going abroad; group study sessions organised by local branches of SOEs; searching the Internet; hearing about them from Chinese embassy staff in the host country; or discussions with friends in government or other companies. Among those who had never heard of the documents, some were interested in learning more, and some even sought advice about this from the researchers after the interviews.

The general low level of awareness about the documents reveals their limited effect at the operational level. It seems that despite the effort put into producing its policies and guidelines, the Chinese government remains limited in its ability to make its policies relevant enough to the operational staff of Chinese companies abroad to govern their practices on the ground. This is particularly important, given that several of the government documents seem to assume high awareness in Chinese companies overseas, while our research shows that there is in fact very little.

For example, one important document, *Measures for Bad Credit Records in the Fields of Foreign Investment Cooperation and Foreign Trade for Trial Implementation* (2013), aims to record companies with a history of improper behaviours such as disrespecting local regulations, customs and culture (causing clashes with local people), breaking local labour laws (causing severe conflicts with workers) and damaging the local environment. The Chinese media has touted this as an effective 'blacklisting' mechanism,[xii] expecting it to provide significant traction for improving the behaviour of irresponsible Chinese companies overseas. Similarly, *Regulating Competitive Behaviours in the Fields of Foreign Investment Cooperation* (2013) directly addressed concerns raised in interviews about unhealthy competitive behaviours among Chinese companies.

However, Figure 2 shows that for both of these measures, a full 50% of the SOE interviewees — many of them at the senior-management level for local operations — had never heard of these publications. Only 16% reported familiarity with them.

Figure 2. Policy awareness among SOE interviewees of two key policy documents



This lack of awareness perhaps highlights not so much a need for awareness-raising among SOE employees as a need to create accountability mechanisms to ensure that these policies are taken seriously at the operational level — or to implement those mechanisms more consistently. For example, blacklisted companies are supposed to appear on a list published monthly by MOFCOM,[xiii] but this effort to affect business behaviour does not seem to have gained much traction on the ground, based on our interviews and surveys. Additionally, no explicit penalty is mentioned in the policy document, which prevents the public from knowing how a company may be held accountable in case of wrongdoings.

In other words, Chinese policies and guidelines may be clear and well-intentioned on paper, but explicit monitoring and enforcement mechanisms are needed for this implementation gap to be effectively addressed. It is useful to note, however, that an indirect channel through which this accountability gap is addressed may exist; this will be discussed further in the section on internal corporate policies.

BOX 1. A CHINESE MANAGER'S PERCEPTIONS OF CHINESE POLICIES AND GUIDELINES

We interviewed the manager of a Chinese SOE construction company that has operated in Africa since the 1970s. This manager has had nearly ten years of experience in African countries.

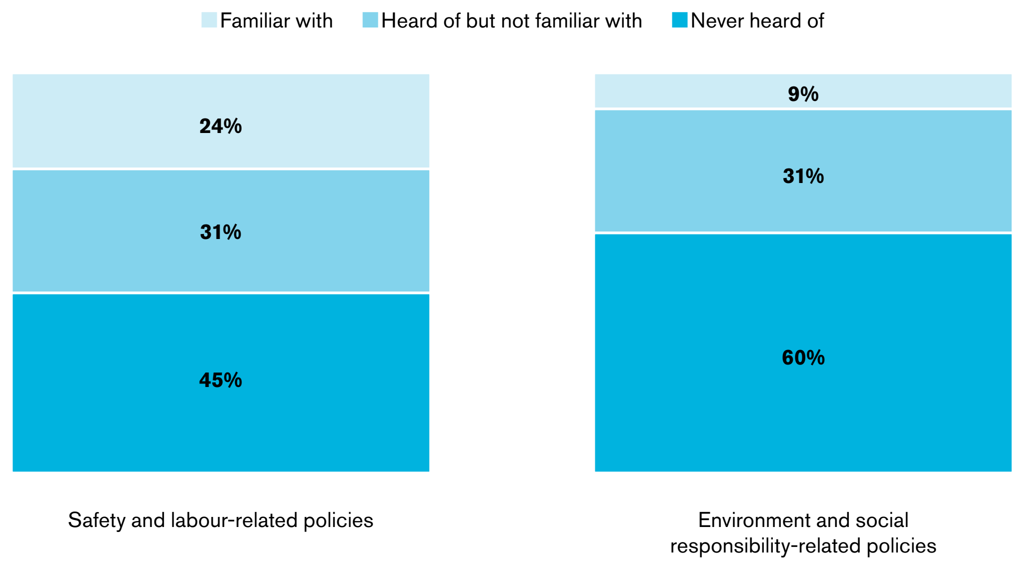
Regarding Chinese polices and regulations, he had only heard of the documents directly relevant to his business — those regarding worker training and safety, and regulations on contracting foreign projects. "While the principles and policies proclaimed in these documents set a high standard for Chinese businesses operating overseas," he said, "these documents do not clarify how the policies can be implemented and enforced."

From his perspective, a major problem is that companies cannot see how they would gain practical benefit from following the regulations. "Some Chinese documents are not adaptable because of the company's scale and the (local) context," he said. "You need to find out the solution by yourself." When the manager was asked what factors would affect his decision on which document to use, he said the main factors in his decisions were the economic targets of his company and the safety of his employees.

1.2 Awareness of safety, labour and voluntary guidelines

There were two exceptions to the overall low awareness described above, and to the perception that Chinese policies and guidelines are irrelevant to in-country operations. First, interviewees generally paid a higher level of attention to policies that they considered more 'practical', such as those related to safety or labour. As shown in Figure 3, the reported level of familiarity with labour and safety regulations was a relatively high 24%, with only 45% reporting no knowledge, compared to only 9% familiarity and 60% 'no knowledge' for policies related to environmental and social safeguards. (Two policies on safety in particular fetched 77% awareness levels among the SOE interviewees, as illustrated in Figure 6.)

Figure 3. Awareness of safety and labour vs. other policies among all respondents



Interviewees attributed this discrepancy to a combination of the companies' exposure and the regulations' practical applicability: labour and safety practices have direct impacts on company profitability overseas, so companies are eager to seek all resources available to ensure compliance if not best practice. The emphasis on labour management in particular is consistent with interviewees' emphasis on complying with local labour legislation.

Second, the Chinese government, industry associations, and chambers of commerce, as well as the international development community, have paid a great deal of attention to the development of voluntary guidelines for overseas companies. Several guidelines have been published since 2007 covering topics of environmental protection, construction, forestry and mining.

Two more, for the palm oil and rubber industries, are currently in development. Despite high hopes that the guidelines will encourage Chinese companies to pay more attention to principled business practices and strengthen their environmental and social accountability, their impacts on company operations overseas remain uncertain.

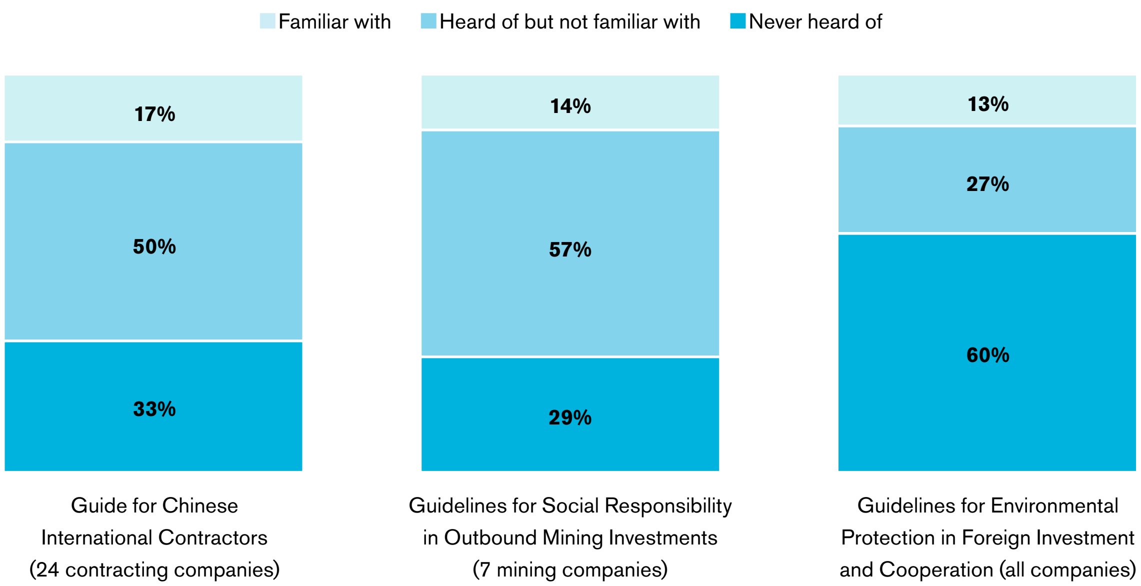
Interviewees in construction and mining reported a relatively high level of awareness regarding the sector-specific voluntary guidelines for their sectors (see Figure 4).[xiv] The *Guide for Chinese International Contractors*, issued by the China International Contractors' Association, registered 67% awareness (17% 'familiar' and 50% 'heard of') among the twenty-four construction companies in the study. Only a third had no knowledge of it at all.

Similarly, among the seven mining company employees interviewed, all but two interviewees were aware of the *Guidelines for Social Responsibility in Outbound Mining Investments*, issued by the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters.

Although awareness may be high for these guidelines, however, the low levels of 'familiarity' reported — 17% and 14% — signal a need for active dissemination and training of guideline contents in order to achieve the impacts desired by Chinese stakeholders and the international development community.

Awareness of the general environmental guidelines issued by MEP and MOFCOM lagged behind the sector-specific guidelines: over 60% of the interviewees reported no knowledge of the *Guidelines for Environmental Protection in Foreign Investment and Cooperation*.

Figure 4. Policy awareness levels for three sector-specific voluntary guidelines



1.3 Improving the effectiveness of voluntary guidelines

As discussed earlier, as with the Chinese government policies, the Chinese company representatives interviewed considered the voluntary guidelines largely irrelevant. None of the interviewees mentioned the voluntary guidelines as influencing their operations. Even the sectoral guidelines, relatively well-known among companies within the sectors, registered low familiarity levels. The interviews suggested a low degree of policy penetration for voluntary guidelines emanating from Beijing. While this suggests the need for more trainings and implementation support, our research results, combined with previous IIED research in this area, also point to three specific pathways for improving the effectiveness of the voluntary guidelines in the future.

First, the source of the guidelines may determine their level of awareness and uptake. As the extremely low awareness of the MEP/MOFCOM guidelines indicate, industry-representative bodies rather than government entities may be better suited to ensuring uptake of the documents. Past IIED engagement with the development and dissemination of sectoral guidelines also suggests that the industry associations and chambers of commerce that issue sectoral guidelines seem to be better positioned to obtain buy-in from business actors and promote implementation.

Second, past IIED research with the CCCMC, which issued the mining guideline, suggests that the issuers endeavoured from the beginning to make it a practical document, which may have increased the usefulness and therefore the uptake of the guidelines. Given that the primary complaint of Chinese overseas companies was the impracticality of the policies, a focus on practicality and operationalisation of sound principles appears to be crucial for future guidelines.

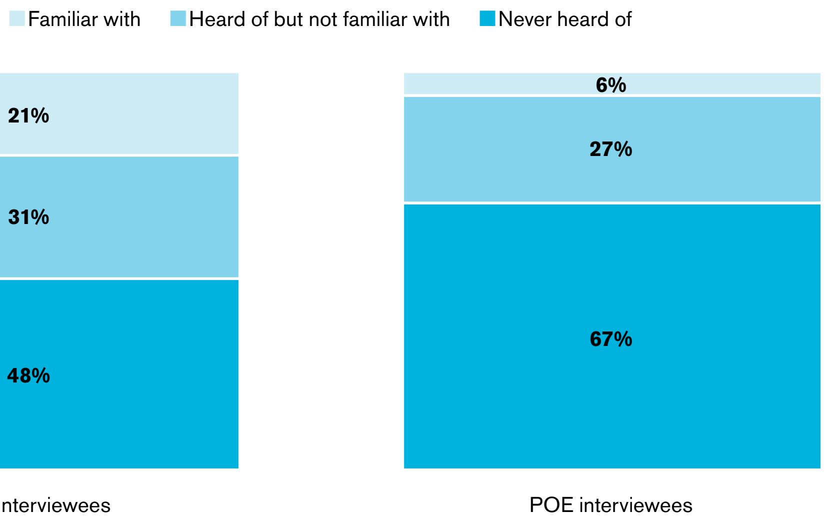
Finally, our research confirmed that incentives for the companies to take up the guidelines are urgently needed if they are to be implemented. IIED's work on the forestry guidelines similarly indicates a growing sense among Chinese stakeholders that the implementation of the documents critically depends on incentivising companies to embrace them. Therefore, future work in this direction should explore tying incentives such as green credits to the implementation of the guidelines. Ultimately, this paper and past IIED research agree on one important point: proliferation of voluntary guidelines without proper consideration for dissemination, implementation, **uptake and incentives will likely fail to achieve the desired impact.**

1.4 Differences in awareness between SOEs and POEs

When analysing our interviews and survey results, it became clear that the role of the Chinese policies and guidelines differed depending on the type of Chinese company involved. Clear differences emerged between the perceptions of SOEs and POEs, highlighting differentiated governance needs.

SOEs showed more awareness than POEs of the Chinese policies and guidelines. As Figure 5 illustrates, more than half of the interviewees from SOEs reported some level of awareness of the selected policies and guidelines, compared with only a third of the POE respondents. Within SOEs, awareness also varied by job function: senior-level managers and staff in the public relations department were generally more knowledgeable about the policies than those working in other departments. While it is possible that the different job positions of interviewees from the SOEs and POEs may have influenced their answers, there was a comparable mix of positions held by the interviewees of both groups. The SOE interviewees were more varied across senior management and project-level management mainly because SOEs have a more multi-layered system.

Figure 5. Average policy awareness levels among POE vs. SOE respondents



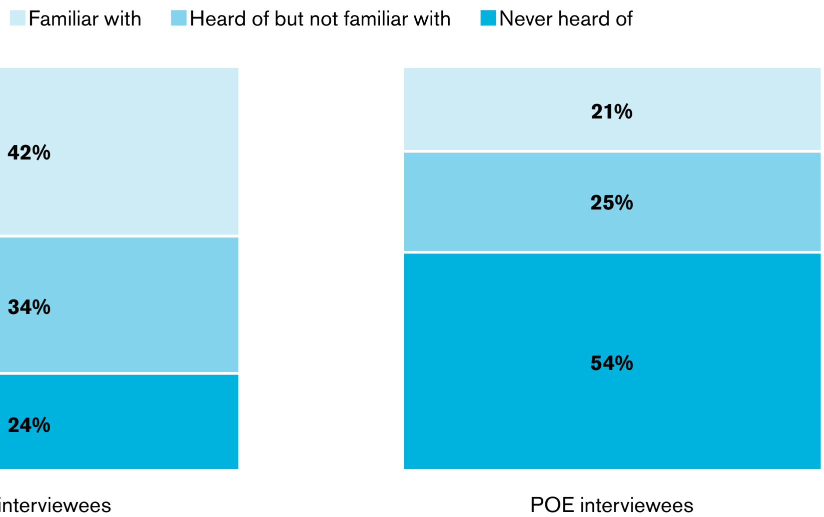
In addition to a higher level of awareness, the SOE interviewees generally reported more positive perceptions toward the Chinese policies and guidelines than the private companies. Nineteen interviewees from SOEs felt that the Chinese OFDI policies cover the main areas of business operations for their companies; one interviewee described Chinese policies as "comprehensive and good for long-term application" (project manager, SOE). Six other SOE interviewees thought otherwise, while six provided no clear answer.

This positive perception persisted despite the aforementioned sense of impracticality of many of the documents — at least seven managers from SOEs specifically remarked on the difficulty of operationalising the Chinese policies and guidelines.

Several SOE interviewees suggested that internal corporate policies are the primary channel through which Chinese policies are 'implemented' on the ground overseas.

Even for safety-related policies, which garnered the most awareness overall, the POE versus SOE divide is a wide one, with only 46% of POE interviewees having even heard of these measures (see Figure 6).

Figure 6. Awareness level of safety policies[xv] among POE and SOE interviewees



In addition to the higher policy-awareness level and more positive perceptions that we found among SOE representatives in this research, interviews also pointed to other important governance factors unique to SOEs. First, some interviewees suggested that many aspects of Chinese policies are already integrated into the internal company policies of SOEs, thereby providing an indirect channel of influence even when interviewed subjects did not recognise a given policy by name.

Second, beyond policy requirements, other systems also hold SOEs accountable — many of which don't apply to POEs. These include requirements of approval by Chinese ministries (applicable to large-scale and sensitive investment projects), certificates and guarantees from financial institutions and intermediaries, and due-diligence inspections by representatives of Chinese banks and underwriters such as Sinosure (the China Export and Credit Insurance Corporation).

Finally, the SOE interviewees reported regular direct engagement with Chinese embassies and the Economic and Commercial Counsellor's Offices (ECCOs) in-country,[xvi] which seem to provide informal governance oversight. For example, an SOE needs to apply for a supporting letter from the ECCO before taking part in competitive bidding for a contract. In Kenya, our company interviewees report that the ECCO only allows at most five SOE bidders, to prevent vicious competition. By contrast, private companies are not required to obtain ECCO approval.

In contrast to SOEs, private company interviewees in our research reflected a very low awareness of the Chinese policies, as seen in both Figure 5 and Figure 6. Sixteen of the twenty-five interviewees from POEs considered all Chinese policies irrelevant. As a POE manager in manufacturing explicitly stated, "The most important thing is policy support from the local government; Chinese policies are not relevant." Our research suggests that this low level of attention to Chinese policies is primarily due to the three following factors.

First, the **POE interviewees reported that they seldom receive government-linked support in the form of concessional loans** under China's 'going-global' strategy. On paper, the Chinese OFDI policies and regulations do not explicitly discriminate between SOEs and POEs, but in practice the treatment seems to differ.[xvii] In particular, POEs have much more difficulty than SOEs in accessing the concessional loans from Chinese policy banks. This may be because the Chinese policy banks perceive POEs to have higher liquidity risks, and thus to be more susceptible than SOEs to bankruptcy and delayed payments. As a POE senior manager felt that "The government is unfair to private companies in terms of providing loans and credit."

Another POE president complained that the loans for their upcoming major project in Africa would have been approved long ago if they had been a SOE. Despite the potentially high profitability of the project in question, and their company's good credit record (in the interviewee's eyes), the Chinese policy banks have hesitated to provide support. As a result of this perceived bias, a degree of bitterness was expressed among some private companies about the lack of policy assistance provided by the Chinese government to support them in their going-global endeavours. A POE senior manager in the mining sector bluntly commented, "The [Chinese] government support and policies regarding China going global do not extend to private companies. So I do not concern myself with such policies."

Second, our interviews pointed to **lack of accountability mechanisms and weak communication between the POEs and the Chinese government**, especially compared to the SOEs. Except for private companies that need to obtain Chinese government approval for bidding or seeking project financing from Chinese banks, POE interviewees noted no other channel through which the Chinese government — whether in Beijing or in-country through the embassy and the ECCOs — held their operations responsible. Indeed, the authors' previous fieldwork reveals that Chinese embassies in Africa have limited information about the Chinese POEs, especially the small and medium enterprises. A Chinese embassy official in Mozambique once said, "The small companies avoid registering with us at all." Difficulties with some of those POEs, related to this lack of accountability, were noted in one of our SOE interviews: "Some private businesses just come in (without proper approvals) and ruin the playground for us all."

Finally, a portion of the POEs may use 'Chinese' capital, but have no legal status in China, since they are registered in the local African country only — effectively placing them outside of Chinese-government jurisdiction. Although run by Chinese nationals using their private capital, such companies are considered 'African' by Chinese administrators back home. For example, an interviewee applied to join an association in his home province for Chinese companies operating overseas, but was declined because his company was classified as African and not Chinese.

Privately owned companies typically concentrate in sectors with limited environmental and social impacts, such as consumer-goods trade, hospitality and real estate. However, private investors are also active — and increasingly so, as anecdotal evidence suggests — in ecologically and socially sensitive sectors such as mining, agriculture, timber and heavy industry; our research included five such companies. Although it is difficult to ascertain the number of Africa-registered versus China-registered 'Chinese' companies, it is clear that these Africa-registered POEs should not be grouped with SOEs or China-registered POEs when discussing the impacts of Chinese investments, in either Africa or the global South generally. The host governments bear the primary responsibility for regulating their conduct, just as they do for local companies.

Since Chinese POEs have little contact with Chinese government bodies and may not even have any legal status as 'Chinese' companies, holding them accountable and promoting more responsible business practices presents substantial challenges. Among interviewees, POEs self-reported some level of corruption, such as buying environmental impact assessment approvals and bribing local police. In contrast, SOE interviewees strongly emphasised that they strictly follow the regulations. Because this behaviour is self-reported, we cannot conclusively claim that SOEs don't circumvent environmental regulations or otherwise engage in corruption. However, the contrast between the POEs and SOEs in our study seems to suggest that strengthening links with Chinese government bodies (both at the corporate-headquarters level in China and through the in-country Chinese embassies and ECCOs) may have some positive influence on environmental and social performance overseas. In the case of SOEs, our research suggests that strong links to the government create stronger awareness of policy objectives, provide positive incentives for compliance, and potentially help translate government policy into internal corporate policy.

If Chinese government policies have weaker reach than commonly assumed, what are the relevant factors influencing Chinese overseas businesses' social and environmental performance? The next four sections highlight other governance factors highlighted by interviewees in this research.

Governance factor 2: host-country laws and regulations

All fifty-eight Chinese company interviewees, across SOE and POEs alike, stated that **host-country laws and regulations are the most important factor guiding their operations**, including those related to social and environmental impacts such as labour, safety, community relations and resource use. As one interviewee in Mozambique put it, "We are working in Mozambique. Of course we need to know and obey local laws." While we did not directly survey interviewees on their knowledge of specific local legislation, the majority were able to cite specific national policies relevant to their operations, and showed an overall level of comfort with these measures that far surpassed their relationship with the Chinese policies.

Labour-law compliance is one area in particular to which many Chinese interviewees devoted considerable attention. A majority of them emphasised following local labour laws and regulations as the most important avenue for respecting the rights of workers. Several interviewees provided examples for their companies: overtime work is not compulsory, and workers receive double or even triple compensation if they agree to work on weekends; maternity and injury leave are strictly granted according to the law; and companies do not arbitrarily dismiss workers without warning letters. Non-discrimination policies were also mentioned by several interviewees. At least ten of them explicitly mentioned the importance of treating the local employees as 'equal' to their Chinese employees. Several companies had written policies specifically banning their Chinese employees from using discriminatory words and verbal abuse toward local employees.

For one SOE, Chinese workers must receive mandatory training in non-discrimination policy before going abroad. Another SOE mentioned an 'internal whistle-blowing mechanism' for reporting abuse of employees by managers. Most SOE interviewees reported that a labour union had been set up in their companies, and that labour disputes were handled through the union. Another SOE company has built-in employment opportunities for women: each ten employees must include at least one female, and each fifteen must include at least two. In another example of encouraging diversity in a private company, there is a quota for local staff in management positions. Some exceptions were noted, however: a few interviewees (both SOE and POE) in Mozambique said that their companies did not sign contracts with Mozambican labourers but only hired them on a temporary basis.

A majority of interviewees perceived compliance with national laws as an essential way to protect themselves and their profits from unreasonable requests in labour disputes, or punitive measures by local government authorities. They seemed to feel that they must carefully follow local laws in order to have any hope of fair treatment. For example, several interviewees suggested that a local court would likely rule in favour of a local worker in a labour dispute, regardless of the situation. As the senior manager of a mining POE explained, "Local authorities and courts will always support their own people." Interviewees therefore also considered compliance with laws as a business-survival strategy.

Interviewees generally felt that local labour and environmental regulations are very strict; multiple interviewees from SOEs in all three countries mentioned that the labour and environmental regulations are stricter than in China. Interviewees in all three countries repeatedly remarked, for example, on the stringency of the host governments in granting work visas to Chinese employees. Partly to comply with this regulation, but partly for economic reasons, interviewees were unanimous in emphasising that they hire local staff as much as possible — Chinese employees are more expensive, and generally hired only when local staff cannot provide the technical knowhow.

This finding runs contrary to common perceptions about Chinese companies bringing large numbers of Chinese workers to Africa from China.[xviii] All construction company representatives interviewed reported that 80–90% of their company employees are local. A private company in Kenya also installs a specific quota of local staff at the management level 'to achieve diversity.' At least seventeen companies reported that they pay their local workers above the standard minimum wage. A few mentioned the importance of hiring from surrounding communities to the extent possible, to improve local livelihoods. We encountered one company that deliberately hires immigrant labour for farm work, though researchers note that this is common practice in that region for agricultural businesses of all origins.

Some interviewees also revealed a relatively high level of awareness of local land and environmental regulations. In some cases, the Chinese companies altered their project plans to comply with them. The commercial manager of a Chinese SOE in Uganda recalled how their project was initially planned to include a piece of land with a few graves on it, but this plan was rejected by the landowner. "The Ugandan government, as project manager, tried to negotiate with the landlord but failed. There was no negotiating with him — even if the president and the premier had come. As a result, we had to change our plan." This same company ultimately added six previously unplanned bridges to protect wetlands, to comply with requirements given by Ugandan environmental authorities in their environmental impact assessment. As this case shows, strong local laws and regulations, coupled with proper implementation, can result in tangible changes in the behaviours of Chinese companies, based on a direct and compulsory regulatory power that Chinese policies do not currently carry.

Most Chinese companies interviewed felt that following strict local laws is necessary for conducting viable business operations overseas, but this does not mean that host-country laws always succeed in protecting the environmental and social interests of impacted communities. The next section examines the influencing role of local institutional factors and social practices within the host country, and illustrates how the unwritten rules and practices of society often matter as much as — and are not always aligned with — official policies in affecting business behaviour.

Governance factor 3: local institutional practices and social norms

We have seen how Chinese businesses in Africa place great importance on formal governance mechanisms such as written laws and policies. Equally, interviewees emphasised that a range of 'unwritten' factors such as low government capacity, weak law enforcement, and corruption also strongly impact their business operations, including those with social and environmental impacts. In the countries we researched, and in many developing countries with weak governance throughout Africa and other regions, the gap between policy and practice remains a major challenge.[xix]

The 2011 Global Integrity Report, for example, highlights a wide policy-implementation gap in Uganda. The 'legal framework' of Uganda gets a high score of 98 out of 100, while 'actual implementation' is rated 52 out of 100.[xx] Similarly, the World Bank ranked Mozambique, Kenya and Uganda fairly low — 127th, 136th and 150th respectively, out of 189 countries — for 'ease in doing business' in 2014.[xxi] In such an environment, unwritten governance factors such as political connections, loopholes and bribery play a major role in dictating business operations, Chinese or otherwise.

In our three focus countries, all interviewees stressed ways in which these complex governance factors presented significant investment risk to companies. Some, however, were adept at navigating in the grey zone and using it to their advantage. In this section, we examine three specific governance factors emerging from our interviews and discuss how they impacted their companies. These are: 1) low capacity among government institutions, 2) weak rule of law and 3) corruption.

First, interviewees routinely cited **low capacity of government institutions** as a key investment risk. Land compensation is a case in point: host governments' inability to handle investments in a transparent, fair and efficient manner caused significant delays (and thus financial losses) for at least three Chinese companies engaged in high-profile infrastructure projects in Kenya and Uganda.

Interviewees detailed unmet legal responsibilities that host governments, as proprietors of construction projects, fell short in handling: 1) conducting feasibility studies prior to signing contracts with the Chinese companies, 2) managing stakeholder interests and conflicts through a transparent process in land allocation, relocation and compensation and 3) resolving disputes in a timely manner to avoid severe and costly construction delays.

As one SOE manager expressed in frustration: "The construction team cannot move an inch in some sections — the government has not resolved the land disputes on the route they promised." A major project in Kenya has similarly been delayed due to late compensation payments from the government to the landowners, while another has been stopped due to disagreements over fair compensation and the relocation site. A project in Uganda started operations with the government's assurance of a specific route being available, but is now suffering from a redesign of the route, resulting in far higher costs for the contractor.

One interviewee mentioned that his Chinese SOE had voluntarily provided additional monetary compensation to landowners in the field when the host government and landowners had not been able to agree on a compensation package, even though the SOE was under no legal obligation to provide it (which was the host government's responsibility). Another interviewee complained about being sued repeatedly for issues that he viewed as the responsibility of the local government as the project proprietor, explaining that the company "could do nothing but send our lawyer to court, just to explain that [these things were] not our responsibility."

BOX 2. DISPUTE OVER LAND

A Chinese company bought land in a community through negotiating directly with local people and providing compensation. This purchase, and the compensation level, was approved by the local government. However, other local people nearby whose land had been converted to a public road demanded that Chinese company pay for their land as well. They threatened to deny passage to vehicles if the Chinese company didn't agree to such a purchase. The manager agreed to buy the lands, and asked the people to show their certificates of land ownership. However, since their government did not take action to confirm their rights to the land, they could not provide the documents. After a heated argument, the local people gave up and left. As seen from this case and further discussion later, the complex land rights system coupled with limited reach of the host government to administer these rights in rural areas present a key investment risk to Chinese companies.

Second, beyond a lack of capacity, **overall weak rule of law** hampers local environmental authorities' capacity to ensure environmental safeguards, since efforts to enforce regulations are often hindered by the interests of politically powerful actors. For example, one local interviewee in Uganda explained how conflicts between policies that promote investment and regulations that protect labour rights, vulnerable groups and the environment give rise to internal departmental conflicts in local government. To solve such disputes, an inter-ministerial platform was set up in the President's cabinet in Uganda to coordinate the divergent interests; however, our research revealed that its influence is limited and that it too remains susceptible to political pressure.

One interviewee in Uganda's Ministry of Water and Environment, for instance, intimated that more powerful and better-resourced governing bodies such as the Ministry of Energy and Mineral Development (MEMD) frequently exceed their mandated scope and ignore attempted interventions by politically weaker departments such as the interviewee's own. Another interviewee from the civil society sector reported that the political position of ministries is weakening vis-a-vis the president's office, which maintains strong control over certain investment projects. Several Chinese businesses interviewed (all of them from POEs) revealed that they 'actively cultivate' political connections with the highest possible levels of government to ensure smooth operation of their businesses. An anecdotal account from an official of the environmental authorities testifies to how such a relationship allowed one Chinese company to bypass the formal environmental impact assessment (EIA) application process and obtain land for their factory without proper approvals.

Last but not least, the influence of **corruption** featured strongly in our interviews. The Chinese interviewees viewed corruption as both a fundamental weakness in the system and one of the greatest threats to their operations. On one hand, corruption was seen as a problem that needed to be addressed and, on the other, bribery is seen as a convenient or even necessary shortcut to overcoming inefficient bureaucratic and other challenges of doing business in those countries.

While most interviewees saw 'a culture of money' as a key obstacle to their business, several POE interviewees considered bribery an effective way to circumvent the costly business operating environment. In Mozambique, most interviewees told the researcher, "The corruption issue (here) is very serious. It has both negative and positive impacts for us." One interviewee said his company performs a balancing act by building a good relationship with the local labour bureau while simultaneously paying 'tips' to circumvent some of the labour regulations.

Another interviewee from Mozambique said, "If you have enough money, don't worry — you can handle anything." In Uganda, one Chinese private business owner mentioned how EIA approvals are "easy to buy" and implied that he has obtained them repeatedly through unofficial routes. Another POE interviewee commented that in Uganda, "Everything can be 'fixed' by money." While many Chinese businesses we interviewed listed corruption as one of the top challenges they face, some seem to be unaware of the irony of their own contribution to it when they readily hand out bribes and engage in evasive practices themselves.

To be sure, this 'culture of money' (including engaging in bribery) does not affect only the Chinese business community. There is rich literature documenting the pervasive corruption issues in these African countries, plaguing their entire societies.[xxii] The three target countries in our research all suffer from endemic corruption: Mozambique, Kenya and Uganda respectively rank 119th, 145th and 142nd out of 175 countries (ranked in order of least corruption) in Transparency International's corruption-perception index. Several interviewees from Chinese businesses, NGOs and government in Uganda suggested that local government officials treated Chinese companies differently from Western companies, seeking more and higher bribes from Chinese companies. We were unable to verify this in our fieldwork.

It is noteworthy that these accounts of corruption and involvement were all obtained from POE interviewees; none of the SOE interviewees mentioned any involvement in bribery. Although this of course does not exclude the possibility of a SOE employee engaging in corrupt practices, our SOE interviewees generally appeared to pay close attention to local regulations and veer away from questionable practices because "all eyes of scrutiny are on us" (SOE manager, Uganda).

In summary, local laws receive careful attention from Chinese companies overseas, while their operations are also strongly shaped by host-country governance factors outside the written laws and policies, such as corruption, weak rule of law, and lack of capacity in law enforcement, all of which hinder the power of host-country regulations to protect local social and environmental interests.

Governance factor 4: internal corporate policies

The sections above have highlighted the important influence of both local laws and unwritten governance factors on Chinese companies' social and environmental conduct in their host countries. Our research indicates that Chinese companies are also chiefly governed by their own internal corporate policies. While the content of these was not a primary focus of this study, interviewees repeatedly emphasised their importance. They described a wide range of corporate policy approaches that varied greatly from company to company, especially according to shareholding type and size. This section presents interviewee perceptions of the influence of their companies' policies on their social and environmental conduct in Africa.

There was a stark contrast among different kinds of companies in our study in terms of how the corporate policies were developed and how strongly they aimed to ensure social and environmental safeguards. Many of the SOEs, which were often also multinational corporations, reported robust internal corporate QHSE policies developed through years of experience in worldwide operations and implemented by a department specifically dedicated to this. A large energy SOE in Uganda, for example, had a QHSE team comprised of seven or eight staff (out of about 100 total) with the mandate: "Business process controls … are in place to ensure that all major hazards and effects on Health, Safety and the Environment are systematically identified, assessed and controlled, and recovery measures put in place."[xxiii]

Chinese employees of Chinese SOEs often find these internal policies more pragmatic and pertinent than guidelines from the Chinese government alone. Our SOE interviewees explained that their internal guidelines are usually formulated in reference to host-country laws, China's OFDI policies and a host of international norms and best practices such as OECD Guidelines for Multinational Enterprises, IFC Performance Standard 6, ISO26000 (from the International Organization for Standardization) or sector-specific guidelines such as those from the International Association of Oil and Gas Producers. The process of SOE policy development described in our interviews is consistent with existing research.[xxiv]

An interviewee from a major Chinese hydropower SOE in Uganda claimed that the company's potential environmental and social risks are regulated according to its own "robust and highly strict" QHSE policies, as well as external social responsibility guidelines such as ISO14001 or ISO26000. Following the same practice as the oil/gas SOEs, a dedicated department is mandated to harmonize the company's internal QHSE policies and procedures — required in all of its overseas operations — with both the host country's legal requirements and effective implementation.

According to the environmental-management policy of a major Chinese SOE we interviewed, the company is publicly committed to strict compliance with environmental laws and regulations in the host country and with its own internal environmental-protection rules to avoid adverse effects of its oil and gas operations on the local ecology. Additionally, the Chinese SOEs in energy and extractive industries cited a rigorous and timely reporting system as a basis for the company's internal monitoring process.

Production safety in particular is where the greatest percentage of companies interviewed had internal regulations and policies. Almost all interviewees working in relevant sectors emphasised that they mandate the use of safety equipment among all workers (helmet, gloves, uniforms and boots), follow comprehensive safety-check systems, and provide safety trainings. A Chinese manager also reported how her company hired a local manager with extensive experience in safety management to develop a comprehensive QHSE regulatory system in compliance with Kenyan laws.

However, variations in practices appear to exist among various sectors. The SOEs in construction in Uganda, for example, tended to have fewer staff in their QHSE teams, although one or two individuals were usually tasked to handle environmental and community-related issues.

Because these corporate policies are generally developed by the companies' headquarters in China (at least for SOEs), they may in turn be shaped by the Chinese official documents. Several interviews pointed to a strong link between Chinese policies and SOEs' internal corporate policies. In Mozambique, for example, two large-SOE interviewees mentioned that their companies have used some of the Chinese policy documents for internal management policies. One company used these policies and regulations to guide their internal rule-making mechanism, while the other used specific content from these documents to train new staff.

This illustrates one way that Chinese government policies may effectively be applied and implemented in Africa. Several interviewees said that Chinese government policies, including the documents we selected for the survey, should have already been incorporated into internal procedures by their management teams in headquarter offices.

According to a manager at an SOE in Kenya, for example, when SASAC or MOCOM issues a new policy, company managers at the highest level are responsible for reporting a management plan back to them that details the responsibilities of each department head, the person who will evaluate their performance, and how this will be done.

Each department head in turn drafts a concrete plan for employees in that department and sends a copy back to the manager. It is through these feedback cycles between levels ("*yi ceng yi ceng wang xia chuanda, yi ceng yi ceng wang shang bao*") that the general Chinese policies can become concrete action plans for every employee in the organization. These new action plans may then be internalized into the companies' guidelines for employees.

Given this chain process, it is possible that the staff interviewed for this study were not aware of the Chinese policy documents included in our survey, but that their companies actually do implement them in some ways. Many respondents said they had little knowledge of the names of the policies and regulations because the original policy documents from the Chinese government are not seen by the overseas office directly; policies are usually received and processed at their China headquarters and then conveyed to the overseas office as specific orders or internal communications.

However, beyond the anecdotal information provided in our interviews, it is unclear how the process works for incorporating national policies into corporate policies and work plans; there is uncertainty surrounding the degree to which companies follow their own written corporate policies in actual practice; and there is a lack of information on how a Chinese government department that issued a policy assesses the adequacy of such internal plans created by businesses. Furthermore, Chinese SOEs' internal QHSE policies are often not publicly available, making it difficult to assess the extent of their compliance.

In contrast to the SOEs, POEs varied greatly in their use of internal corporate policies. While some private-company interviewees described strong internal corporate policies, many of them were weaker in this area. Interviewees from small POEs in Mozambique explained that their business and management were "very simple" and "didn't need policies or systems." When the researcher asked about internal policy and systems, some POE participants responded that these questions were "suited to big companies" but not to them. They explained that they have "basic principles and rules to guide their decision-making and behaviours," and that they "solve problems flexibly" according to the situation. For Kenya-based POEs, the emphasis placed on internal policies varied greatly from company to company, and much seemed to depend on the education level and business style of the managers.

Similarly, multinational POEs with branches in Kenya reported rigorous internal policies. Previous research supports this finding, as well as our observation that company size is key in determining its sustainability-management mechanisms — companies with overseas investment above US$100 million have all instituted internal risk-management systems for their operations in developing countries.[xxv]

Within the complex governance matrix affecting the social and environmental behaviours of Chinese companies interviewed, therefore, internal corporate policies can play an important or negligible role, depending on the type and size of the company as well as the management style of the senior managers in the case of POEs. For SOEs with robust corporate QHSE policies, it is likely that Chinese government policies play some role in shaping their content, thus providing an indirect channel through which Chinese policies affect the overseas operations.

This discussion has explored how internal corporate policy can be a powerful leverage point for improving the social and environmental practices of SOEs and large private companies. It is also an important channel for international guidelines and Chinese policies to influence practices overseas. The crucial role of internal corporate policy is something rarely mentioned in the current literature.[xxvi] Chinese policymakers could increase transparency by requiring public disclosure of these policies on company websites so that stakeholders — both in China and in the country where the business engagement occurs — can scrutinise and hold overseas companies accountable in their operations.

Governance factor 5: project-specific and financier conditions

Our research suggests that the performance of Chinese businesses in the construction sector is complicated by additional governance factors specific to that sector — factors often overlooked in existing discussions on the impact of Chinese businesses as contractors of large-scale construction projects in infrastructure, energy, and mining. Most contracts involving Chinese companies in construction projects are for Engineering, Procurement and Construction (EPC), and place responsibility for due diligence, risk management and mitigation, environmental impact assessment, and relocation and compensation with the proprietor (generally the host governments, in our research).[xxvii]

In 2014, nearly eighty per cent of EPC contracts conducted by Chinese companies were in Asia and Africa.[xxviii] These projects often entail significant environmental impacts (including land-cover change, pollution risks and restoration obligations) and social impacts (such as relocation, resettlement and destruction of local livelihood options such as farming and fishing). In Kenya and Uganda, our research focused largely on construction companies, with 43% of all interviewees across the three countries operating in this sector.

While Chinese businesses are pressured from various directions to minimise the social and environmental impacts of their projects, most interviewees with EPC contracts emphasised their limited sphere of influence with local governments (the project proprietors) in determining the standards intended to minimise those impacts. Specifically, two more categories of governance specific to the EPC contractors appear to hold more sway over these companies than Chinese policies, and may be additional potential avenues for influencing their social and environmental performance: 1) engineering standards specified in the contract and 2) financiers' social and environmental requirements.

First, the design specifications in engineering standards have environmental and social implications distinctly different from EIA or resettlement processes that require procedural justice. Interviewees ranked British and American standards above Chinese and local standards in terms of quality management, and local standards were perceived to be ahead of Chinese standards for environmental and social management. The choice of engineering standards followed in any given project depends largely on the proprietor.

Several interviewees in Uganda attached importance to the various Conditions of Contract formats that the bidders are required to employ. They explained that whether the project developers use standards set by the UK-based Institution of Civil Engineers (ICE), the US-based American Institute of Architects (AIA), the European Development Fund (EDF) under the European Commission, or the ubiquitous FIDIC (*Fédération Internationale Des Ingénieurs-Conseils*) matters a great deal to them. This is because these various contract formats have different stipulations regarding project specifications, division of duties, force-majeure provisions and dispute clauses. According to several respondents in Kenya and Uganda, contracts with the host government as proprietor usually follow the local standards and regulations, which are perceived to be less environmentally stringent than the international standards.

Contracts with local private proprietors tend to be more diversified, employing a variety of local, British, United States or Australian standards. Contracts with international organisations as the proprietors or financiers generally employ higher standards, such as the British or the organisations' own. At least two Chinese businesses in Uganda mentioned that they were only familiar with American or Chinese construction contract standards when they first arrived in Africa, and found themselves struggling to adapt to the other Conditions of Contract commonly employed in East Africa.

Second, the social and environmental-safeguard requirements imposed also differ according to the financiers, which include Chinese policy banks (such as the Export-Import Bank of China [EXIM] and China Development Bank) and other multilateral and bilateral financiers such as the World Bank, African Development Bank, Japan International Cooperation Agency, Korea International Cooperation Agency, and commercial banks. An SOE interviewee in Uganda commented that one of the non-Chinese bilateral financiers routinely comes to inspect them for compliance with environmental requirements. World Bank and IFC were particularly noted by interviewees as having more stringent requirements on corruption, social and environmental concerns, and procurement of goods.

In summary, the EPC experience described here illustrates the important role played by the host government (as project proprietor) in setting high-quality engineering standards, and by the financiers in setting stringent social and environmental demands. We have also seen the limited sphere of influence that Chinese contracting companies exert. In particular, it should be noted that in most cases the project proprietor — not the Chinese contractor — bears the legal responsibility for a project-level EIA and resettlement processes in EPC contract cases.

Therefore, to minimise the social and environmental impacts of a large-scale project, the primary pressure point sits with the local government in terms of choosing high-quality engineering standards, ensuring proper EIA processes, and handling resettlement fairly and in a transparent manner. However, if faced with political inertia and weak capacity in host-country institutions, there are potentially two other indirect channels for minimising social and environmental impacts: 1) tightening international financial institutions' requirements and scrutiny over the project manager (the host governments in many cases) in the handling of environmental and social safeguards and 2) holding the contractors accountable to their own internal corporate policies as described in the previous section.

It is beyond the scope of this paper to explore the first issue. As for the latter, the researchers' past experience involving foreign investors in countries with weak governance structure has shown that it is ultimately in the companies' own interest to conduct social and environmental risk assessment for their investments. A lack of awareness or capacity to conduct rigorous social and environmental due diligence, especially ahead of time, means foreign investors may encounter vexing cost overruns, project delays and legal disputes — as indeed had been the case for some companies interviewed.

As the role of Chinese businesses contracting for large-scale construction projects in infrastructure, energy, mining and other sectors overseas attracts close scrutiny, researchers investigating this sector would be wise to engage more specifically with the multiple governance factors affecting these projects.

Chinese companies' own efforts to improve social impact

Above, we have illustrated five factors affecting Chinese business operations in Africa. Our research also highlighted that Chinese businesses overseas are not passive actors within the complex governance matrix. This section presents interviewees' descriptions of their own efforts to improve their environmental and social performance overseas, and discusses the implications for future interventions by Chinese policymakers and the international development community. Like any other entrepreneurial actors, they already proactively navigate the governance environment around them, as we have already seen in the reported manoeuvring of corrupt systems by several POEs interviewed and the 'speeding-up' of compensation reported by SOEs. Two additional areas of such company efforts emerged in our interviews: community engagement and skills training.

Community engagement work was emphasised by most of the Chinese companies interviewed. These had been organised largely in response to community requests, and tended to occur mostly in an informal way, except in a few large SOEs with dedicated public relations departments.

Most of those interviewed were able to share examples of their community work. These included sponsoring the building or renovation of primary schools, churches or hospitals; donating money to a youth foundation or an orphanage; sending machinery and material for accident or disaster relief; and building roads or drilling wells for local communities. According to these interviewees, good 'community relations' are essential to doing business in Africa. A critical strategy for reducing business risk and improving the operating environment also involves maintaining good relationships with the local authorities and police; if locals are sympathetic to companies, interviewees reasoned, they are more likely to help in times of trouble. Quite a few also mentioned that they engage in philanthropic activities because they sympathise with the hardships that these communities experience.

A majority of the businesses surveyed, however, did not have any written policy on communication with local communities. Instead, interviewees explained that project managers often build and maintain personal relationships with local stakeholders, and integrate the stakeholders' needs and opinions into their decisions to support the local community in various ways. Asked how they decided to carry out these activities, a majority of the interviewees said they were not built into any plan but instead occurred situationally in response to requests from local authorities or community leaders.

One comment epitomises the ad-hoc nature of such community involvement: "The local village chiefs or school headmasters come to visit the company camp. If their requests are doable within our means, we always try to help." Some interviewees mentioned CSR (corporate social responsibility), but most did not characterise these community activities in the language of CSR, nor did many of them have a systematic way to record and display their activities to the public.

While most Chinese companies interviewed did not have a formal mechanism of communication with local stakeholders such as labour unions, media, religious groups, tribal chiefs or local government, most of them explained that the project management team, especially local senior managers, visit and communicate with local stakeholders if there is any community-related issue.

Systematic efforts to cultivate community relations were less common. Interviewees in Kenya shared details of written policies such as those for hiring a labour consultant, commissioner or local lawyer to deal with labour issues, and setting up a department to communicate with the stakeholders. An interviewee in a Chinese engineering SOE from Uganda described their community engagement work as their company's 'strategic development'; this company had established a 'public relations unit' composed of Chinese and locals whose main responsibility is "to build a good relationship with the local government and communities, and conduct essential public-benefit activities." Yet few Chinese companies hire professional community-development consultants and managers, instead assigning the philanthropic coordinating task to construction managers to save costs. This is one area where the expertise of local and international NGOs might be utilised to benefit Chinese businesses as well as the communities in which they operate.

Skills training of the local labour force is another area where Chinese businesses in our study are making concerted efforts, including several companies that have set up formal training programmes. Interviewees in Kenya told us that Chinese companies there have been paying increasing attention to technology transfer, beginning with training their own local workers. According to one interviewee, their company had an urgent project deadline to meet, but had great difficulty recruiting an adequate number of qualified civil workers. Most of the bulldozer drivers, for example, had certificates from technical schools but could not operate the machines because the schools' training equipment had been outdated, or too limited in quantity for everyone to practice on.

This complaint was echoed by many companies; the general manager of an SOE in Uganda that employs 10,000 local workers (and 500 Chinese) reported needing to invest considerable time and resources to train workers, including sending some to technical schools. As with community engagement, however, few companies sought expertise from external organisations with experience in effective skills training. Only two of the fifty-eight companies interviewed reported hiring project consultants (from an African foundation and a Chinese social enterprise) or partnering with local organisations to conduct these trainings.

In general, interviewees shared these efforts with us proudly, as stories of survival and innovation in a difficult business environment presenting inefficient bureaucratic hurdles and high investment risks. In this sense, they argued, Chinese businesses operate just as any others – local or Western – do. While the intent behind these efforts is certainly positive, we must be cautious about interpreting these activities as proof of positive environmental and social impact by Chinese investors.

The ad-hoc nature of such unpublicised engagements with communities has been criticised elsewhere for lack of awareness of local land-rights and other power dynamics, for limited engagement with civil society, and for unfounded expectations of Africa's investment environment mirroring that of China.[xxix]

Our main take-away from these accounts is that, contrary to the common perception that Chinese businesses are indifferent to social impacts, some companies are actively engaged in improving their social impacts. However, their communications, human resources and other formal systems remain relatively weak, and they have yet to maximise the tangible effects of these efforts. But these insights provide potential entry points for more constructive engagement with Chinese companies by the international development community in the future.

BOX 3. EXPERIMENTS IN TRAINING BY CHINESE COMPANIES IN KENYA

Although most companies still use apprenticeship as their primary training method, two large SOEs reported more innovative programs for capacity-building of their local workforce. One of the companies partnered with a local technical institution to train workers where language barriers may occur. The company developed a curriculum for onsite training with its master trainers from China; these teach side-by-side with local teachers from the partnering institution to facilitate communication between the students and Chinese trainers. The company started with a pilot project involving 300 workers; once successful, the company plans to scale up the programme to ten times its current size and extend it to other construction projects. Another company operates a teaching program at the project site. This company has constructed classrooms and field-class sites, and plans to invite senior workers to sit on a curriculum committee to develop curriculums tailored to the company's workers and projects. The company hopes to be able to predict its future needs for skilled workers and train them in advance of future construction projects. Since the company runs a long-term project, it is expected to benefit thousands of workers from the area.

Interviewees from the two companies pointed out that the apprenticeship approach to training is costly, as a master trainer can usually only take one or two students at a time; it usually involves little theory training; what the workers learn is often not recognised by the public after employment ends; and the companies can't track their contribution to the community in terms of technology transfer. A structured training programme can provide systematic and effective group training, provide students with publicly recognised certificates to facilitate future job-hunting, and quantify the company's positive social impact. The companies therefore seemed very optimistic about this initiative.

The complex governance matrix: Chinese policies as only one element

This section has shown the complex institutional and social matrix governing Chinese companies overseas — of which Chinese policies and guidelines play only a relatively minor and generally indirect role. Instead, our research suggests that the business community's social and environmental performance and accountability could be most strongly influenced by: strengthening host-country laws (and their implementation); reducing corruption and institutional infighting within the host government; holding companies accountable for their own internal corporate policies; and improving the companies' own risk-management systems, especially in relation to labour and land rights, stakeholder engagement and environmental impacts.

While our study revealed a lack of familiarity by Chinese business informants with Chinese regulations and guidelines governing overseas business engagement, we saw that this does not necessarily imply low adherence to the principles expressed in these policies, since local laws, internal corporate policies and conditions imposed by financiers and contracts may impose similar requirements. Furthermore, we saw how the perceived irrelevance of Chinese policy highlights the importance of strengthening local governance and rule of law in host countries.

We also observed the diversity of Chinese actors operating in Kenya, Uganda and Mozambique, as well as their diverse funding sources and business models. The sharp contrast in these areas between SOEs and POEs suggests that they should not be treated as a monolith by either Chinese policymakers in China or researchers examining Chinese private-sector engagements in Africa. Instead, policymakers and researchers alike need to understand that different pressure points exist for different kinds of Chinese overseas companies, requiring targeted strategies for engagement.

Indeed, as private businesses play an increasingly key role in China's OFDI, much more attention needs to be paid to Chinese private investment companies and how they can be better governed. The rise of private companies in Chinese overseas investment is a clear and consistent trend over the last few years: POEs accounted for nearly half (46%) of the overseas direct investment flow in 2014, rapidly increasing from only one-fifth in 2006.[xxx] Addressing low awareness and concern for Chinese policies and guidelines among China-registered private companies is crucial for both the Chinese government and the international community if they hope to influence these POEs' behaviours.

If Chinese policies and guidelines have limited reach for improving the environmental and social performance of Chinese companies overseas, what can the Chinese government and the international community do? The following section highlights suggestions made by interviewees and the authors based on our findings.

Recommendations towards constructive engagement

The discussion above explored a complex host of factors shaping Chinese business operations in Africa, with formal Chinese policies and guidelines perceived as playing a role less significant than generally hoped by both Chinese and international actors. This does not mean, however, that the businesses interviewed discounted the role of the Chinese government, nor dismissed potential contributions from the international community. On the contrary, interviewees and our research in general provided specific suggestions for actions that others might take to support Chinese companies in improving environmental and social practices overseas.

Suggestions from overseas Chinese businesses to the Chinese government

Emerging from our discussion with Chinese businesses were hopes for the Chinese government to provide more concrete support in realising responsible business conduct — specifically including tangible support, beyond the formulation of policies.

Our interviewees offered four recommendations: provide up-to-date information on in-country investment risks; negotiate with the local government regarding issues such as visas, crime and safety; install punitive measures for Chinese businesses involved in corruption and other unlawful conducts; and regulate competition among Chinese contracting companies to avoid a ‘race to the bottom’ (extreme price-cutting) by encouraging a stronger role for Chinese embassies and ECCOs.

First, **the Chinese government can provide investment and market guidelines** to Chinese companies, so that the companies can save time and costs associated with conducting, for instance, country-specific risk analysis and market research. In Kenya, the ECCO publishes country, industry and organisational overviews on its website; but interviewees noted that some of these are outdated, going back as far as 2005, and most are general and brief.

Second, respondents proposed that the Chinese government **establish official communication mechanisms with local governments to address issues such as work visas and crime.** For example, one respondent suggested that the Chinese government liaise with the local immigrant office to establish a China desk to more efficiently process Chinese workers’ visa applications. Similarly, the companies surveyed also hope for the Chinese government to take a stronger stand against robbery and murder, by pressuring African governments to curb crime targeted (in their view) at Chinese communities and addressing corruption and harassment targeted at Chinese companies by local authorities.

Third, several interviewees, particularly from SOEs, said they would like the Chinese government to **punish Chinese companies for paying bribes and otherwise violating local laws and regulations.** According to one SOE senior manager, “More policies should be instituted in areas such as corruption.” The Chinese government does have a ‘bad credit’ policy to that effect; however, the Chinese businesses’ concern for enforcement appears to reflect low awareness of this policy and/or limited implementation of the policy at the operational level.

Fourth, **nearly half of the interviewees hoped the Chinese government will take stronger actions in curbing ‘vicious competition’ among Chinese contractors**, especially in the construction and infrastructure sector. Of all aspects of the Chinese government’s regulation of overseas business conduct, the interviewees were most critical of the government’s inability to successfully control competition. A POE president commented, “The Chinese policies have not covered the monitoring and regulation of Chinese companies — whether SOE or POE — in a way that fosters fair competition.” A SOE senior manager echoed this sentiment, adding the need to curb “corrupt practices” in some Chinese companies and to encourage the host African government to strengthen its management and law enforcement regarding their unreasonable behaviours.

The interviewees repeatedly emphasised the need for Chinese embassies and ECCOs to play a mediation role in ameliorating the competition. Interviewees noted that the embassies and ECCOs do exert some level of pressure to relieve competition, for example, when SOEs must apply for a letter of support from the ECCO before taking part in competitive bidding for a contract. In Kenya, our company interviewees report that the ECCO only allows at most five SOEs to participate in every bidding process.

Unfortunately, provincial SOEs, collective enterprises and POEs are less subject to the influence of the ECCOs, weakening the Chinese government's ability to regulate competition. A mid-level SOE manager suggests that the Chinese government might adopt the Tanzanian government's practice of setting a bidding-price floor. Additionally, several interviewees suggested that Chinese business associations could take the lead in better coordinating Chinese companies in African countries.

BOX 4. 'VICIOUS COMPETITION' IN THE CONSTRUCTION SECTOR — HOW BAD IS IT?

Encouraged by the government's promotion of Chinese companies 'going global', many companies, especially SOEs, often blindly enter the African market without an adequate understanding of it. According to one SOE interviewee, competition among Chinese companies can take the form of price wars: newcomers in particular tend to propose a price far lower than the market average in order to compete for a project, in part because they underestimate the hidden costs of doing business in the African counties and in part because they want to break into the market whether or not the project is profitable for them.

By driving prices below profitable margins, however, this competition drives a 'race to the bottom' that can damage the interests of the entire Chinese business community and squeeze industry profitability as a whole. According to an interviewee in Uganda, "Imagine more than twenty Chinese companies bidding for a contract in Uganda, which is the size of one Chinese province. Do you think we will all fit in?" Some SOEs in Kenya reported that competition forces them to accept projects without profits, simply to recover some portion of the costs of idle equipment and personnel. They claimed that they have little confidence in the fairness of the competitive process, and suspect that corruption often influences deals.

Thus our research suggests that, despite the Chinese government's intention to foster fair competition (as seen, for example, in *Regulating Competitive Behaviours in the Fields of Foreign Investment Cooperation*) the sheer number of Chinese companies arriving in Africa — especially SOEs lured in part by financial incentives provided for companies 'going global' — dramatically exacerbates the burden of competition. Several SOE interviewees identified SASAC's annual performance appraisal as a possible driver behind the cutthroat competition: SASAC uses the number of project contracts as an important indicator in evaluating an SOE's annual performance. According to one interviewee from Kenya, SOEs with a greater number of contracts — not just greater profitability of projects completed — are more favourably judged, thus encouraging SOEs to bid cheaply for the greatest quantity of projects possible.

Ultimately, social and environmental safeguards for large projects require substantial financial resources for employing experienced staff and implementing high-quality social and environmental management plans. In the presence of cutthroat competition that drives a 'race to the bottom' (although this was not explicitly mentioned by interviewees) the low profit margin of a company caused by overzealously 'going global' could threaten adequate implementation of social and environmental safeguards.

Suggestions to the international community

For local governments and the international development and research community, our research also identified potential avenues for constructive engagement with Chinese companies in Africa – and possibly other developing countries with similar governance conditions – to improve their social and environmental conduct. Below, we present four potential entry points that emerged from our interviews.

First, the complex governance matrix discussed above demands **a realistic assessment of the limited influence of the existing Chinese policies and guidelines** in governing overseas business conduct. In the experience of our interviewees, the written and unwritten rules of the host country greatly influence business decisions affecting social and environmental performance, especially for private businesses but also for SOEs. This raises the question: How much focus should be devoted to promoting the Chinese policy documents among overseas businesses, and how much to improving local law implementation and governance factors? As the systematic efforts to promote the going global strategy only started in the 2000s, the limited influence of official policies may grow as China's relevant policy framework evolves. If the Chinese government imposes more punitive measures, and implements public accountability mechanisms (as in the case of the 'blacklisting' policy), the impact of its policies may increase. So far, however, the tide seems to be turning toward deregulation, as the previously required approval system was overhauled and loosened in 2014.[xxxi]

Second, **the diversity of Chinese business engagements needs to be clearly recognised**: key differences exist across sectors (EPC contractors, for instance, versus investors), shareholding type (SOE, POE or hybrid) and size, with significant implications for their different governance needs. We saw that the heterogeneity even manifests in intra-community antagonism: some small- and medium-sized enterprises that avoid regulations and contact with the embassy are seen as 'troublemakers' within the Chinese community; companies can therefore become victims of their sector's own vicious internal competition. Additionally, though many outsiders perceive Chinese overseas businesses as maintaining cosy relationships with local government players, our interviews show that the experience on the ground is much more complex, with some companies falling victim to the obstacles and others learning to navigate the system, legally or otherwise.

The authors had previously met representatives from a number of African civil society organisations who expressed faith in the role of local government embassies to regulate Chinese companies, thus apparently considering the embassy to be the first channel for strategic engagement.

Our research, however, cautions against this assumption, instead suggesting that civil society organisations will use several first-degree filters to identify appropriate approaches to strategic engagement; these include the company's shareholding type (SOE or POE), financing source (private savings, Chinese policy banks, multilateral banks or other sources) and project ownership (whether the company is the project proprietor or simply the contractor).

Third, **internal corporate policy is a potentially promising avenue of influence** often neglected in current debates about how to improve Chinese overseas conduct. Our research suggests that the internal corporate policies of SOEs and some POEs can play a key role in integrating Chinese government policies and international industry best practices. The international community could promote more transparency regarding these internal corporate policies in order to assess actual in-country implementation.

Fourth, for the international development community, **educating Chinese businesses about complex land rights and associated investment risks** is another area where our research found a gap. Land disputes were noted as a key business risk for Chinese companies in all three countries; interviewees across the board expressed their concerns with what some called the 'labyrinthine' land-tenure systems of the host countries, and expressed puzzlement over what they viewed as 'poor management' of land titles by the national governments. Although many interviewees were conscious of this complexity, few seemed to grasp the nuances created by overlapping pluralistic norms related to land and resource rights between government and local communities — or the limited power of government institutions in rural areas to administer these rights. Only a handful of Chinese businesses mentioned that they conduct rigorous due diligence in relation to land rights.

Chinese policies have not paid much attention to this issue, even though it is a common problem faced by Chinese companies across African and other developing countries with complex land-tenure regimes.[xxxii] This points to a need for more awareness-raising among Chinese investors and businesses embarking on new projects, which could be accomplished through greater emphasis on the topic in Chinese policy documents, and through trainings by Chinese government departments and Chinese and international NGOs specialised in capacity-building. In particular, drawing the attention of Chinese companies to the importance of engaging with civil society organisations in due-diligence processes — not only with the host government — is another area that merits more focus.

Conclusion

This discussion paper presented the key findings of fieldwork in Mozambique, Kenya and Uganda during August–September 2015, including a survey and interviews with fifty-eight Chinese personnel working for Chinese companies in these locations. Our aim was to contribute to a better understanding of the role that Chinese overseas business policies and guidelines play in governing the conduct of Chinese companies, through soliciting the experiences and perceptions of their in-country personnel. We were not concerned with assessing their business conduct, nor did we examine impacts in the communities where they operate.

This exploration has revealed a complex governance matrix influencing the environmental and social performance of Chinese companies in Africa, in which Chinese policies play only a relatively minor role. The first section of the paper explored the overall governance environment for Chinese companies operating in the field sites, and found that Chinese companies consider local laws, unwritten local institutional and social norms, internal corporate policies, contract terms and financier conditions to be more pertinent than Chinese policies.

Next, we took a closer look at the nature of the companies themselves, highlighting the diversity of actors and business models at play in our fieldwork, and finding that SOEs were much more sensitive to official Chinese policies and guidelines than POEs. We also explored what Chinese companies see as positive practices overseas, including non-discriminatory labour practices and philanthropic activities that build community relations. However, we also saw how efforts to expand these basic positive practices are often hindered by fierce competition, land-tenure challenges and weak host-country governance.

Rather than attempting to evaluate Chinese companies' environmental and social impacts, we aimed to capture interviewee perceptions of the drivers and obstacles for responsible business operations, primarily in relation to the governance role of Chinese policies and guidelines, to provide a clearer picture of the reality that Chinese businesses face overseas. The fact that local laws and regulations as well as factors such as corruption, low capacity and weak rule of law — followed closely by internal corporate policies (where those exist) — garner the most attention in this complex governance matrix is not surprising.

However, these governance factors have often been ignored in the enthusiasm surrounding efforts to develop and refine Chinese policies and guidelines governing overseas business conduct. Our research suggests that a potentially more powerful pressure point for ensuring social and environmental sustainability through Chinese investments lies not in Chinese policies but in strengthening local regulations and rule of law, as well as engaging directly with internal corporate policies and practices of Chinese overseas companies.

In addition, this discussion highlights other leverage points for influencing business activities beyond those written in government regulations. Closer attention to implementation and other governance factors is needed by both the Chinese government and the international development community. The existing emphasis in Chinese policy and guideline documents on compliance with local legislation could be supplemented and strengthened with explorations of local governance challenges and how to conduct proper due diligence on such issues. The international community needs to acknowledge that the Chinese businesses do not exist in a vacuum, that their social and environmental practices are strongly shaped by the local governance context — that they could be victims as well as contributors to the system — and, crucially, that Chinese SOEs and POEs seem to respond differently to these governance factors.

Issues for further discussion and research

As a next step, this discussion points toward the following future research agenda:

- Develop case studies and analysis of internal corporate policies of Chinese overseas companies. Clarify the process for incorporating national policies into corporate policies and work plans, including how Chinese government departments that issue a given policy may assess the adequacy of businesses' internal plans — and the degree to which they comply with their own written policies. This would further bring to light the drivers of practices, policies or systems created in response to Chinese overseas business conduct regulations, and the chain of influence (or lack of it) of these policies on the ground.

- Identify the gaps and differing practices in the legal requirements of China, host countries and international norms and standards. How do they compare or overlap — and what is missing?
- Explore how competition among Chinese companies, particularly in the construction sector, impacts financial resourcing for and implementation of social and environmental safeguards. Participant observations (or in-depth case study of Chinese companies) could provide insights and suggest ways to effectively address this concern.
- Expand analysis of governance factors unique to SOEs and POEs, to support more targeted and practical engagement with the diversity of actors on the ground — specifically exploring how stronger links to Chinese government bodies can create stronger awareness of policy objectives, provide positive incentives for compliance, and potentially help translate government policy into internal corporate policy.
- Confirm whether and how Chinese business associations and friendship networks, in collaboration with the Chinese ECCO, can play a more effective intermediary role in introducing businesses into a new African market (potentially also in other developing regions as well), determine qualification for tenders (a quasi-market entry function), and mediate potential disputes.
- Explore the implications for China's non-interventionist principle of our finding that local regulations and policies play a more important role than Chinese OFDI policies and guidelines.
- Compare corporate-level operationalisation of environmental and social policies between Chinese and other foreign actors in certain sectors, to better understand what may be specific to Chinese actors and what may be common to overseas companies of other origins.
- Compare the standards of one Chinese company's projects inside China and in Africa, to discover possible discrepancies between those standards and the implementing of social and environmental standards.

Appendix 1

About the authors

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Appendix 2

Interview questions

Five key open-ended questions:

1. **Can you introduce yourself and tell me how you ended up in this role?**
(Within this, try to understand: Why are they in Africa? What motivates them to do this work? What barriers have they had to overcome? What does success look like in their work?)

2. **What are the main policies that guide your company — business plan, management, operations, etc. — and your work here, and how do they influence you specifically?**
(Are they local laws? Chinese policies? Internal company policies? How were those internal company policies developed? By whom?)

3. **Can you provide examples of challenges your company has faced, and how you overcame them?**
(Here, you are looking for what influences decisions at every level, from choosing to come to Africa, selecting the sector to work in, the country/location to work in, operating on the ground, engagement with locals, actual day-to-day negotiations, etc.)

For questions 2 and 3, use the table below as a reference so that your questions cover a comprehensive set of questions. Please ask them for specific examples (if they work on this area), or enter "No" if they do not work on these areas.

AREAS OF ENGAGEMENT 涉及领域	EXAMPLES (if yes) or No
Organizational Governance 组织管理	
1. Do you have examples of stakeholder communication mechanisms? (stakeholders = labour unions, media, religious groups, chiefs of tribes, local government, etc.) 建立了那些与利益相关方(工会、媒体、宗教团体、部落首领及当地政府等)的沟通机制？ 比如听证会、咨询等方式。	
2. Do you have a risk-management and reporting system? 建立风险管理及报告机制	
3. Do you have an information-disclosure and transparency system? 建立信息披露、信息透明化机制	

Human Rights 人权	
1. What systems are in place to protect the rights of workers? 尊重工人权利	
2. What policies or systems are in place to ensure no discrimination toward different races, tribes, religions, gender and vulnerable groups? 不歧视不同种族、部落、肤色、宗教或性别，以及弱势群体	
Labour Practices 劳工管理	
1. What systems are in place to maintain high awareness of safety issues, provide necessary safety protection for employees, and avoid personal injury? 对安全问题保持高度警惕、为员工提供必要的安全保护措施？	
2. How do you create and maintain good labour relations? 如何建立并维持良好的劳工关系	
3. (Overlap with the earlier question on stakeholder consultation:) Do you have an established dialogue system with workers and labour unions? 与员工及工会建立对话机制	
4. Do you have a formal and legal recruitment system, sign contracts with employees, and provide wages and social medical insurance according to the contracts? What do you do to provide good working conditions? 建立正式、合法的招聘系统，与员工签订劳工合同，依据合同支付工资、提供社会医疗保险，并提供良好的工作环境	
Environment 环境	
1. What systems are in place to save energy, resources and environmental pollution?	
2. Do you have an internal environmental policy? 环境保护规章制度	
3. Have you proactively communicated with communities and stakeholders about the environmental implications of your projects? 建立企业环境社会责任沟通方式和对话机制，主动加强与所在社区和相关社会团体的联系与沟通	

Fair Operational Practices 公平运营行为	
1. How does competition in your sector affect your business? What do you do to promote fair and legal competition?	
2. How does corruption affect your business? How do you solve problems related to this?	
3. Do you practice green procurement, promoting social responsibility in the value chain?	
4. How do local laws and regulations related to property rights affect your business operations?	
Consumer Issues 消费者权益	
1. How do you provide the best-quality products to the host community, with factual and unbiased information? 为当地社区提供高质量产品和真实公正的信息	
2. How are your relationships with your suppliers and/or buyers? Do you encounter any problems? How do you promote fair contractual practices?	
Community Involvement and Development 社区参与及发展	
1. Does your company have any specific policies or measures to respect the laws, norms and culture of the host society, especially its religion, and to maintain communication with the local community? 尊重当地法律、风俗和文化，尤其是宗教信仰，并与当地社区保持沟通交流	
2. Does your labour force include locals from the surrounding communities? Do you consider creating employment for the host community important? If yes, what do you do to make it happen? 为社区创造工作机会	
3. What kind of skill-development opportunities do you provide for employees? How do you promote localization? 员工技能发展、提倡本地化进程	
4. Do you engage in corporate social responsibility, philanthropic activities and community development projects? If so, what do you do? 积极参与企业社会责任及慈善活动，参与社区发展项目	

4. Are you aware of any Chinese policies or guidelines on the activities of companies overseas?

Perceptions:

a. If yes: Which ones? How do you know about them? What do you think of this approach? How do they impact your work (positive and negative)? What challenges have you had in implementing them? How have you overcome them?

b. If no: You (the researcher) can give and explain some examples, and ask what they think of this approach — do they think it is negative/neutral/positive? How and why?

5. What do you think the Chinese government can improve to better assist your business development abroad? What specific support do you need in your particular business? What might the barriers be to achieving this? (Central government in Beijing? Embassies in the host countries? Economic Commercial and Counsellor's Offices in the host countries? Think tanks? Other actors?)

Appendix 3

Survey questionnaire

Questionnaire 1: For Chinese Companies Managers/Employees

问卷1：适用于中资企业管理人员、工作人员

NOTE: instead of handing the interviewee this questionnaire, fill it out for them based on their answers to the open-ended questions. At the end, see if you have missed any information.

1. Name of company 公司名称

Name 名称:

2. Job title 职位名称

Title 职位:

3. Age 年龄

Years 岁数:

4. Gender (Check one) 性别 （是否属于）

☐ Male 男性

☐ Female 女性

5. Home province in China

原籍省份 Province 省份:

6. Years of experience in Africa 驻非时间

Years 年数

7. Please check below the shareholding nature of your company: 请选择贵公司的股权性质：

☐ SOE 国有企业

☐ POE 私营企业

8. Please check below the industries in which you engage in Africa (you can check multiple boxes if you engage in more than one), as well as the main business of your company (check only one).

请选择贵公司在非洲所从事的行业类型 （可多选）, 并选择贵公司在非洲所从事的主要行业（单选）

Industry Categories [xxxiii] 行业类型	All Business 所有业务	Main Business 主要业务
Agriculture 农业	☐	☐
Forestry 林业	☐	☐
Fishing 渔业	☐	☐
Mining and quarrying采掘业	☐	☐
Manufacturing 制造业	☐	☐
Electricity, gas, steam and air conditioning supply 电、煤气、蒸汽和空调供应	☐	☐
Water supply, sewerage, waste management and remediation activities 水供给、排污、废物处理及补救活动	☐	☐
Construction 建筑业	☐	☐
Wholesale and retail trade, repair of motor vehicles (incl. motorcycles) 批发及零售贸易；机动车辆和摩托车的维修	☐	☐
Transportation and storage 运输和储存	☐	☐
Accommodations and food service 住宿和餐饮业	☐	☐
Information and communication 信息和通讯业	☐	☐
Financial and insurance 金融和保险业	☐	☐
Real estate 房地产业	☐	☐
Professional, scientific and technical activities 专业和科技活动	☐	☐
Administrative and support services 企业管理和商务服务业	☐	☐
Public administration, defense, compulsory social security 公共行政和国防、强制性社会保障	☐	☐
Education 教育	☐	☐
Human health and social work 卫生和社会福利业	☐	☐
Arts, entertainment and recreation 艺术、娱乐和文娱活动	☐	☐
Other service activities 其他服务行业	☐	☐
Activities of extraterritorial organizations and bodies 域外组织和机构	☐	☐
Other: 其他：	☐	☐

9. Please check below the regions of your business operations (you can check multiple boxes if your business appears in more than one region): 请选择贵公司开展业务的地区（可多选）

- ☐ North Africa 北非
- ☐ East Africa 东非
- ☐ Middle Africa 中非
- ☐ Southern Africa 南非
- ☐ West Africa 西非

10. When did your company first enter the African market? 贵公司何时首次进入非洲市场？

Year 年份

11. When did your company first enter this country's market? 贵公司何时首次进入该国市场？

Year 年份

12. Roughly how many people do you employ in this country, and in Africa in total?

贵公司在该国以及非洲大概雇用多少名员工？

	This country 本国	Africa total 非洲
Agriculture 农业		
Forestry 林业		

13. Have you experienced unfair competition in this African country?

贵公司在该国家是否经历过不公平竞争？

- ☐ YES 是
- ☐ NO 否

14. If yes, who is your main competitor? Please select local or international.

如果贵公司曾经历不公平竞争，主要竞争对手是谁？该竞争对手来自当地还是国际？

- ☐ Local 当地
- ☐ International 国际

15. In your daily operations, have you come across/used any of the policies below?

在贵公司日常经营过程中，是否遇到或应用过以下政策？

Chinese Policies 中方政策	Familiar: Have come across or used 熟悉：遇到或应用过	Heard of but not familiar with 听说过但不熟悉	Have never heard of 从未听说
境外投资综合绩效评价办法 (试行)	☐	☐	☐
境外投资联合年检暂行办法	☐	☐	☐
外派劳务人员培训工作管理规定	☐	☐	☐
国别投资经营障碍报告制度	☐	☐	☐
国家外汇管理局关于调整境内银行为境外投资企业提供融资性对外担保管理方式的通知	☐	☐	☐
国家安全生产监督管理局、外交部、商务部、国务院国有资产监督管理委员会关于加强境外中资企业安全生产监督管理工作的通知	☐	☐	☐
关于加强境外中资企业机构与人员安全保护工作的意见	☐	☐	☐
中国企业境外可持续森林培育指南 试点工作方案	☐	☐	☐
商务部、外交部、国务院国有资产管理委员会关于进一步规范中国企业对外投资合作的通知	☐	☐	☐
对外承包工程管理条例	☐	☐	☐
对外承包工程资格管理办法	☐	☐	☐
关于加强境外经济贸易合作区风险防范工作有关问题的通知	☐	☐	☐
境外中资企业机构和人员安全管理规定	☐	☐	☐
对外投资合作境外安全风险预警和信息通报制度	☐	☐	☐
境外中资企业（机构）员工管理指引	☐	☐	☐
境外中资企业机构和人员安全管理指南	☐	☐	☐
绿色信贷指引	☐	☐	☐
中国境外企业文化建设若干意见	☐	☐	☐
中央企业境外投资监督管理暂行办法	☐	☐	☐
商务部、安全监管总局、外交部、发展改革委、住房城乡建设部、国资委关于展开境外中资企业安全生产治理大检查专项行动的通知	☐	☐	☐
中央企业应急管理暂行办法	☐	☐	☐
规范对外投资合作领域竞争行为的规定	☐	☐	☐
对外投资合作境外安全事件应急响应和处置规定	☐	☐	☐
对外投资合作和对外贸易领域不良信用记录试行办法	☐	☐	☐
商务部关于加强对外投资合作在外人员分类管理工作的通知	☐	☐	☐
境外企业知识产权指南（试行）	☐	☐	☐
境外投资管理办法	☐	☐	☐
对外矿业投资社会责任指引 (for mining companies 适用于矿业公司)	☐	☐	☐
对外投资合作环境保护指南	☐	☐	☐
关于中央企业履行社会责任的指导意见	☐	☐	☐
中国对外承包工程行业社会责任指引	☐	☐	☐

16. Do you think that Chinese ODI SD policies have covered the major areas of your business activities overseas? 您认为中国海外投资政策是否涵盖了贵公司海外经营活动的主要方面？

☐ YES 是

☐ NO 否

17. If no, please indicate the areas of your overseas operations that Chinese policies fail to cover.

若未涵盖，请说明中方政策未涵盖的领域

-
-
-

18. Do you think the Chinese central government/embassies and the 'Economic Commercial and Counsellor's Offices in the host countries have provided enough support to your business operations abroad?

您认为中央政府和在该国的大使馆及经参处是否为贵公司在海外运营提供了足够的支持？

☐ YES 是

☐ NO 否

19. If yes, what are the most valuable forms of support you receive from the government?

如果是，您从政府方面得到的最宝贵的支持是什么？

-
-
-

Appendix 4

Selected Chinese OFDI policies used in the survey

YEAR	ISSUER	TITLE
2002	Ministry of Foreign Trade and Economic Cooperation	Measures for Overseas Investment Comprehensive Performance Evaluation (Trial)
2002	Ministry of Foreign Trade and Economic Cooperation, State Administration of Foreign Exchange (SAFE)	Interim Measures for the Joint Annual Inspection of Overseas Investments
2004	MOFCOM	Measures for the Administration on Overseas Labour Training
2004	MOFCOM	System for Reporting Country Investment and Operation Obstacles
2005	SAFE	Notice of the State Administration of Foreign Exchange on Adjusting the Management Mode of Overseas Financial Guarantees as Provided by Banks within the Chinese Territory for Overseas Investment Enterprises
2005	MOFCOM, SASAC, Ministry of Foreign Affairs (MOFA), State Administration of Work Safety (SAWS)	Notice on Strengthening the Administration of Work Safety in Overseas Chinese-Funded Enterprises
2005	The State Council	Provisions on the Safety Administration of Overseas Chinese-funded Enterprises and Institutions and their Personnel
2007	MOFCOM, Ministry of Finance, People's Bank of China, All-China Federation of Industry and Commerce (ACFIC)	Several Opinions on Supporting and Guiding Outbound Investment and Cooperation of Non-Public Enterprises
2007	State Forestry Administration (SFA), MOFCOM	A Guide on Sustainable Management and Utilization of Overseas Forests by Chinese Enterprises (voluntary)*
2008	MOFCOM, MOFA, SASAC	Notice on Enhanced Management of Foreign Investment and Cooperation by Chinese Enterprises
2008	State Council	Administrative Regulation on Contracting Foreign Projects
2009	SFA, MOFCOM	A Guide to Sustainable Management and Utilization of Overseas Forests by Chinese Enterprises (voluntary)*
2009	MOFCOM, Ministry of Housing and Urban-Rural Development (MOHURD)	Measures for the Administration of Competence for Contracting Foreign Construction Projects
2010	MOFCOM, China Export and Credit Insurance Corporation	Notice on Strengthening Risk Prevention in Destinations of Outbound Economic and Trade Cooperation

2010	MOFCOM, MOFA, NDRC, Ministry of Public Security (MPS), SASAC, SAWS, ACFIC	Provisions on the Safety Administration of Overseas Chinese-funded Enterprises and Institutions and their Personnel
2010	MOFCOM	Overseas Security Risk Early Warning and Information Release System for Foreign Investment Cooperation
2011	MOFCOM, MOFA, SASAC, ACFIC	Guidelines for the Management of Employees of Overseas Chinese-funded Enterprises (Institutions)
2012	MOFCOM	Guidelines for Safety Management for Overseas Chinese-funded Enterprise Organizations and their Work Personnel
2012	The China Banking Regulatory Commission	Green Credit Guidelines (voluntary)*
2012	MOFCOM, State Council Information Office, MOFA, NDRC, SASAC, National Bureau of Corruption Prevention, ACFIC	Opinions on Cultural Development in Chinese Overseas Enterprises
2012	SASAC	Interim Measures for the Supervision and Administration of Overseas Investment of Central Enterprises
2012	China International Contractors' Association	Guide for Chinese International Contractors (voluntary)*
2013	MOFCOM, SAWS, MOFA, NDRC, MOHURD, SASAC	Notice on Inspection into Safe Production by Chinese-funded Enterprises Overseas
2013	MOFCOM, Ministry of Environmental Protection	Guidelines for Environmental Protection in Foreign Investment and Cooperation (voluntary)*
2013	SASAC	Interim Measures for Emergency Response Management by Central Enterprises
2013	MOFCOM	Provisions on Regulating Competitive Behaviours in the Fields of Foreign Investment Cooperation
2013	MOFCOM, MOFA, MOHURD, Health and Family Planning Commission, SASAC, SAWS	Emergency Response to Accidents in Foreign Investment and Cooperation
2013	MOFCOM, MOFA, MPS, MOHURD and others[xxxiv]	Measures for Bad Credit Records in the Fields of Foreign Investment Cooperation and Foreign Trade (for Trial Implementation)
2013	MOFCOM	Notice on Strengthening the Classification Administration of Persons Stationed Abroad for Foreign Investment Cooperation
2014	MOFCOM	Guidelines for Intellectual Property Rights of Overseas Enterprises (for Trial Implementation)
2014	MOFCOM	Measures for Overseas Investment Management
2014	China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters	Guidelines for Social Responsibility in Outbound Mining Investments (voluntary)*

Source: Selected from CAITEC, SASAC and UNDP (2015) The Sustainable Development Report on Chinese Companies Overseas.

* Voluntary/advisory guidelines only, not official regulations.

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[i] Chinese Academy of International Trade and Economic Cooperation (CAITEC), Research Center of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the United Nations Development Programme (UNDP) China (2015) 2015 Report on the sustainable development of Chinese enterprises overseas. Beijing.

[ii] CAITEC *et al.* (2015); see i above. There was a double-digit increase year on year in the value of contracts secured and completed by Chinese companies between 2006 and 2014.

[iii] Gutman, J *et al.* (2015) Financing African infrastructure: can the world deliver? The Brookings Institution, Washington DC.

[iv] These studies include: Bernasconi-Osterwalder *et al.* (2012) Chinese outward investment: an emerging policy framework. IISD (International Institute for Sustainable Development), Winnipeg, Canada; Leung, D *et al.* (2013) Environmental and social policies in overseas investment: progress and challenges for China. World Resources Institute (WRI), Washington, DC; and CAITEC *et al.* (2015); see i above.

[v] For example: Compagnon, D and Alejandro, A (2013) China's external environmental policy: understanding China's environmental impact in Africa and how it is addressed. *Environmental Practice* 15(03) 220–227 and CAITEC *et al.* (2015); see i above.

[vi] Weng, X (2015) Recognising informality in the China-Africa natural resources trade. IIED, London.

[vii] Other sectors included transportation, fishing and hospitality.

[viii] 'Senior management' refers to country directors, deputy directors, CEOs and equivalent job titles; 'mid-level management' refers to department directors, division managers and equivalent job titles; 'project-level management' refers to project managers; 'other positions' denote administrative staff, assistants and technicians.

[ix] The wide range is owing to the inclusion of both small private businesses and large infrastructure projects employing a substantial number of local construction labourers and Chinese technicians.

[x] CAITEC *et al.* (2015); see i above.

[xi] Aldoo, R and Hess, S (2015) Non-Interference 2.0: China's evolving foreign policy towards a changing Africa. *Journal of Current Chinese Affairs* 44(1) 107–139.

[xii] Xinhua Net (23 September 2013) China publishes bad credit trial regulation in the area of foreign trade and investment. See: http://news.xinhuanet.com/fortune/2013-09/23/c_117472747.htm

[xiii] The researchers of this study were unable to access this blacklist online.

[xiv] The forestry sector is omitted here, as none of the interviewees in the study worked in that sector.

[xv] The two policies considered in the graph are: *Notice on Strengthening the Administration of Work Safety of Overseas Chinese-Funded Enterprises* (issued by MOFCOM, SASAC, MOFA, SAWS in 2005) and *Provisions on the Safety Administration of Overseas Chinese-funded Enterprises and Institutions and Their Personnel* (issued by the State Council in 2005).

[xvi] The Chinese Economic and Commercial Counsellor's Office is MOFCOM's overseas branch, subordinated under Chinese embassies in the host countries, with a mandate to communicate with relevant ministries, implement economic and aid projects, and help Chinese businesses in the host country.

[xvii] Sauvant, K and Nolan, M (2016) China's outward foreign direct investment and international investment law. *Journal of International Economic Law* 18(4) 893–934.

[xviii] See, for example: Rotberg, R 'What are the consequences for Africa of China's economic slowdown?' Lecture at Africa Research Institute, 18 November 2015. Audio and key points at: www.africaresearchinstitute.org/event/5-november-event-what-are-the-consequences-for-africa-ofchinas-economic-slowdown/

[xix] United Nations Economic Commission for Africa (2013) African Governance Report. Oxford University Press, Oxford.

[xx] Global Integrity (2011) The global integrity report: 2011. Washington DC. See: www. right2info.org/resources/publications/publications/globalintegrity-report-2011

[xxi] The World Bank. Doing Business. See: www.doingbusiness.org/rankings

[xxii] Olivier de Sardan, JP (1999) A moral economy of corruption in Africa? *The Journal of Modern African Studies* 37(1) 25–52.

[xxiii] Statement on Quality, Health, Safety and Environment (QHSE) Policies, from an SOE interviewee.

[xxiv] WWF Uganda (2015) Assessing Uganda's energy and natural resource sector. Kampala, Uganda.

[xxv] CAITEC *et al.* (2015); see i above.

[xxvi] With some exceptions; see, for example: International Rivers (2015) Environmental and social policies and practices of Chinese overseas hydropower companies. In: *Benchmarking the Policies and Practices of International Hydropower Companies*. Berkeley, CA.

[xxvii] 'Engineering, procurement and construction' (EPC) is a common form of contracting arrangement for very large projects within construction, energy and extractives sectors. In an EPC contract, the proprietor (in this case, usually the African government) selects a head contractor (a Chinese construction company) who manages the entire project on behalf of the proprietor. The EPC contractor coordinates all design, procurement and construction work, and ensures that the project is completed as required by the proprietor.

[xxviii] CAITEC *et al.* (2015); see i above.

[xxix] Brautigam, D (2015) Will Africa feed China? Oxford University Press. Also see Weng, X (2015) book review: Will Africa feed China? www.chinadialogue.net/books/8331-Book-Review-Will-Africa-feed-China-/en

[xxx] CAITEC *et al.* (2015); see i above.

[xxxi] Page, J (7 September 2014) Foreign investment rules relaxed for China firms. *The Wall Street Journal*. See: www.wsj.com/articles/china-relaxes-rules-forforeign-investments-1410102390

[xxxii] See, for example, Brautigam (2015).

[xxxiii] Industry categorized according to ISIC Rev. 4 by United Nations Statistics Division. See: http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=27

[xxxiv] General Administration of Customs, State Administration of Taxation, State Administration for Industry and Commerce, General Administration of Quality Supervision, Inspection and Quarantine, State Administration of Foreign Exchange.

China's business engagement in developing countries has grown rapidly in the past decade through direct investment, contract projects and trade. This discussion paper explores the role that Chinese policies and guidelines play in governing Chinese companies overseas, through the experiences and perceptions of representatives in those companies.
We present the key findings of fieldwork in Mozambique, Kenya and Uganda during August–September 2015, including a survey and interviews with fifty-eight Chinese personnel working for Chinese companies in these locations. What emerges is a picture of a complex governance environment affecting the companies' social and environmental behaviours — in which Chinese policies play only a small role.

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