

## The Social Responsibility Pressure of Chinese Enterprises Participating in the “Belt and Road” Strategy and Cracking

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**Abstract:** The “One Belt, One Road” strategy has brought great opportunities for Chinese companies to “go global”, but they should not underestimate the difficulties and problems they encounter. Some successful cases in which Chinese-funded enterprises participate in the “One Belt, One Road” strategy can be seen that fulfilling social responsibility has become an important breakthrough and entry point for investment success. Most Chinese-funded enterprises are still unclear and unsure of how to implement corporate social responsibility in the countries along the “Belt and Road”. To this end, Chinese-funded enterprises must comprehensively examine the significance and role of social responsibility in participating in countries along the “Belt and Road”, starting with improving social responsibility standards and building public service platforms, fulfilling social responsibilities and improving investment results.

### 1. Introduction

The implementation of the “Belt and Road” strategy will not only help China strengthen economic exchanges with countries along the route, but also build a “bigger, broader and higher” cooperation platform for Chinese enterprises to “go global”. However, the “One Belt, One Road” strategy focuses on peaceful development, cooperation and win-win, and aims to create a community of interests of mutual trust, economic integration, cultural inclusion, and a community of destiny, and propose new requirements, new tasks, and new hopes for Chinese-funded enterprises to invest. . Therefore, it is undoubtedly an important stepping stone and a guiding stone for Chinese-funded enterprises to invest in countries along the “Belt and Road”.

### 2. Investment of Chinese-funded enterprises in countries along the “Belt and Road”

Since China’s initiative to build the “Belt and Road” initiative in 2013, this initiative has achieved important milestones and achieved a major leap from theoretical assumptions to innovative practices. As can be seen from Table 1, from 2015 to 2016, the number of countries investing in non-financial direct investment in the world increased by 9 in China, and the number of overseas enterprises invested increased by 1,429, and the amount of investment increased by 52.11 billion US dollars. The annual growth rate was 14.7%, a year-on-year increase of 44.1%. Among them, the number of direct investment in the countries along the “Belt and Road” increased by 4, and the investment amount in 2016 reached 14.53 billion US dollars, accounting for 8.5% of the total. In 2017, Chinese domestic investors made non-financial direct investment to 6,236 overseas enterprises in 174 countries/regions, with a total investment of 120.08 billion US dollars and a 29.4% drop in investment. Among them, 59 along the “Belt and Road” The countries invested in non-financial direct investment, with an investment of US\$14.36 billion, down only 1.2% year-on-year. Although the investment of Chinese-funded enterprises in the countries along the “Belt and Road” has grown rapidly, the total amount is small, reflecting that participation is not high. Although the reasons are complex, the pressure of enterprises to fulfill their social responsibilities has become an important constraint. In 2017, foreign direct investment flows showed negative growth for the first time, and the scale ranked third in the world. The reason for

the decline was that the Chinese government effectively curbed irrational investment and made our foreign investment structure more reasonable and efficient.

Table 1 Overall foreign investment of Chinese enterprises from 2014 to 2017 and investment in countries along the “Belt and Road”

Years	Corporate overseas investment				Investment in countries along the “Belt and Road”		
	Investment country and region	Total investment amount (100 million US dollars)	Investment growth rate (%)	Number of investment companies (a)	Country and region (a)	Amount (100 million US dollars)	growth rate(%)
2013	156	901.7	16.8%	5090		134	8.2%
2014	156	1028.9	14.1%	6128		136.6	
2015	155	1180	14.7%	6532	49	148.2	18.2%
2016	164	1701.1	44.1%	7961	53	145.3	-2%
2017	174	1200.8	-29.4%	6236	59	143.6	-1.2%

Data source: According to the Ministry of Commerce website foreign investment cooperation country (region) guide

<http://fec.mofcom.gov.cn/article/tjsj/ycjdm/jwtz/201511/20151101190460.shtml>. Relevant data compiled.

The “Belt and Road” has entered a new stage of economic and trade cooperation, and investment has expanded into a wider field. It can be seen from Figure 1 that in the first half of 2002 to 2018, from the scale of investment by Chinese enterprises in the countries along the “Belt and Road”, the main focus is on 100 million to 1 billion US dollars, accounting for 48.7%, followed by 10 million. ~100 million US dollars and 1 billion to 10 billion US dollars, the number of cases accounted for 25% and 15.6% respectively, the number of cases below 100,000 US dollars and more than 10 billion US dollars is very small. From the distribution of industries in the countries along the “Belt and Road”, investment funds mainly flow to manufacturing and information transmission, computer services and software, accounting for 33% and 34% respectively; mining and transportation, warehousing and postal services The industry and the financial sector accounted for an average of 7% each; the real estate, culture, construction, sports and entertainment industries, electricity, gas and water production and supply industries accounted for a relatively scattered<sup>①</sup>. The “One Belt, One Road” initiative has entered the stage of comprehensive cooperation after five years. Chinese enterprises have made certain achievements in investment along the “Belt and Road” countries, and they must continue to form cooperation and development in the fields of infrastructure, energy, and route transportation to Chinese enterprises. There is a lot of pressure on fulfilling social responsibilities.

<sup>①</sup>Wang Huiyao, Miao Lu. Status and Trends of Globalization of Chinese Enterprises [M]/Wang Huiyao, Miao Lu. Report on Globalization of Chinese Enterprises (2018). Beijing: Social Sciences Academic Press, 2018:21.

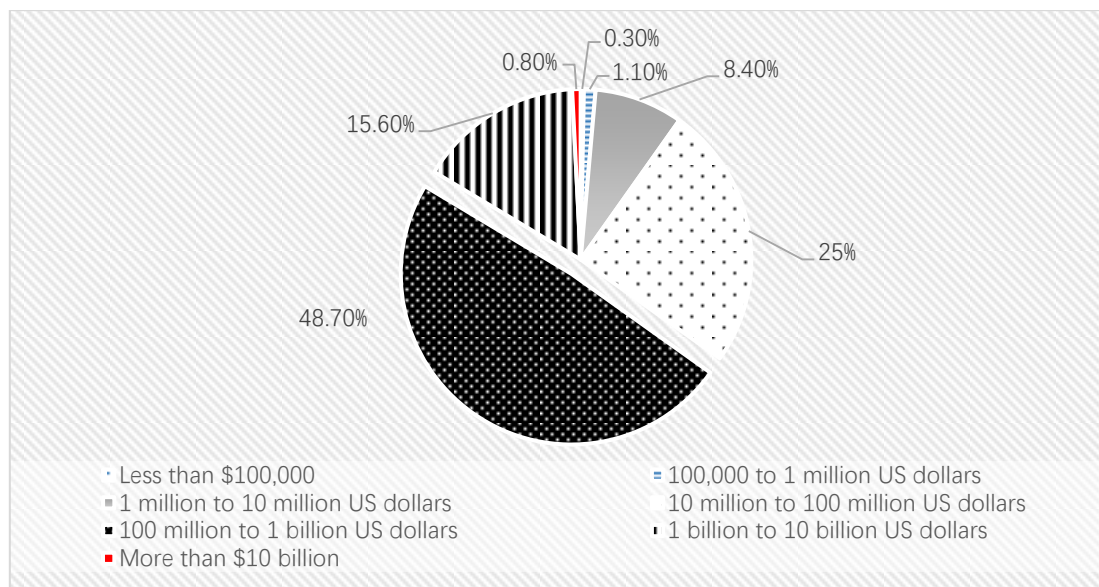


Figure 1 Size distribution of Chinese enterprises along the “Belt and Road” in the first half of 2002-2018<sup>①</sup> (unit: from)

### 3. The social responsibility pressure of Chinese-funded enterprises investing in the “Belt and Road” countries

The so-called CSR refers to the social obligation of the enterprise and its operators to maintain and promote social welfare in addition to the economic responsibility of ensuring the maximization of the interests of shareholders, and to the non-shareholder stakeholders of the enterprise. There are legal and moral obligations. Most countries have a mandatory requirement for CSR in the “corporate citizenship theory” – “responsible iron law”. From the enterprise level, multinational corporations start from the service's own strategy, based on the “stakeholder theory”, take the initiative to assume social responsibility, improve the relationship with local employees, residents, communities and government, thereby enhancing the company's image and realizing the company's long-term Sustainable development goals. Therefore, how to fulfill social responsibility of enterprises has become an important indicator for judging the comprehensive development of enterprises.

As China's CSR legal system and social cognition need to be further improved, coupled with the large differences in the development of countries and regions along the “Belt and Road” and the complex ecological environment, there is a large cultural difference with China, which is full of Chinese-funded enterprises. Risk, stress and resistance. There are many negative reports from foreign media. For example, some Chinese companies plunder resources abroad and damage the environment. Some even say that they are from developing countries.

In the construction of the “Belt and Road”, Chinese-funded enterprises are mainly subject to the following pressures in fulfilling their social responsibilities: First, there are disputes over economic interests, which may easily lead to labor-capital conflicts. For example, some Chinese-funded enterprises are pursuing economic benefits in the process of investing in the “Belt and Road” countries, lowering the labor standards for lowering production costs, paying too low wages for workers in host countries, causing dissatisfaction with employees and trade union organizations. Complaints and even trigger strikes, causing greater losses to the company. Second, cultural differences are large and social risks are difficult to prevent. There are large gaps between China's religious culture, customs, policies and regulations along the “Belt and Road” countries, which are prone to cultural and social risks. For example, some Chinese-funded enterprises initially did not pay attention to fulfilling CSR in Pakistani development projects, faced with more doubts,

<sup>①</sup>Global Think Tank (CCG) database: <http://www.ccg.org.cn/Event/View.aspx?Id=10314>.

accusations, and even forced to close. Third, the investment in environmental protection is not enough, and the protection of local resources is limited. On the one hand, Chinese-funded enterprises bring capital, technology and development opportunities to the “Belt and Road” and local residents. On the other hand, due to the limited financial resources and technical support of Chinese-funded enterprises in environmental and resource protection, the local resources and environment are insufficient protection. Fourth, the concept of labor protection and corporate product liability lags behind, and business integrity is lacking. Some Chinese-funded enterprises do not have to sign labor contracts with local employees due to improper management methods or low quality of corporate managers. The wages for local employees are lower than those of domestic employees, and employees are not expected to strike. This conflicts with local labor protection regulations, which led to bankruptcy. Some Chinese-funded enterprises have been forced to close by the local government because of the poor quality of the products provided and the reduction of corporate credibility.

#### **4. Successful experience of Chinese-funded enterprises participating in the “Belt and Road” construction with social responsibility**

Although there are many pressures for Chinese-funded enterprises to participate in the “One Belt, One Road” strategy as mentioned above, some Chinese-funded enterprises in China have gradually increased their awareness of social responsibility in participating in the “One Belt, One Road” strategy, and actively implemented a community of interests and responsibility with the host country. The concept of the community and the community of destiny, actively assume the social responsibility of the host country, and initially achieve the win-win and even win-win effects of the enterprise and the host society. Some experiences are worthy of summarization and promotion.

First, pay attention to the needs of host countries and promote the spirit of social service. As a pioneer in the solar photovoltaic industry in Pakistan, ZTE Energy has established a solar energy industry development system in Pakistan. The project selection for improving people's livelihood in Pakistan is in line with local needs and can solve the urgent need for Pakistani people to lack electricity. Huawei uses its own professional advantages, relying on technological innovation in its professional fields, paying attention to poor women in remote areas of host countries, and creating a “Ms. Traffic” project in Bangladesh to improve the economic situation of poor women in the region and provide basic services for the local rural population. Communication services, while laying a good foundation for Huawei to open up markets in remote areas of developing countries<sup>[1]</sup>.

The second is to cultivate local talents and promote local employment. ZTE Energy's project in Pakistan implements the strategy of adopting Chinese talents + Pakistani talents to promote local employment and economic development. Take ZTE Energy's 900 MW PV power plant project in Punjab Province as an example. On the one hand, Pakistani employees are sent to domestic power stations for training. On the other hand, Chinese senior technicians provide on-site training for Pakistani workers. More than 3,300 jobs, for the local training a large number of construction, electrical, management personnel. The company also cultivates a large number of power plant maintenance technical engineers for Pakistan at the photovoltaic construction and maintenance site through cooperation with the Pakistan University of Electronics and Technology. After the power station is completed, 80% of the operation and maintenance personnel will use local engineers<sup>[2]</sup>.

The third is to pay attention to environmental protection and reduce environmental pollution. In order to adapt to the local market and promote local economic development, the Huawei Group's French terminal department promoted mobile phone trade-in projects on Earth Day, encouraging consumers to replace new smartphones with old ones. The project aims to reduce the generation of e-waste of mobile phone products, while encouraging consumers' environmental behaviors. The collected mobile phones are used for dismantling or recycling, ensuring zero landfill of mobile phones, reducing CO<sub>2</sub> carbon emissions and reducing environmental pollution.

The fourth is to carry out public welfare activities and fulfill CSR. Public welfare donation is one of the main forms of corporate fulfillment of CSR and is a moral requirement for enterprises. In the legal sense, conducting charitable donations is a voluntary act, and it is the decision of the

company based on its own situation. After the typhoon in the Philippines, Huawei Group made every effort to restore the local network communications that suffered losses due to the disaster, donated money to the Philippine Red Cross, provided financial assistance to the victims, and donated 300 pieces to the victims through the ABS-CBN Foundation. Huawei's mobile phone with SIM card and financial support to the Ayala Foundation (local non-profit organization).

## 5. Several suggestions

It is not difficult to see through the above cases that if Chinese-funded enterprises implement CSR according to the national top-level design and global development trends, it will help to open up markets, build brands and create good results in countries along the “Belt and Road”. The specific recommendations are as follows:

First, we must improve the corporate social responsibility standards and establish a CSR image. In participating in the “Belt and Road” strategy, Chinese-funded enterprises in China should gradually improve their own social responsibility standards and gradually integrate them with international standards. On the one hand, using local employees, implementing “local elements” to promote local employment; on the other hand, we must train and train talents for local people, establish a good social security system for employees, and establish a social responsibility standard system in enterprise management. Integrate into the local society as soon as possible, establish a good image and achieve sustainable development. For example, 1407 companies investing in Africa currently employ more than 110,000 people in the host country, build roads for 218 kilometers without compensation, and donate a total of 55 million dollars for local donations, and 15 schools and 79 hospitals.

Second, we must closely follow the social development needs of the host country and build a CSR brand. When participating in the “Belt and Road” strategy, Chinese-funded enterprises should link their technological and product advantages with the needs of the host country's economic and social development. They should aim at projects that are urgently needed by local governments and try to avoid conflicts with local economic development goals. For example, Kazakhstan's “Bright Road” new economic policy, actively docking and actively integrating into the host country's economic, social and cultural construction projects, take the initiative to assume some social responsibilities and create greater development space and opportunities.

Third, we must create a platform for sharing the economy and innovate a model of social responsibility. Chinese-funded enterprises build an “Internet +” platform, use Internet technologies such as big data to lead the industry, improve the transparency of information and the efficiency of data integration, and give full play to the value-added effect brought by “Internet +” technology to enterprises. At the same time, we will build a resource sharing platform with financial and industrial companies, governments and stakeholders in countries along the “Belt and Road” to seek the greatest common number of cooperation, which will reduce the information cost and transaction risk of enterprises, and take into account the effective integration of local resources. Achieve a win-win situation.

aFourth, we must implement the financing of finance and lead the development of local green industries. “Finance Finance” is an important support for the construction of “One Belt, One Road”. Through financial innovation, it actively deploys investment in key areas such as infrastructure, eco-environmental protection, energy resources, and implementation of financial innovation products such as green credit and green asset securitization. The diversified and integrated green financial service system actively guides and promotes the start and development of the green industry along the “Belt and Road” countries<sup>[3]</sup>. Alibaba and other companies have implemented a number of successful experiences in implementing financial innovation to help the “Belt and Road” strategy, and it is worth promoting gradually.

Fifth, we must give play to the role of NGOs in promoting and supervising corporate CSR implementation. It is necessary to give full play to the positive role of the Foreign Contractors Association in promoting CSR. As of 2009, the Foreign Contractors Association and GIZ jointly launched the CSR Guidelines for the Foreign Contracted Engineering Industry. It is suggested that

in the future, industry associations should incorporate CSR into corporate performance appraisal, thereby improving the quality and credibility of Chinese enterprises' investment in the “Belt and Road” countries.

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