

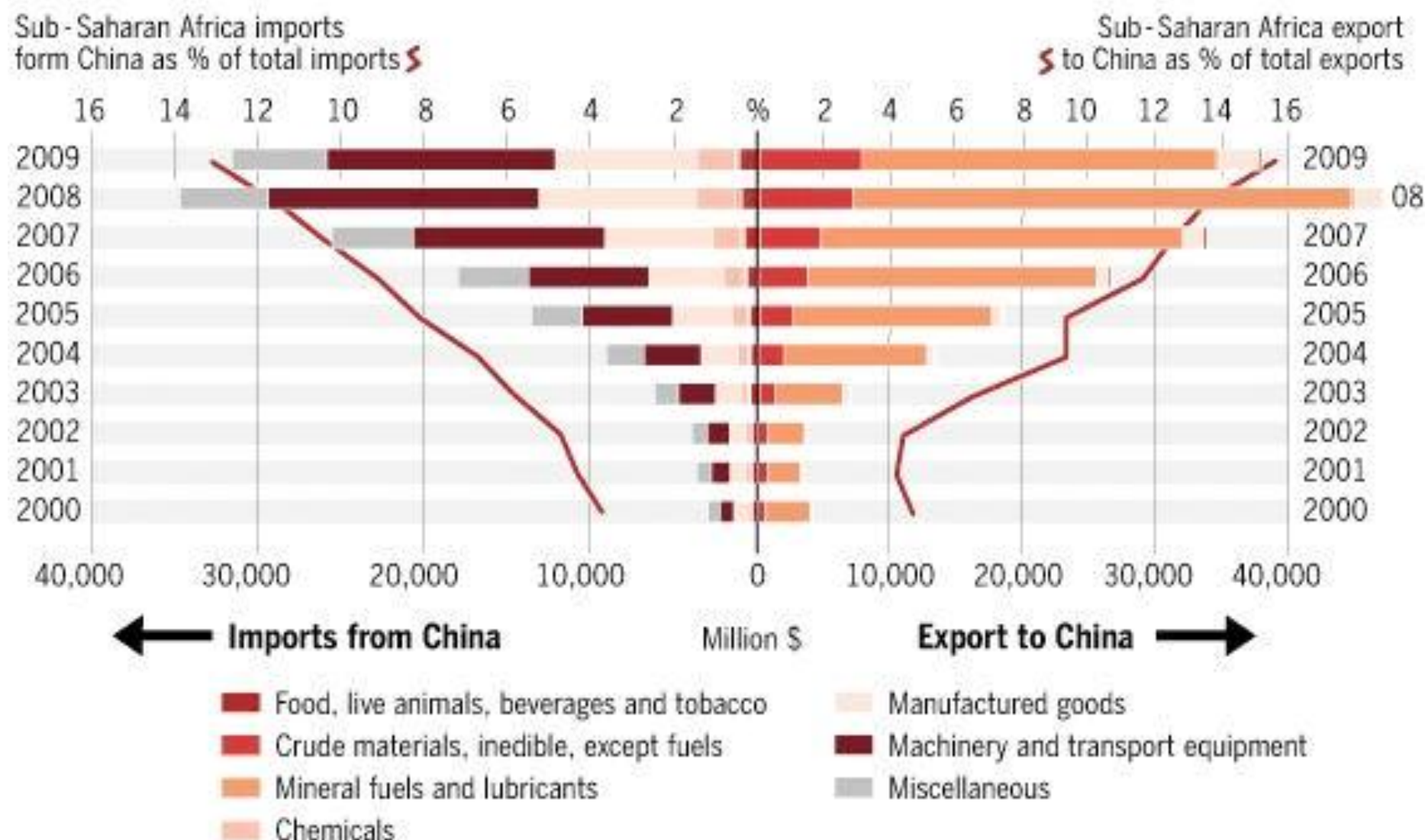
Corporate responsibility of Chinese Business in Africa:

What does it mean for EU-China- Africa cooperation?

Shuaihua Cheng
Head, China/Asia, ICTSD



Sub-Saharan African merchandise trade with China

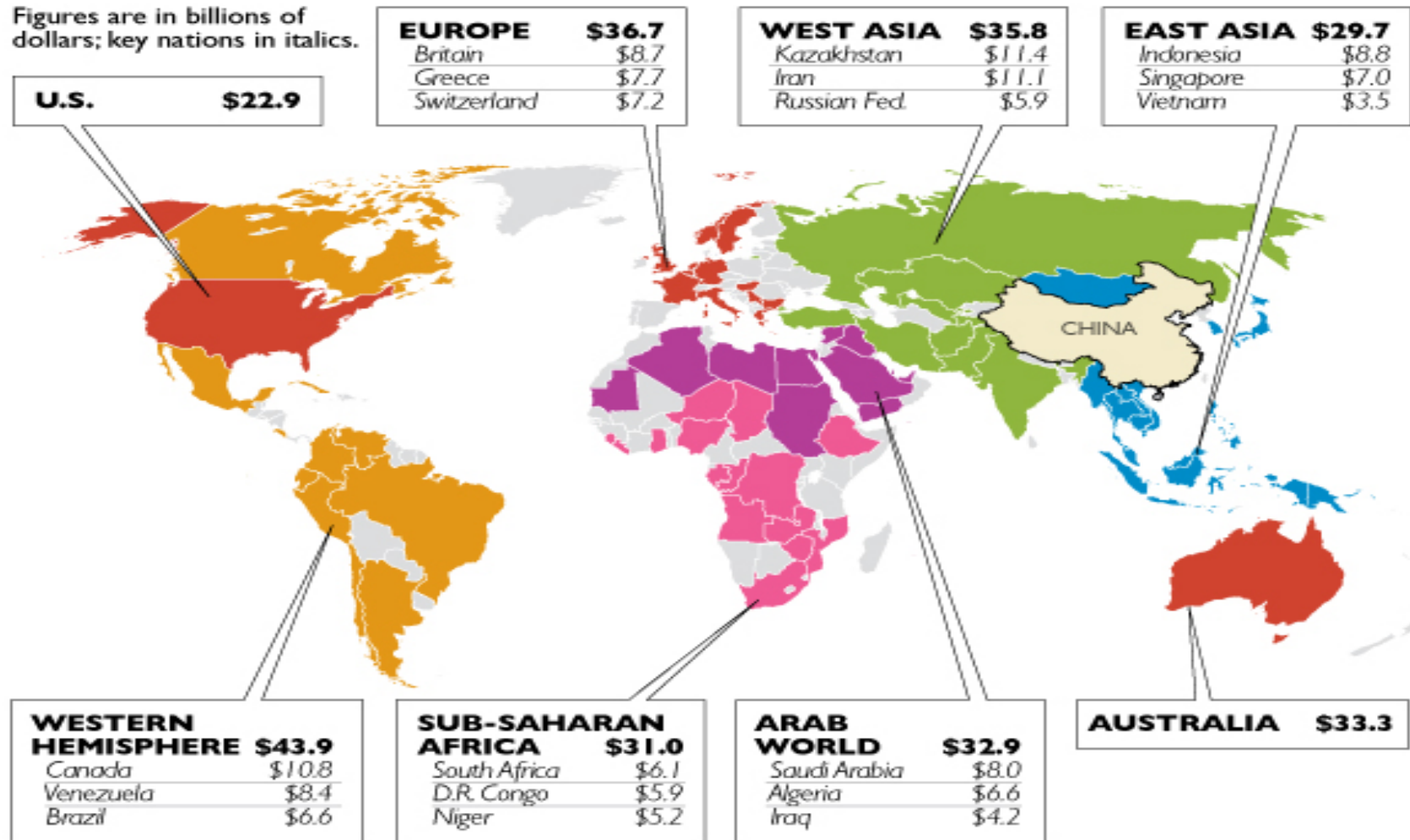


Source: Unctad

China's Worldwide Reach

The United States is second to Australia in drawing Chinese non-bond investment.

Figures are in billions of dollars; key nations in italics.



Source: Heritage Foundation dataset, China's Outward Investment: Non-bond Transactions over \$100 million, from 2005 to June 2010, available upon request from The Heritage Foundation.

1, Role of Chinese investment in Africa becomes increasingly influential.

In the context of re-focusing on 'development effectiveness'

- Soaring investment
- Opportunities and challenges
- Linkages with public policy (aid p/foreign p)

2, there are multiple driving forces behind Chinese outbound investment (ODI) in Africa, which draw on multiple business sectors.

- Resource-seeking
- Market-seeking
- Coalition investment (Angola model; SEZs)

From the demand side point of view...

- Chinese business has its competitive advantages:
 - Low cost technology and skilled labor who are willing to work in difficult environments
 - Group of companies are able to provide end-to-end solutions combining transportation infrastructure, energy generation, resources extraction and refining.
 - Having access to long term capital
 - Project finance without political or governance conditions. (culture of mutual respect)

3, Chinese businesses in Africa are increasingly motivated to recognize corporate social responsibility (CSR)....

- Growing awareness in China's domestic market
- Promotion for CSR by the Chinese Government
- Response to business partners and investors
- Response to local concerns
- Need to address ESG issues with immediate impacts on operations and costs
- Advocacy of successful businesses that would suffer reputation penalties because of fellow companies' scandals

4, Chinese businesses in Africa face acute challenges in addressing CSR issues.

first generation of 'going out' ..

- Lack of **systems** to integrating understanding, capacity and practice of CSR into strategy and management structures.
- Lack of **coordination** between 'long term' vision and 'short term' benefits, that can result in both top leader and local staff not being incentivised to address CSR issues.
- Lack of **experience** in engaging effectively with civil society and media or of creating active community partnership.
- Lack of **appropriate standards**, in particular when compliance with local laws is not enough in situations where states are fragile.

5, opportunities for Africa-EU-China cooperation to improve CSR of Chinese business in Africa.

- **Capacity enhancement** – higher level training
- **Knowledge accumulation** – a case study bank
- **Experience sharing** – EU/BIC MNCs
- **Engagement by sector standards** – international coalition

A platform for CSR of Chinese business in Africa & EU's engagement on this front

2011 ICTSD Bridges China Dialogue (Sept. Geneva)

China Inc. Going Global:

Implications for Sustainable Development

- Generating better understanding of policy environment;
- Improving strategies and practices in Europe and Africa;
- Integrating CSR into internationalization of Chinese business

Comments go to scheng@ictsd.ch

THANK YOU FOR YOUR ATTENTION