Introduction

Since China first embarked on its reform and open policy in 1978, its economy, as well as its role in the global economy and division has undergone dramatic transformation. The greatest changes started in the 1990s, when China increasingly reintegrated into the global capitalist economy and relied on an export oriented or *yinjinlai* "inviting in" strategy, which led to huge amounts of Foreign Direct Investment (FDI) pouring into the country. The influxes of capital, combined with the exploitation of China's rural migrant labour force, resulted in astronomical economic growth rates, averaging 9.1% between March 1992 and December 2019.[1]

However, "inviting in" also created competition between different regions investing in the same industries, which resulted in significant overcapacity in industries such as steel, cement, and aluminium. The Chinese government encouraged moving overinvested productive capacity abroad; overseas investment became seen as beneficial not only for turning idle capacity into revenue but also for earning more foreign currency.[2] This led to the initiation of the *zouchuqu* "Going out" policy in the lead up to China's accession to the World Trade Organisation (WTO).

Since the mid-2000s there has been a significant increase in outbound investment. In 2016 China became the world's second largest source of outbound FDI. Although China's outbound FDI (or Overseas Direct Investment, ODI) seemed to peak in 2016 and was followed by a decline the following year (**Figure 1**) when the Chinese government, seeking greater control, imposed some new restrictions, levels remained significantly higher than a decade earlier.

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[1] In December 2019, a GDP growth rate of 6% was reported, representing a record low for the period.

[2] Au, LY. And Li K. (2011). Preliminary Report on China' s Going Global Strategy: A Labour Environment and Hong Kong Perspective. Globalization Monitor.

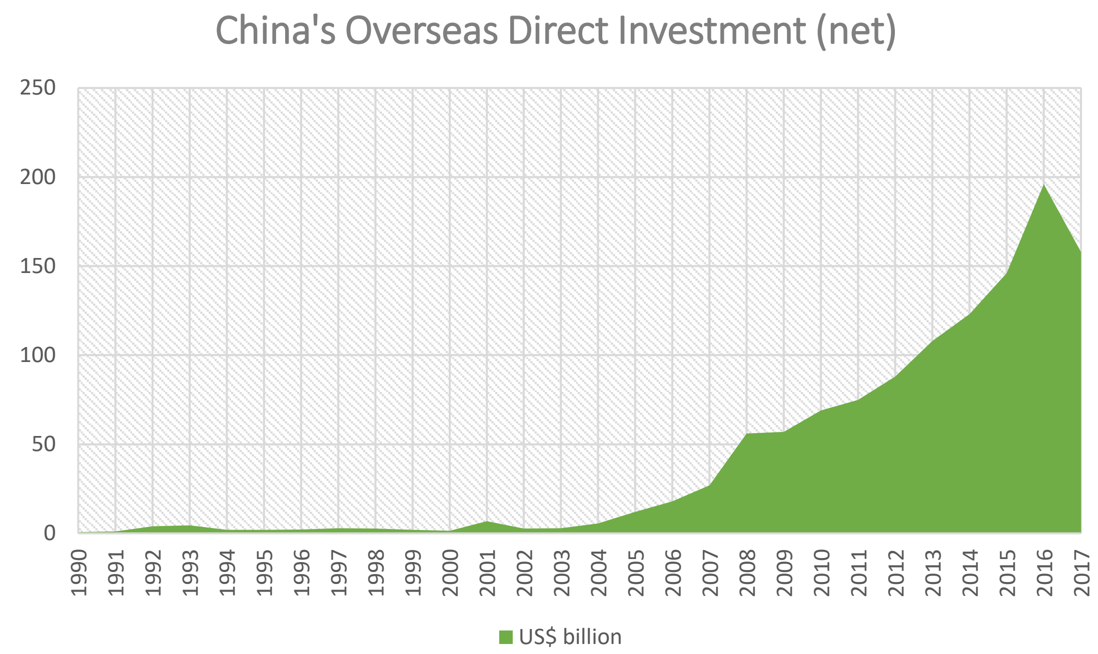

Figure 1. China's net overseas direct investment from 1990 to 2017.

There are several factors driving China's ambitions in expanding investment activities overseas. Besides the ability of ODI to alleviate China's overcapacity production, ODI in overseas energy and raw material resources can provide relief for China's need for energy and raw materials for its economic growth. In developed countries, advanced manufacturing and technological capabilities have been an additional key motivating factor for Chinese investors. There are additional financial incentives, such as greater international use of the RMB and unimpeded trade, as well as geopolitical incentives, such as acquiring assets in strategic regions to allow the country to potentially assert itself in the region.

This report aims to look at some of the key issues that have emerged following the upgrading of the political significance of Chinese overseas investment to the Chinese party-state that was signalled with the launch of Belt and Road Initiative (BRI). After first providing an overview of the types of COI and how it is shaped by the Chinese government, the report then considers two mechanisms that have aided China's investment overseas and its international expansion. It also examines three examples of strategic Chinese companies that have significant overseas investment, and then focuses on China's investments in the Belt and Road regions of Africa, Asia, and Germany. Through this report, we ultimately hope to generate discussion in civil society about the BRI and COI, and to develop tools for environmental protection, the defense of the rights of those negatively impacted, and the search for viable alternatives.

What types of COI are there and how it is shaped by the Chinese government?

There are different types of overseas investments that China is concerned with. These include:

1. Foreign Direct Investment (Inbound)

2. Foreign Portfolio Investment
3. Financial Investment
4. International lending and "aid"
5. Overseas Direct Investment (Outbound)
6. Overseas construction contracts often financed by Chinese banks

Most Chinese overseas investment involves state-owned enterprises (SOEs) initially. While private capital has also been encouraged to invest overseas, SOEs remain a key player in implementing infrastructure projects overseas, and state-owned financial institutions continue to provide significant funding to overseas projects.

The policies of the Chinese government have played a significant role in shaping and guiding the expansion of COI. Prior to 2016, Chinese government regulations were more liberalised, requiring only approval for investments in "sensitive" sectors and "sensitive" countries. However, after 2016, regulations became stricter on offshore remittances of funds, transactions financed by foreign currency loans outside of China and secured by onshore assets and Renminbi funds. Investment in sectors that support production capacity and strengthen high-tech cooperation and cooperation in agriculture was encouraged, whereas investment in sectors that may harm China's national interests, such as real estate, hotels, and military industrial technology was prohibited.

The Belt and Road Initiative (BRI) is a major avenue for outgoing COI. Drawing on the legacy of the ancient Silk Road, the BRI's aim is to develop trade and infrastructure networks designed "to uphold the global free trade regime and open world economy in the spirit of open regional cooperation".[3] The BRI has five major goals:

1. To create policy coordination, intergovernmental cooperation, and coordination of economic development strategies and policies
2. To improve infrastructure and facilities connectivity through establishing a infrastructure network connecting all the sub-regions of Asia, and between Asia, Europe, and Africa
3. To remove trade and investment barriers between countries
4. To deepen financial cooperation by building a currency stability system, investment and financing system, and credit information system in Asia
5. To promote cultural and academic exchanges in BRI countries

By the end of 2018, non-financial investment by Chinese enterprises in BRI countries had grown to US$15.64 billion, and China had listed 84 countries as part of the BRI. Such investment has been going into the construction of trade and infrastructure networks, ports, power stations, oil and gas pipelines, railway lines, roads, bridges, telecommunications and

[3] Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road. National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the People's Republic of China. March 2015.

agriculture, as well as the development of coal, oil, gas, hydropower, nuclear, wind and solar power (**Figure 2**).

Figure 2. Six major economic corridors of the Belt and Road Initiative. *Image: HKTDC*

The BRI is a flagship project of the Xi Era. It is politically prioritised, having been included in the Resolution of the Third Plenum of the 18th Central Committee of the CCP since it was first announced. It also is an exercise which promotes China through its claiming of a legacy and construction of a vision for a globalized world in which China plays a critical part. It is important to understand the BRI as one of China's international economic and political strategy, with a view of limiting potential human and ecological harm. This report thus places more weight on COI in BRI countries and regions, although it recognises that the expansion of COI is of global importance.

Mechanisms that Aid COI

1. Institutions

Many Chinese banks and financial institutions are responsible for providing loans to finance infrastructure investments in BRI, and thus are important for initiative's viability. These include policy banks, Chinese state-owned commercial banks, state-backed investment funds, and other multilateral institutions initiated by China.

Policy banks are financial institutions founded to support China's economic goals. These banks have been the leading institutions in support of Chinese overseas investments and "going out" strategy. The China Development Bank is one such policy banks. It raises capital by issuing bonds to institutional investors and foreign markets[4] and has been a major lender

[4] Provaggi, A. China Devlopment Bank' s financing mechanisms: focus on foreign investment. Global Projects Center.

supporting development and infrastructure projects domestically and internationally. The CBD has supported BRI projects such as the Hong Kong-Zhuhai-Macau Bridge and the Shykment Oil Refineries Project in Kazakhstan. Another policy bank is the Export-Import Bank of China (Exim), which is the “designated institution to implement the Chinese Government Concessional Load and Buyer’s Credit.” Major projects Exim has helped finance include the Jujuy Photovoltaic Power Plant in Argentina, as well as the China Railway Express that transports freight from Central Asia to Europe.

Other financial institutions financing BRI projects include the fully commercial banks like the Bank of China and the Industrial and Commerical Bank of China, state-backed investment funds like the Silk Road Fund[5] and the Green Ecological Silk Road Fund, private banks like the Maritime Silk Road Bank.[6] Overseas banks such as HSBC and Standard Chartered and multilateral institutions such as the Japanese-led Asian Infrastructure Investment Bank, and the New Development Bank are also expected to be a potentially significant source of financing for BRI projects, and Chinese companies are expected to benefit significantly from contracts related to their lending.

These banks and institutions have their own social responsibility and environmental protection guidelines. The China Banking Regulatory Commissions (CBRC) Green Credit Guidelines require all banking institutions to comply “effectively identify, measure, monitor, and control environmental and social risks associated with the credit activity.”[7] Chinese authorities have also set other guidelines requesting Chinese entities to abide by local laws and regulations. However, mechanisms for monitoring and enforcing compliance with such guidelines remain very weak, formal grievance mechanisms are lacking, and public oversight is limited due to lack of disclosure about project information. Thus, it is imperative to monitor the social and environmental impacts of the projects financed by such institutions.

2. Hong Kong

Hong Kong is another mechanism that aids the expansion of Chinese overseas investment. It has long played a critical role in mainland China’s development strategies and facilitated its global economic rise. In the late 1980s, as mainland China’s domestic market reform deepened and central control was gradually relaxed, a lot of “window companies” of mainland companies were set up in Hong Kong. In the 1990s, investment continued to pour into Hong Kong as the Chinese government promoted outbound FDI to Hong Kong, and Chinese provincial governments brought shell companies and floats in the Hong Kong stock market. Roundtripping of investments, where Chinese capital is sent to Hong Kong so it can re-enter China as FDI and receive the preferential treatment afforded to foreign capital, was also and continues to be a significant phenomenon. By 1993, China had become the number one investor in Hong Kong, with investment amounting to US $20 billion.

In 2003, Hong Kong and mainland China signed the Closer Economic Partnership Arrangement (CEPA), a free trade agreement. The agreement and its subsequent supplements

[5] Silk Road Fund. Overview. http://www.silkroadfund.com. cn/enweb/23775/23767/index.html [Accessed 4th November 2020]

[6] Shang, HP. The Belt and Road Initiative: Key Concepts. 2019. pp 99-100

[7] CBRC. Green Credit Guidelines. 2012. China Banking Regulatory Commission. http://www.cbrc.org.cn/ EngdocView.do?docID=3CE646AB629B46B9B533B1D8D9FF8 C4A

promote the reduction and elimination of tariffs, the liberalization of trade in services and the promotion of trade and investment facilities. This made Hong Kong a good location for mainland Chinese companies to gain access to capital and investors.[8] Today, mainland Chinese companies represent a significant proportion of all companies listed in Hong Kong. At the end of 2019, there were 1,231 mainland Chinese enterprises listed on the Hong Kong stock market, including private enterprises, “H share”[9] and “Red Chip”[10] companies. Between them, these companies had a total market capitalisation of about US$3.4 trillion, or 73% of the market total.[11]

Hong Kong will continue to be an important tool in Chinese capital growth, having been designated a role by China’s National Development and Reform Commission (NDRC) in its Vision and Action plan for the BRI.[12] In December 2017, Hong Kong Chief Executive Carrie Lam signed an agreement with the NDRC on “Advancing Hong Kong’s Full Participation in and Contribution to the Belt and Road Initiative.” Along with Macau and nine other cities in Guangdong province, Hong Kong will become part of the “Greater Bay Area,” earning a GDP of US$4.62 trillion by 2030 and consolidating its status as an international finance, trade, transportation and offshore Renminbi hub.

However, Hong Kong’s inclusion in the Great Bay Area has not been popular for various reasons. Firstly, there was the close relationship to Hong Kong’s political elites to the BRI; former Hong Kong Chief Executive, Leung Chun-ying, had begun to heavily promote the BRI while being director of two companies related to those development plans. Secondly, one of the megaprojects related to the Greater Bay Area – the very exclusive[13] Hong Kong Zhuhai-Macau Bridge (HZMB) not only went overbudget, but also ran into numerous controversies during its construction, caused harm to the environment and resulted in the deaths of ten construction workers. The HZMB is the latest in a string of Chinese white elephant projects unwanted by Hong Kong people that enforces the jurisdiction of Beijing and its law enforcement agencies despite being on Hong Kong soil.

In 2019, growing resentment around increased political control by Beijing culminated in the emergence of the anti-extradition bill movement and significant political unrest. Interestingly, protestors targeted mainland Chinese capital, where the business had expressed support for the government. Thus, a connection was made between mainland China’s growing political influence and the activities of mainland Chinese capital in Hong Kong. Unfortunately, most of the movement’s demands, which included the re-emergence of the call for universal suffrage, went unanswered.

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[8] Yim, S. Economic and Trade Information on Hong Kong.

[9] H-shares are a type of company owned by mainland entities or individuals connected with the Chinese government and traded on the Hong Kong stock market. One such example is Tsingdao Brewery Company.

[10] Red Chip companies are companies that are incorporated outside of mainland China and controlled by mainland government entities, and include major Chinese SOEs, such as China Mobile, Lenovo Group Ltd and COSCO SHIPPING Ports Ltd.

[11] Yim, S. Economic and Trade Information on Hong Kong.

[12] Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road.National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the People’s Republic of China. March 2015.

[13] A special permit is required to drive across the bridge, with a limit of 10,000 private car permits imposed and only to be issued to those with financial or political contributions on the mainland. See Su, XQ. Hong Kong’s bridge to Zhuhai to allow 7,000 extra cars to cross after ‘overwhelming demand for permits. 12th December 2017. South China Morning Post. https://www. scmp.com/news/hong-kong/economy/article/2124010/hong-kongs-bridge-zhuhai-allow-7000-extra-cars-cross-after [Accessed 16th November 2020]

Case studies of 3 Key Chinese Companies

As previously mentioned, the Chinese government has increasingly been promoting and guiding the expansion of investments and related activities by Chinese companies overseas. Here, we provide a very brief summary to three companies that have been significant in this regard and which have played an important role in the BRI. We also discuss their investment activities and associated problems.

1. COSCO

COSCO Shipping is a marine transportation and terminal operation multinational conglomerate. It operates one of the world's largest container fleets, and as of April 2020, the Corporation had invested in 59 terminals all over the world.

COSCO shipping is one of China's 96 Central SOEs under the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC). Some main strategic functions of COSCO Shipping are: to expand trade and infrastructure networks, to aid Chinese companies to invest and access market overseas, and to guarantee transportation and importing of natural resources to China.

COSCO Shipping Ports is a notable subsidiary of COSCO Shipping that is important to the BRI. In the recent years, the subsidiary has made significant investments in overseas terminals in strategic locations around the world (**Table 1**).

Table 1: Overseas acquisitions and shareholding of COSCO Shipping Ports.

COSCO Shipping Ports Overseas' Acquisitions	Country	Shareholding (%)
Antwerp Gateway NV	Belgium	20
APM Terminals Zeebrugge	Belgium	85
Busan Port Terminal Co., Ltd.	Korea	4.89
COSCO-PSA Terminal Private Ltd.	Singapore	49
CSP Chancay Terminal	Peru	60
Euromax Terminal	The Netherlands	35
Khalifa Port Container Terminal 2	Abu Dhabi	90
Kumport Terminal	Turkey	26
Port of Pireaus Terminal	Greece	100
Suez Canal Container Terminal S.A.E.	Egypt	20
SSA Terminals (Seattle Terminals), LLC	USA	13.33
Vado Reefer and Container Terminals	Italy	40
Valencia Terminal	Spain	51

The Port of Pireaus in Greece has been one of the most notable COSCO Shipping acquisition (**Figure 3**). This investment is seen as significant due to its integration into the BRI, China's plans for the port's rapid expansion and China's pursuit of turning it into the major container hub of the Mediterranean.

Figure 3. The port of Pireaus (Greece). Photo: Globalization Monitor

However, the port's privatization and acquisition has been concerning from a labour rights perspective. In 2018, Globalization Monitor visited the Port of Pireaus and spoke with the trade unionists and activists about the acquisition of the port and how labour conditions had been affected since COSCO had taken over part of the port's operations. One problem that was raised was the lack of discussion and dialogue; a trade unionist had only learned of the sale of the port from the Chinese media. Trade unionists also reported anti-union activity, deteriorating working conditions, inadequate health and safety training procedures resulting in accidents, difficulties negotiating collective bargaining agreements, as well as the problem of decisions being made far away in China.

2. CCCC

China Communications Construction Company (CCCC) is the largest port construction and design company in China.[14] CCCC has been highly involved in a significant number of

[14] CCCC. Introduction. China Communications Construction Company Ltd. http://en.ccccltd.cn/aboutcompany/ introduction/. [Accessed 20th January 2019]

infrastructure projects overseas. It has also been described as the BRI's "biggest builder."[15] To facilitate its overseas activities, the company has established more than 240 branches, research institutes, and service hubs in 118 countries and regions. Between 2014 and the end of 2018, it signed overseas contracts worth US$170 billion.[16] In BRI countries, it participated in more than 1600 projects by April 2018.[17] In 2018, the total assets of CCCC were worth about RMB 922 billion. Like COSCO, CCCC is also a central state-owned enterprise and governed by the SASAC.

The scale of CCCC's overseas operations and international presence is perhaps worrying however, given the exceptionally high number of corruption and malpractice scandals related to its overseas activities. For example, in the East Coast Rail Link Project in Malaysia, which was estimated to have cost US$20 billion, CCCC ran into problems of corruption, overspending, and landed Malaysia in a huge debt to China. In Pakistan, the CCCC-constructed project of Gwadar Port led to the displacement of local communities, separatism, and regional instability.

3. Sinopec

China Petrochemical Corporation (中国石油化工集团有限公司) or Sinopec Group is a giant petroleum and petrochemical enterprise group. It is the world's largest oil and gas company, with revenues of more than US$430 billion in 2019. Like COSCO and CCCC, Sinopec is also a central state-owned enterprise and governed by the SASAC.

Since China became the second largest oil consumer in the 21st century. This made securing China's energy supply the mission of Sinopec's overseas operations. Consequently, the Middle East became the first destination for overseas investment.[18] In recent years, Sinopec has continued to expand rapidly overseas, with the BRI providing further investment opportunities for Chinese oil companies. By the end of 2017. Sinopec Group had implemented or acquired 17 oil and gas cooperation projects in 10 BRI countries.[19]

One of the projects is Caspian Investment Resources Ltd. (CIR) in Kazakhstan. Originally owned by Russian company LUKOIL, CIR has five oil and gas projects in Kazakhstan. In 2010, Originally owned by Russian company LUKOIL, CIR has 5 oil and gas projects in Kazakhstan. In 2010, one of Sinopec's overseas subsidiaries acquired 50% stakes in CIR with around US$1.408 billion.[20] Its output in 2013 was approximately 1.02 billion barrels, and the

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15 Prasso, S. A Chinese Company Reshaping the World Leaves a Troubled Trail. 18th September 2018. https://www.bloomberg.com/news/features/2018-09-19/a-chinese-company-reshaping-the-world-leaves-a-troubled-trail [Accessed 10th November 2020]

16 Zhong, N. Construction giant CCCC aims to expand its global presence. 4th December 2018. China Daily. https://www.chinadaily.com.cn/a/201812/04/ WS5c05e394a310eff30328ee34.html [Accessed 10th November 2020]

17 参考消息. 出海记｜ 1600 多"一带一路"项目助中交建提升全球话语权, 24th April 2018. http://www.cankaoxiaoxi.com/finance/20180424/2263022.shtml. [Accessed 10th November 2020]

18 Anonymous. 继续竞标伊朗油田中石化"盯紧"中东能源, 搜狐, February 3, 2004. http://business.sohu.com/2004/02/03/17/article218881704.shtml. [Accessed 13th June 2019]

19 Anonymous. 【改革开放 40 年·国企轨迹㉕】中国石化：因改革而发展 在改革中壮大, 中国石油化工集团公司, December 19, 2018. http://www.sasac.gov.cn/n4470048/n8456886/ n9847297/n9906617/c10025731/content.html. [Accessed 13th June 2019]

20 Its full name is Tiptop Energy (BVI) Corporation, which was established on September 30, 2009 and is registered in the British Virgin Islands. It is wholly owned by Tiptop HK. The latter is registered in Hong Kong and wholly owned by Sinopec International Petroleum Exploration and Production Limited. Both Tiptop BVI and Tiptop HK are mainly engaged in investment holding. (Source: http://finance.sina.com.cn/stock/t/20130325/010014935300.shtml) [Accessed 13th June 2019]

proved total oil and gas reserves were approximately 72.2 million barrels.[21] In 2014, Sinopec Corp agreed to buy the remaining 50% stakes for US$1.2 billion. Sinopec bought the remaining 50% stakes for US$ 1.086 billion in 2015. [22]

Sinopec's operations have encountered and posed significant problems. Corruption has been a major issue for the Sinopec Group, with some executives suspected and then jailed for graft[23] and the company being suspected of US$100 million of bribes paid to Nigerian officials. As an oil conglomerate, the Sinopec Group's activities pose significant environmental risks. In South Sudan, where Sinopec is part of Dar Petroleum Operating Co.,[24] one of two major consortiums that operate there, the oil industry has caused severe environmental damage by leaving hundreds of open waste pits and contaminating the soil and water with toxic chemicals.[25] This is believed to significantly affect the health of residents. Workers for the Sinopec group have also sometimes faced lax safety standards and violations of their rights. In 2013, Sinopec subsidiary SSEC Canada Ltd. was fined CAD $1.5 million in workplace safety liability after the deaths of two temporary Chinese workers in 2007 at an oil sands construction site.[26]

COI in Africa

China's investment in Africa began in the 1950s. While investment initially was framed around a narrative of aid and "third world solidarity," China has since taken an interest in Africa in relation to its resources, markets, and diplomacy. Trade and investment have grown substantially; the number of Chinese companies operating in Africa increased from 800 in the mid-2000s to 10000 in 2019.[27] China has also been involved in financing and constructing a significant number of infrastructure projects in various countries throughout Africa.

A lot of China's investment in Africa has gone into resource and energy access, infrastructure construction, and manufacturing. Access to resources has been one important driving factor. Exports to China were still most in the form of natural resources as of 2015, with crude oil, iron ore, diamonds and agricultural products comprising 56.5% of imports from Africa in the first three quarters of 2015.[28]

At the same time, China has also shifting its labour-intensive industries to Africa to export its excess capacity. It does so through developing infrastructure, either directly

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21 Anonymous. 中石化实现对里海资源完全控股, CGGT 走出去智库, August 27, 2015. http://www.cggthinktank.com/2015- 08-27/100074377.html. [Accessed 13th June 2019]

22 何清. 中石化无奈超高价位收购哈萨克油田, 21 世纪财经, August 21, 2015. https://m.21jingji.com/article/20150821/herald/485faf6c0cd45a0f6f905d661e1c233e.html. [Accessed 13th June 2019]

23 China uncovers abuse of power, nepotism at Sinopec. 7th February 2015. Reuters. https://www.reuters.com/article/ china-corruption-sinopec/china-uncovers-power-abuses-nepotism-at-sinopec-idUSL4N0VH03L20150207 [Accessed 10th November 2020]

24 CNPC, another Chinese oil giant, has the largest share in the consortium (41%).

25 Mednick, S. South Sudan buries reports on oil pollution, birth defects. 13th February 2020. Associated Press. https://abcnews.go.com/International/wireStory/south-sudan-ignores-reports-oil-pollution-birth-defects-68955924 [Accessed 10th November 2020]

26 Cryderman, K. Sinopec unit fined $1.5-million over deaths at Alberta oil sands project. 24th January 2013 https://www.theglobeandmail.com/report-on-business/industry-news/the-law-page/sinopec-unit-fined-15-million-over-deaths-at-alberta-oil-sands-project/article7823202/ [Accessed 10th November 2020]

27 Wasserman, H. South Africa and China as BRICS Partners, Media Perspectives on Geopolitical Shifts. 2015. Journal of Asian and African Studies; Feng, E. and Pilling, D. The other side of Chinese investment in Africa. 27th March 2019. The Financial Times. https://www.ft.com/content/9f5736d8-14e1-11e9-a581- 4ff78404524e [Accessed 4th November 2020]

28 BWI. Chinese MNCs in Africa. Building and Woodworkers International. 2016.

through construction or indirectly through providing enhanced infrastructure to support exports and manufacturing. By 2018, China was financing one in five infrastructure projects in Africa and constructing one in three.[29]

Chinese companies have also increasingly been setting up factories and investing in manufacturing in African countries. One example is the Huajian group, one of the world's largest manufacturers of women's shoes. It has been operating since 2011 in Ethiopia's Eastern Industrial Zone. Having opened a second factory outside of Addis Ababa in 2016, Huajian has since expanded its investments. In 2019, the company signed an agreement to operate Ethiopia's Jinma Industrial Park, promising to invest US$100 million to construct shoe manufacturing and coffee processing plants and to encourage other Chinese companies to set up in the industrial park.[30]

Investment in industrial parks and Special Economic Zones (SEZs) have been a notable strategy for investment (both resource seeking and manufacturing) in Africa promoted by the Chinese government. Because the SEZs had played an important role in China's own economic "miracle," China has also been promoting their establishment overseas. Presented as a way to boost the economic development in the countries concerned, these zones would also increase demand for Chinese machinery, improve infrastructure, thereby benefiting trade and exports, and provide tax and other incentives for Chinese companies to invest. Since 2006, six SEZs were approved in eight Africa countries. However, these zones have experienced different (and often limited) degrees of success.[31]

Loans are also a major form of Chinese capital flow to Africa. Many have gone to financing major infrastructure projects often contracted to Chinese companies. Loans are often resource-backed and while they may be "interest free" they may carry other charges and fees that amount to interest.[32] One of the ways Chinese loans work is called the "Angola model." In the 2000s, China identified Angola as a major supplier of oil, and when Angola was in desperate need of rebuilding functioning infrastructure after a civil war, China made an agreement with it where Angola accepted oil-backed credit from China's Eximbank for construction of such infrastructure. Because of the oil, China benefitted,[33] but the agreement left Angola without enough oil to sell on the open market for cash, which triggered an inflation spike. It also meant that in the 2008 financial crisis, Angola had to borrow money to make up the difference that it owes, resulting in debt.[34] Recent loans to Ghana and Guinea

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[29] Marais, H, and Labuschagne, JP. China' s role in African infrastructure and capital projects. 22nd March 2019. Deloitte. https://www2.deloitte.com/us/en/insights/industry/public-sector/china-investment-africa-infrastructure-development. html# [Accessed 4th November 2020]

[30] Xinhua. Chinese firm signs agreement to manage Ethiopian industrial park. 31st May 2019. http://www. xinhuanet.com/english/2019-05/31/c_138103636.htm [Accessed 4th November 2020]

[31] China' s Economic Zones in Africa: Lots of Hype, Little Hope. 20th August 2015. https://www.chinafile.com/library/ china-africa-project/chinas-special-economic-zones-africa-lots-hype-little-hope [Accessed 4th November 2020]; Rise and stall: China' s stepping stone to nowhere. 8th April 2015. African Business Magazine. https:// africanbusinessmagazine.com/uncategorised/rise-and-stall-chinas-stepping-stone-to-nowhere/ [Accessed 4th November 2020]

[32] Lee, C. K. The Specter of Global China pp.47-48

[33] Sun, Y. China' s Aid to Africa: Monster or Messiah? 7th February 2014. Brookings. https://www.brookings. edu/opinions/chinas-aid-to-africa-monster-or-messiah/ [Accessed 6th November 2020]

[34] Olander, E. China' s infrastructure model is changing. Here' s how. 14th January 2020. The Africa Report. Accessed 6th November 2020 https://www.theafricareport.com/22133/ chinas-infrastructure-finance-model-is-changing-heres-how/ [Accessed 6th November 2020]

has also posed similar debt risks, with one report pointing out that the repayment schedule would demand a rapid increase in bauxite production and refining.[35]

One example of a project that has attracted Chinese investment has been the Mombasa-Nairobi Standard Gauge Railway in Kenya. The Railway was part of the East-African Railway Master Plan, which was a project aimed at rejuvenating and extending existing rails in Tanzania, Kenya, and Uganda.[36] The project was seen as strategically significant by Chinese officials. In May 2914, Chinese Prime Minister Li Keqiang and Kenyan President Uhuru Kenyatta signed the financing agreement to fund the railway. The total cost was US$3.81 billion, and the Export-Import Bank of China would provide 90% of the financing. China's State councillor Wang Yong said that the railway would play an important role in promoting BRI in Africa.[37] For Kenya, the railway would significantly reduce travel time between Mombosa to Nairobi. And in the first 17 months of operation, the railway has attracted 2 million riders. However, the railway has been criticised for subjected to corruption and bribery during its construction and bidding process,[38] and it was exposed that Kenyan employees in the project faced discrimination from Chinese counterparts.

Chinese Investment in Asia

While increased Chinese overseas investment in Africa has received much more attention, the growth of China's economic activities in Asia have also become increasingly notable for their potential political implications and for the way that they have been reshaping the lives of ordinary people and threatened the environment.

In addition to the general incentives and reasons for promoting overseas investment set out in Part One of this report, there are some incentives for expanding investment and related activities that are specific to Asia. For one, lower wages (including lower minimum wages) and other benefits in some countries when compared with China have been additional factors that make investing in developing countries in Asia more attractive to Chinese companies.

Perhaps more significantly, however, regional geopolitical interests and a desire to establish itself as a dominant power in the region in the face of rival competitors such as the US and Japan, may also be considered a motivating factor for establishing closer economic relations and encouraging some countries to increasingly rely on China. China vies for political and economic influence in Asia. Its attempts to establish itself as a regional hegemonic power are increasingly evident, not only through its aggressive strategies in the South China Sea, but also through its economic and investment activities.

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[35] Nyabiage, J. How Chinese loans can become 'perilous pitfalls' for Africa. 8th March 2020. https://www.scmp.com/news/china/diplomacy/article/3073993/how-chinese-loans-can-become-perilous-pitfalls-africa [Accessed 6th November 2020]

[36] 吕强. 蒙内铁路助力肯尼亚经济发展, 人民日报, November 12, 2018. http://paper.people.com.cn/rmrb/html/2018-11/12/nw.D110000renmrb_20181112_4-21.htm.

[37] 新华社. 习近平主席特使、国务委员王勇出席肯尼亚蒙内铁路通车仪式, May 31, 2017. http://www.xinhuanet.com// politics/2017-05/31/c_1121064853.htm. [Accessed 6th November 2020]

[38] Freytas-Tamura, Kimiko. 中资建造的天价铁路， 肯尼亚人感叹太疯狂, 纽约时报中文网, June 9, 2017. [Accessed 6th November 2020] https://cn.nytimes.com/world/20170609/ kenyans-fear-chinese-backed-railway-is-another-lunatic-express/; Akwiri, Joseph. Kenya charges three Chinese railway workers with bribery, Reuters, November 26, 2018. https:// www.reuters.com/article/us-kenya-china-crime/kenya-charges-three-chinese-railway-workers-with-bribery-idUSKCN1NV1TI [Accessed 6th November 2020]

One significant form of investment that has grown in terms of value in Asia is China's FDI. According to official statistics, the value of China's FDI stock in Asia increased from US$447 billion at the end of 2013 to US$1.3 trillion at the end of 2018. Leading recipient countries of Chinese FDI in Asia (outside of Hong Kong) include Singapore, Cambodia, Myanmar, South Korea, and Pakistan. The significance of Chinese FDI flow to Asia varies by region and country, and even though by global comparison, the amounts received may be small, for some countries, Chinese FDI may still account for a significant proportion of all FDI received.

China's overseas investment in infrastructure are viewed as a way to gain the capital to meet the development aims of the respective country's government. The Thai government, for instance, has sought Chinese investment and integration with the BRI for its Eastern Economic Corridor development plan. Under this plan, Thailand hopes to attract US$46 billion in foreign investment (not only from China) for development of transportation infrastructure and in strategic industries, in return for additional corporate and personal income tax privileges.[39] China is also expected to be a key financier in Duterte's "Build, Build, Build" infrastructure project in the Philippines, as well as many bridge and road projects in Cambodia despite of rising concern from civil society about adverse impacts.

Some adverse impacts include violation of labour rights in Chinese companies and in Chinese invested operations. Many workers were sent by unlicensed agencies and labour brokers,[40] and many have faced exploitation at the hands of the companies or dispatch employment agency. In 2017, for instance, Malaysian media reported that Chinese migrant workers working on the construction of the Forest City project in Malaysia were facing wage arrears and had not been provided with the proper work visas after being cheated by agents in China to whom they needed to repay huge loans.[41] Tensions have also emerged where the local population have felt that Chinese workers were being employed at the expense of the employment of local workers. Land use and environmental degradation are also problems. The Sino-Myanmar pipeline project has also been met with opposition from local communities due to negative impacts on livelihoods and inadequate compensation for loss of land. In the Batang Toru rainforest on Sumatra in Indonesia, the development of a US$1.6 billion hydroelectric dam has raised concerns due to the threat it poses to the habitat of the endangered Tapanuli orangutan and the Sumatran tiger.

Debt and occupation have been another significant impact on countries due to Chinese investment. Some loans by Chinese banks to overseas countries are backed by natural resources, a notable example being oil, meaning that the country may be required to pay off the debt using the resource, regardless of the domestic need. The same is true of infrastructure as in the case of the Hambantota Port in Sri Lanka. Only China was willing to

[39] Ongdee, S. (2016). Thailand's Eastern Economic Corridor the New Great Hope: The Nation Columnist. The Straits Times. [online]. https://www.straitstimes.com/asia/se-asia/ thailands-eastern-economic-corridor-the-great-new-hope-the-nation-columnist [Accessed 18. Dec. 2018].

[40] Chan, A. (2011). Hired on Sufferance: China's Migrant Workers in Singapore. China Labour Bulletin.

[41] Kow, G. C., and Wong, A. (2017). Broken Dreams-The Plight of Forest City Migrant Workers. Malaysiakini [online]. Available from: https://m.malaysiakini.com/news/381555 [Accessed 19. Dec. 2018].

finance the project.[42] Critics argued that China's consideration of the port was geopolitical rather than economical—the new port could become its strategic foothold and navy base in the Indian Ocean.[43] Financed by the Exim Bank of China and constructed by China Harbour Engineering Company (CHEC) and Sinohydro,[44] the port ended up being an economic disaster. It was unable to attract passing vessels, and by the end of 2016, the port's total losses had reached 304 million USD.[45] In an attempt to pay off its debts, a new Sri Lankan government entered negotiations with China. In the end, Sri Lanka agreed to hand over the Hambantota port to China Merchants Port Holdings Co., Ltd on a 99-year lease.[46]

Chinese Investment in Germany

Germany has been one of the major and most appealing recipients of Chinese overseas investment amongst European countries. As China has sought to expand international connectivity and transportation routes to Europe as part of the BRI, Germany has been integrated as a destination for trains departing from China to Europe. Between 2000 and 2015, Germany received a cumulative total of EUR7,905 million in Chinese FDI.[47]

Chinese companies have made investments in Germany because of its advanced manufacturing capabilities. Germany has been seen as a location from which China might not only benefit from acquisition of industrial assets but also from the related advanced knowledge and expertise. Other related reasons include Germany's leading international position and competitiveness, the ability to open up access to other European markets, as well as the good reputation of the "Made in Germany" label.[48] Related to these aims, the most important sectors for Chinese FDI in Germany have been automotive and industrial equipment, renewable energy, consumer products, and finance and transport services. The majority of these investment in Germany take the form of acquisitions (**Table 2**), which accounted for 82% of Chinese FDI in 2015,[49] because it allowed for quick entry into the market and rapid acquisition of knowledge and assets.

Table 2: Examples of recent notable Chinese acquisitions in Germany

Year	Acquisition

[42] Hillman, Jonathan. Game of Loans: How China Bought Hambantota, CSIS, April 2, 2018. https://www.csis.org/ analysis/game-loans-how-china-bought-hambantota. [Accessed 10th November 2020]

[43] Abi-habib. How China Got Sri Lanka to Cough Up a Port, The New York Times, June 25, 2018. https://www.nytimes. com/2018/06/25/world/asia/china-sri-lanka-port.html. [Accessed 10th November 2020]

[44] Sri Lanka Ports Authority. Development of Port in Hambantota. https://web.archive.org/web/20100306074012/ http://www.slpa.lk/port_hambantota.asp?chk=4. [Accessed 10th November 2020]; Koh King Kee. 斯里兰卡汉班托塔港问题的真相, 北京周报, September 29, 2018. http://www.beijingreview.com.cn/ shishi/201809/t20180929_800143048.html. [Accessed 10th November 2020]; Anonymous. 中交建签署汉班托塔港口工程二期合同, 一财网, January 4, 2011. https://www.yicai.com/news/643947.html. [Accessed 10th November 2020]; 沈秋. "一带一路"项目 汉班托塔港连接东西方的航运中心, 中国网, April 19, 2017. http://ydyl.china.com.cn/2017-04/19/ content_40649949.htm [Accessed 10th November 2020]

[45] Koh King Kee. 斯里兰卡汉班托塔港问题的真相

[46] Abi-habib. 2018.

[47] This is actually a decline in position from second place if only data from 2000-2014 is included. See Hanemann, T. and Huotari, M. (2016). A new record year for Chinese outbound investment in Europe. Mercator Institute for Chinese Studies and Rhodium Group.

[48] Bian, SW. and Emons, O. (2017). Chinese investments in Germany: increasing in line with Chinese industrial policy. In: Chinese investments in Europe: corporate strategies and labour relations. Edited by Jan Drahokoupil. European Trade Union Initiative. Brussels.

[49] Hanemann, T. and Huotari, M. (2015). Preparing for a new era of Chinese capital.

2011	Lenovo acquired a 51% stake for US$900 million in technology and consumer electronics company Medion.
2012	Weichai Power acquired a 25% stake in truck maker KION for 738 million euros. At the time it was China's largest direct investment in Germany.
2014	AVIC Systems (a subsidiary of aerospace and defence conglomerate AVIC) acquired automotive systems manufacturer Hilite International for 473 million euros.
2015	China's Zhongding Sealing Parts Co. Ltd acquired a 100% share in injection moulder company Wegu Holding GmbH for 95 million euros.
2016	China National Chemical Corporation (ChemChina) acquired a two-thirds stake in machinery manufacturer Kraus-Maffei for 925 million euros. At the time it was the largest Chinese acquisition of a German company.
2016	Beijing Enterprises Holding Limited acquired 100% of waste management comp`any EEW Energy from Waste for 1.4 billion euros. The acquisition was agreed only a few weeks after the acquisition of Kraus-Maffei.
2016	Investment group Fosun International Ltd. acquired 99.91% of equity interest in private bank Hauck & Aufhäuser for 210 million euros
2017	Midea acquired a 94.55% stake in robot manufacturer Kuka for 4.5 billion euros.
2017	Biotest Pharmaceuticals agreed to a 1.3 billion takeover deal by China's Create Group Corp.
2017	China's HNA Group acquired a 700 million euros (3.04%) stake in Deutsche Bank AG. Later that year it was revealed that HNA's stake had risen to just under 10%.
2018	China's Geely Group acquired a 7.3 billion euros (9.7%) stake in Daimler – the biggest Chinese investment in a global automobile manufacturer to date.

Because Germany is seen as a country of such key importance for Chinese investment, Globalization Monitor visited Germany for two weeks in November 2018 to learn from works council members, trade unionists, and other activists and experts about their experiences related to Chinese investment. We visited two locations: 1) North Rheine-Westphalia,[50] an early industrial area with a rail route terminal and where Chinese companies have been acquiring manufacturing plants (**Figure 4**); and 2) Hamburg, a city with many European headquarters of Chinese companies and where a new container terminal built and operated by Chinese companies was planned.[51]

[50] Our visit took us to several cities including Cologne, Bochum, Düsseldorf, Duisburg and Monheim am Rhein.

[51] Hamburg Marketing At home in the world. Hamburg Marketing. https://marketing.hamburg.de/internationality.html [Accessed 10th November 2020]

Figure 4. View from the Alsumer Berg in Duisburg Marxloh: the North Rhine-Westphalia area was an early industrial centre. Photo: Globalization Monitor.

In North Rheine-Westphalia, we met with the representatives from works council and trade unions associated with four companies with different ownership types that had been acquired by Chinese investors (**Table 3**). There, representatives communicated to us the difficulties workers faced with regards to company acquisition and lack of communication between new owners and work councils, workforce reduction, shifts in production to locations with cheaper costs, lack of works council participation in company decision making, cultural differences, language and cultural barriers between local employees and new Chinese management, and barriers in understanding democratic decision-making, local laws, and workers rights.

Table 3: Four North Rheine-Westphalia companies, their ownership type, and their workforce reduction since Chinese investment acquisition.

Company	Ownership Type	Original Workforce	Workforce in 2018	Workforce Reduction (%)
A	SOE	270	220	-18.5
B	Private mainland Chinese capital	N/A	350 (280 permanent and 70 contract workers)	N/A
C	Private mainland Chinese capital	700	200	-71.4
D	Hong Kong capital	594	480	-19.3

In Hamburg, a very different story appeared to be unfolding. Hamburg port is the largest port in Germany and the third largest in Europe. Handling 8.9 million TEUs of containers in 2016, it ranked 17th globally in terms of the volume of container throughput.[52] Despite its significance in Europe and globally as a major transportation and logistics hub, Hamburg port has been shrinking in size in terms of land used for port activities and volume of cargo handled. However, in 2017, Hamburg Port Authority opened a competition to develop part of the port (**Figure 5**). Shanghai Zhenhua Port Machinery (ZPMC) Germany GmbH and its parent Chinese company, China Communications Construction Company (CCCC) won the competition. CCCC would be responsible for all the construction work, thereby gaining greater control over the constructed terminal and its operation. Concerns related to the Chinese construction and operation of the port include: a loss of local jobs, lack of a democratic and transparent construction and bidding process, potential salary reduction, poor workplace conditions, Chinese occupation of the port (see the case of the Hambantota Port in Sri Lanka), and lack of revenue circulation back to the local economy. The lack of resistance from local trade unions also made it difficult to challenge problematic labour aspects of Chinese investment in the port of Hamburg.

Figure 5. The proposed site for the new container terminal in Hamburg. Photo: Globalization Monitor.

Chinese investments in developing countries have been criticised for their potential adverse impacts on labour, local people, and the environment. Our research shows that

[52] World Shipping Council Top 50 World Container Ports. World Shipping Council. http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports [Accessed April 15th 2019]

investments in Western countries in Germany can be no less problematic, despite the different nature of the investments and its impacts caused by differences in economic and political situations. Comparing and sharing experiences related to Chinese investment between countries can be greatly beneficial to those who are affected.

Conclusion and Recommendations

BRI opportunities have been presented as “win-win” situations. Overseas governments and political leaders have often welcomed Chinese investment opportunities if they view it as politically and economically advantageous. Some even using the BRI to affirm their own vision or legacy.

But are such wins guaranteed? The BRI and Chinese investments are clearly designed to be advantageous to China itself. Chinese overseas investment certainly increases profits (including that of major state-owned companies), but it also allows for geopolitical gain and long-term economic benefits such as market access and access to technological advancements.

There is evidence that Chinese investments often do not constitute a “win-win” for the local governments or ordinary people in the countries concerned. Problematic areas include treatment of local people, workers (local and Chinese) and the environment; corruption; high costs and debt. These problems are not unique to Chinese investment, but they are significant for a number of reasons: because of the speed at which China has transformed itself into a global economic superpower, and how its overseas investments are guided, controlled, and given signifcant political weight by the party state to various degrees.

Despite the Chinese government having a number of non-binding guidelines to Chinese companies investing overseas for better labour practices and adherence to local laws, mechanisms to enforce them are lacking. Lack of job creation for local workers, differing treatments concerning wages and benefits, language and cultural misunderstandings, as well as exploitation of overseas Chinese workers themselves are critical labour issues tied to Chinese overseas investment. Poor labour standards are by no means unique to Chinese investment, but there are unique challenges to building international solidarity among workers to resist Chinese capital and labour exploitation overseas, especially since the only trade union in China is a state organ and China itself has advocated for limiting the influence of overseas unions to maintain an attractive environment for Chinese investors.[53]

Chinese overseas investment has also been the cause of environmental issues such as pollution, destruction of habitats and natural resource depletion, as well as the displacement of local people from their livelihoods and homes. Chinese projects have posed risks to biological diversity – threatening 91,222 protected areas and 265 endangered species.[54] And while Chinese companies have frequently faced fines for environmental damage, this means very little in an area where the harm done could potentially be long-term or irreversible.

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[53] Hu, WJ. Myanmar should regulate labor unions to help attract more Chinese investment. 27th February 2017. Global Times. http://www.globaltimes.cn/content/1034995.shtml [Accessed 16th November 2020]

[54] Urban, F. and Nordensvard, J. (2014). China Dams the World: The Environmental and Social Impact of Chinese Dams, E-International Relations.

Similarly, despite the Chinese government repeatedly stating its commitment and issuing guidelines and regulations for environmentally sustainable investment and advancing clean energy, such as the Guidelines for Environmental Protection in Foreign Investment and Cooperation from 2013, the exploration and development of coal, oil, gas, and minerals infrastructure has increased as part of BRI.[55] These are energy sources that have significant adverse environmental impacts, contributing to global warming.

Like companies from many other countries, Chinese companies have been frequently accused of corruption related to their overseas activities. Nevertheless, the scale and lack of transparency and corruption related to some Chinese companies is particularly notable.[56] Debt has also been an adverse result of countries taking Chinese (especially resource-backed) loans; many have not been able to repay them, and as a result, has either landed in huge debt like Angola, or have had to lease out port infrastructure to China for an extended period of time, like Sri Lanka.

In view of these challenges Chinese overseas investment poses to people and the environment, what might civil society organisations and affected interest groups do to counteract, improve, or limit adverse effects of the investment? And what might be done to help defend the rights and interest of workers and local populations in recipient countries? In the table below (**Table 4**), we provide a non-exhaustive list of suggested starting points and questions to consider. These are not solutions but potential areas to apply pressure to advocate for change and improvement, to initiate further exploration and discussion with a view for actions being taken on the ground.

Table 4: Starting points and questions for civil society organisations in advocating for improvements in COI projects.

Prior to agreement/ investment/commencement of a project	**Post commencement of a project**	**Upon completion of a project**
• Host countries of Chinese investment should insist on terms ensuring protecting good labour conditions for all workers and the provision of skills training for local workers as part of investment agreements and project tenders. Can local civil society lobby governments in host countries to ensure this?	• Legal Redress: Have there been violations of local laws? What are the mechanisms to hold companies accountable? • Supply Chains: How do the Chinese companies (especially in manufacturing) fit into global supply chains? Can buyer and consumer pressure have an impact	• Is the investment useful and is it having a positive impact on local communities? Is any infrastructure constructed being used? • Are there any negative impacts on local communities and the environment?

[55] Jiang, F. Saudi Arabia joins CPEC with an investment of USD 10 bln. 26th September 2018. Xinhua Silk Road Information. Service. https://eng.yidaiyilu.gov.cn/qwyw/ rdxw/67201.htm [Accessed 19th December 2018].

[56] Makortoff, K. China slammed as EM firms accused of 'pathetic transparency levels. 11th July 2016. CNBC. https:// www.cnbc.com/2016/07/11/china-slammed-as-em-firms-accused-of-pathetic-transparency-levels.html [Accessed 23rd November 2020]

• Will the project create well paid decent jobs locally? Where workers will be hired from China, can steps be taken to ensure that this is carried out in accordance with local laws and regulation, and can these workers be provided with information to help them integrate with local communities and with knowledge of their legal rights and how to protect them? • Will the project have a positive impact on local communities and society? • Will the project harm the environment? Have meaningful and valid Environmental Impact Assessments been carried out and are steps being taken to protect the environment? If the project will cause potential harm, is it possible to ensure widespread awareness of this and build a campaign against the project? • Lending institutions: which organisations will be financing the project? What are their environmental and social impact criteria? Is it possible to put pressure on lending institutions to increase minimum standards of social responsibility? • Is it possible to reach out to other communities affected by similar	on overseas activities, especially as Chinese brands become more well-known? • Lending institutions: is the project meeting their social and environmental commitments? Are they aware of any violations or malpractices? • Worker organising: are there trade unions or community organisations that might be able to support workers? Are the affected workers already members of a trade union? If so, how supportive is it being? Is it possible to contact/support / build links between local and imported Chinese workers? • International solidarity: While the problem of a lack of freedom of association and a genuine union in China makes solidarity between workers' organisations in mainland China and recipient countries more challenging, can international solidarity and worker exchanges be built between workers in different overseas countries affected by Chinese investment (and could this include workers in HK)?	• Are there mechanisms to report or put a halt to any damage being done? • Have those promised compensation received it in full and are they satisfied with the situation? If not can further support be provided to remedy any problems? • Might experiences with this investment or project be useful to other groups facing similar projects in mitigating any adverse impacts? Is it possible to make this information available?

investment and learn from their experiences? • Can relevant laws, regulations and grievance mechanisms governing the project be mapped out?		