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The potential of corporate environmental responsibility of Chinese State-Owned Enterprises in Africa[1]

May Tan-Mullins[2] and Giles Mohan[3]

Abstract: Drawing upon empirical data collected in China and Africa, this article evaluates Chinese overseas corporate social responsibility strategies and their effectiveness in mitigating environmental impacts in parts of Africa. China's enhanced role within the global economy has profound environmental implications for the world. In particular, China has rapidly expanded its environmental footprint in Africa, largely because of its burgeoning economic presence through trade and aid projects such as infrastructure and public works. These large-scale projects, commonly managed by State-Owned Enterprises (SOEs), tend to be in sectors that are environmentally sensitive such as oil and gas exploration and construction of major infrastructure. At the international level, global financial institutions along with growing pressure from civil society organisations are encouraging China to demonstrate a commitment to addressing the environmental impacts of its overseas projects. At the domestic level, growing awareness of such issues has generated an emerging trend of Chinese entities promoting and adopting Corporate Social Responsibility (CSR) initiatives. These moves seek to improve the environmental and social impacts of Chinese overseas investments. However, research has shown that the outcomes of Chinese overseas CSR strategies (particularly in environmental protection) vary widely due to the operating procedures of the Chinese SOEs in combination with specific local political and social structures. In general environmental protection is weak and so there is a need for the Chinese and African governments to create a legislative and institutional framework to address Chinese investment in Africa especially in the area of natural resource extraction. But what is more important is that CSR should become a tool of empowerment and provide a platform for the stakeholders' negotiation and wider public participation in environmental issues arising from Chinese investment in Africa.

Keywords: *Africa, China, environment, corporate social responsibility, power, stakeholder.*

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[2] Associate Professor, Division of International Studies, University of Nottingham Ningbo China.
[3] Professor of International Development, Development Policy and Practice Group, Open University UK

Introduction

China's insatiable appetite for natural resources to fuel its domestic growth and satisfy its energy needs has left an unparalleled and deepening footprint on the world's environment (Liu and Diamond, 2005; Mol, 2011). Shortages of domestic commodities and global oil price spikes have led China to increasingly turn to resource-rich regions such as Africa and central Asia. Given the scale and strategic importance of these resource deals much of the effort has fallen to Chinese SOEs and the larger private TNCs. In turn these firms tend to invest in large scale projects where the environmental impacts are more detrimental, particularly in sectors such as mining and hydropower. Yet there are very few detailed case studies analysing the environmental outcomes of Chinese SOEs' practices in Africa.

China's reinvigorated entry into Africa was initially greeted with scepticism by many analysts in the West (Carroll 2006, Bennett 2007) although as better data have emerged the picture is more mixed with a range of winners and losers (Power *et al*, 2012). Moreover many natural resources are often located in fragile ecosystems and in countries with weak governance. Thus, some observers state that "China risks exporting its domestic environmental track record to other parts of the world through its foreign investment strategy. Its domestic environmental policies may even encourage China's worst polluters to relocate their production to regions such as Africa" (Bosshard 2008, 3). At the same time, many African commentators noted with trepidation the environmental degradation of China's own landscape and resources, and expressed serious concerns about an uncritical acceptance of Chinese development initiatives in Africa (Rupp, in Rotberg, 2008, 75).

Encouraged by the Chinese state's 'going-out policy', many SOEs and major private enterprises from mainland China, such as Huawei and ZTE Technologies, invest and operate in Africa. This paper examines the case of Chinese SOEs' Corporate Social Responsibility (CSR) strategies around the environment, particularly the extent to which there is a slippage between the stated goals of China's emergent CSR efforts and the actual practices on the ground in Africa. To undertake such an assessment requires two analytical movements along the lines suggested by Haglund (2008; 2009) who focuses on the relations between Chinese corporate actors and the political contexts of recipient states in Africa. In short to understand the potential and actual effects of Chinese CSR requires us to examine the evolution and meaning of these strategies within China and then to track whether, how and why there is any disjuncture between the stated aims and their actual implementation. First, as Alden (2007) argued, we need to assess China's domestic factors which drive its SOEs' overseas practices. Second, we need to understand the local contexts in which Chinese SOEs engage since Foreign Direct Investments (FDI) and CSR are conditioned by these socio-political structures. To address these issues the article proceeds as follows. First, a theoretical framework encompassing CSR and political ecology will be provided in which CSR in the Chinese context and performance by the SOEs will be discussed. We will then assess how Chinese CSR is carried out in an overseas context, focusing on our case studies of Ghana and Angola, and its environmental outcomes. We conclude that although the outcomes of Chinese overseas CSR strategies (particularly in environmental protection) vary widely due to the specific local political and social structures, CSR should become a tool of empowerment and provide an additional platform for the stakeholders' negotiation and wider public participation in environmental issues.

CSR, power relations and stakeholders

The ability of Transnational Companies (TNCs), of whatever nationality, to impact on the physical environment through their investments and to affect communities in sovereign spaces beyond their home country calls for a systematic understanding of how they operate and the mitigation strategies, such as CSR, they introduce as well as the local regulatory environment. In this section we focus on the theoretical literature around CSR, stakeholder engagement, and power relations to set up a more focused discussion of contemporary Chinese CSR practices.

CSR was conceptualized as a business management and ethics strategy and there is no strong consensus for its definition (McWilliams et al 2006). The most popular definition is by the Commission of European Communities (2001), who see CSR in terms of companies integrating social and environmental concerns into their business operations and voluntary interaction with the stakeholders (Dahlsrud, 2007). According to Wood (1991), CSR generally refers to a company's configuration of social responsibility, social responsiveness, policies, programs, and observable outcomes as they relate to a company's relationship with society. What is interesting and most relevant in Wood's definition is that he sees observable outcomes as an important indicator of CSR, as it measures the level of effectiveness between the formulation of CSR strategy and its eventual implementation. As with most global initiatives, voluntarism is the one of the characteristics which at times contributes to the lack of implementation and compliancy, which is evident in China

The gap between intention, formulation and implementation in turn requires that we address the dynamic power relations between the different stakeholders, in and between home and host countries, and how these relationships impact upon the environment. In CSR research, the Stakeholder Theory was first proposed by Caroll (1979), who asserted that business can be understood through a set of relationships among groups which have a stake in the activities of the businesses (Visser et al 2007). The definition of a stakeholder placed the firm at the centre of analysis and refers to stakeholders as 'any group or individual who can affect or is affected by the achievement of the firms' objectives' (Freeman 1984, 25). They could be employees, shareholders, customers, suppliers, governments, communities, media, competitors, analysts, trade unions, NGOs and the general public. (Mikkila et al 2005, Su 2007, Greasley 1999, Tulder and Zwart 2006) Bryant and Bailey (1997) simplify and categorize these 'given' groups of actors as: (i) State; (ii) Multilateral Institutions; (iii) Business; (iv) Environmental Non-Governmental Organizations; and, (v) Grassroots Actors. In our analysis of CSR in Africa we address each of these groups though data is better for some than others.

In reality some individuals may have multiple identities and different roles (Ferrary 2009, Tan 2004). The multi-faceted role of some actors is exemplified in the context of China, where SOEs, such as the China Hydraulic and Hydroelectric Construction Group Corporation (Sinohydro), is linked to the state as many of its business directives are made by the Chinese government. The state also owns more than a 50% share of each of these SOEs (such as Sinopec and Sinohydro) operating in Africa (Zadek et al 2009, 23). At the same time, financial pragmatism is a core consideration for SOEs' investment. There are also some actors, such as opposition political parties, that play an important role in shaping local environmental politics.

The quality and nature of stakeholder engagement relates centrally to their relative power. The concept of stakeholder power was first introduced by Mitchell et al (1997) through the suggestion that stakeholders could be identified according to the attributes of urgency (of the claim), power (to influence) and legitimacy (of the claim). There are various ways to conceptualise power, most of which assume power resides with the firm/s. Power could be conceptualised as the differential ability to control access to valued environmental resources and economic benefits ensuing from the resource exploitation (Peluso, 1992; Dauvergne, 1994; MacAndrews, 1994). Bryant (1992, 1997, 1998) also sees power through the four methods of control: (i) the power to pollute; (ii) the control of social prioritization of environmental projects; (iii) the indirect discursive control through ideas; and, (iv) the control over access to resources. Another means could be through access to the tools of power (such as knowledge and technology) and personal interests of the various actors. A case in point is the young Jordanians who utilized social media such as twitter to help protect their environment (Hattam, 2010). By contrast Tang and Tang (2012) define power as the 'structurally determined potential for obtaining favoured payoffs in relations where interests are opposed' which might open space for a stakeholder to influence the firm (Parent and Deephouse 2007). Thus the companies may be forced to align their CSR programme to the aspirations of a particular stakeholder group (Pirsch et al 2007) though whether this is in the interest of wider society is an empirical question.

The discussion above on CSR, stakeholders and conceptualisation of power provides a basic framework for thinking about transnational conflicts and struggles engendered by the varied forms of control over access to natural resources. The relevance of cooperation between various stakeholders is especially important in today's globalized investment context, as failed domestic environmental governance, as has occurred in China in the 1980s and 1990s, often results in negative environmental impacts overseas, when the same actors transpose their poor business practices onto another sovereign space. By assessing the power relations between the various stakeholders in Angola and Ghana, we hope to demonstrate how CSR could be a possible mitigation strategy for the negative externalities arising from Chinese SOEs investment in Africa. But prior to that, we will first turn to CSR in China and the domestic conditions and drivers for SOEs uptake on this initiative.

The evolution of CSR in China

The rise of China's economic strength domestically and internationally over the last 30 years has been accompanied by tremendous environmental and social costs. Challenges such as water scarcity and quality, industrial pollution, labour conditions, product safety, corruption and income inequality are evident (Zadek et al, 2012). In terms of environmental contamination alone, the World Bank (2007) estimated the cost of water and air pollution in China amounted to USD$54 billion per year (Chan and Welford, 2004) or between 3.5 percent to 8 percent of China's GDP. The Beijing central government has recognized the need for environmental protection, implementation and initiatives but action at the local level remains weak resulting from a mix of political, societal and economic factors. (Lu, 2005)

As noted one of the key drivers of China's African interests is resource access overseas to boost domestic output, which some have argued is underpinned by a cynical use of aid and other political largesse on the part of the Chinese state (Naim 2007) that undermines international norms around environmental protection and governance. The environmental situation is potentially exacerbated by the Chinese preference for using resources as repayment for concessional loans. The most exemplary case to date is the "'Angola mode'….where repayment of loans for infrastructure development is made in natural resources (oil in the case of Angola)" (Vines et al. 2009, 32). However, as Brautigam (2009) warns this is not the only model of concessional lending adopted by the Chinese, whose business design looks to flexible repayment methods and only opts for resources when they are the most secure means of realising a return. This model also gives the impression that China only cares about resources, whereas many engineering and construction firms are simply seeking profitable contracts whoever is paying and increasingly it is other donors who are hiring them (Interview, 01 December 2008[4]).

The Chinese government is increasingly looking to business for help to address environmental challenges (Zadek et al 2012). This is partly because the negative externalities of business activities such as pollution, labour conditions and product safety can best be resolved by the source of the problem - the firm. The role of the private sector

[4] Interview with Ishac Diwan, Director of World Bank in Ghana, 01 December 2008

in China has also evolved from the urgent responsibility of securing profits for its shareholders, to engagement with wider social issues, such as the use of natural resources, impacts on environment, poverty and health (Moon and Xi, 2010). In fact, many firms have started to assume social and political responsibilities that go beyond legal requirements and fulfil functions of protecting, and enabling citizenship rights (Scherer and Palazzo, 2011). Compounded by the absence of an independent judiciary and ambiguous environmental laws, enforcement capacity and performance is often poor due to the conflict between environmental protection and economic benefits (Seymour 2005). Moreover, the biggest challenge facing the enhancement of environmental protection in China is how to "regulate the behaviours and relationships of various stakeholders—different levels of government, the industrial sectors, and the public." (Fu 2008, 611)

Environmental initiatives such as the project-based Environmental Impact Assessment (EIA) mechanism and the national Environment Monitoring Network were established along with more than 200 environmental policies, laws and regulations (Fu et al 2007, 7600). However, the Chinese governments' engagement with businesses on environmental and social issues is best exemplified by the push for adoption of CSR, voluntarily and/or legislatively. CSR first made its appearance in China in the mid-1990s (Zhou 2006) with multinational companies (MNCs) bringing western CSR into the Chinese market during the 'anti-sweatshop' campaigns that opposed working conditions in factories. Chinese companies then, as suppliers to the global assembly plants, were socialized to accept CSR requirements (particularly labour conditions) as part of the basic requirements to compete in the global market. Since then, other actors such as international and non-governmental organisations (NGOs) also engage with Chinese firms and encourage these firms to embrace global CSR norms through 'codes of conduct'. These codes are drafted specifically for Chinese business, such as the 'China Business Principles' of the International Labour Rights Fund and Global Exchange (Lei and Juslin 2009).

In 2003 CSR in China was given a legitimate boost with the proposed 'Scientific Development Concept'[5] (科学发展观). Associated with President Hu, the term seeks to shift the focus of government from 'economic growth' to 'social harmony'. Part of this approach informs China's foreign policy based on flexible alliances to build a new and just international order (Power and Mohan 2010), which underpins its African engagement (Taylor 2006). Together with the later 'Construction of a Harmonious Society'[6] (社会和谐) idea, the Chinese government demonstrated clear interest in promoting CSR proactively (Zhou 2006). Henceforth, increasing media concern with environmental issues, new environmental and CSR laws and regulations, and the harmonious society concepts, became domestic drivers for CSR in China. An example of such changes can be seen in the new Company Law of 2006, which states that 'corporations in their business operation must abide by the laws, regulations, social and business morality and good faith rules, must accept supervision by government and the public, and must undertake social responsibilities' (PRC, 2006). In 2007, the Ministry of Commerce also issued a circular on 'enhancing environmental surveillance on exporting enterprises' to restrict socially irresponsible enterprises from conducting foreign trade' (MOFCOM, 2007). This was also partly in response to the poor business practices and an overall low performance in responsible competitiveness, which became a hindrance to China's strategy to produce products with global appeal (Zadek et al 2009, 33).

The drive for CSR adoption by Chinese enterprises was further consolidated with CSR guidelines for SOEs issued in January 2008 by SASAC. The guidelines define CSR as 'based on actions to implement the philosophy of scientific development' and require SOEs to not only develop in a people-centred, 'scientific' way and make profits, but also to 'take

[5]The Scientific Concept of Development means putting people first and aiming at comprehensive, coordinated and sustainable development. There must be continuous efforts to meet various needs of the people and promote an overall development of the people. The pace of building socialist political and spiritual civilizations should be quickened. There should be constant improvement on the socialist market economy to maintain coordinated, healthy economic development. To enact coordinated development, there should be balanced growth between urban and rural areas, different regions, economic and social undertakings, man and nature as well as domestic progress and opening-up to the world. To conduct sustainable development, a harmony between man and nature should be fostered, and to tackle problems inherent in economic construction, population growth, resource utilization and environmental protection, and push society onto a path toward civilized development featuring growing production, an affluent lifestyle and a sound ecosystem (China.org.cn).

[6] There are six main characteristics of a harmonious society: (1) Democracy and the rule of law, (2) fairness and justice, (3) integrity and fraternity, (4) vitality, (5) stability and order and (6) harmony between man and nature. (China.org.cn).

responsibility for all stakeholders and the environment, and ultimately to harmonize the enterprise with social and environmental development' (SASAC, 2008). As such, the first CSR report from a SOE was published in 2005, by the State Grid Corporation of China (SGCC, 2005). By 2008, nearly 200 Chinese companies joined the UN Global Compact, which is an initiative that commits companies to ten principles in the areas of labour, environment, human rights and anti-corruption (Zadek et al 2009, 31). Various sectors also took initiatives to promote CSR. A case in point is the Chinese textile industry. The main body, China National Textile and Apparel Council (CNTAC) formulated the CSC9000T management system in December 2006, focusing on ensuring workers' rights, sustainable practices and integration into global supply chains. (CSC9000T website) Today, more than 70 percent of the top 100 largest companies publish a CSR report (Zadek et al 2012). Most reports address issues such as employee management, product quality, social contributions (philanthropy) and environmental governance (mainly pollution).

The Chinese government's push for CSR is however confined to enacting legislation and implementation, with enforcement remaining relatively lax (Sarkis et al 2011). This is mainly attributed by the decentralised system of governance in China, where the central government devolves implementation and enforcement authority to the regional and local governments. Moreover, local bureaucrats' performance is mainly assessed by the central government through the economic targets (Tong, 2007) and the undervaluation of the social and environmental well-being in these assessments may lessen the priority of CSR, and with it social and environmental protection.

For enterprises working in Africa, there have been positive changes in China's approach to foreign policy, international strategy towards Africa and environmental protection, which were captured at the November 2009 meeting of the Forum on China Africa Cooperation (FOCAC) in Egypt. In the Declaration of Sharm el-Sheikh and the accompanying action plan, there was significant emphasis on the environmental aspects of the engagement between China and Africa, whereas the 2006 Africa Policy (PRC 2006) largely emphasized investment. During the 2009 meeting China proposed a China-Africa partnership for addressing climate change and the enhancement of co-operation with Africa in agriculture. Premier Wen (2009) also announced that China would build 100 clean energy projects that cover solar power, biogas and small hydro plants and "enhance cooperation on satellite weather monitoring, development and utilization of new energy sources, prevention and control of desertification and urban environmental protection." In terms of CSR similar principles to those used by SASAC were adopted by the State Council (2007) and a related agency, the China-Africa Business Council (CABC), an NGO set up in conjunction with the UNDP. With its main purpose to provide practical business tools to facilitate the strengthening of business ties between China and Africa, CABC has also published CSR guidelines for Chinese enterprises working in Africa. According to Mr. Bai Xiaofeng, the secretary of CABC, "We have started to emphasize CSR to our member companies investing in or trading with African countries" (interview 11 September 2008). Chinese enterprises with overseas operations are also responding to the increasing call to adopt CSR principles. For example, Sino Steel Group published their *Sustainable Development Report-Africa* in 2008 which states that the company 'puts a high emphasis on resource conservation, recycling, environmental protection, and the safety and health management of its African operations' (Sino Steel, 2008).

In addition, SOEs such as SINOPEC and Sinohydro have comprehensive CSR programmes published on their websites. For example, SINOPEC committed to major pollutants discharge reduction targets in 2011 and stated that they carried out Environmental Impact Assessments for all projects and strictly adhere to Chinese regulations (SINOPEC, 2012). However, it is interesting to note that the context of CSR mentioned by SINOPEC is mainly in China and overseas investment locales such as Africa are not raised in the CSR statements. Similarly, Sinohydro indicated on their website that they are committed to integrating social and environmental aspects in their tender submissions (Sinohydro, 2012). In addition, they were proud to obtain the ISO14001, an international standard for operations and environmental protection, issued by the International Organisation of Standardization (ISO). But there is little mention of CSR activities in its African operations.

Given that much financing for SOEs comes from China's development banks (Chan-Fishel and Lawson 2007) it was significant that in 2007 China also started requiring commercial banks to review and weigh each applicant's environmental history before approving credit applications. Particularly, the Ministry of Environmental Protection, with the China Banking

Regulatory Commission established a 'green credit system' which aims to restrict the availability of credit to companies in violation of environmental laws (Bu et al. 2009). An example of the green credit system is found with the China ExIm Bank, which adopted an environmental policy in 2004. More specific guidelines on social and environmental impact assessment were added in 2007. However, the protocol requires projects to comply with host country policies - but not international standards - regarding environmental assessment, resettlement and consultation (Bosshard 2008). This has major implications in the African continent as most of the Engineering, Procurement and Construction (EPC) loans were disbursed by ExIm without serious examination of the environmental and social implications of these new projects. (Moss and Rose 2006)

Moreover, as argued earlier, while Chinese CSR initiatives are in theory universal they are implemented differently in overseas projects due to varying local conditions of the host countries. Chinese SOEs enter new markets with complex environments of heterogeneous legal and social demands that often do not make it clear which economic activities and practices can be considered legitimate and acceptable (Scherer and Palazzo 2011). Furthermore, there exists a vacuum of enforcement as local governance could be lax or non-existent, particularly in weak or failed states that abound in Africa. In such cases, the enforcement of CSR programmes falls exclusively upon corporate managers, who might not be necessarily trained in managing social, labour and environmental issues (Lee, pers comm. 21 Oct 2011) or use Chinese guidelines as their standard (Scott, 2012). Hence, there exists a gap between formulation, implementation and enforcement of CSR regulations potentially resulting in negative environmental and social implications (Mol 2011, 791). The gap is of particular concern to African and western commentaries on Chinese investment in Africa, as more reports of negative environmental and social implications of Chinese FDI in the African continent emerged (Raine 2009; Fraser and Lungu 2007; Jansson et al 2009). The next section will discuss Chinese overseas CSR strategies, and the implementation and outcomes in two case study countries - Angola (oil industry) and Ghana (hydropower sector).

Chinese CSR and environmental outcomes in Africa

Business has a potentially key role to play in any African renaissance by investing in the skills and infrastructure needed for prosperity (Commission on the Private Sector and

Development, 2004). In particular, the biggest growth in south-south trade has been Africa with China (Forstater et al 2010) and Chinese trade with Africa which stood at US$91.07 billion (CAITEC 2010) in 2009. In the first half of 2011, China–Africa imports and exports totalled US$79.01 billion, an increase of 29.1 per cent year-on-year (Chinese Customs 2011). China's direct investment in African countries reached $1.44 billion in 2009 (Han 2011), in which non-financial direct investment soared by 55.4 per cent from the previous year (*China Daily* 14 October 2010). In the same period revenues from China's contracted and engineering projects in Africa rose from US$1.1 billion to US$28.1 billion (CAITEC 2010). In 2008, nearly 1600 Chinese enterprises started business in African countries with a direct investment stock of US$7.8 billion (Wen 2009). Some 180 of these companies operated under the 'going out' policy and have been designated by the Chinese state to benefit from preferential finance, tax concessions and political backing in order to 'go global' and become true multinationals (Alden and Davies 2006).

Accompanying increased economic ties are concerns pertaining to 'collateral damage' such as environmental implications of Chinese investment (WWF, 2012). If Chinese enterprises are to succeed in creating economic opportunities which mutually benefit their own and their host economies, they will need to address the environmental challenges and opportunities they face (Zadek et al 2009, 14). Utilizing primary fieldwork data compiled from interviews and documents, the general context of China's engagement with Angola and Ghana will be examined before looking in more detail at the specific activities of Chinese SOEs and the Chinese state, as well as the dynamic power relations between Chinese and local agents. Then, the gaps between CSR formulation and implementation, in additional to the environmental implications of Chinese involvement will be evaluated.

But first, let us identify the key stakeholders in these two case studies. For ease of discussion, stakeholders who are present in the contexts (such as EIA consultants and trade unions) but not central to the discussion of the case studies will not be mentioned here. We have classified the different groups of stakeholders as state and non-state actors specific to complexity in this context. SOEs are classified as state actors since despite their business prerogatives, the influence the Chinese state has on these firms is noticeable, especially in Africa. Similarly, Chinese banks such as ExIm and China Construction Bank are considered state actors as their major shareholder is the Chinese government. This dual category classification will also resolve the issue of duplication between Environmental Non-Government Organisations (ENGOs) and local grassroots leaders, as in the case of Ghana Dams Dialogue. The key stakeholder groups are:

State actors	**Non-state actors**
Chinese government	World Bank (IO)
Angolan government	International River Network (ENGO)
Ghanaian government	Ghana Dams Dialogue (ENGO)
Sinohydro (SOE)	
SINOPEC (SOE)	
China ExIm Bank	
China Construction Bank	
Bui Power Authority (Ghana)	
Sonangol SINOPEC International (SSI)	
China Sonangol International Holding (CSIH)	

There is a clear dominance of state actors in these two case studies, due to the nature of the sectors. In Angola, the oil industry is dominated by both Chinese and Angolan state companies and their governments. The weak civil society in Angola also contributes to the lack of non-state actors in debating environmental implications of the oil industry. In Ghana, a more vibrant civil society saw both international and local ENGOs play a part in negotiating the environmental outcomes of the Bui Dam project. Thus by examining new forms of transboundary Chinese business (and political) practices and their impacts in Africa the article aims to examine how Chinese SOEs' CSR has been carried out in the African contexts, and the power relations between the Chinese state, Chinese business, African grassroots agencies, international organizations and ENGOs are played out in the natural resource arena.

Networks of exclusion: Chinese oil ventures in Angola

In recent years Angola has begun to emerge as one of China's most important strategic partners in Africa, with bilateral trade reaching US$120billion in 2010 with Angola exporting over 40 percent of its annual crude produce to China. (Zhao, 2011) From having one of the most protracted conflicts on the continent Angola has become one of the most 'successful' economies in Africa (Vines and Campos 2008), enjoying sustained peace since 2002 and holding its first multi-party elections in over sixteen years in 2008. With the war over, rapid reconstruction became the government's priority and here China has played a critical role, providing financial and technical assistance to hundreds of projects in the areas of agriculture, energy, water, health, education, fisheries, public works and telecommunications.

Angola is run by a 'patrimonial' state with sophisticated patronage networks centred upon the private accumulation of public resources with the state owned oil company Sonangol being 'the centrepiece in the management of Angola's "successful failed state" (Soares-Oliveira 2007, 609). The wealth of oil 'results in less democracy, poor economic growth, and greedy behaviour by competing elites'. (Le Billion 2000, 23) Employing fewer than eleven thousand people and almost no forward or backward linkages with the onshore economy, the oil industry is an enclave. Angolan oil wealth holds huge potential for translation into human development outcomes, yet the current 'patrimonial' form of the state has inhibited this thus far.

Chinese involvement with the Angolan oil sector transpired within months of the end of the civil war in 2002. Action was precipitated by some of the major Chinese policy banks (including the China Construction Bank and ExIm Bank), which opened credit lines to Angola, offering support when the international donor community had restricted lending due to concerns about transparency and the absence of a commitment to poverty reduction.

What characterizes much of the China-Angola 'partnership' is a high degree of secrecy about the loans and an opacity about the relations between Chinese and Angolan businesses and government agencies. A clear example of the lack of transparency is Sonangol SINOPEC International (SSI) a joint venture between SINOPEC and the China Sonangol International

Holding (CSIH), which is another joint venture set up in 2004 between Sonangol and China International Fund- CIF[7] (Vines et al. 2009) that has the backing of key members of the Angolan elite. Top positions within many of the companies like the CSIH and SSI are currently held by personalities close to the Angolan elite and these kinds of personal, informal relations are key to China's 'success' in Angola.

SINOPEC, an important state stakeholder in Angola, first emerged as a major player in Angola's Oil Industry in 2004 with the acquisition of a 50 percent stake in British Petroleum operated Block 18 whilst the SSI was set up to explore the stake in this block (Vines et al. 2009). SINOPEC has an emerging CSR profile including agendas around "supply responsibility", "security and environmental responsibility" and "social responsibility". The extraction of oil and gas has had many negative impacts on Angola's marine ecosystems and biological resources, most notably pollution, spills and flaring (Ettenborough and Shyne, 2003). To date, however, there has not been any published Environmental Impact Assessment in the public domain (if there is one) identifying the environmental implications arising from the exploratory/extractive platforms managed by SINOPEC in Angola.

Whilst in the last decade Angola has developed wide-ranging environmental legislation and has increased engagement with regional and international bodies and partners, much of this contradicts existing legislation and the concern for environmental issues has not been mainstreamed across state agencies, an issue common to most developing countries. The General Environment Law 1998 (5/98), for example, requires a mandatory EIA for all projects if they have an impact on the environment and/or society. Article 10 of decree 51/04 (2004) also requires public consultation and disclosure for the EIA process. (Angola LNG 2005, 5) However, there is no mention on the SINOPEC website or annual CSR report (2011) that this participation is present, as the oil business between China and Angola has largely been conducted at a narrow, elite business level. The Angolan government has also insisted that transnational corporations operating there devote 15 percent of their annual

[7] China International Fund is a private equity firm (not a SOE) based in Hong Kong, with estimated equity to be $3-10bn. According to Marques (2011), WikiLeaks documents disclose information on CIF, passed by Zhang Bolun, Chinese ambassador to Angola, to the US ambassador to Angola, Dan Mozena, in which Zhang reiterates that CIF is poorly managed and lacks leadership but enjoys a 'close relationship' with President dos Santos, even though many of its projects have been halted for lack of capacity.

budget to development-related activities, which is not evident from the Sinopec annual reports. Thus it is not clear that the same rules apply to Chinese oil companies like SINOPEC or to the new quasi-national companies such as the CSIH or SSI. There is also no evidence that the original ExIm or CIF loans were assessed in terms of the environmental impacts they might have prior to approval. Further, because many of the loans from China are managed by agencies with the Angolan government, projects have often been implemented without consultation with and participation from the general public.

In recent years the Angolan state has produced several volumes outlining its vision of development. The subtitle of the *Angola 2025* plan is ‘equity, sustainability, modernity’, suggesting that sustainable development is at the heart of this vision but in reality Angola has no clear strategy for development (Shaxson et al. 2008). More generally, the progress in Angola of other international initiatives such as the Extractive Industries Transparency Initiative (EITI) has also been limited by the proliferation of credit from China. The EITI aims to strengthen governance and calls for companies to publish what they pay and for governments to publish what they receive. Despite growing pressure from domestic and international NGOs and intergovernmental organizations on the issue of transparency within Angola’s oil (and diamond) industry, the credit available from China has arguably allowed the Angolan state to ignore these demands. Such impunity from outside forces may have potentially far-reaching implications for the future of Angola and its citizens.

What we have seen above is the tussle between various stakeholders in the Angolan oil industry, each pursuing their common interests of profit and energy security (Corkin, 2011) . Reading between the lines, the motives between state, business and individuals are blurred. The state actors, such as the Angolan elites, Chinese government and the Chinese enterprises (such as ExIm Bank, China Construction Bank, SSI , CSIH and SINOPEC) managed to prioritize their business and political prerogatives of securing energy resources for economic development and its ensuing profits for their state, business and personal interests. The international donor and loan community, such as OECD countries and the World Bank, and International Monetary Fund (IMF) were unable to influence government transparency and governance issues through conditionalities offered with loans, as the Chinese offer a simple alternative to securing funds for infrastructural development.

According to them, the Chinese banks and the Chinese government apply lower ethical and environmental standards in their loans (Sautman and Yan 2009), thereby affecting environmental protection and governance in the African countries.

Furthermore, non-state actors, such as civil society are almost non-existent in Angola, due to the repressive and authoritarian position taken by some government institutions. For example, in July 2007, a few national and international NGOs were threatened with being rendered illegal, based upon the argument that they were interfering with politics and were overstepping the boundaries of their social responsibilities (Pacheco, 2009). Moreover, as suggested by Bryant (1997), the non-state stakeholders' inability to amass power was further compounded by several factors including the lack of separation between Angola's party and state administration, a weak legislation protecting Angolan's public rights and the absence of public participation in government affairs. As such, CSR strategies were not enforced to mitigate the environmental and social implications of Chinese investment, as they are not legislatively compelled to do so. In the latter case, where clientelism promotes corruption and discontent, it is almost imperative for the Chinese entities (government and businesses) to engage beyond the Angolan elite, in order to promote the transparency of their business deals to reduce the risk of their economic investments. It is only with more encompassing economic investments, and utilizing CSR initiatives to distribute the benefits and mitigate the negative externalities of Chinese investments, will Chinese be able to sustain their investment in the Angola state.

Commercial concessions: A Chinese hydroelectric dam in Ghana

Similarly in Ghana, the discovery of oil in 2007 led the Chinese SOEs seeking to secure oil supplies either through the purchase of oil rights, production companies or oil-backed commercial loan agreements. For example, in March 2012, a commercial agreement between the Ghana National Petroleum Corporation (GNPC) and China International United Petroleum and Chemicals Company Limited (UNIPEC) - a subsidiary of SINOPEC - has committed the country to supply 13,000 barrels of crude oil daily, which is the share of Ghana's oil in the Jubilee oil field, to the Chinese for fifteen-and-a-half years to pay for the $3 billion loan (Modern Ghana 01 March 2012). This raises the question will the oil industry in Ghana bear resemblance to the resource-tied partnership demonstrated in Angola.

But more importantly, other than being an importer of oil from Africa, China is also a provider of energy infrastructure in many African states. By the end of 2007, "China was providing at least US$3.3 billion towards the construction of 10 major hydropower projects in 9 different African countries amounting to more than 6,000 megawatts of installed capacity" (Foster et al. 2009, xiii), representing a 30 percent increase in hydropower generation capacity. Given the current power supply crisis in Africa, the construction projects are critical for Africa's economic development, especially in terms of increasing the living standards of the wider population.

In particular, Sinohydro, another SOE engineering and construction company with a registered capital of RMB 4 billion, has been a huge player in the hydropower industry. It has approximately 500-1,500 employees on each project and has built 70 percent of China's hydropower capacity. However, it has also been involved in the construction of several controversial dam projects within China including the Three Gorges project and the Xiaowan and Laxiwa dams (IRN 2009). As a key part of the Chinese government's 'go-out' strategy, Sinohydro has been able to bid for overseas engineering projects and receive financial subsidies from the government, including the Bui Dam in Ghana.

In Ghana, it has been estimated that a perpetual power crisis in the industrial sector caused growth to decline from 9.5 percent in 2006 to 7.4 percent in 2007 (Idun-Arkhurst 2008). Hence, it is imperative for the Ghanaian government to ensure a reliable supply of electricity and so infrastructure has, as in many other African countries, become the area of greatest cooperation with China. Projects include the construction of roads, buildings and most recently, a hydroelectric dam (Tsikata et al. 2008, 5), however, such undertakings usually comes with huge environmental impacts in terms of alteration to ecology and wildlife to the extent of destruction of freshwater ecosystems and species extinction. The World Commission on Dams (2000) also found that hydropower electric projects tend to affect the livelihoods of the communities in surrounding areas, and these communities often do not share in the projects benefits.

The Bui Dam built by Sinohydro is an 'engineering, procurement, construction' contract in which the majority of the money came from ExIm Bank. The dam cost US$622m. The Ghanaian government contributed US$60m while US$292m came from buyer credits and the remaining US$270m was a commercial loan from the China ExIm Bank (Hensengerth 2011, 37). The dam should bring 400 MW of electricity to Ghana's struggling power grid and allow some export to West African neighbours. The revenue will be paid into an escrow account and funds used to service the debt. In addition, there is a special arrangement with the Ghana Cocoa Board to supply cocoa at current market prices as part payment of the debt. Regarding the project's governance the Bui Power Authority's (BPA) role during construction is essentially to monitor the delivery of the contract and responsible for resettlement. Thus the BPA has their own engineers to report on quality and progress, in addition to monitoring health, safety and environmental standards.

One of the most contentious issues with the Bui Dam, and with CSR more generally, is the gap between the recommendations for Environmental Impact Assessment (EIA) and its implementation. Unusually Bui had an EIA conducted for a previous potential investor. Sutcliffe (2009) assessed the compliance with the EIA recommendations and found many of the criteria - such as consultation with the local people, health and livelihood security and adequate compensation - were blatantly flouted. One Ghanaian engineer employed by BPA, in fact joked that the Chinese do not care about hard hats and pointed to a tree that the Ghanaians had saved given that the Chinese were too willing to remove it.

There is also no Environmental Resource Management (ERM) or other procedural documents relating to Sinohydro, a major stakeholder in the project (Sutcliffe 2009, 7). This could be attributed to the fact that Sinohydro, was not involved in any of the planning (environmental impact assessment, resettlement and dam design) prior to the construction of the project (Hensengerth, 2011). As such, it is difficult to ensure ownership of responsibilities in environmental and social issues associated with the implementation and construction of the project. Furthermore, the low standing of Ghanaian regulatory authorities in this sector is a threat to strict environmental supervision and leaves room for speculation as to how closely Sinohydro is adhering to the environmental conditions (Hensengerth 2011, 44).

Indeed, not all Ghanaian stakeholders, particularly the non-state actors, are enthusiastic about the Bui Hydropower project (BHP) because of the social and environmental problems. A non-state actor, the Ghana Dams Dialogue, has argued that the mitigation measures that were put in place at Bui Dam to deal with the social, environmental, health and livelihood impacts of the dam have been inadequate (International Water Power and Dam Construction, 2009). The Ghana Dams Dialogue started in 2006 with a mission to lobby for greater transparency and dialogue in dam planning and construction and organized a series of high profile forums in 2007 and 2008. As such, they were involved in the Bui resettlement issue through fact finding visits and brokering between local communities and the BPA. Indeed ongoing research and debate suggests that the hydro-ecological impacts have not been thought through with climate change lowering water levels and increasing dam siltation, and selective downstream irrigation likely to affect the local rainfall patterns which may decrease the dam's generating capacity (Ghana Dams Dialogue 2009, 4).

The change in hydrology will then also affect river flows around fisheries and the potential proliferation of water, vector borne diseases and aquatic weeds (Alhassan, 2009). Other environmental concerns include wildlife and habitat losses within the Bui National Park (BNP) due to flooding of approximately 21 per cent of its land. In particular, the rare black Hippopotamus is of major concern as it is seriously threatened and the flooded area constitutes part of its habitat (Conservation news, 04 December 2008). Moreover, the river's 46 economically important species of fish will also be destroyed by the dam, as the spawning grounds will be devastated by the flooding of the forest, and the physical barriers will block fish migration routes for spawning (The Ghanaian Journal, 27 Aug 2007).

The Ghana case is a good example of a stronger civil society affecting CSR adherence, with non-state actors, such as the Ghana Dams Dialogue, demonstrating more power as a stakeholder. Ghana Dams Dialogue was able to be heard and managed to shape Sinohydro's CSR policies to their benefit (Pirsch et al 2007). Moreover, aided by international NGOs, such as the International River Networks (IRN), local non-state actors were further empowered by the advice and information given by IRN, regarding mitigation and adaption aspects of the project. A more mature Ghanaian democracy and legislation also means public access to information, public participation in government policies and public rights are more likely to be guaranteed than a state like Angola. As such, environmental implications arising from the Bui Dam are more likely to be mitigated and better managed.

Conclusion

The environmental outcomes of Chinese investment in Africa are multi-faceted. On the one hand, Chinese resource extraction interweaves with developmental aid, particularly in the case of oil, which saw increasing concerns in terms of transparency, governance and environmental protection. On the other hand, the Chinese provision of energy, again financed by Chinese aid and/or loans, will hopefully bring better living standards, but has also put the Chinese in the spotlight in terms of the environmental and social implications. CSR is used as a strategy in this context to mitigate the negative environmental externalities. The paper has focused on the factors driving the move towards CSR in China and the slippages between stated intents and actual practice in Africa. Successful CSR has been limited by the willingness of Chinese SOEs to voluntarily abide by these codes and the varying local socio-political structures and the composition of stakeholders at the local level.

In Africa, we can see that where non-state stakeholders exist and are empowered by local legislations, the tendency for environmental protection is higher, as exemplified in the case of Ghana. By contrast, concentration of power in the hands of the Angolan elite through the control of access to oil rents, closes down any arena of public participation pertaining to resource extraction and its environmental implications. Hence this results in the lack of environmental considerations in resource-based projects and ultimately a degraded environment in areas surrounding these investments.

The Chinese government has been the main driver for CSR in China and has looked to business to address the negative externalities from its economic activities. In particular, SOEs, with their massive investment power and numerous domestic and overseas projects, have the best ability to positively impact the global environment. Although the Chinese government is able to influence SOEs' investment directives and behaviour, it would be a myth to think that Beijing has complete control over their activities, particular in overseas locales, as business imperatives tend to dominate the operations at the local level.

Moreover, away from the seat of control in Beijing, managers have more urgent issues at hand, such as how to overcome cultural and linguistic barriers at local and national African levels. In addition, policies of CSR tend to be determined mainly from headquarters in China and there are no specialised departments or units in Africa managing CSR issues. Many companies in Africa hence depend on particular managers' experience to manage CSR issues which leads to ad-hoc and inconsistent responses (Zadek et al 2009). Also, as like many other non-binding governance mechanisms, it is ultimately the company's decision to implement CSR. However, there is a growing understanding by Chinese enterprises that there is a need to be socially responsible in order for their business to be stable and protected from future risks. For example, Mr Chen Xiaowei, general manager of Sinosure, said: 'It is important to review and address social and environmental risks first, so that a project is not stopped by crisis.' (Forstater 2010, 22)

African states also have questions to answer about their responsibility *for* 'development', citizens and resources. This means asking questions about the nature of the states with which China co-operates. In Angola there is the 'paradox of plenty'. Angola is experiencing rapid economic growth but given the kleptocractic nature of the state the benefits are not being widely shared, leading to enclavic spaces of development and widening inequality. This is because Angola's growing geo-strategic and commercial importance to countries like China as well as its high economic growth are making the Angolan elites relatively immune to both external and domestic political opposition. By contrast China's engagement with Ghana's energy sector appears more transparent insofar as Ghana desperately needs infrastructure and has limited options for financing so China's concessional but commercial lending is welcome. In particular, lending is project-based and the 'EPC' contracts bound the relationship, with Chinese money going straight to the preferred Chinese contractor so that misappropriation of funds is less likely. The monitoring role of Ghana's BPA is also enshrined in law and thus makes it more transparent than the blurry relationships of CSIH, SSI and CIF in Angola.

Despite the limited benefits to the two countries of China's engagement we have seen that Chinese companies still lag behind western countries in terms of CSR and local enforcement is weak. This could be partly attributed to the fact that CSR is largely a risk and reputation management strategy for big enterprises with global branding, and Chinese enterprises, especially the SOEs, have yet to achieve this global status. In both cases, research shows both Angolan and Ghanaian governments are relatively lax on enforcement. As such, the checks and balances fall onto the lap of civil society. In Angola, the weak civil society and the lack of social demand for transparency and environmental protection has resulted in the failure to introduce programmes or initiatives surrounding environmental protection and transparency such as Publish What You Pay (PWYP) and the Extractive Industries Transparency Initiative (EITI) (Isaac 2010, 171). In the case of Ghana, a more mature civil society combined with a degree of government accountability has enabled the affected populations to be heard to some extent.

There are however efforts by various international institutions and NGOs at a global level to socialize China into the global norms of environmental protection and governance. For example, World Wildlife Fund (WWF) has launched the Global Shift program, focusing on sustainable wood trade and biodiversity between China and Africa, while IRN is examining the ecological consequences of Chinese hydropower investments in Africa. At the same time, an increasing number of non-state actors at the regional level in Africa such as trade unions, civil society organisations, academics and scientists are addressing Chinese companies regarding the exploitation of and low economic returns on environmental resources (Mol 2011, 790). For example, the African Labour Research Network investigated Chinese operations and their impacts on local communities and ecosystems (Baah and Jauch 2009). In addition, the African Forum and Network on Debt and Development researches and reports on the impacts of Chinese business practices in Africa, paying considerable attention on environmental degradation (AFRODAD, 2010). There have been some successes, for example, the China-Africa Development Fund (CADF) has expressed its preference to fund projects that adhere to OECD ‘guidelines for multinational enterprises’, which include environmental standards and criteria (Mol 2011, 791).

Thus it is with growing pressure from non-state stakeholders at local, national, regional and global levels will we effect changes within Chinese policy. At the same time, there is urgent need to create legislative and institutional frameworks to address Chinese investment in

Africa (both in China and in Africa) especially in the area of natural resource extraction, and particularly address issues of the social, environment and transparency. Ultimately, a space for articulation and negotiation, which were previously unavailable for the non-state actors, could present itself in the cloaks of CSR, as it allows them to be heard and to negotiate immediate environmental concerns surrounding their livelihoods in a non-confrontational manner.

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