An Analysis of Poverty-reduction Effects of Chinese Enterprises' Investments in Southeast Asia[1]

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Abstract: The two-way investments between China and ASEAN grew from USD 3.37 billion in 2003 to USD 15. 92 billion in 2018, up nearly fivefold, and by the first half of 2019, ASEAN overtook the U. S. to be China's second-largest trading partner[2], only next to the EU. Such bilateral trade and investments have already delivered tremendous economic benefits to both China and SEA (South-East Asia) countries, especially the important role in fighting poverty in SEA countries. Going forward, to leverage such investments to better benefit underprivileged communities across the SEA, maximize their poverty reduction effects, and foster public affinity and cultural identity between populaces from both sides will be of vital significance to smooth implementation of China's BRI Program, as well as effective promotion of poverty reduction undertaking in the SEA.

Keywords: SEA Investment; Enterprises' Poverty Reduction; BRI Program; Poverty-reduction Effect; Investment and Trade

1.Poverty Profile of Developing SEA Countries

(1) Poverty in SEA is Largely Characterized by Underdeveloped Agriculture and

1 This Report is made by Wang Tianheng based on research findings from the Project: An Analysis on Poverty-reduction Effects of Chinese Enterprises' Investments in Southeast Asia, and only represents the views of the author. The Project is a key research topic undertaken by GoldenBee CSR Consulting under the auspice of China International Poverty Alleviation Center. Unless otherwise specified, the SEA countries herein mean mainly ASEAN countries, namely Malaysia, Indonesia, Thailand, the Philippines, Singapore, Brunei, Vietnam, Laos, Myanmar and Cambodia.

2 Source: the website of the Central People's Government of the PRC (http://www. gov. cn/xinwen/2019-09/20/content_5431537. htm).

Impoverished Rural Communities

Overall, SEA is under-urbanized: at the end of 2017, its average urbanization level was less than 50%, below the global average. In addition, the level ofits urbanization varies significantly among countries. For example, some countries, such as Cambodia, Myanmar, Laos and Vietnam, remain stuck in the early stage of urbanization, with their urbanization levels hovering around 30%. And thus, rural poverty is still the dominant feature in SEA. Given these countries are still agriculture-dominated economies, lower added values in agricultural products and shorter industrial chains in the agricultural sector from insufficient technological investment, lower crop productivity and outdated processing processes and techniques are among the main causes behind their higher poverty rates.

(2) Natural Disasters are Specific Influence Factors Behind Poverty in SEA

Distinctive geographical and climate conditions render SEA prone to various natural disasters, including typhoons, mudslides, earthquakes, tsunamis, floods and droughts. These natural disasters and their secondary disasters, as well as resulting soil erosion and environmental pollution, inflict negative impacts on the livelihoods of rural populations. Fragile agricultural ecological environments, crop failures, and massive outbreaks of animal and plant epidemics induced from natural disasters are important causes of keeping rural populations in poverty or driving them into poverty, dampening or even offsetting seriously the effectiveness of poverty reduction efforts by governments, enterprises and other participants.

(3) Outdated Education and Technology are Key Factors Behind Poverty in SEA

Input in education and technology in developing SEA countries are relatively low: public expenditures on education as a percentage of GDP were below 4% in Myanmar (2017), Cambodia (2014), Laos (2014), Indonesia (2015) and the Philippines (2009), and the figures in Malaysia (2017), Thailand (2013) and Vietnam (2016) slightly higher than 4%, but still below the global average of 4.9%. The insufficient inputs in public education in these countries have resulted in them being at a disadvantage in global technological competition.

(4) Political Instability and Frequent Wars are Closely Related to Poverty in SEA

Prolonged wars are the historical roots of poverty in SEA: fights against colonial rules by Western countries and armed conflicts from ethnic, religious, territorial and ideological contradictions left local residents frequently displaced, large swathes of farmlands desolated and numerous homes destroyed, seriously playing havoc with economic growth and social advancement, and hindering productivity growth and goods trade expansion. Moreover, the inefficiency of badly corrupted public institutions also made a dent in social equity and justice, increasing widespread poverty.

2. Investment-driven Anti-poverty good practices in SEA by Enterprises from Advanced Countries

(1) Investment-driven Anti-poverty good practices by Partnering with Home Governments and Related Institutions

Enterprises from developed countries work together with their home governments in making poverty reduction investments in SEA in various ways and means, including establishing development funds, financing anti-poverty projects and providing guarantees. On one hand, enterprises' active involvement in government-led poverty reduction investment projects provides guarantee to the operation efficiency of projects,; and on the other hand, enterprises have a more comprehensive way in investing in poverty reduction projects by employing advantage resources of diversified entities, such as domestic and international NGOs, universities, research institutes, community institutions and others. In doing so, they perform the function of actively

communicating with various stakeholders to meet their demands while helping SEA with fighting poverty.

Founded in 1902, the U. S. Archer Daniel Midland (ADM) ranks first in the global food processing sector and among the four top global food traders. Sabah, the second largest state in both population and area in Malaysia, was once the wealthiest region across the country thanks to its massive export of tropical Keruing wood. However, with a reduced stock of forest resources fromcaused by excessive deforestation, local residents slid into poverty, and live rely largely on oil palm cultivation. By working with a non-profit organization Earthworm Foundation, ADM established an alliance consisting of suppliers, growers and brand owners along the agricultural value chain, and launched a project "Rurality" to drive changes and create values. Located in Sabah, the source of raw materials for ADM-branded palm oil, and designed for promoting local development and increasing incomes of local farmers, the project consists of handicraft production, goat breeding and canary breeding and other activities, and has so far delivered encouraging poverty reduction effects. For example, with the help of ADM, more than 130 categories of small craft works, including woven bags, key rings and necklaces, were sold to three markets by the end of 2018, having generated earnings to local women.

(2) Investment-driven Anti-poverty good case by Leveraging Their Own Advantages

By tapping their own advantages in products, technologies, talent, capital and supply chains, enterprises contribute to reducing poverty, helping SEA countries solve issues of social equity and achieve inclusive growth. On the other way around, such an method can also help enterprises further optimize the allocation and the utilization efficiency of their own resources, thus enhancing their own capabilities in seeking sustainable development in the SEA market.

A global comprehensive financial service provider dating back to 1888, Somo Japan Insurance Inc. is the first-ever financial institution in Japan which has operated a special department dedicated to environmental improvement. In response to the demand for agricultural insurance, it pioneered in developing a new insurance type- specific to climate changes in SEA countries: weather index insurance[3] for providing protection to local farmers against any possible loss from treacherous climate-induced crop failure, and helping small farmers achieve their self-sufficiency and improve their living standards. By the end of 2017, this insurance service had already been offered in 20 provinces in Thailand, accounting for 28.6% of all, with the accumulative amount of 15,468 insurance contracts concluded being THB 8.64 million, and the accumulative compensation amount THB 3.20 million. The loss rate for 2017 was 97.7%, but the figure for 2016 as high as 242.0%, indicating that the loss coverage ratio is near, or even higher than, the insured amount, resulting in net earnings for numerous farmers with this type of insurance.

(3) Investment-driven Anti-poverty Practice by Adapting to Realities in Host Countries

By making full use of inherent advantages in host countries, enterprises launch investment-driven poverty reduction campaigns adaptive to local realities, tackling with different root causes of poverty on the ground and maximizing overall benefits of their poverty reduction efforts. According to the practices from developed countries with rich investment experience in SEA, like the U. S. , Japan and the U. K. , enterprises tend to focus their investment-driven anti-poverty efforts on a few fronts most relevant to poverty reduction, such as sustainable agricultural development, climate change response and natural disaster prevention and mitigation.

3 Weather index insurance is a type of insurance where the insurer pays a predetermined amount to the policyholder (a farmer in the case herein) when a particular weather index, such as temperature and rainfall, exceeds a specified threshold. In contrast to standard damage insurance, the policyholder shall be compensated by the insurer even if no assessed damage is made in weather index insurance.

Being constrained by outdated farming technologies, low degree of agricultural mechanization, lack of talent and insufficient funds, small farmers in Indonesia eke out very meager incomes. Over-reclamation and excessive deforestation as a result of unreasonable farming activities also don't help, degrading local ecological environments, reducing local biodiversity and extremely inhibiting agricultural development. Since 2017, Unilever and its partners have worked on sustainable palm cultivation, helping independent farmers produce more palm oil, generating more incomes and reducing adverse impacts on the environment. Unilever first classified various villages to determine scopes of projects suitable for them, and then, cooperated with small farmer communities and local governments to ensure increased production and reduced deforestation within designated project areas while secure sustainable sources of palm oil. Through these projects, Unilever helped KUD Tani Subur Farmers' Cooperative representing 190 independent small farmers in Pangkalan Tiga village successfully obtain certifications with RSPO and ISPO in October 2017 (This cooperative is the first-ever cooperative to have passed such certifications in Kalimantan), as a result, not only contributing to the sale of palm oil, but also facilitating sustainable development of local palm industry.

(4) Investment-driven Anti-poverty by Seeking Sustainable Achievements, as a Result, Both Benefiting Local Communities and Boosting Their Own Sustainable Operations

While selecting investments, enterprises seek to make the optimal trade-off between local development and corporate profitability by balancing double considerations: economic efficiency and social equity, and give higher priority to investments in the sectors of vital relevance to people's livelihoods and in urgent need of development, such as energy, health care, agriculture and infrastructure construction, so as to facilitate related poverty reduction projects through these investments, bringing about both economic returns and social benefits for local residents, and contributing to sustainable and inclusive growth across SEA. Enterprises give impetus to the ongoing SEA transformation towards a low-carbon society through investments. By helping SEA reduce its dependence on highly-polluting and highly energy-consuming fossil energy resources, local communities drive down their energy use costs, and vulnerable social groups gain more fair access to clean and reliable energy supply, and promoting environmental protection and development of new energy sector in SEA, enterprises push forward the continued shift of economic growth patterns to greener development modes.

According to an International Energy Agency survey, there are still 1.3 billion inhabitants across the globe living without access to electricity services, and in SEA, the residents without electricity services are mainly concentrated in Myanmar, the Philippines, Vietnam and Indonesia. For example, the Bagan ruins area on the Myanmar Great Plain is home to more than 3,000 ancient pagodas and temples, and has attracted tourists from all over the world, however, due to being far from electricity grids, surrounding communities have no electricity services. Residents there have to use kerosene lamps, rechargeable lanterns or diesel generator-powered lamps for night lighting. Without a doubt, the exhaust and smoke from such lighting sources pose serious health threats, and the unavailability of electricity supply also prevents the local tourism sector from further development. To tackle the problem of insufficient power supply in poor SEA areas, Panasonic unveiled a new-type solar cell system on October 31, 2015. In developing this low-cost full-functioned model: Eneloop Solar Storage device, the firm had invested millions of dollars. With its unique product features and significant benefits to poor populations in some SEA localities, this device can be marketed across SEA not only by existing dealers, but also promoted by international organizations committed to improving living conditions for impoverished locals in non-electrified areas, such as NPO and NGO. In December 2015, Panasonic donated 500 solar lights to 40 schools in the vicinity of the Bagan site for providing a well-lit learning environment for children, the would-be major

participants in their community development. As of March 2016, Panasonic had donated more than 60,000 solar lights in 17 countries and regions around the world. The widespread adoption of the device not only had backward areas get out of their plight of unavailability of clean lighting and electricity supply, helping mitigate local poverty, but also contributed to burnishing the firm's brand and enhancing its profile of being a responsible global corporate citizen.

3. Investment-driven Anti-poverty in SEA by Chinese Enterprises

(1) Chinese Enterprises' Focus on Social Responsibility Fulfillment: Having a Higher Correlation with Realistic Poverty Reduction Demands in SEA

Fact checks and close analysis of the poverty status on the ground in SEA show that realistic demand for poverty alleviation should be addressed mainly from three fronts: efficient economic growth, increased ecological environment protection and improved social harmony and stability. In fulfilling their social responsibilities in SEA, With in mind their various stakeholders (consumers, communities, clients, governments and others), Chinese enterprises weave their concept of corporate social responsibilities into their main businesses, corporate strategies, organizational structures and daily operations. By proactively responding to concerns from stakeholders, they make active contributions to society and environment, so as to achieve triple benefits: economic growth, social harmony and sustainable environment. Therefore, poverty alleviation is part of their goal of fulfilling corporate social responsibilities.

By combining their inputs of social capital (for example, proprietary expertise, professional skills, technology innovation abilities and management advantages) with solution of actual social or environmental problems in poor areas of SEA, Chinese enterprises accomplish their goal of fulfilling social responsibilities and contributing to poverty reduction in SEA through a series of specific measures and programs, such as respecting business ethics, production safety requirements and occupational health standards, protecting the legitimate rights and interests of workers, protecting environments, sponsoring charitable & public welfare undertakings, launching social donation campaigns, and protecting vulnerable groups. That is to say, by solving social or environmental problems in poor areas, companies establish and enhance their corporate reputation, reduce their business costs and improve their competitive environments so as to gain sustainable competitive advantages, namely responsible and sustainable competitiveness.

(2) Implementation Approaches of Investment-driven Anti-Poverty in Partnering with Different Stakeholders

In terms of fulfilling social responsibilities and contributing to poverty reduction, Chinese enterprises try to identify and understand needs and expectations in poor areas through in-depth communications with various stakeholders and in more transparent operational modes, and increase the participation of poor areas and poor populations in their corporate practices concerning economic, environmental and social topics. Chinese enterprises have rich practice and experience in exploring the implementation approaches of investment-driven anti-poverty in partnering with different stakeholders.

Table 1: Implementation Approaches of Investment-driven Anti-Poverty in Partnering with Various Stakeholders

Anti-poverty Approaches Stakeholders	Direct Approaches	Indirect Approaches
Governments	Launch or take part in poverty reduction programs in response to the call from governments	Pay taxes Operate by law
Shareholders/Investors	Persuade shareholders to launch or take part in social responsibility investments related to poverty reduction	Increase incomes in poor areas Enhance the investment appeal in poor areas
Clients/Consumers		Provide low-cost products and services
Employees	Employ poor residents Raise salaries to local poor employees	Increase local employment Develop the professional skill of local employees

Anti-poverty Approaches Stakeholders	Direct Approaches	Indirect Approaches
Partners	Drive industry development in poor areas	Promote the social responsibility capability of the upstream and downstream entities in supply chains
Environment		Reduce or mitigate poverty attributable to eco-environmental factors
Communities	Charitable Donation Infrastructure Construction Productive Project	Provide human resources assistance Provide technical assistance Transform concepts and mindsets in poor areas Promote local economic and social development
NGOs	Poverty Reduction Project Cooperation	Finance poverty reduction projects Exchange and share information on poverty reduction
Media		Influence and transform concepts and mindsets in poor areas

A. Governments: China International Trust & Investment Corporation Group (CITIC Group) has inkedsigned the MOU on Assistance to Development Programs in Myanmar Poor Regions with the Myanmar Government, under which a rural public welfare fund program will be launched to help local farmers develop their household economy.

In the presence of the Chinese Premier Li Keqiang, CITIC Group and the Ministry of Livestock, Fisheries and Rural Development of Myanmar signed the MOU in November 2014, marking the official launch of the Rural Public Welfare Fund Program with strong endorsement from high-level authorities of the governments in two countries. According to the implementation plan for the Rural Public Welfare Fund Program, 50 villages selected by the Ministry are granted 30 million kyats (about USD 30,000) each as the fund pool of agricultural development. An elected "Villagers' Management Committee" is responsible for managing the fund pool, and doles out low-interest micro-loans (6% per annum) to eligible farmers in the village to support their business development. Villagers can use these start-up funds to finance various production activities, for example, animal husbandry, fishery breeding, tree planting and so on, and repay the principal and interest within prescribed terms. The recovered principal and interest can re-loan out to farmers, as a result, achieving sustainable development.

In 2016-2019, CITIC Group followed up with visits to these villages, collecting first-hand information and looking into the use of these funds. According to the fact-finding interviews, based on their own production conditions and needs, farmers used the micro loans on purchasing piglets, calves, lambs, chickens, fishing devices, betelnut seedlings, feedstuff and vegetable seeds, and some farmers even used them on running their small shops. In short, a majority of villagers used the fund for financing their household economic development, and have reaped desirable economic returns.

B. Shareholders: by tapping its financial and technological advantages, Guohong Group contributed to the development of the rice industry in Cambodia, leading to enhanced levels of agricultural development and living standards for local farmers.

Cambodian rice sector has a promising development prospect and the tremendous potential to grab larger shares on international markets. However, backward planting techniques and insufficient input of development factors have seriously restricted its further development. Guangxi Guohong Development Corporation (Guohong Group) has helped Cambodia improve its agricultural production andby processing technologies through continueding and deepened agricultural cooperation with the Cambodian government. For example, Guohong Group implemented the Guangxi-Cambodia Agricultural Technology Training School Project. Being funded by Guangxi Government and completed in two phases in 2007 and 2008, the project turned out many agricultural technical professionals for Cambodia, built a 200-hectare original fragrant rice seed production base in Kompong Tong Province, and hired Chinese senior agricultural experts to Cambodia for rice seed selection and cultivation to purify and rejuvenate Cambodian rice provenances. In 2010, the Cambodia-based Guohong Rice Processing Mill, a greenfield investment under the project, was completed, and put into operation in July 2012.

With its constant help in Cambodia, apart from advanced planting and processing technologies, Guohong Group also created a large number of jobs for locals. Nowadays, the mill has the processing capacity of 150 tons of unhusked rice and 100 tons of polished rice each day, amounting to an output of 30,000 tons of finished rice per year. The mill not only hires 120 local workers, but also provides a stable source of income for the local communities, contributing to marked improvement on both local agricultural development and living standards of farmers.

C. Clients: The China-Myanmar Oil/Gas Pipeline Project Increases Availability of Gas and Power Resources to Local Residents

China National Petroleum Corporation (CNPC) has attached great importance to the Myanmar market. Since the launch of this joint project in 2001, it has worked with its partners to provide integrated solutions to the development and utilization of oil and gas in Myanmar. Consisting of a natural gas pipeline and a crude oil pipeline, the China-Myanmar oil and gas pipeline project[4] extends from the north to the south, providing a new channel of oil/gas import and export for Myanmar. More importantly, it makes rich natural gas resources and imported crude oil in southern Myanmar available to main consumer markets in the central and northern Myanmar.

On September 18, 2013, Myanmar's 7Day Daily gave a full account of the project benefits: the City of Kyauk Phyu uses the natural gas carried through the pipeline to generate electricity, enabling residents in the downtown city and surrounding villages to get access to reliable and affordable electricity services. In its coverage, the newspaper reported: with a much lower electric rate of MMK 35 per KWh (compared with MMK 500 per kWh before), and an uninterrupted supply of 24 hours a day, more households are applying for installing electricity meters, and so, more than 2,000 new meters will be added on the top of the existing 3,800 ones. As a leading oil/gas producer and engineering and technical service provider in the world, CNPC has been committed to serving this market, having actively developed integrated solutions for oil/gas development and utilization in this country, and creating and delivering added values to local poor populations.

D. Employees: CNICO Gives Priority to Taking in Local Residents, and Facilitates Local Employment Through Skill Training and Vocational Counsel Services

In 2007, China Nonferrous Metal Mining Corp set up a new entity: CNMC Nickel Co., Ltd.(CNICO) with a special focus to develop and operate Dagongshan Nickel Mine in Myanmar. CNICO gives priority to the employment of land-expropriated farmers, and ensures that at least one job at the Company is reserved for each household within the project area. It recruited 1,613 local employees, raised the incomes for poor local residents, and sharpened their labor skills through employment assistance. By the end of May 2019, a total of 1,250 locals for 65 positions passed the serial in-house training, and a large cohort of technical personnel in mine smelting and production sectors were trained for the country. In addition, CNICO also further strengthened the vocational training on thefor Myanmar employees inabout job skills, Chinese language, corporate management concept, safety production knowledge and so on. CNICO also seconded three groups of selected first-line Myanmar employees in China for professional training respectively at Beijing Polytechnical College, Yunan University and Xiamen University to improve their skills and broaden their visions, laying down a solid foundation for their further career development back at home. In cooperation with the Confucius Classroom at Mandalay Fukyo, Myanmar, CNICO offered a Chinese language training program at the Sino-Myanmar Friendship Buddhist School. So far, two training sessions have been completed, benefiting more than 800 trainees, including employees, students and nearby residents.

4 The China-Myanmar Oil/Gas Pipeline Project is an international commercial venture jointly launched by 6 parties from 4 countries, with South-East Asia Gas Pipeline Company Limited (SEAGP) responsible for financing, building, operating and managing the gas component, while South East Asia Oil Pipeline Company Limited (SEAOP) responsible for financing, building, jointly operating and managing the oil component. The two international joint ventures are, either, more than 50% owned by CNPC Group's SEA Pipeline Co., Ltd.

E. Partners: NN5 Forged Mutually-Beneficial Relationships With Various Stakeholders in Laos, and Contributed to Regional Economic Development in SEA by Leveraging Advantage of all Parties

According to a 2008 survey, in addition to a tiny proportion of charcoal, over 90% of basic energy sources for households at Banjing Village in Laos has come from fuel wood, not only having very low utilization rates of resources, but also posing extremely serious air pollution. Except for few households (accounting for 13.3% in the village which relied on a small hydro-power station and diesel engines for electricity), thea majority of them had no access to electricity supply. But thingss has ve begun to change since December 2010, when Sinohydro Nam Ngum5 Power Generation Co., Ltd. (NN5) and a Chinese NGO: Global Environmental Institute (GEI clinched a Cooperation MOU on promoting biogas technologies at Banjing Village in Pokun County of Luang Prabang Province, the location of the small hydro-power station, and facilitating clean energy use in the area.

In order to further improve the living standards of the local villagers, NN5 and GEI introduced China's advanced biogas technology into Laos. Since the biogas project went into service, villagers didn't have to go up the mountains for firewood any longer, saving much labor. With biogas digesters built, biogas lamps are used for lighting, and come along with them the promising rays of hope for villagers. The biogas residues and biogas slurry are applied to soil as base fertilizer to increase soil fertility. In addition, the biogas slurry is also used for soaking seeds to improve their germination rates, or for spraying vegetables, killing pests and increasing vegetable yields, resulting in higher incomes and improved life for villagers. Furthermore, the 32 methane tanks of 8 cubic meters each lead to a net saving on 48 tons of firewood each year, translating into 112 mu of preserved hilly lands, an obviously lower deforestation rate and an effectively-protected forest ecosystem.

F.Communities: Chinese Enterprises have actively participated in disaster relief and reconstruction efforts in Myanmar

Myanmar is prone to various natural disasters, especially floods. Heavy rains every wet season usually cause serious floods, resulting in tremendous casualties and property damage to this underdeveloped economy. For example, the continuous rainfalls in July 2015 flooded large swathes of the country. In the east of the mining area of Wanbao Mining Co., Ltd., more than 10 villages were inundated, and most residential houses badly damaged. Wanbao immediately started its emergency rescue system, allocated MMK 50 million for disaster relief, and took various rescue measures: First, to motivate non-affected villagers, in-house canteens and subcontractors to provide foods (at least 8,000 packs of rice, steamed buns, stuffed buns were doled out each day) to victims; Second, to provide clean drinking water to victims; Third, to purchase disaster relief materiel(such as bamboo poles and rain clothes) to set up temporary shelters for victims; Fourth, to call on all the staff to raise money for the affected villagers; and Fifth, to dispatch an in-house medical team to provide medical services to residents in the affected areas, preventing and controlling possible outbursts of various diseases and post-disaster epidemics.

In response to the proposal from the Chinese Embassy in Myanmar, SPIC and other Chinese-funded enterprises in Myanmar jointly donated MMK 40 million on the morning of August 24, 2016 to the Ministry of Social Welfare and Relief and Resettlement in Myanmar. Out of which, the MMK 10 million donations from SPIC was specially used for reconstructing flood-affected areas for victims.

(3)Difficulties and Challenges for Chinese Enterprises in Their Investment-driven Anti-Poverty Efforts in SEA

In their Investment-driven anti-poverty efforts in SEA, there are still many difficulties and challenges for Chinese enterprises to grapple: First, insufficient infrastructure (including transportation systems and municipal service facilities) in poor SEA countries, gaping public fund shortfalls in financing public welfare projects, and a mismatch between funds and capabilities of Chinese enterprises and local demands for poverty reduction; Second, lack of pforeign poverty reduction talent affects the identification of poverty reduction demands and the implementation of the poverty reduction projects; Third, lower cooperative awareness prevents overseas Chinese enterprises from effectively partnering with third-party private-sector organizations and being deeply integrated into local communities, adversely affecting the smooth implementation of poverty reduction projects; Fourth, lower communication capability prevents overseas Chinese enterprises from effective engagement with various stakeholders, adversely affecting the implementation, publicity and promotion of projects.

4. Effect Analysis of Investment-driven Anti-poverty in SEA by Chinese Enterprises

(1) Selecting Indicators and Data

Given the availability and continuity of related data in SEA, we selected per capita GDP as a proxy to the level of poverty in SEA or its particular countries (as the case may be). At the same time, we selected FDI stock as a proxy to the investment intensity of overseas Chinese enterprises as a whole in SEA or its particular countries, and selected actual investment amount as a proxy to the investment intensity of overseas Chinese enterprises of particular classifications in SEA or its particular countries. Our the data sample period was the period 2005-2017. All the primary data of the 3 indicators mentioned-above are sourced from World Bank, China's Outward FDI Statistics, and CGIT database (China Global Investment Tracker jointly operated by Heritage Foundation and American Enterprise Institute (Heritage/AEI)). In the CGIT database, Chinese enterprises' investments in SEA are classified by three dimensions: investment sector, nature of enterprise and investment mode.

(2) Running Regression Analysis

We look into and analyze the effects of overall and classified investments in this section. Per capita GDP for SEA in its entirety is analyzed as the dependent variable, and four equations (1- 4) are established. When it comes to the analysis of the effects of investments in a particular SEA country, per capita GDP for such a particular country is the dependent variable, and so, 10 equations (5-14) are established, with one equation corresponding with each SEA country. For harmonizing the units of measure of various variables, all the variables are expressed in logarithmic mode. Therefore, we have the following formula:

$$LNY=C_0+C_1\ LNX+\varepsilon_0$$

Where LNY is the logarithm of per capita GDP; LNX the logarithm of Chinese investments in SEA or its individual countries(as the case may be); C0 the constant; $C_1$the constant of LNX; and ε_0 the residual error.

We process the primary data in Eveiws format, and come out with the regression results (as shown in the table below):

Table 2: Regression Results of Effects of Chinese Overall and Classified Investments on Per capita GDPs in SEA

		Per Capita GDP: Equation-1	Per Capita GDP: Equation-2	Per Capita GDP: Equation-3	Per Capita GDP: Equation-4	Per capita GDP: Equation-5-Equation-14
China's Direct Investments in SEA		0. 217***				
Classification-1	Processing and Manufacturing		0. 133***			
	Financial Service, Tourism and Other Services		-0. 209			
	Logistics and Transportation		0. 198***			
	Metal Mineral Resources		0. 015			
	Engineering Construction		0. 093***			
	Public Utilities		-0. 046			
	Others		0. 008			
Classification-2	SOEs			0. 139***		
	Non-SOEs			0. 053***		
Classification-3	Project Contracting				0. 239***	
	Greenfield Investment				0. 038	
	Other Direct Investment				-0. 005	
Classification-4	Brunei					0. 011***
	Indonesia					0. 154***
	Cambodia					0. 163***
	Laos					0. 174***
	Burma					0. 205***
	Malaysia					0. 173***
	The Philippines					0. 133***
	Singapore					0. 105***
	Thailand					0. 149***
	Vietnam					0. 237***
Constant		4. 965	6. 493	6. 616	5. 744	——
F-testing		172. 1031	47. 73753	36. 25636	24. 09876	——
Sample Size		26	39	104	52	143

Notes: *** is the P-value. A P value above 1% means "statistically significant".

(3) Findings from Result Analysis

Close analysis of these quantitative regression results shows that:

First, the overall poverty reduction effect of Chinese enterprises' investments on SEA in its entirety is remarkable, with the coefficient of overall investment effect coming in at 0.217, that is, each additional unit of Chinese investments leads to a 0.217 gain in the unit of per capita GDP in SEA;

Second, in terms of the degrees of influence of Chinese enterprises' investments on SEA economic development by target sectors, the sectors come out in descending order: Logistics & Transportation > Processing & Manufacturing > Engineering Construction. Namely, Chinese enterprises' investments in Logistics & Transportation deliver the most obvious poverty reduction effect to SEA, with Processing & Manufacturing and Engineering Construction following, and the others being statistically insignificant;

Third, In terms of ownership types of investors, Chinese enterprises' investments in SEA consist of ones made by SOEs and Non-SOEs. Our regression results show, Chinese investments in SEA by both SOEs and Non-SOEs have significant poverty reduction effect;

Fourth, in terms of investment modes (project contracting, greenfield investments and other types of direct investments), the P-value of project contracting is below 0.05, indicating its effect on the per capita GDP growth in SEA is statistically significant, while the figures of greenfield investments and other types of direct investments are all above 0.05, suggesting their effects on the per capita GDP growth in SEA are less statistically significant;

Fifth, our regression analysis shows that Chinese enterprises' investments have significant effects on the per capita GDP growth of all host countries in SEA, but the degree of effects varies from country to country. Specifically, Vietnam takes the lead with the largest effect coefficient, andfollowed by Myanmar, Laos, Malaysia, Cambodia, Indonesia, Thailand, the Philippines, Singapore and Brunei follow inby descending order.

5.Conclusion and Takeaways

(1) Conclusion

A. Investments by Chinese enterprises contribute significantly to the poverty alleviation in poor countries in SEA

Investments by Chinese enterprises have the most significant effects on alleviating poverty in poorer SEA countries, especially Vietnam, Myanmar and Laos. Due to extremely serious poverty, these countries have fewer opportunities and weaker positions relative to their more well-off peers to extricate themselves from poverty on their own. Through investments, Chinese enterprises have motivated local residents to get out of poverty, improved local infrastructure and human settlement environments, promoted education and technological progress, facilitated the productivity growth, and created more employment opportunities, thus, providing a strong boost to local economic development.

B. Investments by Chinese enterprises have a sound match with priority poverty reduction sectors in SEA

According to distribution patterns of Chinese investments in SEA, the fields in which Chinese investments have delivered obvious poverty reduction effects are fully covered by the top 10 sectors of Chinese enterprises' investments in SEA. As shown in our analysis results, due to underdeveloped infrastructure, insufficient technologies and experience, lower levels of industrial development and various growth constraints, the investments of Chinese enterprises in infrastructure, processing & manufacturing, transportation and other fields have achieved significant poverty reduction effects, but in education, health and other social fields, the effects are not so obvious. The main reason is that, on one hand, the scale of Chinese enterprises' investments in these sectors is too small (relative to in other sectors) to have significant direct effects on local poverty reduction; and on the other hand, due to their inherent characteristics, these sectors are "slow-burn" ones, being not prone to having quick effects. Perhaps, it may take more time for significant poverty reduction effects to come out over a longer period of time.

C. Fragmented and piecemeal investments have no significant poverty reduction effects

In the sectors of processing, manufacturing, logistics, transportation and so on, investments in SEA from Chinese enterprises are characterized by large scales and high concentrations. So, it is easier for such intensive investments to maximize the utilization effectiveness of resources and achieve desirable economies of scale, bringing about obvious economic growth impetus to economic growth and poverty reduction efforts in SEA while maximizing profits for investment enterprises themselves. By contrast, piecemeal investments aren't easy to be put under coordinated management due to their small scales, fragmented space-time arrangement, intermittent and unsustainable implementation. as consequence, it usually fail to deliver significant poverty reduction effects.

(2) Takeaways and Recommendations

A. Strengthen poverty reduction research to help overseas Chinese enterprises better participate in local poverty reduction efforts under the guidance of the Chinese strategy of going global.

According to related policies of China towards SEA and in the light of poverty realities and poverty reduction practices in local communities of Chinese enterprises, in-depth research on SEA poverty reduction strategies should be made, especially on how to translate research findings on China's anti-poverty achievements into the practical experience of international significance. In addition, it is also advisable to partner with local governments and related research institutes on joint research to explore effective poverty reduction approaches and develop poverty reduction knowledge products, so as to further assist Chinese enterprises abroad in better participating in local poverty reduction efforts in host countries under the guidance of the Chinese

strategy of going global.

Strengthen the exchange of poverty reduction experience and build an exchange platform for sharing insights and experiences within and Chinese enterprises overseas between Chinese and foreign partners.

First, to constantly cement and develop partnerships between China and other countries through international exchanges of various forms, especially institutionalized exchanges on poverty reduction efforts, further promoting international and regional poverty reduction cooperation;

Second, to forge a poverty reduction exchange platform for well-proven practical experience among Chinese enterprises overseas to facilitate effective share of information resources (such as poverty reduction demands, resource endowments, technological levels, education levels of local citizens, development levels of local infrastructure) and demonstrate anti-poverty ways and means, so as to set benchmarks and establish role models for more Chinese enterprises.

C. Establish and upgrade demonstration projects on international poverty reduction cooperation with enterprise inputs

Governments may introduce enterprise resources to further boost government-led existing poverty reduction demonstration projects, or redevelop and enhance enterprise-sponsored poverty reduction projects into typical international demonstration ones. By giving full play to enterprises' resource advantages, governments may preferentially channel effective resources of enterprises into fields which are most relevant to poverty reduction, including infrastructure development, labor skill improvements, pro-employment initiatives and industrial cultivation in poor areas, so as to improve the capabilities of self-development in poor areas. In jointly promoting the implementation of poverty reduction demonstration projects, governments' policy guidance should work together with resource advantages of enterprises to effectively utilize enterprise funds and create more targeted demonstration projects.

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