

CSR with Chinese Characteristics

On a Silk Road to Convergence?

Kaja Elise Gresko



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Sustainability

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Abstract

Over the past decades, the private sector has been subjected to increased scrutiny for the harmful social and environmental consequences that can often accompany business operations. At the same time, one has seen the growing popularity of concepts such as corporate social responsibility (CSR), as a way for companies to address their social and environmental impacts on society. This evolution has, however, been most evident in the advanced economies of the West, with developing and emerging countries, such as China, lagging behind. As the second largest economy in the world, with over eight million companies operating both within China and abroad, the manner in which Chinese companies perceive and address their social and environmental responsibility has important global implications. The objective of this thesis is to examine the characteristics of Chinese CSR, and better understand how ongoing changes in the business environment of Chinese companies can influence the future conceptual development of CSR as well as its application in practice. Using a qualitative approach, primary data was collected during fieldwork in China, through interviews and active participation at conferences, seminars and meetings. Literature review and document analysis was also employed to provide theoretical background as well as a deepened understanding of present and future trends in Chinese CSR development.

The thesis provides a critical overview of the theoretical evolution of CSR and current international frameworks. It also examines the drivers and institutional environment for CSR in China today, before discussing the prominent features of CSR in Chinese companies against the backdrop of international standards. In addition, the thesis examines and discusses the potential impact of CSR in China as a result of changes in the domestic environment as well due to the influence of the One Belt, One Road (OBOR) initiative, which encourages an increased international presence of Chinese enterprises. I conclude that although there are considerable challenges to the understanding and implementation of CSR within China, future developments both domestically and globally will incentivize a strengthened dedication to CSR in Chinese companies.

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Kaja Elise Gresko

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Abbreviations

AIIB: Asian Infrastructure Investment Bank

ACFTU: All-China Federation of Trade Unions

CAITEC: Chinese Academy of International Trade and Economic Cooperation,
Ministry of Commerce

CASS: Chinese Academy of Social Sciences

CCCMC: China Chamber of Commerce of Metals, Minerals and Chemicals Importers
& Exporters

CCTV: China Central Television

CED: Committee for Economic Development

CFP: Corporate financial performance

CSR: Corporate Social Responsibility

EIA: Environmental Impact Assessment

GRI: Global Reporting Initiative

IFC: International Finance Corporation

IMF: International Monetary Fund

IPE: Institute of Environmental & Public Affairs

ISO: International Organization of Standardization

MEP: Ministry of Environmental Protection

MNCs: Multinational corporations

MOFCOM: Ministry of Commerce of the People's Republic of China

NBS: National business system

NPC: National People's Congress of the People's Republic of China

NTACC: National Textile and Apparel Council of China

OBOR: The Silk Road Economic Belt and the 21st-century Maritime Silk Road

ODI: Outward Foreign Direct Investment

OECD: Organization for Economic Co-operation)

PRC: People's Republic of China

RMB: Chinese Renminbi

RSCA: Responsible Supply Chain Association

SASAC: State-owned Assets Supervision and Administration Commission of the State Council

SOE: State-owned enterprise

TNC: Trans-National Corporation

TPP: Trans-Pacific Partnership

UN: United Nations

UNDP: United Nations Development Program

UNGC: United Nations Global Compact

UNGP: United Nations Guiding Principles

WTO: World Trade Organization

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1 Introduction

I'm counting on the private sector. Now is the time to mobilize the global business community as never before.

Ban Ki-moon (2015)

The world today is facing immense economic, environmental and social challenges, such as poverty, climate change and social injustice. While global issues like these for many years were considered the responsibility of the public sector, mainly that of states and international institutions comprised of these states, the role of the private sector is increasingly being recognized. As John Ruggie (2014: 8) argues, the state cannot “do all the heavy lifting”, and therefore needs to engage other actors to meet some of the most pressing societal challenges. This is evident in the United Nation’s new Sustainable Development Goals (SDGs), which emphasize corporate involvement and highlight cross-sectorial partnerships as means to achieving sustainable development. Corporate power brings with it “substantial organizational, technological, and financial resources”, and the recognition that these resources may also be directed towards social goals has led to an increasing involvement of the private sector in the sustainable development agenda (Levy & Kaplan 2008: 3). When corporations are employed as tools for development however, the way in which they perform their corporate social responsibility (CSR) is crucial to ensure a socially and environmentally sustainable development that does not promote economic growth at any cost.

Over the past decades, China has re-emerged as a global power, with an economy placing only second to the USA in terms of size. This immense development was sparked by Deng Xiaoping’s introduction of “Reforms and Opening Up” in 1978, which would steer China in the direction of a socialist market economy. Alongside vast economic reforms, “Opening Up” meant ending China’s isolation from the rest of the world through the dual strategies of “Welcoming In” and “Going Out”. From being one of the most closed economies in the world, China rapidly attracted massive investments from international corporations in the past decades, which contributed to immense economic growth and an increased exposure to international companies. After first opening up the country’s border to foreign businesses in the 1980s, the Chinese

government has also, through various policies, strongly encouraged outward foreign direct investments (ODI) and international cooperation by Chinese companies (CAITEC et al. 2015: 1). This has led to a drastic increase in Chinese ODI at an average of 36,4 % per year since 2000, increasing by more than 117 billion USD between 2004 and 2014 (ibid.: 7). Most recently, the Chinese government has set out to rebuild the ancient Silk Road through the One Belt, One Road (OBOR) initiative, an ambitious plan to boost foreign trade and investments along Western routes through Asia towards Europe and Africa.

Simon Zadek (2012) has claimed that “[r]esponsible, green business practice is a precondition for China’s domestic stability, its moral mandate as an emerging super-power, and hopes for a more sustainable global economy that is currently in environmental freefall”. With China’s key position in the world economy, and its role as a global manufacturing powerhouse, how Chinese companies conceptualize their corporate social responsibility is of importance in its own right. As the internationalization of Chinese companies continues to rise, their CSR practices will also influence communities all over the world and contribute to reshaping the global business regime. This results in increased scrutiny of Chinese corporate practices not only from local communities, but also academia and the civil sector. Tan-Mullins & Mohan (2013: 267) argue that “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”. Considering the massive role Chinese companies can play in sustainable development both within and outside the country’s borders, the objective of this thesis is to contribute to a deepened understanding of CSR with Chinese characteristics. It also sets out to identify how changes in the domestic business environment in China, as well as government policy promoting internationalization of companies, might shape the future development of CSR in a Chinese context.

1.1 Research Questions

I wish to contribute to a deepened understanding of CSR in Chinese companies, building on factors specific to China that have influenced CSR development in the

country. Further, I aim to nuance the discourse on Chinese corporate practices, by identifying trends that point towards a strengthened commitment to CSR. Thus, I pose the following question:

What are the characteristics of CSR emerging in China today, and how will these be shaped in the near future by domestic developments and increased international activity by Chinese companies?

Additionally, I outline a set of sub-questions that will contribute to setting the scope for the wider research question:

- a. What have been the main drivers of CSR development in China, and how have they influenced the current CSR agenda?**
- b. To what extent is the current conceptualization of CSR in China aligned with internationally recognized principles and standards?**
- c. How will the “Going Out” strategy, in particular the recent One Belt, One Road initiative, contribute to a strengthened dedication to CSR in Chinese companies?**

Answering these questions will require an approach from multiple angles. In order to address what constitutes CSR with Chinese characteristics, I will first identify the drivers and national business environment that has contributed to the development of CSR in China. This will provide a better understanding of how and why CSR in China has taken its current form. Acknowledging the underlying factors of these characteristics also facilitates a better understanding of possible future developments, as this is likely to be influenced in possible changes of these conditions and drivers. Secondly, I analyze Chinese CSR in the light of an internationally recognized CSR framework, to better understand in what sense Chinese CSR differs from the international approaches to the concept. This will help identify possible strengths and weaknesses of CSR with Chinese characteristics. Finally, I consider how Chinese “Going Out” efforts, as highlighted by the recently launched One Belt, One Road initiative, might influence the future development of CSR in China. With the massive increase of Chinese company operations in overseas markets, business practices will inevitably be affected. Investigating the challenges Chinese companies are faced with as

they bring their domestic CSR conceptions into new socio-political contexts, and the necessity for these to be addressed by the companies, will contribute to a better understanding of the impact internationalization might have on the general development of CSR for Chinese business. These steps will in turn enable me to examine the current and possible future development of CSR with Chinese characteristics.

1.2 Background

1979 was a pivotal year in Chinese history, as it marked the beginning of China's economic reform and open-door policy, introduced by the then "paramount leader" of the People's Republic of China, Deng Xiaoping. The reforms were aimed at developing "socialism with Chinese characteristics" (Tisdell 2009: 2), and were characterized by a series of deregulation and privatization processes. This acceleration of the market model would soon result in immense economic growth and improved living standards for the Chinese people. Through increasing international economic cooperation, investment, trade and exchange, parts of the reform were specifically aimed at promoting economic openness (*ibid.*), in an economy that had virtually been cut off from the rest of the world for years. This in turn would spark the transformation of one of the world's most isolated economies into a major trading nation (Liu & Yang 2014: 20). In only one decade (1978 —1988), China went from being ranked 32nd in world export volume to 13th (Wei 1999: 74). And in 2009, the country reached the top of the list, and overtook Germany as the world's largest exporter (BBC 2010).

China's growing exposure to international markets also brought with it the introduction of the mainly Western-driven concept of corporate social responsibility (CSR) to the country. Although CSR first began to appear in Chinese discourse in the early 1990s, largely through the influence of global supply chains, the concept has gained popularity rapidly in later years, and influenced notions of corporations' responsibility towards society. The government has wisely recognized their self-interest in promoting the social responsibility of enterprises through legislation and state policies, as a tool to mediate the harmful social and environmental side effects of serving as the factory of the world for the past decades. Under national policies such as the "Creation of a Harmonious Society", CSR fits well into the government's mission of creating a more

sustainable, inclusive society, in addition to being recognized in later years as a mechanism to improve China's image abroad.

The Chinese government launched the “Going Global” national strategic policy in 2000, with the purpose of encouraging outward foreign direct investments (ODI) and international cooperation by Chinese companies. In 2001, China's accession to the World Trade Organization (WTO) further solidified China's opening up to the world. More recently, in the light of the economic slowdown, President Xi Jinping launched the One Belt, One Road (OBOR) initiative in 2013. OBOR aims at promoting trade and investment along Western routes – originally through the Asian, European and African continents.¹ As Jeffrey Sachs (2014) points out, “rising economic power has come [with] growing geopolitical clout”. Over the past few years, China has taken steps to set up new multilateral institutions – e.g. New Development Bank (BRICS Bank), the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund – alongside existing Western-dominated institutions such as the International Monetary Fund (IMF) and the WTO (EIUa 2015: 7). The establishment of these parallel institutions is part of the government's strategy of strengthening the country's regional and global power. The 13th Five-Year Plan – which maps out the course of social and economic development in the country over the course of the next five years – also reflects the ambition of increased global participation. The plan is the first to shift from the traditionally domestic focus to an international perspective, and calls for a utilization of domestic and global markets and a more active role in global governance (McGregor 2015).

Some have argued that the OBOR initiative symbolizes a major paradigm shift for China on the global scene – from rule-taker to rule-maker. By some, it has even been referred to as “a historical tipping point in the geopolitical balance, as China finally turns its relatively muted economic clout into more grandiose global power and leadership” (Zhou et al. 2015). What does this shift towards rule-maker in the global community entail? One implication is that China must demonstrate to the world that it is a responsible global actor, one that can be treated as an equal with other advanced nations. With an intertwining of foreign policy and business, this responsibility is also projected onto Chinese companies. Some argue that the success of the OBOR

¹ The scope of the initiative remains blurred, as the vision statement also proclaims “it is open to all countries, and international and regional organizations for engagement” (NRDC 2015).

initiative will rely to a large degree on China's ability "to involve local stakeholders and be more transparent" (BMI 2015). This goes both for the overarching framework that guides the initiative, as well as in the day-to-day business operations of Chinese companies in new markets. As Midttun et al. (2014: 15) argue, China has increasingly had to engage with the CSR agenda as the country becomes more tightly integrated with the global market economy. With China claiming a new role in the global community through initiatives such as OBOR, the conceptualization of CSR in Chinese companies will undoubtedly affect the perceived legitimacy of China as a responsible global actor.

1.3 Methodology

This thesis is a case study of CSR in a Chinese context. Using qualitative methods I seek to provide a thorough and comprehensive analysis of CSR in China today, and the direction it may potentially take in the future. Leaning on both primary and secondary sources, I have made extensive use of secondary literature and document analysis in addition to interviews and participatory observation at workshops, meetings and international conferences to gather an in-depth, up-to-date collection of data that sheds light on the research questions. In addition to desk-studies, data collection was performed during four weeks of fieldwork in China.

1.3.1 Fieldwork

My fieldwork consisted of two separate trips to China. I first spent one week divided between Hangzhou and Guangzhou in December 2015, followed by three weeks in Beijing in January 2016 where I was affiliated with the Center for International Business Ethics. During this time, I conducted five in-depth interviews, attended several high-level meetings, conferences and workshops and made valuable connections for future communication.

I travelled to China for the first time in December 2015. My first stop was Hangzhou, where I had scheduled an interview with an NGO working with international brands and local producers to improve environmental practices. Initially, my aim was to provide a sector-specific analysis of CSR in China, focused on one of the first industry that faced demands for CSR in the country, namely the textile sector. The plan was that the initial

interview would provide more contacts and enable access to both suppliers and brands. This proved difficult, however, as I soon discovered that accessing information from textile mills and international brands was near impossible. This was both related to issues of access in a Chinese context, as well as a general reluctance of international brands to share information relating to their supply chain. The factories involved in the project, I was told, were “too busy” to speak to me, and the brands I reached out to did not respond, with the exception of H&M which responded, but was not willing to share information with me about their partner agreements. After the interview in Hangzhou, I travelled on to Guangzhou where I coordinated an international workshop on CSR and the OBOR initiative.² The workshop provided me with unique insights as well as contacts on the fields of CSR and Chinese business abroad, which led me to adjust the initial topic of my thesis. Thus, I decided to take a wider approach to the core subject of my interest, CSR in a Chinese context, and connect it to the increasing trend of Chinese companies going abroad.

In January, I travelled back to China, where I was affiliated with the Center for International Business Ethics (CIBE) in Beijing, an NGO hosted by the University of International Business and Economics. During my 3-week stay I was under the guidance of Professor Baocheng Liu, the director of CIBE and a prominent scholar in the field of CSR in China. I also contributed to the organization of a conference on responsible outward Chinese investments with several high-level representatives, and a round table discussion on regional integration and responsible governance. In the occasion of the conference, I also attended a reception dinner for the speakers at the Norwegian Embassy in Beijing. My affiliation with CIBE and the involvement in various meetings, conferences and events allowed me to establish contacts for in-depth interviews as well as engage in informal discussions with fellow participants from a range of fields, such as diplomacy, government agencies, academia, think tanks, NGOs, consultancy firms, media and the corporate sector. The extended stay in Beijing also contributed to a better understanding of Chinese culture and society. This has been valuable to grasping some of the underlying reasons for the distinct features of Chinese

² The workshop was a cooperation between the Centre for Development and the Environment (University of Oslo) and the Center for International Business Ethics (CIBE), Beijing, funded by the Norwegian Consulate General in Guangzhou.

CSR in particular, as well as to the more general topic of conducting research in and on China.

As Roy et al. (2009: 209) conclude, undertaking scholarly research in China is difficult. I was early faced with several issues connected to this, which emphasized the need to make amendments to my research design and topic along the way. A common challenge is that issues that may seem harmless to a Western researcher can be considered contentious in a Chinese context. Thus, my approach and focus to the issue of CSR in China had to work around this issue, in order to make sure that I would not be too confined by difficulties in obtaining data. For instance, while the government boasts the OBOR initiative, scholars and practitioners may find it a sensitive topic, as it is yet quite vague. This causes an unwillingness to go on record about the topic. Further, many will find the topic of human rights uncomfortable, causing the issue to be largely avoided by my informants, as well as during plenary discussions and presentations. Traits particular to China also shaped my methodological approach, as especially work that involves the acquisition of primary data is difficult (Roy et al. 2001: 209). This can for instance be due to difficulties in accessing informants, issue contentiousness and language issues. Thus, as recognized by Roy et al. (ibid.), “compromises often have to be made in the respect of the research methodology employed”, and secondary sources became an important part of my data collection.

1.3.2 Secondary sources

Secondary data has been extensively used to gather a comprehensive understanding of CSR in a global and Chinese setting, and through a careful review of existing literature in the field, I have set the institutional scene for CSR in China. Most of the literature on CSR has for decades been Western-focused (Chapple & Moon 2005; Frynas 2006; Moon & Shen 2010; Yin & Zhang 2012), and many scholars have pointed out the need for expanding the literature on CSR in emerging and developing countries. This underlines the rationale for my thesis, but also makes the research process more complicated, as CSR in China is still a relatively new field. The number of studies aimed at understanding the core characteristics of Chinese CSR is still limited (Hofman et al. 2015: 3), but there has been an increase in recent years of both qualitative and quantitative studies on the topic, by domestic and international scholars (see Ip 2009;

Wang & Juslin 2009; Lin 2010; Yin & Zhang 2012; Midttun et al. 2014; Lin et al. 2015a). This provides a solid basis of academic literature for an analysis on CSR development in China until current day.

In addition to literature review, secondary sources have included documents such as research report and news articles. Various reports have provided detailed analyses and numbers on topics such as Chinese consumer behavior (Hart et al. 2015), CSR development in China (Liu & Yang 2014), CSR practices in Chinese companies (CSR Asia et al. 2015) and Chinese sustainable business practices overseas (CAITEC et al. 2015). As Roy et al. (2001: 205) point out, such reports “enable foreign researchers to better understand the China market”, as access to primary sources can be challenging. News articles have been an interesting window to the discourse surrounding CSR in China, and provided up-to date information on recent developments in the field.

While gathering primary data in China can be challenging, secondary data collection also entails certain difficulties– the most obvious issue being language. For instance, while many official government documents have official English versions, several do not. In these cases it is sometimes, but not always, possible to find translations by third party agents, such as news agencies or consulting/legal firms. While one can assume that these translations are correct, one must still be aware that interpretations and translation may alter the original meaning. Furthermore, several websites of prominent CSR research institutions in China have poor or no English translations, and in the case that the website has an English version, this may not work.³ In this context, the problem is not to understand the content of a specific document or statement, which can be solved by employing local assistants or translators, but rather to get a comprehensive overview of research and information on the topic. Language issues thus limit data collection not only by making the researcher reliant on translation, but also by making it more difficult to navigate in the field and find relevant sources. Secondly, there is an issue of accessing information that does not necessarily only relate to limitations of language. In several cases I discovered that certain reports were only for internal use between research agencies and government bodies, and not publicly available. This was the case for instance with certain reports on CSR reporting in China (GoldenBee) and

³ This occurred with multiple attempts to access websites such as www.csrworld.cn and www.csr-cass.org.

CSR in Chinese companies operating abroad (CASS). In terms of company disclosure, many companies do not publish their CSR reports in English, making it difficult to do an independent analysis of their contents and the more general attitude towards CSR. In fact, only 7, 6 % of the Chinese CSR reports published in 2015 had English versions (GoldenBee 2015). Finally, as Roy et al. (2001: 205) highlight, issues of inaccuracy, poor reliability and representativeness have also been concerns related to use of secondary data published by the Chinese government. While this mainly applies to quantitative data, a critical view on all government issued documents and statements is required, as these, coming from a one-party state with media censorship, cannot necessarily be taken at face value.

1.3.3 Primary sources

Data has also been collected from primary sources, through interviews, participation at workshops, meetings and conferences, and analysis of legal documents and policy briefs. Through my position as a research assistant at the Centre for Development and the Environment at the University of Oslo, and the affiliation with CIBE in Beijing, I was able to attend various venues with leading experts on the field of CSR in China, both Chinese and international. In December 2015, I coordinated a workshop in Guangzhou titled “CSR Along the One Belt, One Road initiative”. I also assisted in the organization of a conference on “Investment Towards the SDGs”, and a roundtable on “Regional Integration and Responsible Governance” in Beijing in January 2016. Agendas for the three events can be found in the appendix, including the list of guests with whom I attended the reception at the Norwegian embassy. In addition to observing presentations and plenary discussions at these events, I was also able to engage in a number of informal conversations with participants from a range of sectors, who served as valuable informants.

Conversations included representatives of state-owned enterprises (SOEs) and industry associations, such as the General Manager of China State Farms in Tanzania, Shanyuan Guan, and Zhang Xiang, Vice Secretary General of the China International Contractors Association. Another group represented NGOs, such as Kevin May, Manager of the China and Developing Country Program of Oxfam Hong Kong, Annie Hu from Nairobi-based China House, and Yalin Wang, Program Officer for Sustainable Business

Abroad at the UNDP. Other valuable insights were provided by leading scholars and think tank representatives including the following: Peiyuan Guo, General Manager of SynTao; Zhirong Duan, Tsinghua University School of Economics and Management; Lihong Ye, Vice-Director of the CSR Research Center CASS. Further, I was able to partake in discussion with media representatives and commentators such as Yang Rui from CCTV News, and current affairs commentator Gregory Yingnien Tsang. I spoke extensively with most participants, not limited to those listed above, but not all were willing to go on record. Since I am not always able to provide direct quotes, the information I gathered during these interactions will be referred to in a general format, rather than being credited to particular persons.

Through participation at these events, I was thus able to get a wide range of perspectives on the perceptions of CSR in China, and the role it plays, and can play, in Chinese overseas operations. In China, gaining access to people and information is very much dependent on relations, but attending these workshops and conferences provided an opportunity to connect with some of the leading experts in the field, which would have been very difficult with a direct approach. This also facilitated in-depth interviews with several informants from various backgrounds, of which I was able to carry out 5 during my fieldwork in China. The interviews can be characterized as elite interviews, in the sense that the interview objects were chosen due to the professional position they occupy, and not on a random basis (Hochschild 2009). The data these interviews provided must then also be seen in the light of the heavy institutions the interviewees represented. As Heimer & Thøgersen (2006: 15) point out, “good contacts are often a necessary prerequisite for doing research [in China]”, which became especially evident in this context. Personal introductions were crucial for arranging interviews, and only in one case was I able to set up an interview directly with the informant without prior introduction. All interviews were semi-structured, but sound recording was only allowed by one of the interviewees. For the purpose of the other interviews, comprehensive notes were taken. One informant also wished to remain anonymous. Interviewees included:

- Yalin Wang, Program Manager, UNDP and director of the trilateral project by the UNDP, SASAC and MOFCOM on Sustainable Development of Chinese Enterprises Overseas.

- Kate Logan, Green Choice Project Manager, Institute of Public and Environmental Affairs (IPE).
- Zhao Lin, Program Manager Sustainable Textiles, Solidaridad China.
- Baocheng Liu, Director of the Center for International Business Ethics (CIBE).
- *Anonymous*, AIIB official central in the establishment of the bank.

I also conducted interviews with seven informants via email exchanges upon my return to Norway. Some of these exchanges were continuations of dialogues with participants from the various events I had attended during field work in China, while others represented new informants I had been unable to schedule interviews with while in Beijing,⁴ such as Quqing Huang from SynTao and Chairman of China General Consulting and Investment Company, Debing Liu. The in-depth interviews I carried out while I was in Beijing and the supplementary interviews conducted via email provided me with vital information and perspectives from a field that is not yet well represented in academic literature, and guided me in the right direction in terms of accessing additional data.

To further extend my primary data collection, I analyzed relevant government policy statements, briefs and legal documents. These have been valuable to understanding the institutional framework of CSR in China, as well as the government discourse on the topic. For instance, the *Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities* (SASAC 2008) was an important milestone in CSR development in China, and by analyzing this document I have been able to better understand the foundations for CSR dissemination in Chinese companies. Further, the core official document of the OBOR initiative, *Visions and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* (NDRC et al. 2015), has given crucial insights to the underlying framework for the policy. As the main driver of CSR in the country, the government projects their visions, requirements, ambitions and goals through these documents, making them an important source for research on current and future developments in the

⁴ Unfortunately, timing became an additional obstacle in terms of arranging interviews, as my stay in China were in the weeks leading up to Chinese New Year, causing many to be unavailable for a meeting. Thus, e-mail communication emerged as a necessary alternative.

field. Press releases and transcripts, such as from a press conference by the Ministry of Commerce on *CSR of Chinese Companies Operating Abroad* (MOFCOM 2013), also offer valuable insights to how the government addresses these issues.

Acquiring primary data in China can be challenging (Roy et al. 2009: 209), especially in terms of accessing informants. This is due to several reasons, one being the issue of topic sensitivity (Stening & Zhang 2007: 132). Many issues that are considered non-contentious in the West are uncomfortable for people to talk about in China, and there is often a “reluctance of Chinese people to disclose their thoughts and opinions” (ibid.: 132). This became evident for instance as I was trying to arrange an interview with an NGO representative on corporate environmental performance, and was told that the topic was very sensitive, and not something they wished to discuss. Although it may seem strange that an NGO dedicated to these issues would think they were too sensitive to discuss, this may also have been enhanced by other factors. For one there is the concept of seniority, which stands strong in the Chinese society (Shen 2004: 53). The importance of seniority in an organization may not only limit access to speaking to higher level officials, but also lead to a hesitation from lower level officials to speak on the behalf of their company or organization. Additionally, there is often an entrenched skepticism towards foreigners in the Chinese society, further causing restraints to obtaining informants as weariness and suspicion towards the motive of the researcher is more likely. In this context it must also be noted that I was not only considered a *lao wai* (foreigner), but also a *Norwegian*, which in the wake of the diplomatic crisis between Norway and China caused by the 2010 Nobel Peace Prize debacle, is definitely not a helping factor. Finally, language issues also affects the collection of primary data, as some informants may not feel comfortable or capable to be interviewed in English.

1.3.4 Validity and reliability issues

Firstly, it must be said that any sort of generalization in terms of China is a difficult task, due to the sheer size of the country. As Roy et al. (2001: 204) point out, regional variance in cultural traditions and economic development results in vast differences across the country. Not surprisingly it is the most developed cities that have mainly been subject to empirical studies, as these not only generate vast research opportunities, but also are more accessible in terms of research (ibid.). As I have mainly relied on

existing studies and surveys, and interviewees that represent large institutions based in Beijing and Hangzhou, this focus on the more developed regions in China is evident in my analysis as well. Thus, it is important to keep in mind that the significant regional differences and variations of government policy limit the generalizability of these research findings for China as a whole (ibid.: 209).

Additionally, when using secondary data, one is dependent on this information being correct. Chinese government data has often been subject to concerns of inaccuracy and poor reliability and representativeness (ibid.: 205). Research organizations set up by the central government have alleviated these issues to some extent, but still problems are present, such as the possible overstatement of certain factors to provide a better image so as to please the local government (ibid.). This makes it important to take a critical approach towards the secondary data gathered, and to be aware of the possible shortcomings or flaws it may have.

Finally, the issue of topic sensitivity may also affect the data I have obtained. In some cases, interview objects might be wary towards sharing their genuine thoughts and impressions, and many do not wish to go on record. Censorship is widely exercised in China, and many are skeptical towards talking about certain issues, particularly perhaps to foreigners. I must be aware that these issues may have colored the data I have gathered, but I do believe that this to a greater extent caused difficulties in obtaining data in the first place, rather than heavily influencing the data I did collect.

1.4 Roadmap

Including this introduction (chapter 1), the thesis consists of six chapters. Chapter 2 provides a theoretical discussion on the development of CSR in the West where it first emerged, and the international frameworks for CSR that have evolved in recent times. Chapter 3 maps out the development of CSR within the Chinese context, based on government policies, institutional framework and core drivers that have played in towards shaping CSR in the country. Building on this, chapter 4 discusses CSR with Chinese characteristics, as a result of the previously mentioned domestic factors, up against the scope of one of the most widely used CSR standards globally. Chapter 5 provides a brief overview of the “Going Out” policy and the more recent One Belt, One

Road initiative, before discussing the challenges that Chinese companies have faced as they bring their domestically developed conceptions of CSR abroad. It then discusses the role China's continued efforts to promote internationalization of national companies, with initiatives such as the One Belt, One Road, might play in pushing the development of CSR further. Finally, chapter 6 summarizes the findings of my analysis, and discusses implications for future research.

2 Theoretical Perspectives

In order to discuss corporate social responsibility in a Chinese context, one must first have a solid understanding of the general evolution of the concept on a global level. The earliest sign of CSR discourse in modern times emerged in the U.S. at the beginning of the 20th century, before spreading to Europe several decades later. It is not until recent years that the concept has also disseminated in developing and emerging economies, causing the theoretical development of CSR to have been mainly Western-driven. It is also in this context that various international CSR frameworks that have emerged, although there has been an increasing focus on including global perspectives with time. This chapter first provides an overview of the theoretical evolution of CSR in the West, before laying out the dominating global standards and guidelines on the field. These define the scope of CSR, and in many ways represent ideal types of how CSR should be conceptualized. This will later serve as a basis for understanding the level of CSR understanding and implementation in China.

2.1 The theoretical evolution of CSR

The term [social responsibility] is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in an ethical sense; to still others, the meaning transmitted is that of “responsible for,” in a casual mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for “legitimacy”, in the contexts of “belonging” or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behavior of businessmen than on citizens at large (Votaw in Carroll 1999: 280).

Business and society

Since the 1990s, the interest for Corporate Social Responsibility (CSR) and related concepts such as corporate citizenship, corporate sustainability and corporate social performance has rapidly increased. This has been seen through both the massive increase of CSR reporting from companies, but also the surge in academic and civil

engagement in the field. The notion of social responsibility among businesses is not a new one however, and origins of CSR can be traced more than 2000 years back, to ancient Greece (Hou & Li 2014: 20). Modern CSR literature emerged in the United States at the beginning of the past century, before spreading to Europe in the 1970s. Already in 1916, J.M. Clark (2016: 223), claimed that “if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not”. Already here, Clark emphasized the importance of transparency and the notion of “beyond compliance”, both important pillars of the CSR concept. A few decades later, Peter Drucker, in his book *The Future of Industrial Man* (1942), argued for the social purpose of companies, in addition to the economic. In 1953, Howard R. Bowen published his book *Social Responsibilities of the Businessman*, a seminal piece of work that would mark the beginning of the modern period within the CSR field. According to Bowen, the mentioned responsibility “refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (in Carrol 1999: 269). This again stemmed from the notion that businesses were vital centers of power, and that the decisions and actions of these firms had great effect on citizens on many levels (ibid.).⁵

In the 1960s, the Nobel prize-winning economist Milton Friedman (1962: 133) famously proclaimed that *the business of business is business*, and that the responsibility of a corporation went no further than making as much money for their stockholders as possible. At the same time, however, the literature on corporate social responsibility became further consolidated. Joseph W. McGuire (1963: 144) built further on the concept of “beyond compliance”, stating that “[t]he idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations”. It was also in the 1960s that another influential scholar, Keith Davis, introduced a concept that would not be a commonly accepted view until two decades later, namely that socially responsible business decisions could prove to produce long-term economic gain (Carrol 1999: 271). Together with Robert Blomstrom, Davis (1971: 313) also introduced the concept of *the iron law of social responsibility*, arguing that “[i]n the long run, those who do not use power in a manner that society considers responsible will tend to lose

⁵ For further discussions on CSR in the first half of the 20th century, see Heald (1970).

it”. Just as Bowen, the authors here emphasize the linkage between corporate power and corporate responsibility. As the saying goes, with great power comes great responsibility – and as corporations’ influence on the global economy and communities has increased, so has the scrutiny of their responsibilities.

The social contract

Another notion heavily influencing the CSR concept, and also touched upon in Bowen’s definition above, is that of a social contract between businesses and the society in which they operate. This was also addressed in a 1971 publication by the Committee for Economic Development (CED), pointing out that “business functions by public consent and its basic purpose is to serve constructively the needs of society – to the satisfaction of society” (Carroll 1999: 274). Eilbirt and Paret’s (1973: 7) *good neighborliness* metaphor elaborates on this. Being a good neighbor, they claim, not only entails avoiding damage to the neighborhood, but also the obligation to solve neighborhood problems. In the same sense, social responsibility means not only refraining from harmful business conduct, but the commitment of business to take “an active role in the solution of broad social problems, such as racial discrimination, pollution, transportation, or urban decay” (ibid.).⁶

While Bowen and other scholars discussed CSR under the assumption that the social responsibility of corporations was a given, this was still a debated concept. Many scholars did not accept this basic assumption, and held the view that the responsibility of a company was simply economic. As a common view at this time was that CSR would actually be damaging to the bottom-line, it could even be seen as directly conflicting with the only obligation of business according to Friedman – making money for its shareholders (Lee 2008: 58). Lee (ibid.) points out that this fundamental disagreement led to an “intellectual stalemate” which would not end until scholars attempted to intertwine the social *and* economic interest of companies. As mentioned earlier, Keith Davis had introduced the idea that corporate social responsibility and corporate financial performance (CFP) could actually be correlated in the early 1960s, but it was not until the 1970s, with the concept of *enlightened self-interest*, that such

⁶ Drawing inspiration from political theorist Isaiah Berlin’s *two concepts of liberty* (1958), one could draw a parallel here to two concepts of social responsibility – how the responsibility of a corporation is not limited to avoiding damage to society, but also extends to actively improving it.

ideas started gaining traction. The idea came from the recognition that without demonstrating that stockholder and shareholder interests were shared, CSR would remain controversial (Lee 2008: 59). In an attempt to bridge the two, the argument rested on the notion that deterioration of the surrounding society of the corporation would mean a loss of support structure and customer base. Therefore, CSR supported the long-term interest of the corporations, as it strengthened the society in which the corporation operated. More recently this notion has also been underlined, for instance by Robert Davies (in Gugler & Shi 2008: 5) who stated that “[c]orporate responsibility is a pact for mutual benefit between society that needs business for economic and social development, and business that needs a supportive business environment”.

Towards the end of the 1970s, Carroll (1979: 500) suggested a new definition of CSR, claiming that “[t]he social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”. This was an attempt at specifying the “going beyond” component of many previous definitions, as well as emphasizing the social function of business’ economic contribution to society. While *legal* refers to following the “rules of the game”, *ethical* and *discretionary* related to what “went beyond” this. Ethical expectations, as Carroll defines them, represent the norms and behaviors that society expects a company to follow, while discretionary, although also driven by social norms, meant activities that are not directly in their mandate or requirements, what today would be classified as philanthropic activities (Carroll 1999: 283). Furthermore, Carroll operates with three different levels of CSR – the primary level entail responsible conduct towards shareholders and employees; the intermediate level requiring a focus on environmental protection and production of high quality consumer goods; and lastly the superior level, relating to the company’s charitable activities contributing to greater public welfare (ibid.).

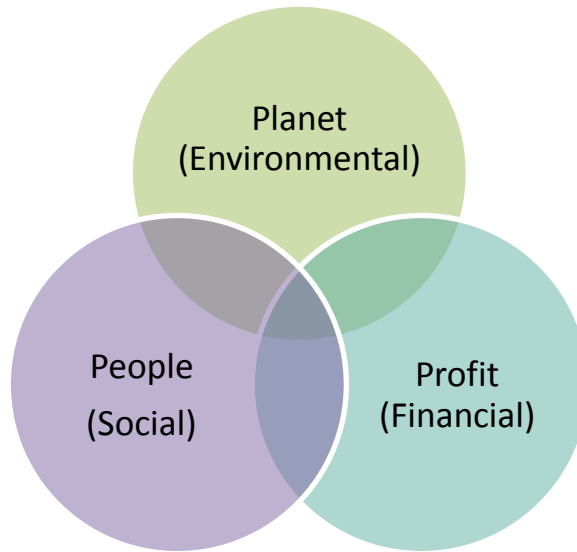
The stakeholder approach

A welcomed and celebrated contribution to the field of CSR was Edward Freeman’s book *Strategic Management: A Stakeholder Approach* (1984), gathering the till then scattered and eclectic ideas of the stakeholder approach. Here, emphasis is put on the broad reach of for-profit activities in society, acknowledging all parties who may claim

to have a stake in a company's operations, as they are affected either directly or indirectly, positively or negatively (Werther & Chandler 2011: 3). Within this framework, the difference between a corporation's social and economic goals are no longer relevant, as the main objective – survival of the corporation – is seen to be affected by not only shareholders, but also stakeholders such as government, consumers, employees, etc. (Lee 2008: 61). This aspect was also included in Epstein's (1987: 104) definition, according to which "[c]orporate social responsibility relates to achieving outcomes (...) which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders". With time, companies have increasingly adopted a broader stakeholder outlook, and while previously often being seen as limited to those directly affected by the company's day-to-day operations in the strictest sense (mainly employees), it now generally extends to encompass the entirety of the community in which the company operates (Werther & Chandler 2011: 4).

In the 1990s, the ties between CSR and stakeholder theory became tighter, through the works of scholars such as Carroll. He argued that the *social* component of corporate social responsibility was often seen as something vague, but that stakeholder management would personalize the societal responsibility through identifying the groups or people affected by a company's activities (Carroll 1991: 43). Commonly today, the environment is also seen as a stakeholder, something John Elkington can take some of the credit for. In 1994, he made an iconic contribution to the CSR field, with the term *the triple bottom line* (3BL), elaborating one year later with the 3Ps – *people, planet and profits* (Elkington 2004: 2). As he later explained, there was a need for new language expressing the "inevitable expansion of the environmental agenda" in terms of sustainable development, and that this language again had to "resonate with business brains" (ibid.). The phrase, which by many is understood to reflect the basic components of CSR, was originally an attempt to express the importance of integration between the three dimensions (social, financial, environmental) when managing a business. Only when a company takes into account their social, financial *and* environmental performance, are they assessing the full cost of their business operations. The term was quickly adopted in both business and academia, and is now commonly used as a depiction of the essence of CSR.

Figure 2.1: The Triple Bottom Line



Source: Elkington (2004: 2)

Doing well by doing good

At the brink of the new millennium, Carroll (1999: 292) predicted that the CSR literature would increasingly focus on measurement initiatives in the years to come. Following the convergence seen in later years between CSR and corporate performance, this has been true. In the early 2000s, much of the focus of CSR literature shifted from normative to strategic, highlighting the financial profitability of CSR. As McWilliams (in Lee 2008: 62) claims, the argument for CSR no longer rests on the moral responsibilities of corporations to behave responsibly, but on its potential as a strategic resource to improve the corporation's bottom line performance. Rationalization of CSR and the success in closer linking it to corporate financial performance (CFP) has made the concept more appealing in the business world, and today a majority of company managers believe that good corporate citizenship improves the bottom line (ibid.: 63).

Werther and Chandler (2011: 14-19) claim that there are three strands of arguments supporting the value of CSR, which in many ways sum up the theoretical development in the field. Firstly, a moral argument, which rests on the foundation that companies do not operate in a vacuum, clearly linked to the notion of the social contract between companies and society. As the authors claim, because "society's contributions make businesses possible, those businesses have a reciprocal obligation to society to operate in ways that are deemed socially responsible and beneficial" (ibid.: 15). Secondly, the

authors propose the rational argument for CSR, as it is “a means of anticipating and reflecting societal concerns to minimize operational and financial constraints on business” (ibid.: 17). This notion can be traced back to how the loss of social legitimacy can lead to constraints on a firm’s freedom to pursue their financial interests and Davis and Blomstrom’s *iron law of social responsibility*. Finally, as a combination of the two, it is claimed that CSR is in the economic self-interest for a company as it “offers a potential point of differentiation and competitive market advantage on which future success can be built” (ibid.: 18). Within this theory, the linkage to the stakeholder approach is also evident, as the basis for claiming that CSR adds value is because it “allows companies to reflect the needs and concerns of their various stakeholder groups” (ibid.).

Today, one of the most commonly used definitions of corporate social responsibility is one put forth by the European Commission (EC) in 2001, characterizing CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (EC 2001: 8). It is evident that the definition is shaped by the many decades of academic discourse on the field, and thereby provides a solid base for the future discussions on CSR in various contexts. Still, it is important to note that the EC in 2011 changed their definition of CSR to “the responsibility of enterprises for their impacts on society” (EC 2011: 1). According to the EC (ibid.: 2), this definition builds on internationally recognized CSR principles and guidelines,⁷ and was meant to provide “greater clarity for enterprises, and contribute to greater global consistency in the expectations on business, regardless of where they operate”. While this may be true, the widening of the definition has also made it more diluted and vague, thus the original definition from 2001 provides a better understanding of the concept when used as a single-standing definition.

2.2 International frameworks for CSR

As the previous discussion has shown, the discourse surrounding CSR has changed over time. While initially producing many skeptics, the concept has eventually become

⁷ These include the OECD Guidelines for Multinational Enterprises, the ISO 26000 Guidance Standard on Social Responsibility and the United Nations Guiding Principles on Business and Human Rights (EC 2011: 2).

widely embraced by both business, the civil and public sectors and academia, and is now seen not only as an important strategic management mechanism for companies, but also a valuable contribution to solving some of the biggest challenges the world faces today. In fact, it has been claimed that CSR has emerged as “a potential new source of global governance, that is, mechanisms to reach collective decisions about transnational problems with or without government participation” (Haufler 2001: 2). This approach is illustrated by the incorporation of the concept in development discourse and the emphasis put on the private sector by global institutions to address collective problems, after the doors to the multilateral system started opening up to the private sector in the 1990s. Following global summits such as Rio 1992 and Johannesburg 2002, there was growing recognition that the active participation of the private sector can contribute to sustainable development (Gregoratti 2014: 310). Over the past two decades, massive global institutions such as the United Nations (UN), the World Bank, the International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD) have all implemented programs to support and promote corporate social responsibility (Gjørlberg 2011: 5).

Many of the major global institutions have issued guidelines on corporate social responsibility, often also aimed at strengthening cooperation between private and public sectors. Another important tool in the implementation of CSR has been the use of standards and certifications. In fact, as many as 93 % of the world’s 250 largest corporations report on their sustainability performance (GRI 2016), most of which make use of various measuring tools and reporting mechanisms. Benchmarking and certifications are important elements of the operationalization of CSR in companies on a daily basis, and a number of standards have been developed for the purpose of corporate governance.

2.3 Guidelines and standards

As social responsibility of corporations has been increasingly recognized, one has seen the emergence of a number of frameworks, guides and standards to facilitate CSR. Major international institutions, such as the UN, have actively promoted various measures to strengthen corporate practices on social and environmental issues. In this

context, CSR is tightly linked to sustainable development, with companies seen as an integral part in tackling global challenges.

UN Business Action-Hub

The United Nations has recognized the important role of business for development through the formation of various platforms and policies, such as the UN Business Action-Hub, aimed at promoting partnerships between the private and public sector to advance solutions to global challenges. In their *Business Guide to Partnering with NGOs and the United Nations* (UNGC et al. 2007: 4), the key motives for private-sector engagement in public-benefit partnerships are identified. These are highlighted in box 2.1. It is evident that the listed motives go beyond appealing to a moral obligation of companies to do good, but also argue for the business case of social responsibility. Several arguments from the theoretical debate previously discussed can be recognized, such as the linkage between CSR and corporate financial performance (CFP), stakeholder theory and enlightened self-interest. This illustrates the growing recognition that increased corporate involvement in social and environmental issues can benefit not only the global community, but also the companies themselves.

Box 2.1: Key Motives for Increasing Private-Sector Engagement in Public-Benefit Partnerships

- The private sector often has the resources and expertise that are critical in resolving complex challenges
- Increasing expectations from investors, customers, employees, and other stakeholders for business to play an important role as a corporate citizen in addressing critical societal issues
- A growing realization among companies that they have a social responsibility that goes beyond producing services and goods and securing jobs, stemming from the interdependence between their business operations and the health, climate and humanitarian challenges of the markets in which they operate
- Increasing insight among companies that making money and doing good are not mutually exclusive
- The notion that social responsibility not only carries business benefits, but helps manage risks and foster strong relationships in societies where companies source or sell, and that it provides them with access to knowledge and opportunities they might otherwise not have.

Source: Based on UNGC et al. (2007: 4)

United Nations Guiding Principles on Business and Human Rights

John Ruggie, former Special Representative for Business and Human Rights also points to the business case for social responsibility when explaining why addressing human rights matters to companies. The United Nations Guiding Principles on Business and Human Rights were endorsed in 2011, building on the “Ruggie Framework” which came about after a six-year consultative process led by John Ruggie, professor of human rights and international affairs at Harvard Kennedy School. As he points out, there are “opportunity costs, financial costs, legal costs and reputational costs” related to business operations not showing concern towards human rights, due to for instance increased social scrutiny, lawsuits and time-consuming permitting issues (Ruggie 2011). Thus, the Guiding Principles “provide a blueprint for action, defining parameters within which States and companies should develop policies, rules and processes based on their respective roles and particular circumstances” (OHCHR 2014: 1). With regards to the brief discussion on the topic above, it is also of interest to note that the UNGPs take a “negative” approach towards corporate responsibility to respect human rights, as they do not require companies to promote and fulfill human rights, but only that they do not infringe on them (ibid.: 29). This, as well as the highly consultative process that eventually led to the formation of the UNGPs, might have contributed to the universal adaptation of the principles. The endorsement of the UNGPs was in fact a milestone event, as it was the first time that the UN member states adopted a common position on the standards of expected behavior from business with regards to human rights (Mares 2012: 1). Due to this endorsement from UN member states, and the Principles’ foundation on UN human rights and labor standards, the UNGPs have been considered to represent more than simply another voluntary standard. This is particularly evident in the way in which the Guiding Principles have shaped a normative value in terms of business and human rights, and its reflection in international frameworks on CSR such as the ISO 26 000, the OECD Guidelines and the UN Global Compact.

United Nations Global Compact

An important development in the consolidation of CSR worldwide is the United Nations Global Compact (UNGC), a voluntary regulatory program launched in 2000. The UNGC is “[a] call to companies to align strategies and operations with universal

principles on human rights, labor, environment and anti-corruption, and take actions that advance societal goals” (UNGC 2016a). In the *Guide to Corporate Sustainability* (ibid.: 7), the ability of the private sector to provide solutions to global challenges such as climate, poverty, inequality and water and food crisis is highlighted. The program does not only appeal to the morality of the business sector however, but also draws upon the concept of *enlightened self-interest* as discussed above. Claiming that “[t]he well-being of workers, communities and the planet is inextricably linked to the health of the business” (UNGC 2014: 7), the Global Compact underlines the strategic importance for a company to strengthen the community in which they operate.

Figure 2.2: The Ten Principles of the United Nations Global Compact.



Source: UNGC (2014: 11)

The UNGC lays out five defining features of corporate sustainability; principled business, strengthening society, leadership commitment, reporting progress, and local action (UNGC 2014: 8-9). The first, principled business, refers to a set of 10 principles which derive from the Universal Declaration of Human Rights, the International Labor Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work, the Rio Declaration of Environment and Development, and the United Nations Convention Against Corruption (ibid.:11). The principles, illustrated in figure 2.2, therefore represent an approach to corporate sustainable based on what are generally perceived as universal values. More than 8000 companies from 162 countries have joined the Global

Compact, making it “[t]he world’s largest corporate sustainability initiative” (UNGC 2016b).

GRI Guidelines

The Global Reporting Initiative (GRI) guideline is the world’s most widely used reporting mechanism. As previously mentioned, 93 % of the world’s 250 largest companies report on their sustainability performance, and as many as 82 % do so by using GRI (GRI 2016). The latest version of the guidelines – G4 – consists of the Reporting Principles, Standards Disclosures and an Implementation Manual (GRI 2015: 5). The guidelines build on the framework of John Elkington’s triple bottom line, as it encourages sustainability reporting rather than financial reporting for all organizations, including businesses (Liu & Yang 2014: 13).

SA 8000

The SA8000 is a standard developed by Social Accountability International (SAI), based on the UN Declaration of Human Rights, ILO conventions, international human rights norms and national labor laws (SAI 2014). It was “one of the world’s first auditable social certification standards for decent workplaces, across all industrial sectors” (SAI 2016), and aims to “empower and protect all personnel within an organization’s control (...), and its suppliers, sub-contractors, sub-suppliers and home workers” (SAI 2014: 4). The standard operates with nine topics under the *Social Accountability Requirements*, with a total of 62 criteria. The nine topics are as follows: (1) child labor, (2) forced or compulsory labor, (3) health and safety, (4) freedom of association and right to collective bargaining, (5) discrimination, (6) disciplinary practices, (7) working hours, (8) remuneration, (9) management system. The last topic, *management systems*, is by far the one with the most requirements (26 in total), as it is the operational map that ensures the correct implementation, monitoring and enforcement of the requirements (ibid.). As of today, 3663 facilities have been certified, representing 67 countries and 65 different industries (SAAS 2016).

ISO 26000

The ISO 26000 standard was published in 2010 by the International Organization for Standardization, and provides guidance on socially responsible behavior to organizations. The standard was developed through a process focused on direct stakeholder involvement and with more representatives from developing countries than developed countries (Henriques 2012: 4). Therefore, as Henriques (2012: 31) claims, one of its key contributions has been to “legitimize a wider conception of the responsibility of organizations – particularly for companies”. Although many of the standards issued by ISO contain requirements, ISO 26000 only consists of guidelines, thereby not making it certifiable. It still however, according to ISO (2016) “helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions and shares best practices relating to social responsibility, globally”.⁸ The standard (ISO 2009: 10-14) recognizes seven main principles of social responsibility; accountability (1), transparency (2), ethical behavior (3), respect for stakeholder interests (4), respect for the rule of law (5), respect for international norms of behavior (6), and respect for human rights (7). These are illustrated in figure 2.3.

Figure 2.3: ISO 26000: Seven Main Principles of Social Responsibility



Source: ISO (2009: 10-14)

⁸ While ISO 26000 is tightly linked to the concept of *corporate* social responsibility, the standard is intended for all types of organizations, including non-governmental organizations (NGOs) and governments. The term “social responsibility (SR)” is therefore used throughout the standard, rather than *corporate* social responsibility (CSR), in order to avoid exclusion of other types of organizations⁸. As this thesis focuses on corporations however, and these are forms of organizations, I choose, for the purpose of this discussion, to view the two terms as interchangeable.

Furthermore, the standard identifies a set of core subjects, which “cover the most likely economic, environmental and social impacts that should be addressed by organizations” (ibid.: 15). The seven core subjects are illustrated in figure 2.4, and include (1) organizational governance, (2) human rights, (3) labor practices, (4) the environment, (5) fair operating practices, (6) consumer issues, and (7) community involvement and development.

Figure 2.4: ISO 26000: Core Subjects of Social Responsibility



Source: ISO (2009: 19)

These define the scope of a company’s social responsibilities, and contribute to identifying relevant issues and priorities for a company’s CSR practices. Under each of these core subjects, the standard recognizes a set of issues (36 in total) connected to each subject, which again are linked to a set of expected actions. In addition to the clear benefits addressing these core subjects has for society, the standards claims that it also brings benefits to companies. It can for instance contribute to improvement of risk management practices, more informed decision-making, improved competitiveness, improved stakeholder relations, increased productivity and efficiency and enhanced employee loyalty and morale (ISO 2009: 21). With this, ISO 26000 identifies CSR as

more than a moral obligation for companies, emphasizing its value as strategic tool that can foster competitive advantage. By integrating these issues in the core business, companies can identify solutions that both the company and its community can benefit from. All the core issues have relevance for all organizations, but the degree of relevance depends on nature, size and location of the organization (ISO 2009: 68). Although the standard divides these core issues into seven categories, they should be addressed holistically (ISO 2009: 20). This entails that measures targeting one specific issue should not create adverse impacts on other issues. Organizational governance does however hold a special function, in that it is also what enables a company to address the other core issues and implement the main principles of social responsibility as defined by the standard (ibid.).

2.4 Analytical framework for further analysis

As demonstrated above, scholars from the United States and Europe have heavily dominated the theoretical development of the CSR concept. Many of the standards and frameworks that have evolved also rely to a great extent on this Western-centric approach to CSR, although efforts have been made towards including a more global perspective, i.e. in the consultative process leading up to the UNGPs and the development of the ISO 26000. According to Campbell (2007), there is no “one approach fits all” when it comes to CSR, as variations of the concept arise through a combination of varying state regulations, industrial norms, civil organizations and community groups. This becomes evident in the case of China. Being the largest emerging economy in the world, China’s particular social, cultural and political structures have led to a different trajectory in terms of CSR development than in the West, thus serving as a good case to broaden the knowledge base of CSR (Yin & Zhang 2012: 301).

This thesis seeks to explain the characteristics of CSR in China, and how these will be shaped by domestic developments and increased international engagement by Chinese companies. As several scholars have argued (Aguilera & Jackson 2003; Detomasi 2008; Matten & Moon 2008; Fransen 2012), institutional theory can be valuable in terms of understanding cross-national differences in corporate governance. According to Hofman

et al. (2015: 1), this entails looking at CSR development in terms of “a business system’s historic institutions and of the impacts of new institutionalism on corporations arising from societal pressures in their global and national environments”. Matten and Moon (2008: 406) propose that variations of CSR among different countries stem from a variety of “longstanding, historically entrenched institutions”, including norms, incentives and rules as well as the formal organization of government and corporations. These institutions in turn make up what constitutes a country’s national business system (NBS), and it is the difference in NBS that causes differences in CSR practices conceptualizations. Detomasi (2008: 807) echoes this view, claiming that whether and how a firm chooses to adopt CSR initiatives, is contingent on the domestic political institutional structures present in a company’s home market.

The institutional approach thus suggests diverging CSR on a global level, and that the particularities of the political and economic structures in China, as well as business and society relations, will manifest themselves in the nature of CSR in Chinese firms (Hofman et al. 2015: 3). This notion stands in contrast to the convergence thesis that stems from the concept of globalization, where it is thought that “national and regional heterogeneity inevitably gives way to a superior, universal form”, whether it is in the realm of consumer behavior, political systems or business strategies and structures (Jamali & Neville 2011: 601). Following this approach then, it would be expected that “the dominant forms of CSR currently proliferating throughout the developed world will inevitably be diffused and absorbed across the developing world due to their universal superiority” (ibid.). However, Chapple & Moon (2005: 436) also explain that in terms of multinational corporations, CSR is best explained by national factors in the country of operations rather than in the country of origin, and that it is the “national business systems [that] structure the profile of multinational corporations’ CSR”. In other words, rather than imposing their domestic CSR profile on the host countries in which they operate, MNCs conform to the CSR profile of the respective country of operations.

The above framework will set the tone for the forthcoming discussion of CSR with Chinese characteristics, and possible future developments as domestic and international factors play in. The previous discussion on the development of an “international” consensus on CSR provides the necessary backdrop for identifying how CSR in China

differs from this. By looking into factors of the national business system in China, as well as the increased globalization of Chinese companies, I will identify what separates Chinese CSR from the international ideal type and how these shape its development. As I will argue, the national business system in China differs distinctly from most developed countries, which has led to a different conceptualization of CSR. However, I will also highlight how ongoing changes to this institutional setting, together with increased international exposure of Chinese companies, will likely cause CSR development in China to move in the direction of internationally recognized standards and norms.

3 The Main Drivers of CSR in China

To understand what the future of Chinese CSR might be, it is important to understand how it has evolved until current day. This chapter therefore focuses on the emergence and development of the concept of CSR in China. It identifies the historical backdrop for CSR in the country, and the core drivers which have shaped the form it takes today. Finally, it lays out the current institutional framework for CSR in China, discussing the role of the State and the Party in influencing CSR practices and implementation, and the current legal framework.

Historic roots

While modern literature on CSR emerged in the West in the mid-20th century, the notion of corporate responsibility relating to social issues is not new. In ancient Chinese, Egyptian and Sumerian writings, one can find rules for trade and commerce to ensure that the wider public's interests were considered (Werther & Chandler 2011: 9). Scholars have also pointed out the linkage between CSR and Confucian leadership values that are often held high in China. Patrick & Liong (2012: 112) point to a vast number of coinciding values, such as good governance, caring for the environment, integrity, ethics, contribution to the society, etc., and conclude that "Confucian leadership is significantly aligned and in support of the concept of corporate social responsibility". It has been claimed that principles and practices coinciding with CSR have been long present in Asia, and that CSR therefore is not necessarily as much of a Western concept as its made up to be (Gonzales 2005: 1). According to Ewing & Windisch (2007: 2), elements from Confucian philosophy, such as *ren/jen* (benevolence and morality towards others) and *li* (ethical code of behavior), have been well documented to influence both personal and business practices. Buddha's teachings have also been claimed to be of importance to the endogenous development of CSR in China, and has perhaps most importantly been an important inspiration for the philanthropic efforts deployed by Chinese entrepreneurs for generations (Liu & Yang 2014: 22).

On a more pragmatic basis, although corporate social responsibility as we know it primarily has been imported to China from the West, Chinese companies have a long history of protecting labor rights and employee welfare (Lin et al. 2015a: 3). As Midttun

et al. (2014: 11) argue, the state-owned enterprises (SOEs) in China's communist plan-economy provided a "cradle-to-grave welfare package to employees and their families", as a social services and benefits provider (*qiye ban shehui*) through educational and health care institutions, retirement homes, general housing and entertainment clubs. It is still important to distinguish this from CSR, as *qiye ban shehui* only regards the employee, and not the whole range of stakeholders, in addition to focusing on social security rather than corporate obligations (Lin 2010: 87). With the institutional reforms boosting economic growth in China since the 1980s however, much of these early signs of corporate social responsibility were abandoned. As will be discussed later, a culture of profit became the dominating discourse, thus, it was not until more recently in the late 1990s, that the notion of CSR as we know it gained traction in China.

Initial skepticism

As the first ever *company* law in China was not in place until 1984, one might say that this is not very surprising. Under the strict planned economy, modeled after the Soviet Union, there was little or no sense of business responsibility as business leaders did not make their own decisions, but simply executed the orders of the government (Liu & Yang 2014: 18). Even after the 1988 amendment to the constitution recognizing the private sector as supplementary to the Chinese economy, it was still placed under the "guidance, supervision, and control of the State" (Midttun et al. 2014: 13). Just as in its earlier days in the West, the notion of CSR was met with skepticism when it first appeared in China in the early 1990s. This did not only come from business owners themselves, but also from economists who argued that CSR was a Western concept that could potentially be used to curb China's booming economic growth.

Adding to the skepticism is the fact that the term corporate social responsibility in Chinese, *gongsi shehue zeren*, is a synthetic phrase clearly translated from English, reinforcing its "complete foreignness" to the Chinese society (Lin 2010: 84). Yet another root of concern has been that "CSR accentuates the power imbalance between large MNCs from the North and the small suppliers from developing countries" (Gugler & Shi 2009: 8). As MNCs attempt to improve their CSR performance, often due to civil and consumer pressure in their domestic markets in the West, they introduce more stringent requirements on their sourcing partners. This in turn can prove to be a barrier

to market access for exporters from the South, as adhering to the stringent requirements can be perceived to require “too much time, money and effort” (ibid.). The early days of CSR in China thus saw a tension between the Chinese suppliers’ business practice based on profit maximization, and foreign buyers’ demand for social standards, best practices, morality and other “Western values” (Yin & Zhang 2012: 303).

A case showing just how foreign the idea of a corporate responsibility towards society was in China just a couple of decades ago can be found with the seizure of operations in the country by Levi Strauss & Co. in 1993. Chinese managers were left confused as the iconic jeans brand pulled production out of China due to “pervasive violation of human rights”, and government officials appeared indifferent (Matteson 2016). Notably, one Chinese Foreign Ministry official was supposedly quoted saying that “(...) there are tens of thousands of foreign companies investing in China. If one or two want to withdraw, please do” (ibid.). In spite of the apparent disregard from Chinese officials and business owners, international pressure from large multi-national corporations (MNCs) such as Levi’s would prove to be one of the main initial drivers pushing the CSR agenda in China.

3.1 Drivers of CSR in China⁹

Various drivers have shaped the development of CSR in China, but these have been less market-driven than what has commonly been seen in Western advanced economies. As noted, CSR was first imposed on Chinese manufacturers through global supply chains. With time however, domestic drivers would also emerge, with the government taking a leading role.

3.1.1 International demands

Globalization has played an important role in the spread of CSR in China. In the 1980s, China introduced their open door policy, allowing access to foreign companies wanting to conduct business in China. According to Lin et al. (2015a: 4), these foreign companies would prove to be the “initial adopters of CSR in the country”. Due to low production and labor costs, China quickly became a favored manufacturing hub for

⁹ Parts of the following section draws on the categorization used by Lin, Banik & Yi (Lin et al. 2015a) in “An Exogenous Path of Development: Explaining the Rise of Corporate Social Responsibility in China”.

major international corporations and as Western companies moved in, so did the Western conceptions of CSR. Through MNCs' codes of vendor conduct and international responsible production standards, global supply chains became the vehicle transporting the notion of CSR into China (Midttun et al. 2014: 14). This coincides with Gugler & Shi's (2009: 7) findings that for many countries in the South, the first "handshaking" with CSR is often through the presence on multinational corporations (MNCs) and codes of conduct developed and imposed by buyers from the North. At the turn of the millennium, cases such as Levi's occurred ever increasingly, and there were many instances of cancelled orders and product returns due to inadequate CSR standards in the manufacturing process (Lin et al. 2015b: 5).

It was not only foreign *companies* that caused this paradigm change however. In the 1990s, as China entered negotiations for entry into the WTO, many developed countries began exerting pressure on Chinese enterprise to greater commit to CSR principles, especially in the area of labor standards (ibid.). This international pressure again sparked a commitment from Chinese authorities to adhere to global standards, but they still did not have a direct political response to CSR (Midttun et al. 2014: 14). Rather, they would confront the issue through laws and regulations to "fill up the legislative holes and safeguard the on-going reform and process opening up to the world" (ibid.). The first sign of state action explicitly addressing CSR issues, and transforming CSR from an abstract notion to a concrete practice, came in 2005, when the National Textile and Apparel Council of China (NTACC) formulated guidelines on social responsibility for Chinese textile enterprises (Lin et al. 2015a: 7). As a direct consequence of conforming to export criteria, this resulted in the Social Responsibility System of China's Textile Enterprises (CSC9000T), aimed at strengthening labor rights, improving management systems and promoting sustainable development (ibid.). A further consolidation of CSR in China came with the 2005 amendment of the Company Law, aiming to "standardize the organization and behavior of companies, to protect the legitimate rights and interests of companies, shareholders and creditors, to maintain the socio-economic order and to promote the development of the socialist market economy" (NPC 2005: art. 1). The amendment also included the explicit requirement that companies, in their operational activities, shall "assume social responsibility" (ibid.: art. 5). These would be the first of many CSR-related directives and laws issued by the Chinese government.

3.1.2 Top-down administrative pressure

Both the CSC9000T and Article 5 of the Company law are examples of the top-down political-administrative approach that drove the CSR agenda and generated increased demand for CSR activities in China (Lin et al. 2015a: 7). This trajectory differs from the Western experience, where core drivers of CSR have been civil society and the private sector. In China, it is rather political support for CSR and legal and regulatory frameworks that have been primary drivers in consolidating the concept within corporations. It is important to note here that the ownership structure of Chinese corporations also differs from that of most Western countries. Despite recent reforms aiming to promote private sectors, more than half of the Chinese economy still consisted of SOEs in 2014 (Liu & Yang 2014: 20), increasing the influence of the government's stance towards CSR on the corporate sector. This also becomes clear in terms of CSR reporting, where SOEs have been at the forefront, compared to private companies. Although difficult to verify, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) in fact claims that all SOEs have been publishing CSR reports since 2012 (CSR Asia et al. 2015: 13). In 2001, SOE PetroChina Co. Ltd. published the first document in the country fully reflecting CSR information with their "Corporate Report on Health, Safety and Environment". This was still at a very early stage of CSR development in China however, and it was not until the end of the decade that CSR reporting would really pick up. This is portrayed in figure 3.1, which in a way also illustrates the picture of the gaining popularity of CSR generally in China over the past decade.

In addition to the previously mentioned government initiatives addressing CSR, numerous standards and guidelines were issued in the wake of the amendment to the company law that same year. In 2008, SASAC released the influential *Guidelines for the State-Owned Enterprises Directly Under the Central Government on Fulfilling Corporate Social Responsibilities*. The guidelines were aimed at giving "the impetus to state owned enterprises (SOEs) directly under the central government to earnestly fulfill CSR, so as to realize coordinated and sustainable development of enterprises, society and environment in all respects" (SASAC 2008). Also significantly broadening and promoting the idea of CSR in Chinese corporations, were documents released by the Shenzhen and Shanghai stock exchanges in 2007 and 2008 respectively. The "Social

Responsibility Guidance of Listed Company” (Shenzhen), “Environment Information Disclosing Guidance of Listed Companies” (Shanghai) and the “Notice on Strengthening Listed Companies’ Assumption of Social Responsibility” (Shanghai) encouraged companies to reflect on their stakeholder responsibilities, and perhaps most importantly, required the companies trading in their markets to issue CSR reports (Lin et al. 2015a: 8).

Figure 3.1: Total amount of CSR reports released by Chinese companies, 2001 – 2015



Source: GoldenBee (2013, 2015, 2016)

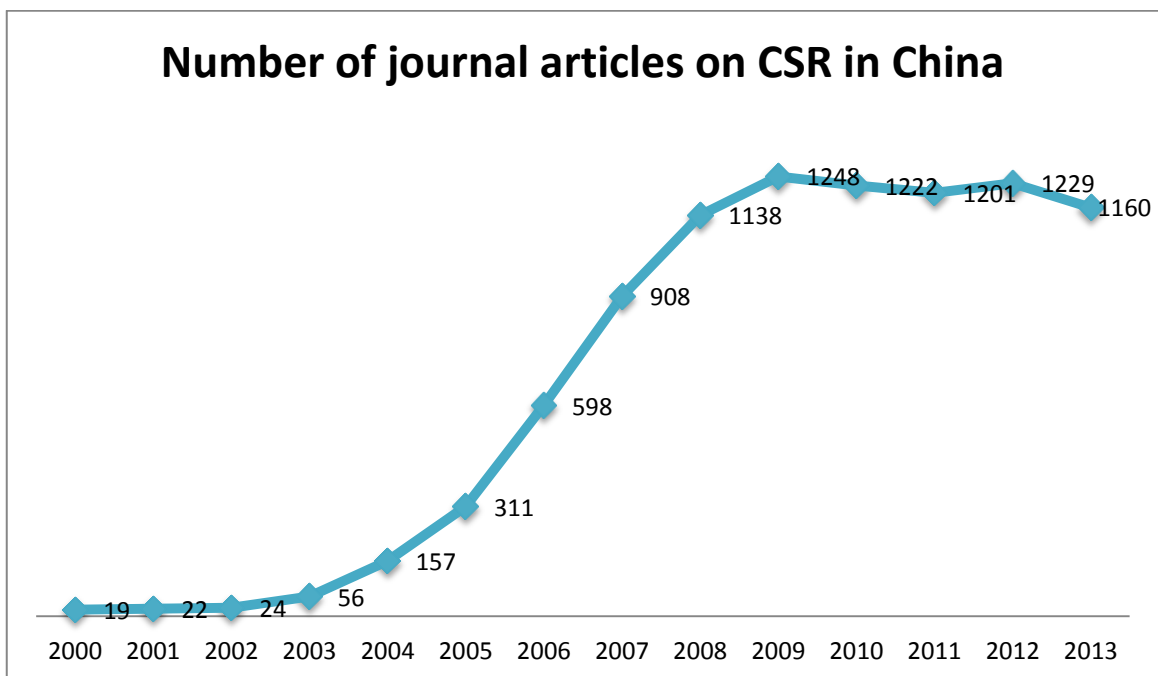
In the one-party state, government endorsement has thus played a large role in driving the CSR agenda forward. With time however, the top-down approach of promoting CSR generated increased interest with private sector firms, seen for instance by a noticeable increase of CSR reporting by private companies from 2009 and onwards (Lin et al. 2015a: 9). Around this time the notion of CSR had become popularized in China, illustrated by a growing interest in CSR from both civil society and academia.

3.1.3 Academic interest

Academic interest in China on CSR saw a surge towards the end of the last decade. Many scholars (see Frynas 2006; Lindgren et al. 2010) had questioned the applicability of the Western-driven CSR conception in the setting of emerging economies, and the increased academic interest by Chinese scholars was thus an appreciated contribution. Chinese academia, after first laying the foundations for a nuanced understanding of the

origins and definitions of the concept, contributed to the placing of CSR in a Chinese context. As Lin et al. (2015a: 6) point out, “intellectual research cultivates a normative demand for companies to meet the CSR standards”, thus contributing to the development of CSR in China. Chinese academia did not only contribute to creating a new morale of corporate culture however, but also an operationalization on how CSR can be applied by Chinese firms. Figure 3.2 shows the number of journal articles on CSR in China from 2000 and onwards, illustrating a drastic increase from around 2005. Interestingly, it was also around this time, that the government actively started incorporating CSR in national policies.

Figure 3.2: Total number of journal articles in China including “CSR” in the title, 2000 – 2013



Source: CNKI database, as presented in Lin et al. (2015a: 5)

3.1.4 Civil society

The initial years of CSR development in China saw a different trajectory than that in the West, with the government being the major driving force, especially evident through requirements placed on SOEs. This in part can explain the weak commitment from private companies in the early years, as there was little or no market incentive to prioritize CSR. According to stakeholder theory, a benefit of CSR is that it allows the company to reflect the needs and concerns of various stakeholder groups (Werther and

Chandler 2011: 18), in turn promoting their economic self-interest. While consumer and civil demand drove much of the driving force behind CSR consolidation in the West, this was not the initial case in China. Thus, as a company's profitability did not greatly depend on its CSR status, the motivation for increasing CSR efforts in companies was low (Lin et al. 2015a: 10).

However, several organizations and think tanks have more recently dedicated themselves to the issue of CSR in a Chinese context, including CSR China, SynTao, and the Chinese Business Council for Sustainable Development to name a few. Liu & Yang (2014: 43) in fact claim that "it would be impossible to implement CSR in China without the existence of a civil society", pointing out that although taking a different form than in the West, Chinese NGOs play an important part in constituting the grounds for CSR. Although the limitations on civil society are still very much present in China, Keping (2011) points out that the actual space for civil society organizations in China is much larger than the institutional space allowed by formal laws and regulations. This especially when their objective is not perceived as threatening by the state. Some small signs of change have been seen, with a draft for a "Charitable Law" submitted to the NPC in 2015, aimed at reducing intervention and producing a more relaxed environment for charitable NGOs (Guo 2016b). On the other hand, the recently passed Foreign NGO Management Law draws in the opposite direction, as it will impose stricter supervision on foreign NGOs in China (ibid.). It also sets a wide scope for what can be classified as "prohibited activities", which may lead to self-censorship and limitation of activities by NGOs, to be certain to avoid liability (China Law Translate 2015: 1).

As I will argue in chapter 4, although the civil society has not been core initial driver for CSR in China, it will likely become an important factor in developing the concept further in the country, to that of a more strategically integrated management tool. One reason for CSR resonating so well with the civil society is the general concern for safety-issues in China. Liu & Yang (ibid.: 26) point to three major CSR-related issues that are widely discussed in China; food and product safety, industrial and environmental hazards and work-related deaths and accidents. The many food safety crises in the country, such as the Sanlu baby formula scandal affecting hundreds of thousands of infants in 2008, have caused outrage with the Chinese people, and

generated a general sense of suspicion towards the unscrupulous behavior of some companies.¹⁰ In this context, CSR becomes a welcomed tool for companies to limit risks and improve performance on these issues.

As mentioned, environmental concerns play a special role in popularizing the CSR concept in the Chinese context. Heavy smog is a constant factor affecting China's urban population on a daily basis, and as such generates a lot of interest. Illustrative of this is how a documentary film on air pollution released in 2015, "Under the Dome", got more than 100 million views in the first 48 hours (Hatton 2015). Linked to this public concern, NGOs such as the Institute of Public & Environmental Affairs (IPE) have contributed to increasing the accountability of Chinese companies towards society, through knowledge sharing and dissemination of information. In 2006 they released their real-time maps of industrial pollution, providing the public with powerful evidence that could be used for the promotion of environmental protection. More recently, they have also made this information available through an app, which informs on real-time water, air and waste emissions from factories. These tools have become very popular with Chinese citizens, and have contributed to a greater bottom-up demand for CSR in the later years (Logan 2016).

3.1.5 The Chinese consumer

With the immense economic growth witnessed in the country over the past years, China has also seen the emergence of a new type of consumer. With increasing disposable income, people are now increasingly gaining the opportunity to purchase out of desire rather than necessity (Hart et al. 2015: 75). *The Chinese Consumer*, an unknown concept only ten years ago, is "urban, wired (immersed in an information rich environment), typically well educated, enjoy[s] rising levels of disposable income, and, as a result of living in increasingly crowded and polluted cities, concerned about environmental issues that have a direct impact on their wellbeing (ibid.: 92). This emergence of a new type of stakeholder poses challenges for Chinese companies, as their social responsibility towards consumers is increasingly under pressure. As the concerns demonstrated by general public increasingly can also be translated into market

¹⁰ For a brief overview of the Sanlu case and other food safety scandals in China, see "Top 10 Chinese Food Scandals", available at <http://www.telegraph.co.uk/news/worldnews/asia/china/8476080/Top-10-Chinese-Food-Scandals.html>, downloaded 10.02.16.

power, companies will be facing increasing pressure to address these issues for their own self-interest. In fact, Liu & Yang (2014: 26) claim that companies excelling at safety issues (in relations to hazardous food and products, pollution and labor issues) have already enjoyed a strong comparative advantage over their competitors, an effect that is only likely to further strengthen the business case for CSR in Chinese companies in the future.

3.2 Institutional framework for CSR in China

In spite of the economic reforms aimed at privatization and marketization initiated in the late 1970s, the previous discussion shows that the Chinese government has been the key driver for the consolidation of CSR in China. Although much has changed in the Chinese state-business relationship over the past decades, the government still plays a vital role in the economy. This close connection between state and business, and the limitation of market structures, provide the backdrop for the strong driving mechanism the government has had on Chinese companies in terms of CSR.

State capitalism and state-business relationships

Gu (2015b: 4) explains the evolution of state-business relationships (SBR) in China, where the era before the initiation of reforms was characterized by an inseparability of the Communist Party of China (CPC) and the state, and by government agencies directly administering enterprises. With time, new rules for separation of ownership and management came about, and independent management rights became protected by law. In what Gu refers to as the fourth stage of the SBR evolution (1993 – 2003), there was a major breakthrough as state and business were separated – the importance of non-SOEs to the economy was recognized, and thus, government influence on business extended from SOEs to privately owned companies as well. From around 2005 however, “re-nationalization” became a trend in China and state ownership became prominent in the market again (X. Liu 2016). State-organized governance has again manifested itself as a key influence, and the state-business relationship now displays the dual function of serving government interests, as well as influencing growth and development of companies involved (Gu 2015b: 4).

As a contrast to Eastern European countries, which also faced a transition from a planned economy after the fall of the Soviet Union, the Chinese government has maintained a great deal of control over the economy (Liu & Yang 2014: 23). In spite of privatization and SOE reforms, the government has employed a "grasp the big and let go small" policy, in which they have retained control over pillar industries such as energy, banking, telecommunications, aviation, media and education" (ibid.: 24). Due to poor performance and inefficiency in many SOEs however, the government recently issued new guidelines for further deepening of the SOE reform, promoting mixed ownership and forbidding intervention from government agencies (Xinhua 2015a). Interestingly, mixed ownership will mainly apply to for-profit SOEs, while SOEs dedicated to public welfare remain under government control (X. Liu 2016). As most SOEs can claim to provide some sort of public service, and the government still has the option to maintain majority control even if an SOE is considered for-profit, there are indications that the government will not hand over the SOEs to the market uncritically.

In the Chinese context of SOEs, state capitalism is certainly a fitting term, defined as "the existence of close ties binding together those who govern a country and those who run its enterprises (Bremmer in Gu 2015b: 5). This is especially clear in the appointment of management to the SOEs, which is done jointly by the CPC and the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). It is therefore common that the managers of leading national companies hold important positions in the Communist Party on a rotating or simultaneous basis (ibid.). This has also been referred to as a "networked hierarchy", where networks "facilitate information flow, foster collaboration in production and policy implementation, and provide strong incentives for leaders within the system, because success in business leads to rewards in the political realm and vice versa" (ibid.). This element of state capitalism in Chinese state-business relations serves as one explanation to why SOEs have traditionally been leading in CSR implementation in China, but political connections matter to companies regardless of ownership form. This ties into the cultural concept of *guanxi*, which is an important part of conducting business in China as a form of social networking and a source of social capital. In effect it requires Chinese enterprises to "identify the powers and influences of different government departments and develop an effective method to deal with the challenges posed by those departments", so as to develop a "harmonious relationship" with government

departments relevant to business (Gu et al. 2013: 232). As Gu et al. (ibid.) emphasize, such business-political connections are also a way for the state to enforce desired ends, and in Chinese companies there is generally a positive relationship between political connections, and awareness and adoption of CSR practices by Chinese companies.

3.2.1 Government policies

As the previous discussion showed, *guanxi* can lead to an alignment of government policy and corporate practice. According to Wang and Juslin (2009: 439), one of the primary political drivers for CSR development in China has been the emphasis on the creation of a *Harmonious Society*, as it is a “central policy guideline for sustainable development and overall societal balance in China”. In the years after the institutional reforms were initiated in 1978, the main objective was to promote economic development, with little regard to social and environmental dimensions. “To get rich is glorious” was the message being conveyed, instilling a sentiment of profit seeking and pursuit of wealth with the Chinese people. The aforementioned quote is often attributed to Deng Xiaoping, and although it has never been confirmed that he uttered these words exactly, it is still a telling image of how the reforms fueled a “culture of profit” in new China (Ip 2009: 214). The sudden shift in value and norms created an “environment of anomie”, leading to socially undesirable consequences, as self-interest prevailed and profit became a goal often overshadowing other interests (ibid.). The transition to a market-based economy was often characterized by behavior “less than ethical and socially responsible” (Lu in Yin & Zhang 2012: 303). As economic development boomed, the detrimental side effects became obvious, both social and environmental.

Thus, the Chinese government issued the policy of *The Construction of a Harmonious Society* in 2004, shifting China’s focus “from economic growth to one of societal balance and harmony” (Sarkis et al. 2011). The policy meant a transition from emphasis on faster to greener GDP growth, putting energy saving, emission reduction and labor right protection on the national agenda (Yin & Zhang 2012: 303). Additionally, the policy can be seen as an attempt to reduce the increasingly widening income inequality that has become evident with the gradual adaptation to a more market-oriented economy (Lin et al. 2015a: 6). In a communiqué issued by the Central Committee of the CPC in 2006, the objectives and characteristics encompassed in the construction of a

harmonious society are mentioned. According to this, a harmonious society is democratic, under the rule of law, stable, honest and a society in which people live in harmony with nature and pursue a road of common prosperity (Xinhua 2006). It is also a society where equity and justice is promoted, a culture of harmony fostered and social, economic, political and cultural development pushed forward (ibid.). Lastly, there should be “an emphasis on solving issues people care about most and issues that concern their most immediate and most realistic interests” (ibid.). It is evident that the harmony approach is a wide concept, somewhat vague and not necessarily easily definable in terms of a government policy. As mentioned however, it can generally be seen as a government mechanism to curb the undesired consequences of China’s rapid economic growth, such as inequality and pollution. Under this approach then, companies should cultivate the virtues of harmony, such as humaneness, wisdom, sincerity and responsibility, to become a “superior enterprise”, thereby contributing to the construction of a harmonious society (Wang & Juslin 2009: 445). It is not hard to see the compelling elements of promoting CSR for the government in this context. Accordingly, the first sign of government adaption of CSR in China came only one year after the introduction of this policy, with the previously mentioned amendment to the company law. The coinciding values of this dominating socio-economic goal in China and CSR is therefore an important element in the adaptation of CSR in China, with the Chinese government embracing and promoting the concept through government policies.

Five-Year Plans (FYP)

To map out the direction of the social and economic development for the country, China has a long tradition of Five-Year Plans. They signal the government’s visions for future reforms, and “encompass and intertwine with existing policies, regional plans, and strategic initiatives” (McGregor 2015: 1). In 2011, the 12th Five-Year Plan was implemented, highlighting inclusive growth (ibid.: 3) and the strategic importance of CSR for China’s economic growth (Lin et al. 2015a: 7). As a concrete outcome of this, SASAC for instance released their “Program for Implementing Harmonious Development Strategy among Central Enterprises during the Twelfth Five-year Plan”, outlining “the specific requirements for pushing forward the construction of a high-integrity, green, peaceful, energetic and responsible central enterprise” (MOFCOM

2011). The 12th FYP led to substantial progress in environmental issues, and China even surpassed the targets set for energy intensity and carbon intensity according to official figures (Henderson et al. 2016). In addition, coal consumption leveled off in 2014, output of heavy industries such as steel has begun to decline, and investments in clean energy are leading globally (ibid.). While China produces more climate change pollution than any other country in the world, the achievement (and even surpassing) of the numbers set out in the FYPs, illustrates the serious commitment of the Chinese government to deal with the pressing environmental issues (NRDC 2016).

In 2016 the 13th Five-Year Plan was set into action, and will guide China towards becoming “a moderately prosperous society” in the course of the next five years (McGregor 2015). The plan contains five principles which underpin the policies for China’s future development, including innovation, openness, green development, coordination, and inclusive development (ibid.). Hereunder, there is a strong commitment from the government towards constructing a more sustainable economy, with targets and measures to address climate change, air pollution, water, urbanization, transportation, etc. (Henderson et al.: 2016). In fact, “enhancing environmental protection and green growth” is highlighted as one of the main targets of the plan (PWC 2015: 5). According to Henderson et al. (2016: 2) the targets in the plan, which for the first time include quantified guidance on energy consumption control, “underscore the fact that the country is no longer merely concerned with the pace of growth, but with the quality of growth”.

3.2.2 Laws, regulations and standards

CSR development in China has been stronger influenced by legal requirements and government regulations than in many Western countries, where CSR has become more of a self-regulatory mechanism responding to external pressure. According to Liu & Zhang (2014: 33), 2007 represents a milestone in terms of developing a consistent body of CSR regulations in China, as emphasis was increasingly placed on environmental conservation and the need for a “balanced and sustainable development”. Additionally, the 2014 declaration of the so-called *war on pollution* (Branigan 2014) by Chinese leaders has strengthened the legislation concerning corporate environmental degradation. Today, there is a large framework of laws and regulations relating to CSR

in China, both on a national and regional level, some of which are presented in table 3.1. This legal framework surrounding CSR is especially interesting in the Chinese context, as “government policy is seen as the key reason for companies to take CSR seriously” (Zadek et al. 2012: 12).

Table 3.1: Laws and regulations related to CSR in the People’s Republic of China (PRC)

Year	Law/Regulation
2002	Law of the PRC on Work Safety
2005	Company Law of the PRC
2006	Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies
2007	Law of the PRC on Promotion of Employment
2007	Labor Contract Laws of the PRC
2008	Guidelines for the State-Owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities
2008	Regulations of the PRC on the Disclosure of Government Information ¹¹
2008	Circular Economy Promotion Law of the PRC
2009	Shanghai Municipal Local Standards of CSR ¹²
2010	Social Insurance Law of the PRC
2011	The PRC Criminal Law
2011	CSR Guide to Chinese Industrial Enterprises and Industry Association (2 nd version)
2011	Implementation Outline of the Harmonious Development Strategy for the 12th Five-Year Plan to the State-Owned Enterprises Directly under the Central Government
2011	The 12th Five-Year Plan for the Environmental Health Work of National Environmental Protection ¹³
2011	Main Points of Pollution Prevention and Control Issued by Ministry of Environment Protection of PRC
2012	Updated Green Credit Guidelines ¹⁴
2013	Air Pollution Prevention and Control Law ¹⁵
2014	Interim Regulations on the Public Disclosure of Enterprise Information ¹⁶
2015	Guangdong Provincial Regulations on Collective Contracts for Enterprises ¹⁷
2015	Water Pollution Prevention and Control Action Plan ¹⁸
2015	Environmental Protection Law of the PRC ¹⁹

Source: Updated table based on Vermander (2014: 30-35)

¹¹ English version accessed 10.02.16, available at: http://probeinternational.org/library/wp-content/uploads/2011/11/Ch_OGI_Regualtions_Eng_Final_051607.pdf

¹² English version accessed 10.02.16, available at: http://csr.pudong.gov.cn/csr_bjz_csras/List/list_0.htm

¹³ English version accessed 10.02.16, available at: http://english.mep.gov.cn/Plans_Reports/12plan/201201/P020120110355818985016.pdf

¹⁴ English version accessed 11.04.16, available at <http://www.cbrc.gov.cn/EngdocView.do?docID=3CE646AB629B46B9B533B1D8D9FF8C4A>.

¹⁵ No English version found, see more at <http://iepd.iipnetwork.org/policy/air-pollution-prevention-and-control-law-revision>, accessed 13.04.16

¹⁶ No English version found, see more at http://www.hoganlovells.com/files/Uploads/Documents/1095910-The_Brand_New_Enterprise_Information_Public_Disclosure_System_-_More_Transparency_or_Less.pdf, accessed 13.04.16

¹⁷ English version accessed 11.04.16, available at: <http://laborcenter.berkeley.edu/pdf/2014/guangdong-regulation-collective-contracts.pdf>

¹⁸ See more at http://english.gov.cn/policies/latest_releases/2015/04/16/content_281475090170164.htm, accessed 13.04.16

¹⁹ English version accessed 11.04.16, available at: <https://www.chinadialogue.net/Environmental-Protection-Law-2014-everision.pdf>

In light of the legal framework for CSR in China, it is crucial to mention the prevailing issue of enforcement. Program manager at UNDP China, Yalin Wang (2016a), emphasized during our interview that while laws and regulations are more and more in place, “there is a big gap from policy to implementation”. As Tan-Mullins & Mohan (2012: 260) point out, the absence of an independent judiciary and ambiguous environmental laws lead to a poor enforcement capacity due to a conflict between environmental protection and economic benefits. Furthermore, the Chinese government’s push for CSR is largely confined to enacting legislation, but enforcement remains relatively lax, much due to the decentralized system of governance in China (ibid.: 269). According to one informant I spoke to in Beijing, many local governments exhibit a notion of “not in my backyard”, meaning that they do not wish to enforce stricter social and environmental legislation that may curb economic growth, in a way leading to a form of protectionism. As local bureaucrats’ performance is mainly assessed by the central government through economic targets, this causes an undervaluation of social and environmental considerations, which in turn “may lessen the priority of CSR and with it social and environmental protection” (Tan-Mullins & Mohan 2012: 270). This constitutes a major challenge for the actual implementation of CSR in Chinese companies.

Standards

As seen in the previous discussion on international CSR standards, such as the ISO 26000 and the Global Compact, a multi-stakeholder approach has strengthened the legitimacy of these standards in the West. This blended governance model, drawing together public, private and civil sectors, is unfamiliar and even uncomfortable for Chinese companies however, and have led to suspicion of standards imposing trade barriers, either intentionally or unintentionally (Zadek et al. 2012: 14). Midttun et al. (2014: 16) explain the concept of *Chinese characteristics* with regards to standards and regulations as referring to “China’s selective adoption and recognition of international standards” and how “China makes necessary modifications and exceptions based on its political needs”. This is evident with the previously mentioned CSC9000T, issued by CNTAC in 2006. Through global supply chains, the Chinese textile industry early became introduced to international requirements on social responsibility, as Western MNCs extended the pressure from sweatshop campaigns in their domestic markets onto

their Chinese suppliers. As a result, CSC9000T was the first voluntary CSR standard in China, with clear Chinese characteristics.

Although similar to related international standards at a first glance, the CSC9000T takes a much softer approach, as it is not a hard standard subject to certification, but rather long-term goals under an evaluation model (Lin 2010: 82). Although the “third party organizations” that perform evaluations are controlled by the Responsible Supply Chain Association (RSCA), the members of RSCA are in fact the very companies that are subject to the evaluation (ibid.). Instead of stressing the importance of an independent third party auditor, such as most international standards do, the 2006 CSC9000T Annual Report rather emphasizes the cooperative and harmonious relationship between the evaluators and companies as what inspires corporate improvement on these issues (ibid.). Harmony is also an end target, and one of the main goals of the standards is to “contribute to the building of the harmonious society both in China and in the world” (CTAI 2006: 1). In the wake of this, several cross-sector standards also emerged in China, such as the Social Responsibility Guide of the China Industrial Companies and Industrial Associations, jointly promulgated by eleven industrial associations in 2008 (Lin 2010: 83). As stated, these guidelines were meant to propose guidelines connected to international trends that matched “China’s reality” and possessed Chinese characteristics (ibid.).

Many MNCs outsourcing manufacturing to China made it an obligatory requirement for suppliers to get international certification (Gugler & Shi 2009: 7). However, the mentioned hesitance towards adopting international standards became evident with the fate of the SA8000 in China. As foreign companies called for certification according to this standard, it became one of the main instruments introducing CSR to China in 2003-2004 (Midttun et al. 2014: 16). In 2005 however, it became clear that the Chinese government would not approve SA8000 certification in China, and several foreign certification agencies were denied licenses to certify Chinese companies in the country (ibid.). It should be mentioned that many companies still got the certification through foreign certification agencies, and in 2015, as many as 654 Chinese organizations were SA8000 certified (SAAS 2015).

In spite of the general skepticism towards international standards, the Chinese government has been more lenient towards adopting standards regarding the

environment, than those referring to other issues perceived to be more contentious, such as human rights. Thus, standards such as the ISO 14001, on environmental management systems, were quickly adopted, and already in 2009, 55,316 Chinese companies were certified under the standard (ibid.). With regards to another previously mentioned standard, the Global Compact, Ip (2009: 217) claims that “[b]ecause the principles stated in [the standard] are broad and largely uncontroversial (at least to the majority of the world community), and the adoption of the principles is voluntary and not mandatory, the Chinese political leadership so far seems rather receptive to it. Today, close to 600 Chinese companies are signatories to the Compact (UNGC 2016b). In spite of inherent skepticism, China also agreed to adopt ISO 26000 as a national standard, which was published in Chinese in 2011 (Zadek et al. 2012: 14).

3.3 Summary and implications for empirical analysis

This chapter has discussed the evolution of CSR in China, through seeing the drivers of CSR in the context of China’s national business system. In the West, core drivers of CSR have primarily been market demand and commercial interests, causing CSR to increasingly be seen as a profit-maximizing strategy, serving the self-interest of a company. As CSR in this context arises from the internal need of the company themselves, it can be said to take an endogenous path (Lin et al. 2015a). However, in many developing countries, including China, the core drivers are not market or consumer, but rather political demand, as demonstrated in this chapter. Thus, the conception of CSR in such a context will distinguish itself from the Western approach, as it is seen as a necessary measure to comply with top-down requirements, rather than a self-serving strategy as a response to market demands.

Scholars have warned against seeing increased corporate social concern in emerging economies as simply an effect of globalization and Western influence (Yin & Zhang 2012: 302), and although international pressure was a key driver initially, the Chinese government has endorsed and promoted the concept heavily in later years. While part of this is obviously a form of response to international demands, it may also partly be attributed to CSR’s coherence with overarching societal goals of the central government, such as the harmonious society policy. Although China may be seen as an

odd case in terms of CSR, as it is widely known for sweatshops, widespread pollution and product scandals (Lin 2010: 65), we have seen that CSR in the country has evolved rapidly over the past decade. Related to the “culture of profit” that emerged after the institutional reforms initiated in 1978, CSR has become a welcomed concept by the Chinese government, complementing the dominating socio-economic goal of creating a *Harmonious Society*. As the Chinese government increases its efforts towards tackling major societal changes such as pollution and inequality, largely caused by a prioritization of economic growth above all else, CSR has become a government priority. With market structures in China being weaker than in the West, political connections between state and business play an important role in aligning government policy with corporate policy. Poor enforcement of regulatory frameworks however, inhibits the motivations to implement CSR by Chinese companies. On the other hand, civil society and the emergence of the Chinese consumer has more recently also started to play a role in the development of CSR in China, largely driven by reoccurring product and food safety scandals and environmental concerns.

4 Chinese CSR and international frameworks

[S]ocially responsible corporate behavior may mean different things in different places to different people and at different times (...)."

Campbell 2007: 950

This chapter will analyze Chinese CSR using the scope of the ISO 26000 and I will systematically analyze the characteristics of Chinese CSR, focusing on the areas in which it diverges from the ideal type of Western CSR discourse. The ensuing discussions will address the extent to which the current conceptualization of CSR in China is in line with internationally recognized principles and standards.²⁰ While the previous chapter mainly focused on the *development* of CSR in China, this chapter will first provide a brief, general overview of current attitudes and performance on CSR in the country. I will then proceed to identify differences in the theoretical approaches of CSR between China and Europe, based on prominent Chinese and European definitions and approaches. Finally, the main part of the chapter will examine the so-called core issues of CSR in a Chinese context. When identifying what separates Chinese CSR from international norms, it will also become clearer how CSR in China has been shaped by the national business system and drivers explained previously

It is not uncommon that international concepts, standards and social models are tweaked and adjusted in order to suit the political context of China, as discussed above. In addition to the aforementioned standards with Chinese characteristics, a broader example of this can be seen for instance in Deng Xiaoping's efforts to construct *socialism with Chinese characteristics*,²¹ with distinct features separating it from socialism in other parts of the world. With a socialist market economy and a large amount of state-owned enterprises, the political-economic conditions in China differ distinctly from most Western countries, affecting the development of CSR. This is not only natural, but also necessary according to Zhu & Zhang (2015: 315), who claim that

²⁰ The sheer size of China complicates the definition of "Chinese" CSR. Understanding, implementation and performance differs across regions, company sizes, ownership forms and industries. Thus, it is important to emphasize that the following discussion provides a picture of general trends in CSR in China today.

²¹ Interestingly, this has also been referred to as *Capitalism with Chinese characteristics*, such as in Yasheng Huang's 2008 book with the same title.

developing countries *need* to develop their own CSR concepts and mechanisms according to their geographic, political and economic context in order to motivate the implementation of CSR practices domestically.

4.1 Current perceptions and performance

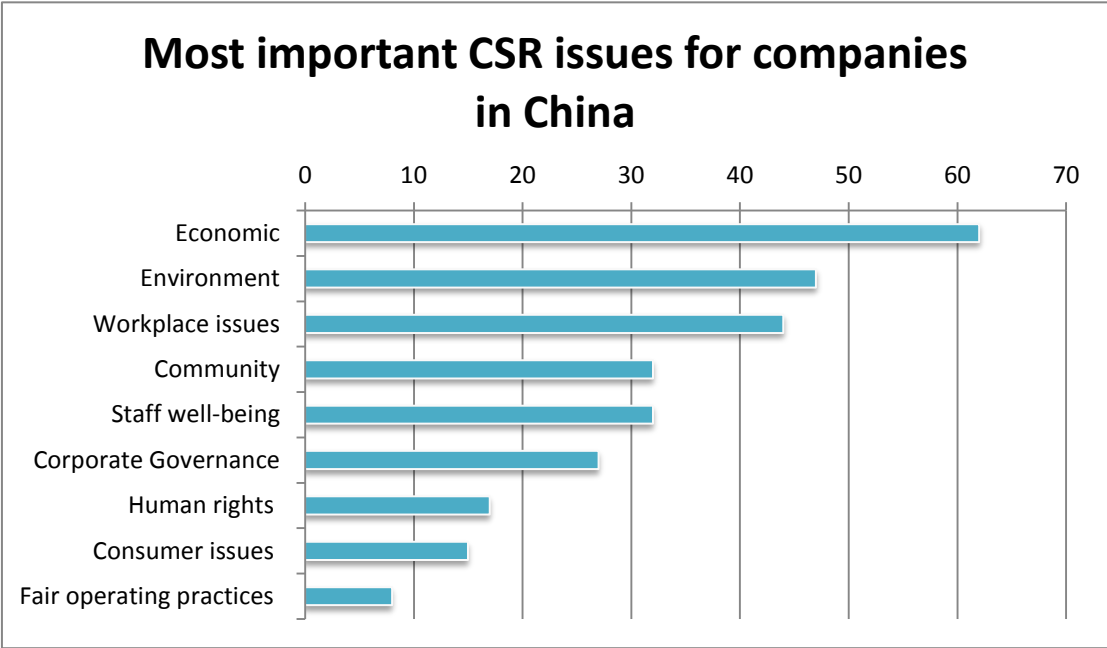
A study performed by CSR Asia and the CSR Centre at the Swedish Embassy in Beijing, showed that 78 % of respondents²² believed that CSR had been effective in addressing social and environmental issues in China, but as many as 82 % are disappointed or neutral to the current state of CSR development in the country (CSR Asia et al. 2015: 9). This is largely due to the fact that CSR in China is often perceived as philanthropy, crisis management and/or PR, and not an incorporated business strategy (ibid.). According to the study, diversity in CSR performance is also connected to ownership structures. As previously mentioned, the performance of SOEs on CSR related issues has improved rapidly in later years, with the government pushing the agenda through their national development policies. Private companies on the other hand are considered to have a lower level of CSR awareness and knowledge, as successful implementation of CSR strategies depends on the individual owner's awareness and vision (ibid.: 13-14).

The study also looked into what three CSR issues were considered to be the most important for companies in China, providing an illustrative picture of the CSR landscape in China today. The results are shown in Figure 4.1. Seen as most important is the economic factor, which entails financial performance and impact on local economic development, coherent with Friedman's notion that the social responsibility of corporations is to increase their profits. In line with the general, deep-rooted concern in the rest of the country, environment is considered the second largest issue, relating to for instance resource use and pollution. Ranked third are workplace (labor) issues such as working time and health and safety, which have also traditionally been emphasized by the government. The Chinese socialist ideology has celebrated workers, and although not explicitly referred to, the previous version of the Company Law from 1994 did touch upon some aspects of CSR through securing labor rights (Lin 2010: 68). Fair

²² Respondents included CSR professionals, alumni of CSR training courses, scholars, NGO representatives and others considered to have knowledge of CSR initiatives in China.

operating practices, hereunder anti-corruption and fair competition issues, are considered to be the least important. Corruption is still a large problem in China, and the low emphasis placed on this is in line with China’s poor ranking on various corruption indices, such as Transparency International’s Corruption Index (2016).

Figure 4.1: Most important CSR issues for companies in China.



Source: CSR Asia et al. (2015: 10)

While figure 4.1 represents the CSR issues that are perceived to be of most importance to companies in China, the same study presents the perception of performance on the various issues. Economic performance is also considered to be the CSR issue best addressed and communicated along businesses in China, but environmental performance is interestingly enough not even in the top five, although considered to be the second most important CSR issue. Rather, the top three are economic issues as mentioned, community issues, hereunder philanthropy and community involvement and workplace issues, such as labor conditions and wages.

4.1.1 Definition

The updated Company Law from 2005 was an important milestone in the development of CSR in China. In addition to laying out the standards for socially responsible organization and behavior of Chinese companies, Article 5 in the law also offers an official stipulation of what the CSR term constitutes in the Chinese context.

Figure 4.2: Definitions of CSR by the National People’s Congress (NPC) and the European Commission (EC)



Compared to the definition put forth by the European Commission, some clear differences already stand out. While the EC’s definition does not mention laws or regulations, but rather emphasizes that efforts should be made “on a voluntary basis”, compliance with laws and regulations is the most prominent element in Article 5 of the Company Law. This reflects the generally strong connection between legislation and CSR in China, in contrast to the West. It also demonstrates the strong influence the state and the party has on CSR development in China, in that it aims to coercively induce CSR rather than leaving it up to companies on a voluntary basis. In terms of stakeholders, the Company Law states that companies shall “accept the supervision of the government and the general public”, while the EC definition simply refers to “stakeholders”. Although the former is more specific, the latter provides a wider

understanding of those affected by company operations, as it may include various groups such as employees, customers, local community, NGOs, media, etc., *in addition* to the government and the general public. Finally, while the EC definition calls for integration of social and environmental concerns in business operations, the Company Law calls for social and business *morality*. This is telling of the development stage of CSR in China versus the West. As previously mentioned, the early justifications for CSR in the West was on a moral basis. With time however, it has become seen as a strategic measure to be incorporated in business operations, capable of increasing competitive advantage. In China, much of the rationale for CSR still rests on values and morality, and there is a greater perception of CSR being at the cost of profit, rather than contributing to it. This manifests itself for instance through philanthropy playing a bigger part in CSR in China than in the rest of the world.

4.2 CSR in China through the lens of ISO 26000

As one of the standards most commonly referred to with regards to CSR, ISO 26000 has provided a framework for the conceptualization of the international scope of CSR. Thus, with ISO 26000's seven core subjects of CSR as a point of departure, the following discussion sheds light on some of the most evident features of CSR with Chinese characteristics. The seven core subjects, also illustrated in figure 2.4, are:

- Organizational governance
- Human Rights
- Labor Practices
- The Environment
- Fair Operating Practices
- Consumer Issues
- Community Involvement and Development

4.2.1 Organizational governance

According to ISO 26000 (2009: 21), “[o]rganizational governance in the context of social responsibility has the characteristic of being both a core subject on which organizations should act and a means of increasing the organization’s ability to implement socially responsible behavior with respect to the other core subjects”. In other words, organizational governance comprises both a set of principles that should guide business operations, as well as the framework to efficiently do so. Effective governance should thus be based on “incorporating the principles and practices of accountability, transparency, ethical behavior, respect for stakeholder interests and respect for the rule of law into decision making and implementation” (ibid.). As the mentioned principles become evident in the discussions of the other core issues, the following discussion will focus on the component of organization strategy as a framework.

In the theoretical development of CSR, its rationale in the West has with time gone from moral obligation to rational cost-efficient strategy. The notion that CSR is not about how you spend money, but rather how you earn it, has become widespread in later years and Western-based MNCs are increasingly moving towards what Visser (2012) refers to as CSR 2.0. As pointed out in ISO 26000 (2009: 21), “an organization aiming to be socially responsible should have a decision-making system designed to put into practice the principles of social responsibility” and incorporate these principles into decision making and implementation. In China, much of the foundation for CSR still rests considerably on legal compliance, but with lack of enforcement and other significant market mechanisms, the value of CSR as a strategic tool has not yet been realized on a large scale (CSR Asia et al. 2015: 27). In addition to being a necessary means to adhere to government legislation, CSR is still widely considered to be associated with philanthropy, public relations and/or crisis management (ibid.: 9). It is often seen as a cost, rather than a strategic tool to improve business performance, due to a lack of market incentive. In addition, CSR performance has been found to be very dependent on “the individual willingness of company leaders, rather than the institutional demand for system operation” (Lin et al 2015a: 10). An official from the UNDP, Yalin Wang (2016a), emphasized during our interview that systematic integration of CSR is the most important thing Chinese companies can learn from

Western MNCs. For instance in the case of SOEs, she explains, “they must learn that CSR does not mean a beautiful report, but a CSR/EHS manager. If you don’t have anyone to monitor [social and environmental impact] on a daily basis, how can you expect them to improve?”

Reeves & He (2015) claim that there has been little need to emphasize strategy by many Chinese companies, because of the specific conditions in China as “a benevolent environment (...) which is highly regulated – where following rules trumps making the right choices”. According to CSR Asia et al. (2015: 28), “the notion of integrating CSR into core business practices is only now beginning to be understood and considered as a viable strategy”, but this trend might gain traction due to recent changes of business environment in China. One reason is the 13th FYP, which proposes structural reform policies in many areas that are all aimed towards “further embracing competitive market mechanism” (Reeves & He 2015). Tied together with the government aim of a shift towards consumption-led growth nationally and the emergence of the *Chinese consumer*, with higher disposable income and concern for environmental and safety issues, this signifies an important change of business environment for many Chinese companies.

Zadek (2004: 129) explains how addressing arising societal issues early and at a high level, increases opportunity and reduces risk. However, in the institutional environment of China, where media (both traditional and social), civil society and political opposition is limited, this competitive advantage of early issue adaptation might not be as evident. With changes to this dynamic, as one has seen with a surge of civil protests and increasing market mechanisms, the incentive for companies to address societal concerns at a higher level might be growing, instead of leaning on a policy-driven approach as has been prominent to date. This would be a welcomed development, as illustrated in the survey by CSR Asia et al. (2015: 31), where results show that long-term CSR strategies is the area in which Chinese companies most need to improve in order to strengthen their future CSR practice. As knowledge of the connection between CSR compliance and increased profitability becomes clearer in China, CSR can be expected to play a bigger part in Chinese business strategies in the near future (ibid.: 3).

4.2.2 Human rights

Human rights (HR) have been an important component of Western-driven CSR, and especially the UN Human Rights Council's endorsement in 2011 of the Guiding Principles on Business and Human Rights illustrates the recognition of business' role in securing human rights worldwide. Many of the international standards and guidelines are based on the UN Declaration of Human Rights, and they are seen as an integral part of social responsibility. ISO 26000 (2009: 23) stipulates that "while most human rights law relates to relationships between the state and individuals, it is widely acknowledged that non-state organizations can affect individuals' human rights, and hence have a responsibility to respect them". In China, the state of human rights is generally considered poor and HR violations are frequently exposed. According to Human Rights Watch (2015), "China remains an authoritarian state, one that systematically curbs fundamental rights, including freedom of expression, association, assembly, and religion, when their exercise is perceived to threaten one-party rule". China's approach to human rights can be described as ambiguous at best, and in a position paper of the PRC to the 69th session of the UN General Assembly in 2014, the Ministry of Foreign Affairs of the PRC (2014) proclaimed: "there is no one-size-fits-all model for promoting and protecting human rights". Further, the paper stated that "[n]o country has the best human rights record", and that there should be mutual respect for various approaches to human rights as they grow out of differing national contexts (ibid.). The Chinese government and the CPC have previously also issued documents warning against "the perils of *universal values* and human rights" (Human Rights Watch 2015).

It is therefore not surprising that human rights, especially in the sense of civil and political rights, are often excluded from the scope of Chinese CSR (Lin 2010: 84). Thus, corporate concern for HR in China generally translates into workplace practices in areas such as anti-discrimination, child labor and forced labor, and broader issues are avoided due to political sensitivity (CSR Asia et al. 2015: 5). There is no Chinese platform to discuss business and human rights issues, and the general level of understanding and knowledge of the UNGPs is low (CRBF 2015: 6). According to the survey by CSR Asia et al. (2015: 26), a common view is that "Chinese companies do not see how broader considerations of human rights is relevant to their business". This coincides with the implicit omission of human rights from the government's official CSR measures (Lin

2010: 66), exemplified for instance in SASAC's Guide Opinion from 2008. Here, most of the topics from international CSR standards are covered, but human rights protection is not included as a core CSR issue (Midttun et al. 2014: 20). In fact, human rights are not mentioned a single time in the document that instead talks of "human-oriented" enterprise and policy (SASAC 2008). The avoidance of the human rights issue is in one way paradoxical, as China is a signatory to the UN's Guiding Principles on Business and Human Rights as well as the Universal Declaration of Human Rights.

In a regional briefing on business and human rights in China, the Business & Human Rights Resource Centre (2014: 1-3) concluded that "there remains a huge gap between international standards on business and human rights such as the UN Guiding Principle, and the *actual human rights practices* of companies". Further, the briefing concluded that "major abuses are occurring on a daily basis" (ibid.). The most frequent concerns relate to workers' rights, followed by environmental impacts affecting health (ibid.: 4). Furthermore, the briefing identifies widespread displacement for factories, infrastructure projects and property developments and food safety scandals as common human rights violations by Chinese companies (ibid.). Freedom of association, health and safety issues at the workplace, child labor, forced labor, discrimination on the basis of health, gender, social status, etc. remain major issues in the Chinese context of human rights (ibid.: 15-17), illustrating that the government's endorsement of the UNGPs lacks appropriate enforcement mechanisms. The ISO 26000 states that when core issues of social responsibility, such as human rights, are not sufficiently regulated or enforced, a socially responsible company should not settle for compliance, but strive for best practice (ISO 2009: 68). This remains a major issue for Chinese companies in the realm of human rights.

Chinese operationalization of human rights illustrates how international standards are interpreted and modified to fit the Chinese model, as becomes evident in a white paper issued by the Information Office of the State Council (IOSC) on the progress of human rights in China in 2014. In the document, it is for example claimed that "[t]he public can air opinions, and raise criticisms and suggestions freely through the news media, and discuss problems of this country and society" (IOSC 2015). Although these rights are also supposedly secured in the National Human Rights Action Plan of China (2012-

2015),²³ it is evident that this does not reflect the reality of HR in China, illustrated for instance by the country ranking 174 out of 179 countries on Transparency International's Press Freedom Index (2016), and the government censorship exerted on the Internet and social media. Needless to say, the foundations for human rights and business are severely inhibited in the Chinese context.

In 2015, the China Responsible Business Forum held a workshop on CSR and the UNGPs in the Chinese context. The workshop briefing (CRBF 2015: 10) highlights that there have indeed been developments in this field in recent times, partly due to the emergence of acute conflicts between business and human rights related to environmental degradation, strikes and large-scale protests against land grabs. Chinese government has however not yet introduced a policy regarding domestic implementation of the UNGPs, and no government department has made any public reference to the Principles in policies or statements (ibid.). Ip (2009: 219) highlights "hypernorm compatibility" as an important factor for the development of Chinese business ethics. Hypernorms are referred to as universally accepted norms that "have a special status in sanctioning and binding behavior because they are grounded in justifiable morality" (ibid.), such as human rights. As the government continues to avoid or strip these issues of their full meaning, this may place a constraint on the further development of CSR on this area, despite a slowly emerging sense of awareness among Chinese companies that a human rights focus can address their strategic license to operate and mitigate risks (CRBF 2015: 12). As Midttun et al. (2014: 27) point out, this characteristic is unlikely to change as long as China upholds its authoritarian, one-party rule, but "bridges across discrepancies" may arise as China increasingly enters into the global market, and cannot as easily circumvent globally accepted norms and values such as human rights, transparency and rule of law.

4.2.3 Labor practices

In contrast to the findings of the Business & Human Rights Resource Centre (2014), a study of CSR practices in Chinese SOEs showed that employee rights stood out as the most emphasized by companies (Zhu & Zhang 2015: 320). Labor conditions are also

²³ Accessed 15.04.16 at http://www.china.org.cn/government/whitepaper/2012-06/11/content_25619585.htm.

one of the CSR issues perceived to be generally best addressed by Chinese companies according to the survey by CSR Asia et al. (2015: 25). This has been pushed by the government through several laws such as the Labor Contract Law from 2008, and as a part of their political responsibility, SOEs are obliged to proactively guarantee employee rights (ibid.). This goes back to the previously mentioned heightened status of workers in the socialist ideology under the Communist party (Lin 2010: 69), thus making it one of the core subjects of CSR that resonated easiest with the Chinese government. This manifests itself for instance through the requirements of SOEs to provide workers with health care (ibid.: 87),²⁴ the strict regulations on employers' rights to terminate labor contracts (Yang 2015) and their right to withhold payments (Dickinson 2011). "Compliance with legal requirements of labor contract" is the labor issue conceived to be best addressed labor issue by Chinese companies, with "wages, pension and medical insurance" placing second (CSR Asia et al. 2015: 25). In spite of these perceptions, labor practices and CSR still face several challenges in the Chinese context.

We have seen that China often makes "necessary modifications and exceptions based on its political needs" when it comes to international standards, which is illustrated for instance by how the Chinese government takes a different view on the freedom of association than the international community (Midttun et al. 2014: 16). While the UN Covenant on Economic, Social and Cultural Rights was ratified by the National People's Congress (NPC) in 2001, reservation was declared on Article 8a of the covenant, ensuring: "[t]he right of everyone to form trade unions and join the trade union of his choice, subject only to the rules of the organization concerned, for the promotion and protection of his economic and social interests" (OHCHR 1976). Further, "[n]o restrictions may be placed on the exercise of this right other than those prescribed by law and which are necessary in a democratic society in the interests of national security or public order or for the protection of the rights and freedoms of others". According to the Chinese government, this right is secured in Chinese Trade Union Law, stating that workers may choose to join the All-China Federation of Trade Unions (ACFTU), which consists of 31 regional federations and 10 national industry

²⁴ Now this is generally done through offering health insurance, whereas SOEs under *quie ban shehui* would be required to set up hospitals within the corporation (Lin 2010: 87).

unions. However, as this is the only legal trade union in the country, and the formation or organization of alternative trade unions are prohibited, the actual freedom of association in China is severely limited.

Workers are increasingly demanding more rights in China however, and there has been an increasing willingness of workers to manifest their dissatisfaction with corporate irresponsibility (Lin 2010: 92). The number of labor dispute cases has drastically increased, mainly referring to issues such as nonpayment and illegal reduction of wages, insurance and welfare, termination of employment, and occupational injury (ibid.). More recently, and on a regional level, new regulations relating to collective bargaining have been implemented as a response to the increasing number of strikes and cases of worker activism (Foreign & Commonwealth Office of the UK 2015). In fact, numbers of strike action was more than three times higher in the last quarter of 2014 than in the same period the previous year, with a total of 569 incidents across China (ibid.). Almost 20 % of the incidents took place in Guangdong province, where a new regulation set out a framework for dispute resolution, as a response to worker unrest related to growing job insecurity and a better awareness of labor rights (ibid.).

Many of these strikes were initiated by migrant workers, which continues to be a salient topic in terms of Chinese labor issues. Baocheng Liu (2016), director of the Center for International Business Ethics (CIBE) in Beijing, explained during our conversation that this group is highly represented in many industries, and in some, such as the textile industry, most of the work force consists of migrant workers. Despite recent improvements, this group does not have much bargaining power, and many are seasonal workers looking to maximize their earnings (ibid.). Thus, they are often taken advantage of in terms of excessive working hours. While work is not forced, excessive working hours are often induced through very low salaries during regular working hours, and high overtime salary. As such, although there is an imposed ceiling of 48 work hours a week, the average number of hours per week is rather 53 in the textile industry, with numbers much higher for many workers (ibid.). The common practice of excessive work hours and work pressure has led to tragic consequences, such as the mass suicides by workers at Foxconn, a contract manufacturer of computer components (Zadek et al. 2012: 6). According to Liang Xiaohui, Chief Researcher of the Office for Social Responsibility of China National Textile and Apparel Council (CNTAC), wages and

working hours are among the major labor practice challenges that must be better addressed by Chinese manufacturing (CSR Asia et al. 2015: 25).

One could say that economic growth in China has partly been at the expense of labor rights in the country. Becoming the “factory of the world” has generated massive growth for the country’s industries, but one of the core reasons attracting foreign companies has been the low cost of labor. Both international and domestic companies have for years exploited the low wages and excessive working hours that are prevalent in the manufacturing sector, and with a severely limited right to organization, the labor rights of many Chinese workers have been sacrificed in a quest for profit. Increased focus on labor malpractices, especially by foreign companies, civil society and the workers themselves, are however appearing to drive a strengthening of labor rights for Chinese workers.

4.2.4 The environment

In 1965, when Shell executives wanted to know what the world would look like in the year 2000, James Lovelock proclaimed that the environment would be “worsening then to such an extent that it will seriously affect their business” (Aitkenhead 2008). While true for business all over the world, this is perhaps more applicable to China than anywhere else in the world. As discussed above, the detrimental side-effects of China’s economic boom has become evident in later years, and a shift in Chinese policy took place in 2005, with the emphasis on the *Creation of a Harmonious Society*, and an increased focus on green, inclusive and sustainable growth. At this decisive moment in Chinese history, then-deputy director of the State Environmental Protection Administration,²⁵ Pan Yue (2005), painted a bleak picture of the Chinese situation:

This miracle [immense GDP growth] will end soon because the environment can no longer keep pace. Acid rain is falling on one third of the Chinese territory, half of the water in our seven largest rivers is completely useless, while one fourth of our citizens does not have access to clean drinking water. One third of the urban population is breathing polluted air, and less than 20 percent of the trash in cities is treated and processed in an environmentally sustainable manner. Finally, five of the ten most polluted cities worldwide are in China. (...) Because air and water are polluted, we are losing between 8 and 15 percent of our gross domestic product. And that doesn't include

²⁵ Now renamed as the Ministry of Environmental Protection (MEP).

the costs for health. (...) In Beijing alone, 70 to 80 percent of all deadly cancer cases are related to the environment. Lung cancer has emerged as the No. 1 cause of death.

Although this statement is from 2005, similar concerns continue to influence both Chinese policy makers and civil society. Environmental issues such as severe pollution and rising constraints of natural resources are now seen as a major structural challenges facing China, as recognized in the 13th FYP (PWC 2015: 1). Water scarcity, air pollution, soil conservation, forest resources and global warming all pose challenges to the Chinese economy and business sector, as well as human development in general (Liu & Yang 2014: 27-29). Furthermore, Chinese industry requires drastically more natural resources to produce the same amount of goods as other industrialized countries, contributing to a worsening of the problems of resource scarcity (Yue 2005; Logan 2016). These immense challenges and direct impact on the economy makes the issue of environment in terms of CSR perhaps more salient in China than any other part of the world.

Chinese efforts to combat environmental degradation have been growing in the later years. In 2014, Chinese Premier Li Keqiang declared “war against pollution”, drawing a reference to China’s previous success with the “war on poverty”, which lifted 800 million of its inhabitants out of poverty since 1978 (World Bank 2016). While expectations towards China’s war on pollution have not been colored to a great extent by the optimism Premier Li perhaps wished to evoke with his reference, the country’s efforts towards dealing with the environmental crisis should not be underestimated.

Kate Logan, Green Choice Project Manager at the Institute for Public and Environmental Affairs (IPE) in Beijing, explained that at the beginning of 2014 for instance, a regulation unique to China went into effect, demanding real-time emission disclosure for waste, water and air emissions from key state-monitored enterprises (Logan 2016). Furthermore, under the new Environmental Protection Law that entered into force on January 1, 2015, NGOs have increasingly been enabled to sue polluters, resulting in four lawsuits in the first 100 days of 2015, which is a drastic increase compared to a total of nine lawsuits from 2009 – 2013 (Lockett 2015). The most recent case illustrating this is a lawsuit filed by environmental NGOs against three chemical plants on the basis of soil contamination that may have affected students at a school in eastern China (Yin 2016). Guo (2016a) claims that the strengthening of environmental legislation in China has been the most important factor in CSR development in Chinese

companies reaching a higher state. Still, despite recent efforts, a common opinion is that although China has a solid framework of environmental legislation, poor enforcement limits efficiency also in this area (CSR Asia et al. 2015: 23; Wang 2016a). In fact, several studies have showed that insufficient monitoring of regulatory compliance is the main obstacle to CSR implementation in China (CSR Asia et al. 2015; Hart et al. 2015). For many years, lack of consequences when failing to comply has kept most Chinese firms from meeting environmental standards on pollution and resource use, as it is a known fact that when it comes to any national laws that may impede economic growth, local enforcement is weak (Guo in Lockett 2015).

Hart et al. (2015: 70) conducted a survey among enterprises and experts on corporate environmental compliance,²⁶ which identified the drivers of corporate environmental initiatives (illustrated in figure 4.3). Findings illustrated that long-term competitiveness was the biggest motivation (ibid.: 72), illustrating a shift towards a more strategic form of looking at CSR initiatives. As the report points out, companies are increasingly “viewing pollution as an indication that their production process is inefficient, and reducing pollution for these companies is a metric of success in achieving improved efficiency and quality. Reducing waste not only results in greener operation, but can also increase a company’s competitiveness” (ibid.: 73).

This notion is supported by initiatives such as the Better Mills Program, which works to improve environmental practices in the textile industry, one of the most resource demanding and polluting industries in China. The NGO, Solidaridad, has through working with brands and manufacturers, been able to assist hundreds of printing and dyeing factories in China in reducing emissions, while at the same time reducing costs (Solidaridad 2015: 8). For instance, one mill was able to reduce energy consumption with almost 12 % by installing steam traps and insulated pipes and machinery, with a payback time of less than 6 months (ibid.). Cases such as this illustrate the strengthened connection between reducing environmental impact and increasing competitive advantage. When I interviewed the program manager at Solidaridad China, Zhao Lin

²⁶ There were 16 experts, and 72 enterprises included in the survey. Corporate respondents represented 11 different sectors, ranging from large to small companies. Chinese mainland private companies were the biggest group (24), followed by Chinese SOEs (21), foreign privately owned enterprises (18) as well as a small number of other companies (Hart et al. 2015, 70-71).

(2015), she pointed out that cost reduction was an important motivation for companies to implement such measures, but that increasingly stringent laws and regulations are also a major factor. With the government having passed strict environmental laws that affect especially manufacturing, many companies see the need to improve in order to simply “stay in the game”.

Figure 4.3: Drivers motivating corporate environmental action



Source: Hart et al. (2015: 72)

As seen in figure 4.3, customer requirements and public opinion are not considered important drivers for implementing corporate environmental practices. While these factors have not traditionally been as influential as China as in the West, this appears to be changing. Kate Logan of the IPE, one of the most influential environmental NGOs in China, told me that consumer demand will likely play a major role in improving corporate environmental practices in China, as pollution issues are becoming such an important part of the public focus (Logan 2016). This is confirmed by the findings of Hart et al. (2015: 77), which indicates that clean water and air is a top concern for Chinese consumers. One survey showed that as many as 73 % of Chinese consumers would in fact be willing to pay a premium for green products (ibid.: 78). Although

results cannot be generalized to the entire Chinese population,²⁷ they are still telling of the increasing role of environmental concern with the Chinese public.

In China, air pollution is not a vague, distant threat as it often is in the West, but rather a problem affecting people's lives on a daily basis and causing severe health issues. In fact, one recent study has indicated that as many as 1,6 million deaths per year in China can be attributed to air pollution,²⁸ constituting 17 % of all deaths in China, or 4000 deaths per day (Rohde & Muller 2015: 11). With such tragic consequences, it is not surprising that concern for environmental issues is escalating with the public. According to Lin (2010: 93), the magnitude of the environmental challenges China faces is becoming a threat to social stability. The Annual Report on China's Rule of Law No 12, released in 2014, revealed that 50 % of mass incidents occurring between the year of 2000 and 2013 with 10 000 or more participants were related to pollution issues (Liqiang 2014). Furthermore, the majority of mass incidents taking place in this period of time were directed towards enterprises.²⁹

As my informant Kate Logan (2016) emphasizes, social and labor issues have been the primary CSR concern for many companies, as ignoring these issues can be more risk related (at least in a short term) and induce direct consequences from for example workers. In China however, environmental issues *are* social issues, and targeting environmental practices will thus contribute towards solving public issues, especially public health (ibid.). An increasing awareness of this may contribute to increased corporate engagement in the issue, although regulatory mechanisms may still be weak. Accordingly, a threatened social license to operate as well as the potential competitive advantages of improving environmental practices is likely to strengthen Chinese corporate concern and performance on environmental issues in the near future.

4.2.5 Fair operating practices

Fair operating practices concern the issue of ethical conduct in a company's dealings with their stakeholders, ranging from government agencies, NGOs and partners to suppliers, consumers, and competitors (ISO 2009: 46). This is crucial in areas such as

²⁷ The survey pool only consisted of 201 individuals, from a selected number of provinces.

²⁸ More specifically, air pollution with particulate matter smaller than 2,5 microns (PM_{2,5}).

²⁹ Mass incidents were defined as incidents involving more than 100 people.

“anti-corruption, responsible involvement in the public sphere, fair competition, socially responsible behavior, in relations with other organizations and respect for property rights” (ibid.: 47). According to Transparency International’s Corruption Index, China ranks 83 out of 168 countries, and out of the 28 wealthiest and most economically influential countries in the world, Chinese companies are the most likely to conduct bribery when operating abroad, only surpassed by Russia (Transparency International 2016). China also performs poorly in terms of control of corruption, and in the Open Budget Index, which assesses availability and comprehensiveness of eight key budget documents, China places in the “Scant or [no information] category (ibid.). In other words, fair operating practices are a core challenge and concern when discussing CSR in the Chinese context.

Perhaps not surprisingly, the survey by CSR Asia et al. (2015: 26) showed that fair operating practices ranked as the least addressed CSR issue by the respondents. It was pointed out that companies tended to avoid these topics, as “any efforts taken or information disclosed related to anti-corruption could attract suspicion or increased scrutiny of their business operations” (ibid.). This is in line with what has been referred to as a “culture of secrecy” in China, reflected in the observation by CSR Asia (in Woods 2013) that “there is often a fear of sharing information about negative impacts or unmet targets in Asia, which are thought to reflect negatively on the company’s public image, or be seen by senior management as a failure on the part of the CSR team and respective departments”.

As mentioned in the previous discussion on state capitalism in China, the concept of *guanxi* can also contribute to problematic operating practices, especially in the eyes of foreign observers to the Chinese business system. In Western discourse, *guanxi* is often perceived as “networks of reciprocal relationships which have inherent dangers such as nepotism and corruption” (Gu et al. 2013: 232), but the concept is deeply entrenched in the Chinese business culture and rests on the core idea of “relationships between or among individuals [which create] obligations for the continued exchange of favors” (Dunfee & Warren 2001: 192). According to Dunfee & Warren (ibid.: 193), *guanxi* does not necessarily lead to corruption or bribery, but it can certainly contribute to it for instance by serving as a tool for “overriding government rules and regulations” or to “obtain licenses or capital controlled by self-interested government bureaucrats”.

According to a poll of nearly 3000 executives from all regions and economic sectors in China, 35 % of Chinese firms in the survey admitted that they had to pay bribes, unofficial fees or make gifts to operate (Charney & Qazi 2015: 2). According to one CFO in the survey, the practice of paying bribe could even be seen as an “unspoken rule”, which supports the Western skepticism towards *guanxi* in facilitating business. One consequence of this is highlighted by Ip (2009: 212), who claims that although there is a complex set of reasons behind China’s environmental crisis, corruption in local governments, lack of transparency and business-government cronyism are all important contributing factors.

Transparency and accountability, as important principles of CSR, are crucial when it comes to fair operating practices such as combating corruption, addressing stakeholder concerns, and socially responsible behavior in general. They are important tools to build stakeholder trust as well as to reduce reputational risks. China however, is as demonstrated, notorious for its poor track record on these issues, but demand for better transparency is growing. A growing trend towards information transparency can also be seen with the national government. Under the new Environmental Protection Law from 2015 for instance, there is a whole chapter dedicated to information transparency and public participation (Logan 2016). Furthermore, the Chinese government, under the leadership of Xi Jinping, has been taking an aggressive approach towards corruption since 2012. Although this campaign has been criticized for being used by the President to target people he would like to see removed from their positions for other reasons, it has still efficiently led to the prosecution of many corrupt officials, including SOE managers (Shambaugh 2016). This anti-corruption campaign has also led to increasing enforcement of the 1993 *Law Against Unfair Competition*, where punitive measures range from fines to capital punishment depending on severity (GAN Integrity Solutions 2015). According to Ip, one of the powerful incentives for the government to take action towards corruption and transparency issues, is that “a corrupt and unethical corporate sector” is not compatible with the national image China is attempting to convey on the global scene (Ip 2009: 217).

CSR Reporting

Disclosure of a company's impact on society and the environment is an important transparency matter, and is generally done through CSR reports. Liu & Yang (2014: 44) claim that there is a perception that a policy of communication and disclosure of CSR results in China may be harmful to companies, as they then become more exposed to criticism and competitors who may use the information to harm their corporate image. However, CSR reporting in China has increased drastically over the past decade. Requirements of CSR reporting from both government (on SOEs) and stock exchanges has led to this surge, and the GoldenBee Index on CSR Reporting in China 2015 confirms that government-related departments and industry organizations are the driving forces for the releases of CSR reports. In 2013, the percentage of CSR reporting among the 100 largest companies in China was in fact 75 %, higher than the global average (CSR Asia et al. 2015: 28). The quality of these reports however is not as encouraging, as the average disclosure rate of key quantitative indicators in listed companies' CSR reports was only 15,4 %. Furthermore, only 7,6 % of the reports issued in China in 2013 were audited by an external party (ibid.). Pabon (in Lockett 2015) offers one explanation for this, as he claims that the government often appears to be more concerned with having a report in hand, than to actually follow up on the numbers presented.

This is telling of what has also previously been discussed, that a top-down demand for CSR does not necessarily produce a deep-rooted commitment and implementation of the concept. According to Guo (in Lockett 2015), CSR reporting in China today is largely seen as a preventative measure, "concerned with minimizing the potential cost of noncompliance". For SOEs, the rhetoric used in the reports also clearly reflects overarching government policies and goals such as "sustainable development of economy and society", "social stability and harmony" and "energy saving and pollution reduction" (Gao 2011: 285), illustrating the reports catering to government requirements. Furthermore, it must also be emphasized that although the number of CSR reports in China has increased drastically over the past decade, the overall number of CSR reports issued by Chinese companies is minimal compared to the actual amount of companies in the country. Considering that there are millions of companies in China,

approximately 8,3 million in 2012 according to Liu & Zhang (2014: 23), 2265 reports on a national basis represent only a minimal fraction.

4.2.6 Consumer issues

The aforementioned food and product safety scandals have caused outrage in China, and instilled a public sense of suspicion and distrust towards companies and local governments. Part of the reasons for this, is poor transparency and accountability, as core overarching principles of CSR. According to Ip (2009: 214), drug monitoring in China is “alleged to be woefully ineffective and corrupt, opening a flood-gate for sub-standard and harmful food and medicine” to the markets. This is no understatement, as there were as many as 34 400 separate cases related to production or sale of sub-standard *food products* recorded in just the first six months of 2007 (ibid.: 213). As discussed, also the immense pollution caused by industry has contributed to companies facing increasing demands from the public. According to Hart et al. (2015: 20), Chinese consumers are only now beginning to realize the potential they have in influencing society through the perhaps most democratic forum in China; the market. Midttun et al (2014: 28) also recognize this function, claiming that in the Chinese case, the role of CSR becomes a form of monitory democracy that may be acceptable to the government, “as long as it targets business, and not the core of the political system”. As mentioned, some small studies have confirmed that Chinese consumers are willing to pay a premium for “green products” (Hart et al. 2015: 76-78), although it also appears that this premium cannot be too large, as the main reason for *not* choosing green products was found to be price. Still however, CSR is increasingly being identified as “a key factor influencing the views of consumers and their purchasing decisions” (ibid.: 98). With the improved purchasing power of the Chinese consumers, they are also discovering that when empowered with information, they can play a vital role in solving environmental problems, sometimes with dramatic consequences for the companies involved” (ibid.:102.).

China is currently in a process of shifting from an investment-driven to a consumption-led growth, and the 13th FYP constitutes a major policy shift with its growing emphasis on growing domestic consumption (Reeves & He 2015). Thus, as China’s consumer base continues to grow rapidly, along with their awareness of social and environmental

issues, their increasing leverage as stakeholders will likely influence the future of Chinese CSR. According to Liu & Yang (ibid.: 45), transparency is “one of the social needs most widely expressed in today’s China”. In this context, civil society and consumer demand is proving to exert increasing pressure on both companies and local governments. As mentioned, economic concerns have often been seen to take precedence over the enforcement of environmental laws as a sort of protectionism from local governments, especially in lesser developed regions (CSR Asia et al. 2015: 25). The environmental NGO IPE has attempted to break through these barriers, with the previously mentioned Blue Map App, which exposes factories that are not meeting emission standards. As Kate Logan, Green Choice Project Manager in the organization, explained to me, the information available through the app, is in reality just a compilation of already published government data from various platforms. What is unique however, is that the app provides the user with the opportunity to share these violations on their Weibo and WeChat accounts,³⁰ making them more visible to the general public, which in turn empowers local governments to enforce the law.

Another way in which the IPE and a network of other NGOs are trying to break through barriers of transparency, is through the Green Choice Supply Chain Initiative. Here, they use the leverage of brands towards the factories in their supply chain to get them to respond to the violation records, and be transparent about their issues and corrective actions (Logan 2016). A third party auditor then confirms whether or not the factory has successfully dealt with the issue, and if approved by the NGOs, the violation is delisted from the database. This approach incentivizes factories to implement corrective actions, but as Logan (2016) points out, there have been more barriers to pushing Chinese companies to source from suppliers without pollution issues than international brands. For instance, when the initiative tried to push the Chinese cellphone producer Xiaomi to address issues in their supply chain, the response they eventually got illustrated the low level of CSR understanding that is evident in many Chinese companies. Taking a clear, defensive approach, the company claimed that they were only responsible for the design aspect of their products, and as they did not work directly with their suppliers, it was not their concern (ibid.).

³⁰ These are the most widely used social media services in China.

With increasing concern for safety issues concerning the environment, labor practices and food and product safety, Chinese companies are facing an increasing demand from the public for better transparency and accountability. As the purchasing power in China is becoming stronger, and the public is better informed of corporate violations and poor practices through social media, the power of the Chinese Consumer is increasing. This is strengthening their bargaining power as a stakeholder, which may induce a more strategic approach to CSR for companies as the market-incentive becomes clearer.

4.2.7 Community involvement and development

In the survey conducted by CSR Asia et al. (2015: 26), community involvement was perceived as the second best addressed CSR issue by Chinese companies. However, efforts on this issue are mostly limited to philanthropy in the sense of financial donations, which according to Zhu & Zhang (2015, 320), is seen as a key CSR practice in China. Although often mentioned in earlier Western CSR theory, such as with the inclusion of *discretionary activities* as the fourth pillar in Carroll's 1979 definition of CSR, the concept of philanthropy as a part of CSR has largely been abandoned in recent years. As stated in ISO 26000 (2009: 8), philanthropy in the sense of donations to charitable causes "should not be used by an organization as a substitute for engaging stakeholders or addressing any adverse impact of its decision or activities". Under the scope of strategic CSR that has evolved in more recent years, community involvement should be approached through stakeholder engagement and an emphasis on creating shared value, rather than the ad-hoc approach that often characterizes philanthropic donations.

In developing countries on the other hand, the conceptions of CSR are often in a philanthropic sense, and CSR practices are mainly altruistic rather than strategic (Gugler & Shi 2009: 10). This is also the case for China, where charitable contributions have often been the focus point of CSR, rather than a systemic approach to a company's impact on the local communities (Liu & Yang 2012: 22). The charity aspect of CSR is also deeply rooted in the Chinese society, something that became especially evident in the wake of the 2008 Sichuan earthquake, when media and public scrutinized corporations for "stingy" corporations, leading many companies to contribute more than originally intended (Lin 2010: 86). According to Richard Welford, Chairman of CSR

Asia, charity for many Asian companies is “an easy exercise”, with little effort and visible output (Welford in EIU 2013: 7). In China, such practices are enforced by the publication of tables which document the donations companies make to social causes (ibid.). The concept of philanthropy has deep cultural roots in China, and according to Liu & Yang (2012: 25), Buddha’s teachings on the subject have been an inspiration for generations of Chinese officials and entrepreneurs. In a Chinese perspective, philanthropic initiatives thus “anchor a company into its social environment” (ibid.: 52), and can as *guanxi* be seen as a social construct important in the Chinese society. Also in terms of legislation, emphasis on corporate philanthropy seems to be strengthened rather than moving in the opposite direction, with new Guidelines coming in 2016 encouraging venture philanthropy through allowing the separation of raising and spending of charitable funds (Guo 2016b). On the other hand, an instrumental stakeholder model might become increasingly employed by Chinese companies, due to the increasing importance of securing a social license to operate as social unrest grows over environmental and social concerns. As Logan (2016) emphasizes, especially in terms of the environment, a proactive community involvement can mitigate frictions that may arise and foster better relationships with local communities.

4.3 Summary

When looking at core CSR issues as defined by the ISO 26000, it becomes clear that the current state of CSR in China deviates in certain ways from the international consensus. The trajectory of CSR development has been different in China than in many other parts of the world, as the demand for corporate responsibility has not mainly been market-driven, pushed forward by consumers and civil society, but rather by a “top-down political-administrative approach” (Lin et al. 2015a: 7). In most advanced economies, CSR is seen as a form of corporate self-regulation, as a response to civil pressure and consumer demand. China’s initial encounter with CSR however was of a more involuntary nature, and coercive measures are still an important driver of CSR, limiting the perceived self-interest in the concept from companies. For many years CSR in China has been simply a necessary means to comply with international and government requirements, rather than as a voluntary response to social and environmental challenges. Combined with poor legal enforcement, this has led to a gap between CSR

policies and implementation. At a general level, the CSR understanding and implementation in Chinese companies has been seen to be lower than that of Western companies, although it is important to also see this in context of the fact that CSR as a concept was introduced much later to China than to most Western societies.

I have in the previous sections argued that there are several changes in the institutional environment that may lead Chinese CSR towards convergence with international CSR conceptions. There are signs that market incentives for CSR implementation are growing, with increasing social unrest related to environmental and social issues, the emergence of *the Chinese consumer*, and social media and civil society increasing the scrutiny of corporate irresponsible behavior. This might promote a more systemic approach towards CSR, which will be the most important step to strengthening CSR efforts of Chinese companies. As the next chapter will show however, in its current state, many of the characteristics of Chinese CSR become more problematic as companies enter different business systems, with cultural, political and socio-economically different contexts than the domestic market.

5 Chinese CSR “Going Out”

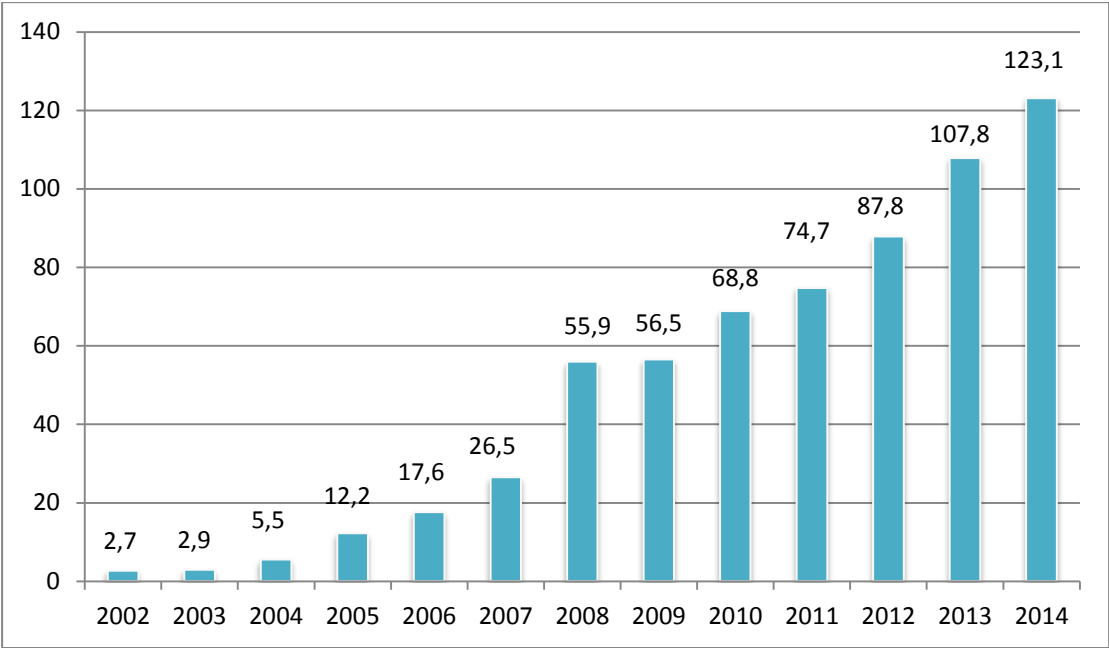
China’s “Welcoming In” of the global economy and foreign businesses, as part of the wider “Opening Up” policy, was what initially facilitated the introduction of CSR to China. International pressure for CSR grew through China’s role in the global supply chain and the country’s efforts to join global trading initiatives, such as the WTO. In spite of its increasing popularity however, the development of CSR in China has been inhibited by characteristics of the national business system in China, such as lack of market incentive, restricted civil society and lack of enforcement of existing legal framework. Since the turn of the millennium, there has been a drastic increase in Chinese companies going abroad, a process that has been characterized by numerous challenges as Chinese companies move their operations into socio-economically, culturally and politically different contexts. In a time where China is assuming a new global leadership role, through initiatives such as the One Belt, One Road (OBOR), these challenges will have to be increasingly addressed to improve Chinese legitimacy on the global scene. This chapter thus seeks to answer how the OBOR initiative, as a continuation of the “Going out” policy, will contribute to a strengthened dedication to CSR in Chinese companies. While “Welcoming In” may have introduced CSR to China, I will argue that “Going Out”, as the second component to the “Opening Up” policy, incentivizes an increased focus on CSR-related issues by the Chinese government as well as companies, and thereby also will contribute to the future development of CSR in the Chinese context. This chapter first lays out the ground components of the “Going Out” policy, followed by a discussion of the most recent addition to China’s foreign and economic policy, the One Belt, One Road initiative. The core challenges of Chinese companies as they operate abroad are then analyzed, before I seek to explain how the OBOR initiative might influence the future development of Chinese CSR.

5.1 The push for “going out”

China’s path of development changed drastically with the initiation of the “Reforms and Opening Up” launched by Deng Xiaoping in 1978. While initial focus with regards to the “Opening Up” was placed on attracting foreign investments to China, the turn of the

millennium saw the beginnings of the “Going Out” policy, also commonly referred to as “Going Global”. The policy, which encourages outward foreign direct investment (ODI) and international cooperation by Chinese companies, led to a dramatic increase of 600% in Chinese trade with countries in Southeast Asia, Latin America and Africa between 2000 and 2007 (Djankov 2016: 7). Chinese ODI has grown drastically since the 2000s, as illustrated in figure 5.1. By the end of 2014, 18,500 Chinese investors had set up 29,700 establishments in 186 countries, with 84,7 % of investments aimed at developing or transitioning economies (CAITEC et al. 2015: 7). While state-owned enterprises have traditionally accounted for the clear majority of ODI, non-SOEs have been increasing their share over the past years, and now account for 46,4 % of ODI, with SOEs accounting for the remaining 53,6 %.

Figure 5.1: China’s ODI flow (in U.S. billion)



Source: CAITEC et al. (2015: 7), based on the *2014 Statistical Bulletin of China’s Outward Foreign Direct Investment* by the Ministry of commerce, the National Bureau of Statistics and the State Administration of Foreign Exchange

This rapid increase has been facilitated by a combination of investment stimulus packages and a gradual liberalization process of the ODI regulatory regime (Maurin & Yeophantong 2013: 287). In spite of this, the Chinese investment system still exhibits “aspects of a command economy, where government agencies work to oversee the

outbound investments of national enterprises” (ibid.). In practice this means that the regulatory regime is set up to “ensure that ODI contributes to China’s economic interests without harming relations with host countries (ibid.). An overarching concern for the government is to preserve a “good image for China and a good corporate reputation for its national companies”, resulting in a number of government issued guidelines concerning social and environmental aspects of Chinese overseas investment (ibid.: 288).

5.1.1 “Going Out” responsibly

With the increasing number of Chinese companies going abroad, and increasing risks and scrutiny in foreign markets, the regulatory framework for Chinese companies overseas has also evolved. Appendix 1 shows key policies and regulations issued by the Chinese government aimed at governing the sustainable overseas development of Chinese companies, as compiled in a report on the sustainable development of Chinese companies overseas (CAITEC et al. 2015: 15-17). It is clear that the last few years have produced a number of related guidelines and regulations. Maurin & Yeophantong (2013: 287-289) highlight some of the milestones in this area, starting with the recommendations released by MOFCOM in 2006³¹ that required Chinese companies to act responsibly, respect local laws and customs, hire from the local workforce, adhere to international standards and ensure the rights of both Chinese and local workers. In 2007, the State Council issued the “Nine Principles on Encouraging and Standardizing Foreign Investment”, which mainly focuses on compliance of laws and regulations in host countries, but also touches upon issues of transparency, fairness and environmental and stakeholder protection (ibid.). In 2008, responsible financing was increasingly addressed, after the State Environmental Protection Agency and the International Finance Corporation (IFC) introduced the IFC Performance Standards along with the Equator Principles to encourage policies in the banking sector that would prevent excessive, environmentally degrading practices by key polluting Chinese industries abroad (ibid.).

³¹ The recommendations are titled “Explanation regarding the suggestions for strengthening the human safety and protection of workers for Chinese enterprises and organizations overseas”.

Furthermore, 2009 saw the endorsement of the “Guidelines for Environmental Conduct Overseas” by the Ministry of Environmental Protection, aiming to mitigate the environmental impact of Chinese overseas operations (ibid.). In later years, one has also seen guidelines increasingly aligning with international standards, such as the “Due Diligence Guidelines for Responsible Mineral Supply Chains” issued by the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCME) in 2013. In many ways at the forefront of other industries, these Guidelines are consistent with the *OECD Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* as well as the UNGPs.

It is evident that the government realizes the importance of addressing social and environmental concerns as they encourage Chinese companies to “Go Out”. However, just as we have seen in the domestic case, a vast framework of guidelines, laws, regulations and policies should not necessarily be taken at face value. As the ensuing discussion will show, the government’s success in influencing corporate behavior overseas has been rather limited. Maurin & Yeophantong (2013: 289) sums it up neatly, claiming that “[w]hile regulating the conduct of domestic companies at home has been problematic enough for the Chinese government, doing so on a transnational level has proven to be even more challenging, particularly so for private companies [which often operate] outside the reach of the Chinese government”.

5.2 The Silk Road Economic Belt and the 21st-Century Maritime Silk Road (OBOR)

In the past couple of years, the Chinese government launched a new initiative under the “Going Out” umbrella, based on the ancient Silk Road that facilitated trade, travel and transfer of knowledge between Asia, Europe and Africa for centuries. In 2013, during a visit to Kazakhstan, President Xi Jinping revitalized this idea, suggesting that China and Central Asia collaborated in creating a Silk Road Economic Belt (Tian 2015). One month later, speaking to the Indonesian parliament, he also proposed the construction of a 21st Century Maritime Silk Road (ibid.), and the two components now make up what is commonly referred to as the One Belt, One Road initiative. It has been stated that OBOR brings a strategic focus to the governments “Go Out” policy (EIU 2015b: 3), but since the first mention of these plans by Chinese officials, the development of the One

Belt, One Road initiative has been dynamic, with its scope and reach rapidly changing. To date, OBOR spans across 65 countries, and covers 60 % of the world’s population, with projects worth \$230 billion currently in development (Djankov 2016: 6). With stated intentions set to reach \$ 4 trillion (ibid.) however, there is little doubt that the One Belt, One Road initiative will significantly contribute to an increase of Chinese companies operating abroad. A map of the planned routes for OBOR can be seen in image 5.1.

Image 5.1: Map of the One Belt, One Road Initiative



Source: Xinhua Finance Agency (2016)

Visions and actions

The core document of the initiative, titled *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* (hereafter *Vision Plan*) (NDRC et al. 2015), presents the five main goals of the plan. These include policy coordination, facilities/[infrastructure] connectivity, unimpeded trade, financial integration and people-to-people bonds. The OBOR initiative thus seeks to cover a wide range of issues, from “[forming] an infrastructure network (...) between Asia, Europe and Africa” and “[removing] investment and trade barriers” to promoting “extensive cultural and academic exchanges” and “culture years, arts festivals, film festivals, TV

weeks and book fairs in each other's countries" (ibid.). This wide scope has caused some uncertainty as to what the initiative actually entails, and as one informant noted during our conversation, "some days its language and culture, then it's the high speed railway". With such a wide-encompassing objective, it is perhaps natural that the OBOR initiative has been seen to not so much set out new goals for Chinese foreign policy, but rather unite China's economic priorities abroad under one single project (Djankov 2016: 7). The broad scope of projects further suggests that the One Belt, One Road initiative might serve as an umbrella for the wider expansion of China's general business interests abroad (ibid.: 9).

The OBOR initiative is still relatively new, and while it shows no lack of ambition, many – such as my informant Yalin Wang – criticize it for being too vague and conceptually weak so far. Wang (2016a), who directs a trilateral³² project on Chinese companies' sustainable overseas development, claims that many Chinese and international think tanks have tried to understand what the initiative entails, but without an implementation guideline and specific targets and goals, it becomes difficult to "know what to do with it" from a practitioner's perspective. Although much remains to be clarified, the initiative has already increased the number of Chinese companies going abroad in search of new markets and investment opportunities (EIU 2015b: 3). In fact, although the initiative is still in its primary phase, numbers from November 2015 showed that foreign-contracted projects in 60 countries along the route had increased with 21,6 % compared to 2014 (Xinhua 2015b).

OBOR as a domestic and foreign policy tool

China's motivation for initiating the OBOR initiative has been widely discussed, but scholars commonly identify three objectives. First, it will give the Chinese construction sector a boost, and open new markets for export (Miner 2016: 11). Some even say that the OBOR initiative is a "survival imperative" for the Chinese government, as the investment-driven model of domestic growth has neared its limits both in terms of environmental impact and the actual need for infrastructure (Shen in EIU 2015a: 10). Informants have pointed out that a country's needs for high-speed railroads and world-

³² The project is a cooperation between the United Nations Development Programme (UNDP), the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the Ministry of Commerce (MOFCOM).

class airports is limited, implying that China's model of growth, which has been heavily based on domestic infrastructure investments, cannot be sustained. Thus, China needs to ensure new markets for its goods as the country shifts from an export-and investment-led economy to one that is more dominated by consumption and services (Miner 2016: 11). Secondly, the initiative contributes to China's long term goal of being the dominant power in Asia (ibid.: 13). Especially in light of the U.S.-initiated Trans-Pacific Partnership (TPP), a trade agreement tying China's neighbors and the United States closer together, OBOR can contribute to strengthening China's ties to other countries in the region (ibid.: 11). This in a material sense, through promoting infrastructure connectivity and trade agreements, but also through promoting China as a "good neighbor" that contributes positively to the region.

Finally, the One Belt, One Road initiative can be seen as the spearhead of a new direction in China's international economic policy, as the country assumes a stronger leadership role in global trade governance (EIU 2015a: 3). Together with the creation of new multilateral financial institutions, such as the AIIB, OBOR is a way of sending a message to the advanced countries of the West that China should be treated as an equal (Miner 2016: 11). While China's economic power has risen immensely over the past years, the country still suffers from a shortage of soft power, with a "repressive political system and mercantilist business practices [tarnishing] its reputation" (Shambaugh 2015). This has increasingly become a target of government concern, and in 2014, President Xi Jinping stated that "[w]e should increase China's soft power, give a good Chinese narrative, and better communicate China's messages to the world" (ibid.).

OBOR is a clear manifestation of these efforts. Chinese officials have highlighted the initiative as building on the "ancient Silk Road Spirit [of] peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit" (NDRC et al. 2015). The ambitions of the initiative are grand, with its *Vision Statement* further stating that "[a]ccelerating the building of the Belt and Road can help promote the economic prosperity of the countries along the Belt and Road and regional economic cooperation, strengthen exchanges and mutual learning between different civilizations, and promote world peace and development" (ibid.). While the rhetoric is not unfamiliar in a Chinese context, such talk is often dismissed as "slogan diplomacy" (Shambaugh 2015). Some critics have emphasized China's self-interest in the initiative, and questioned its true

“win-win” effect. One informant stated that the global contribution of OBOR will rely on China seriously taking into account local conditions. As he commented, “China needs to cool its head, many developing countries do not need that many railways”. This points illustrates the worry that the initiative is mainly a measure to relieve Chinese companies of the problem of excess capacity, and create new markets for Chinese products in a slowing economy (Broadman 2016).

Gu (2015a) points out that the sheer number of Chinese companies overseas, both state-owned and private, “present significant coordination challenges for the government in its capacity for monitoring and oversight, sometimes creating challenges for China’s public image in developing countries”. There are however strong incentives for Chinese officials to back their grand visions for the OBOR initiative up with action, as they aim to strengthen China’s image as a responsible global power however. Miner (2016: 11) claims that “China can show the world it deserves to be treated as an equal with other advanced nations only once it demonstrates that its intentions are good, its standards high, and its investment will bring benefits to many”. As the vehicles that translate government visions into action, Chinese companies carry a great deal of responsibility in terms of the way the OBOR initiative, and the wider foreign policy objectives of China, are perceived by the rest of the world. With the entanglement of aid and trade that is common in Chinese foreign policy, both companies’ successes and missteps, serve as a projection of the government. Although this has been recognized and addressed by the government since they launched the “Going Global” policy, previous discussions showed that the past years of experience from Chinese business abroad has not left the skeptics of Chinese corporate practices abroad without fuel. With the OBOR initiative and China’s efforts to increase its international legitimacy however, the role of CSR should not be overlooked.

5.3 Challenges of implementing the Chinese version of CSR outside China

The process of Chinese companies going abroad and operating in a wide range of socio-economically, culturally and politically different contexts has been characterized by numerous challenges relating to negotiations over responsibilities, procedures of the daily operation of businesses as well as ineffective communication (Banik 2015). While

CSR could be an effective mitigating tool towards these challenges, it has still not been embraced by Chinese corporations to an extensive degree, which in many ways reflects the domestic state of CSR in China, of weak CSR implementation. As was pointed out by one senior official from MOFCOM during the conference on investments towards the SDGs in Beijing in January 2016, “you cannot take care of matters abroad if you cannot do so at home”. We have seen that CSR in Chinese companies domestically has been characterized by issues such as a low degree of strategic incorporation with the core business, low transparency, community involvement that is limited to philanthropic donations and little cooperation with civil society. These traits do not only increase risk and complicate daily business operations for Chinese companies abroad, but also taint the image of Chinese companies on the international scene, which in turn reflects poorly on the government. When I asked the manager of a Chinese SOE operating in Tanzania if CSR was important to managers of Chinese companies operating abroad, he responded by recognizing that CSR practices in Chinese companies could foster good relationships with local people and government, but at the same time acknowledged that in his opinion, Chinese companies were not yet influenced by international CSR norms and standards to a great extent. Based on interviews with relevant actors and discussions at various meetings and conferences on Chinese overseas operations, the ensuing discussion addresses what have been identified as the core challenges of Chinese companies operating overseas.

5.3.1 Stakeholder communication

Stakeholder communication is a reoccurring challenge for Chinese companies in their overseas operations. Kevin May (2016), Manager of the China and Developing Country Program at Oxfam Hong Kong, indicated during our communication that Chinese investors seem to face much larger challenges related to CSR in overseas markets compared to China, as they are faced with stronger civil societies, rule of law and independent media. Many companies fail to adapt to these conditions, and generally do not systematically address and communicate with all relevant stakeholders. According to the *2015 Report on the Sustainable Development of Chinese Enterprises Overseas* (CAITEC et al. 2015: 43), 45 % of the surveyed companies did not have a mechanism to ensure communication with stakeholders in host countries, although 36 % did claim that this was under planning. Furthermore, the three stakeholder groups that were

considered to have the least importance were media, international organizations and NGOs (ibid.). As seen in the previous chapter, NGO experiences showed that Chinese companies were generally less inclined to cooperate than international companies operating in China. This illustrates how Chinese companies bring domestic practices into new contexts, without fully realizing the importance of adapting practices to local institutional contexts.

For instance, as Yalin Wang (2016a), who led the UNDP contribution to the report on sustainable development of Chinese companies overseas, informed me that many companies have failed to see the impact civil society might have on their business. With a lack of experience from working with NGOs, Chinese companies sometimes perceive them as “troublemakers” (ibid.). This in turn may prompt them to avoid responding to inquiries or allegations, which again causes increased suspicion from the NGO (ibid.). This is also evident in a study on Chinese mining overseas (Duan et al. 2015a: 12), which claims that “communication with NGOs has always been the weak link or even the blind spot in communication between Chinese companies and stakeholders”. The study found that although 64,6 % of companies said they had set up stakeholder communication mechanisms, slightly higher than the findings in the report by CAITEC et al., these were mainly aimed at government departments, suppliers and internal employees, with only a few companies having considered communicating with local communities and media (Duan et al. 2015a: 12). The major reasons for the lack of communication were according to the respondents that NGOs had not contacted them (49 %) and that they did not know how to communicate with them (37 %) (ibid.: 13).

5.3.2 Community involvement

In chapter 4 I discussed how Chinese companies tend to address community involvement largely through philanthropic donations, often lacking a systematic approach to engagement with local stakeholders. Not surprisingly, this is also the case for Chinese companies operating overseas, where the element of foreignness makes this issue even more important as a risk managing mechanism. It appears that the importance of community involvement is clear in academia and policy circles, but on-ground actions are inhibited by poor knowledge and experience with local

communities.³³ Quqing Huang from the Beijing-based consultancy firm SynTao, shared the same view, and told me that “Chinese companies have not realized the importance of getting along with the local community” (Huang 2016). This is in spite of recognition also from prominent industry association representatives such as Zhang Xiang (2016), Vice Secretary General of the China International Contractors Association, who at the conference on investments towards the SDGs, identified community involvement as one of the most important issues facing Chinese companies abroad.

The report by CAITEC et al. (2015: 5) also identifies community involvement as a key challenge for Chinese companies operating overseas. According to Huang (2016), a common perception among Chinese companies abroad is that as long as they have the license to operate from the local authorities, they do not need to extend significant concern to the community that may be affected by their business operations. In fact, Chinese companies consider local communities to be among the five least important stakeholders, identified as very important by only 13 % of companies and relatively important by 28 % of the companies (CAITEC et al. 2015: 42). The importance of a *social* license to operate is thus widely neglected, which increases the risk for confrontation and operational risk. At the conference in Beijing in January 2016, Yalin Wang (2016b) pointed out that in terms of community involvement, Chinese contributions are largely dominated by philanthropic donations (as is the dominating picture within China as well), and participation in social welfare development is limited. Kenny Dong (2016), who conducts research in the field of CSR practices of Chinese companies in Africa, confirmed this. He informed me for instance that when asked to describe their CSR practices, many companies would only mention “donations of footballs, clinics and emergency goods”. This again also relates to the ad-hoc approach to CSR that is still common in a Chinese context, rather than strategically incorporating CSR in core strategies, which is important to the creation of shared value. Local communities will often expect more of foreign companies than simply avoiding to cause negative environmental or social impacts, which can cause friction that is further enhanced by lack of knowledge and experience in Chinese companies in terms of stakeholder communication (Huang 2016). In terms of approaches for “establishing harmonious communities overseas”, the report by CAITEC et al. (2015: 89) found that

³³ This issue was thoroughly discussed during the conference on “Investments Towards SDG”, in Beijing, January 2016.

while enhancing communication with various community stakeholders was seen as the most effective mechanism, the importance of increasing the proportion of local employees was only recognized by 24 % of respondents.

This illustrates a common concern that relates to the lack of local capacity building in host communities, where Chinese companies are often being criticized for isolating their supply chain and relying heavily on Chinese workers (Wang 2016a). Huang (2016) underlines that there has been a tendency for Chinese companies to prefer using Chinese workers, even though local recruitment would be a good strategy to open up to local markets and establish local connections. One informant explained that this is partly related to the Chinese emphasis on performance in a timely manner. Especially in infrastructure, the Chinese pride themselves in finishing projects on time, which requires control of all inputs, including labor. Thus, when operating in countries with a different work ethic that might be less rigid on this point, the Chinese model has been to bring own labor to ensure predictability.

While the share of Chinese workers in sectors such as infrastructure has tended to be high, there has been a trend towards more local employment in later years. Chinese labor costs are on the rise, and in an African context, the cost of bringing Chinese workers compared to paying local salaries is manifold (Braütigam 2011: 7).

Furthermore, political incentives, especially for SOEs, are pushing companies towards localization. In a survey of over 400 Chinese enterprises and projects in more than 40 African countries, Sautman & Hairong (2015: 2) found that more than 80 % of the workforce was localized. However, the proportions were found to be “much lower for top managers and significantly lower for engineers and other professionals” (ibid.). Although localization is increasing, limiting it to less skilled positions thus continues to inhibit local capacity building and the creation of shared value.

5.3.3 Labor issues

With Chinese managers and local workers, tensions often arise due to cultural differences and language. This presents an important obstacle to Chinese business operations overseas, as Chinese management is often unable to speak foreign languages, and understandings of local business culture are poor (Wang 2016a; D. Liu 2016). As Wang (2016a) proclaimed during our interview, “when business leaders don’t know

much about the local context before going out, and even don't speak English well, how can they communicate?". According to the report by CAITEC et al. (2015: 82), cultural differences and lack of in-depth understanding of local culture and customs are therefore the biggest challenges in terms of labor relations. Furthermore, compensation and benefit disputes and inexperience in working with unions are also considered to be major obstacles by more than half of the companies surveyed (ibid.).

In order to build "harmonious labor relations", Chinese companies prioritize observing labor laws and regulations, although interestingly enough, only 72 % of companies see this as *very important* (ibid.). On the other hand, providing more opportunities to local employees and increasing the ratio of local employees in management teams are considered the two least important strategies (ibid.), even though they would appear to be effective measures to mitigate compensation and benefit disputes and to increase the understanding of local culture and customs. At a press conference on CSR of Chinese companies operating abroad in 2013, MOFCOM spokesperson Yao Jian claimed that "[o]verseas Chinese companies always apply the principle of *equal work, equal pay*" (MOFCOM 2013). According to companies themselves however, this is not the case, and only 73 % of companies claim to have an equal opportunity system for compensation and benefits (CAITEC et al. 2015: 83). Furthermore, only 62 % have an equal opportunity system for training and promotions (ibid.).

As seen previously, the right to organize in China is confined to the nationalized organization federation of the PRC, ACFTU. Chinese companies therefore have limited experience in dealing with trade unions, and can sometimes portray rather hostile attitudes towards them. This was illustrated for instance by the president of the Textile Enterprise Association of the Chinese Chamber of Commerce in Cambodia, who uttered that "[t]rade unions are all the same: they are black-hearted" (Denyer 2015). It appears however that the need for improvement in this area is widely recognized by companies, with 81 % stating that understanding the role of local labor organizations is either very or relatively important to securing good labor relations. There have been several examples of Chinese business operations abroad severely obstructed by labor unions and strikes, such as in the case of the Shougang Group and their mining operations in Peru, where yearly strikes of miners incurred average daily losses of RMB 1-2 million (Junlu 2014). Another example is that of Chinese SAIC Motor's merger/acquisition of

SsangYong Motor in South Korea, where continued strikes and confrontations with the trade union eventually led to the failure of the merger and SAIC Motor suffered immense losses of assets impairment of RMB 3 billion due to SsangYong Motor (ibid.). Such cases have demonstrated that the importance of labor unions cannot be disregarded, which infers a need for a better understanding of dealing with labor unions in Chinese companies abroad.

5.3.4 Transparency and fair operating practices

Many of the issues mentioned above with regards to community involvement and stakeholder communication, are closely related to the transparency practices of Chinese companies. Wang (2016a) highlights that transparency is not normal practice in Chinese business culture, and the report by Duan et al. (2015a: 6) points out that some enterprises express concerns that disclosed information leads to the exposure of problems. This goes in line with the “culture of secrecy” prevalent in Chinese business culture, as discussed in previous chapters. The report (ibid.: 10) further found that although most of the surveyed companies acknowledged that transparency was important in mitigating the company’s overseas investment risks, only 28 % knew and implemented transparency-related international rules or initiatives such as the Global Compact or GRI. The same percentage of companies had never heard of the relevant international organizations or standards (ibid.). This is in spite of the pioneering Guidelines for Social Responsibility in Outbound Mining Investments from 2014, which in fact, only one fifth of the respondents were even familiar with (ibid.).

According to the survey by CAITEC et al. (2015: 40), as many as 50 % of Chinese companies operating abroad do not disclose information of overseas CSR in any form, and only 4 % release overseas CSR reports annually. The lack of communication is not only linked to an unwillingness to disclose on unfavorable results, but also positive contributions. At a workshop on CSR along the OBOR initiative, Lihong Ye (2016) from the Research Center for Corporate Social Responsibility at the Chinese Academy of Social Sciences (CASS), claimed that Chinese companies tend to “do a lot, but say nothing”. This experience is echoed by Huang (2016), who noted during our communication that although there have been several cases where Chinese companies have improved local infrastructure as part of their CSR practice, they have failed to

communicate this through reports or directly to the public. Needless to say, this can cause unnecessary friction and a loss of goodwill. Transparency is closely linked to risk management, by securing a social license to operate and ensuring safe, steady and continuous business operations (Duan et al. 2015b: 48). Through efficient disclosure of both financial and non-financial information, as well as maintaining smooth communication channels with relevant stakeholder, companies can secure legitimacy, and prevent and mitigate risks (ibid.). Thus, better transparency would serve as an effective measure towards some of the most pressing challenges Chinese companies face abroad, both on the challenges and contributions of their overseas operations.

Another great challenge related to the transparency of Chinese companies operating abroad, has been the issue of corruption and bribery in Chinese companies.

Transparency International's Bribe Payers Index, which ranks the world's wealthiest and most economically influential countries according to the likelihood of their firms to bribe abroad, places China second to last out of the 28 countries included in the index (Transparency International 2016). According to the survey by CAITEC et al., 91 % of companies hold business integrity as a core values, but only 43 % of companies have established internal rules on anti-corruption and fair competition. Further, only 41 % of companies have rules for anti-commercial bribery (ibid.). This shows that efforts towards fair operating practices are not especially high on the agenda for Chinese companies, which is undoubtedly linked to domestic factors. As Tian & Slocum (2016: 39) claim, "[c]orruption appears to permeate every aspect of the Chinese society today", clearly manifesting also in Chinese companies operating abroad.

5.3.5 Human rights³⁴

A core principle in Chinese foreign aid is that of non-interference (Gu 2015a: 3). As Chinese foreign trade is inextricably linked to its foreign aid system, illustrated by MOFCOM being the dominating actor in the foreign aid system, this has also caused many Chinese companies to adopt the same approach of non-interference in political issues. This again has entailed Chinese company presence in regimes where human

³⁴ Notably, the issue of human rights was not addressed explicitly by any informants or during meeting discussions, illustrating how this topic is often overlooked in terms of CSR in the Chinese context. As human rights abuse is a common critique of Chinese corporate practices abroad however, I have included a discussion based on relevant secondary sources.

rights are excessively violated. As a briefing on business and human rights in China (Business & Human Rights Resource Centre 2014: 21) points out, the approach of non-interference by major Chinese firms is appealing to many countries, but while investments might yield benefits such as rapid infrastructure development, these often come “at a high cost to the environment and human rights”. In the discussion on human rights and business domestically in China, we saw that Chinese companies face many issues relating to human rights violations, also manifesting themselves in overseas operations. This is enforced by the lacking human rights focus in government initiated CSR policies. In fact, the absence of this may lead to the paradoxical outcome that companies that commit serious human rights malpractices may still comply with CSR requirements by a Chinese standard (Midttun et al. 2014: 20).

This was the case for instance with PetroChina/CNPC, an SOE accused of being involved in genocide in Darfur, Sudan, where it was the governing regime’s largest partner in the exploitation of oil resources (Morgan 2011). PetroChina released their first CSR report on their Sudanese operations in 2009, where they highlight, among other things, their donation of \$500,000 USD to the Darfur region (CNPC 2009: 31). However, the report makes no mention of the ongoing genocide or serious human rights violations committed by the Sudanese regime, which the CNPC helped fund through facilitating oil exploitation. PetroChina is a signatory to the UN Global Compact, but the company’s operations in Sudan were in clear contrast to its second principle (UNGC 2014: 11), which states that companies should “make sure that they are not complicit in human rights abuses”.³⁵ However, according to the SASAC Guide Opinion, the company may in fact still satisfy CSR standards despite these serious allegations of human rights violations (Midttun et al. 2014: 20).

The briefing by the Business & Human Rights Resource Centre (2014: 21) points to several cases that illustrate the gravity of human rights abuses by Chinese companies overseas. Issues here are mainly related to security issues and conflict zones, worker’s rights and displacement. For instance, companies involved in the Shwe Natural Gas Pipeline and Myanmar-China oil transport projects have allegedly been complicit in “abuses such as killings, forced labor, sexual and other violence, displacement without

³⁵ Even though a coalition of more than 80 organizations urged the Global Compact to delist PetroChina from the Compact’s list of signatory companies due to its involvement in Sudan, the complaint was refused (Global Compact Critics 2009), and the company remains a signatory to this day.

compensation, discrimination and environmental contamination” (ibid.). Further, Chinese companies have been involved in cases such as shootings by a guard at the Collum mine in Zambia, violence against diamond miners in Zimbabwe, and shipment of arms to Zimbabwe during post-election violence in the country in 2008 (ibid.). While these illustrate some of the most serious human rights violations connected to Chinese companies abroad, they remain indicative that human rights is still a neglected issue in many Chinese companies.

5.3.6 Environmental management

According to the survey by CAITEC et al. (2015: 63), only 38 % of the companies responded that they had “a comprehensive understanding” of environmental laws and regulations that related to their own industries in the host country. Furthermore, although 76 % of companies claimed to have engaged third-party services to carry out environmental impact assessments (EIA), only 20 % had implemented all the recommendations (ibid.: 65). This shows that Chinese companies abroad in general do not place environmental concerns high on the agenda. Additionally, 80 % of companies did not believe that their operations would have an impact on biodiversity. At the workshop on CSR along the OBOR initiative in December 2015 in Guangzhou, Chen Wu (2015) from the Social Resources Institute presented a case study on CSR practices of 17 Chinese enterprises in Mozambique. Findings showed that most interviewees did not have practices and internal policies related to environmental management. The main reason for this, she explained, was that respondents, who mainly represented agricultural and wholesale/retail trade sectors, saw the environmental impacts of their industries as limited. Considering that both agriculture and wholesale/retail can greatly impact the environment, the answers illustrate a failure to realize the true impacts of the companies’ business operations on the environment of the host country.

With a concentration of Chinese investments overseas in natural resource extraction and infrastructure projects (Business & Human Rights Research Centre 2014: 20), there is little doubt that these investments can cause great harm to the natural environment. The 2014 report, *Going Out, But Going Green?* (Friends of the Earth and Banktrack 2014), presents a number of cases where Chinese projects significantly harm the environment, in terms of pollution (i.e. Stanari Coal Project), loss of biodiversity (i.e. El Mirador

Copper Project and coal projects in the Great Barrier Reef), deforestation (i.e. the Oki Pulp and Paper Mill). As Chinese companies increasingly undertake such large-scale projects with major potential environmental impacts, the need for a more committed approach to environmental management is considerable.

5.4 The potential influence of the OBOR initiative on Chinese CSR development

During discussions at the conference on Chinese foreign investments towards the SDGs, it was emphasized that the strategy of the OBOR initiative is closely related to the interests of the countries along the Belt and Road. As one speaker noted, the goal of shared prosperity and development coincides with goals of the global community, hereunder the Sustainable Development Goals. The Chinese government has been the core driver of CSR in China, but we have however seen that CSR development in the country has been somewhat limited, and that the current level of CSR in Chinese companies is inhibited by a lack of strategic integration. When government pressure is the main incentive to address CSR, but enforcement is lax, the perceived value of a systematic, strategic approach to CSR can be limited. Under the One Belt, One Road initiative, the Chinese government is pushing its companies in front to execute their mission of contributing to win-win development, global cooperation and even world peace. In April 2016, President Xi Jinping stressed the role of the market in promoting the OBOR initiative, while insisting on the government's role in overall coordination (Xinhua 2016). Further, he urged Chinese companies to “value not only economic returns from their investment projects in foreign countries but also their reputation as law-abiding and responsible entities” (ibid.). With regards to the OBOR initiative and China's overseas investment, great importance is attached to implementation of CSR by Chinese companies.³⁶ This will be important not only for the general image of China abroad, but also in facilitating access and avoiding risks for company operations, which in turn will greatly affect the overall success of the OBOR initiative.

President Xi's statements and the overall approach to the OBOR initiative do raise some concerns in terms of CSR, in that government emphasis on responsible business conduct

³⁶ This was a common concern for most participants at the conference and workshop, and naturally, the overarching topic of discussions.

is not necessarily reflected in company operations. Recent years of Chinese investments abroad have produced vast examples of corporate malpractice of Chinese companies, despite government emphasis on maintaining harmonious relations with host countries. In a state-business relationship landscape of both SOEs and non-SOEs, with a varying degree of ties to the central government, it can only be expected that government objectives are not necessarily reflected in corporate actions. According to Gu (2015b: 12), the conventional image of homogenized state-business relations driven by the Chinese central government is at best a partial picture, and “Chinese firms (both state-owned and private) principally operate to their own commercial priorities – government and Party ownerships, policies and structures notwithstanding”. Secondly, the President’s remarks illustrate the lack of hard mechanisms for influencing corporation’s CSR performance under the OBOR initiative. As he urges companies to go beyond an economic focus and exhibit responsible behavior, he also demonstrates that when it comes to the business conduct of Chinese companies abroad, the government does little more than set the discourse.

Nonetheless, with the grand ambitions the Chinese government has for the OBOR initiative, it can be expected to back policy objectives with more concrete mechanisms and tools to incentivize a greater commitment to responsible business practices. For Chinese companies, business opportunities inherent in the policy, and a recognition of CSR as a risk mitigation strategy in foreign markets, also points towards a development towards a deepened understanding and implementation of CSR practices. As Miao Lu (2016), Executive Secretary General of the Center for China and Globalization, has stated, “[e]ffective corporate social responsibility can go a long way in reducing the internal security risks faced by firms seeking to invest in One Belt, One Road countries”. On an aggregate level, the OBOR initiative can thus be seen to push forward and increase emphasis on CSR from both government and companies, in turn contributing to the overall development of Chinese CSR.

5.4.1 Support and training

According to the report published by CAITEC et al. on Chinese enterprises overseas (2015: 42), the greatest barrier to CSR performance according to the companies surveyed is “lack of support from professional organizations and personnel thus lack of

theoretical and practical support”. This sentiment was also conveyed at the 2016 Beijing conference on sustainable overseas investments, where both enterprise and industry association representatives voiced the need for government support.³⁷ A high level representative of a major Chinese SOE, for instance, explained that “[w]e want to be an excellent corporate citizen, but we don’t have the support of consistent policies from the outside. (...) In the case of Chinese enterprises going abroad, we have seen many lessons on what role we can play in the countries along OBOR. But we need help. Maybe the Chamber of Commerce could play a bigger role in guiding the enterprises abroad (...)”. Further, Xiang Zhang (2016), Vice Secretary General at the China International Contractors Association, emphasized that the wide scope of OBOR, with more than 60 countries varying in political, regulatory and developmental conditions, will require a joint effort from government, think tanks and companies “to make CSR an integral part of Chinese companies going overseas”.

In the past year, the Chinese government has increasingly been making efforts in terms of CSR capacity building in Chinese companies. Government agencies are undertaking a number of activities, such as guidance for overseas operations and training of Chinese work staff and managers before leaving China. MOFCOM, for instance, is according to UNDP official Wang (2016a) increasingly considering the sustainability of company operations abroad. The government agency has, she claims, welcomed the report on the sustainable development of Chinese companies overseas (CAITEC et al. 2015), and is set to publish it on their own websites as a guiding document for companies going abroad. This will be an addition to a white paper on FDI as well as country profile pages, which are already part of MOFCOM’s guidance for Chinese companies. Another government agency, SASAC, has its own training mechanisms for SOEs, aimed at both leaders and workers (Wang 2016a). Leaders are for example trained in sustainable development, international standards and impact assessments, whereas workers are trained in issues such as safety and health, HIV/AIDS and how to follow sustainability strategies in daily operations (ibid.).

Government think tanks, such as the Research Center for Corporate Social Responsibility Chinese Academy of Social Sciences (hereby CASS CSR Center), also

³⁷ Overall, informants heavily emphasized the need for training and capacity building during interviews and during conferences.

contribute to building knowledge on CSR in Chinese companies, and promote CSR through issuing sector-specific CSR reporting guidelines and training courses (Ye 2015). Since 2008, the CASS CSR Center has conducted hundreds of training sessions to companies, industry associations and governmental organs, covering topics such as CSR basics and trends, national and international CSR criteria and policy reading, CSR management systems and CSR report composition (ibid.). These efforts have been intensified in the last few years however, and in 2013, the center launched a *Responsibility Sharing CSR Open Class* for CSR managers of SOES, private and foreign enterprises, as well as consultants and educators (ibid.). Furthermore, in 2015, they set up an advanced training course titled *Responsibility Sharing Chief Responsibility Officer Initiative* aimed to “cultivate CSR managers” (ibid.). Additionally, in line with the visions and aims of the OBOR initiative, the government recently launched the International Silk Road Think Tank Association in February 2016, aimed to enhance dialogue and cooperation between think tanks along OBOR (Na 2016). The collaborative research from involved countries is meant to be disseminated to both governments and enterprises, and while the objective of the Association is not CSR explicitly, it will address issues of connectivity, innovation and sustainable development, which are all undoubtedly important areas for Chinese companies to better fulfill their CSR (ibid.). As one of the major issues for Chinese companies abroad is stakeholder communication, research dissemination rooted in countries along OBOR might contribute to improving knowledge of local conditions and joint cooperation.

As these developments illustrate, it is clear that the Chinese government is dedicated to increasing CSR capacity for Chinese companies going abroad. These efforts have been strengthened in the last few years, and the launch of entities such as the International Silk Road Think Tank Association, can be seen as the government backing up their grand visions for the OBOR initiative with concrete action. As more Chinese companies will be operating abroad under the initiative in the coming years, the demand for increased technical skills and capacity building on CSR issues will likely also increase. The Chinese government would do wisely in responding to these demands, both to protect the legitimacy of Chinese companies overseas as well as the overall success of the OBOR initiative, which will undoubtedly be affected if Chinese companies are unable to adequately address social and environmental risks abroad.

5.4.2 Increasing host country pressure

In 2015, 79,3 % of China's outward direct investment flow was in developing economies. The challenges they face must therefore be seen in the context of business in areas where regimes, regulations and legal frameworks are often weak, and where also Western-based multinational companies tend to perform worse in terms of CSR than in their home base. The One Belt, One Road will increase the Chinese business presence in many countries which are indeed in this category, but it also facilitates increased trade and connectivity with developed countries, especially in Europe. As my informant Yalin Wang (2016a) observes, there will be a steep learning curve for Chinese companies as they enter developed countries where social and environmental requirements are stricter than what the companies are used to. Also the manager of a Chinese SOE operating in Tanzania informed me that stricter laws and implementation in certain countries has led some Chinese companies operating abroad to focus on CSR to a larger extent than those operating within China.

At the same time, also in many developing countries there is a heightened demand for social and environmental responsibility, and although the regulatory framework might be poor, civil society can have a strong influence. Many Chinese companies have experienced this, and have, as discussed above with regards to stakeholder communication, encountered challenges when failing to realize the impact civil society might have on their business. When addressing how important CSR is for Chinese companies as they operate abroad, Quiqing Huang (2016) of SynTao, informed me that many companies have experienced losses due to failure to address social and environmental issues, also in less developed countries. She points to the example of the Letpadung copper mine in Myanmar, where the mining operations of the Chinese weapons maker Wanbao were temporarily suspended in 2012 due to vast protests from the local community and civil society (ibid.). Protests were on the background of supposed unlawful land confiscation from farmers and impact on their livelihoods as well as environmental degradation, and have continued as the mining operations have been resumed (Tun 2016). Such cases, Huang claims, will induce a greater awareness for CSR in many Chinese companies, as they have "learnt their lesson" to not ignore such issues. Wanbao insist that they have now taken great efforts to communicate with local stakeholders and ensure proper compensations, but claims have been made that the

company has still not met the conditions that were posed for construction to continue (Htwe & Wai 2016). While the company may still face certain issues in terms of dealing with social and environmental issues, this case illustrates how Chinese companies face pressure for addressing CSR, also in lesser-developed countries. Another case is that of a dam project by Sinohydro Corporation in Cambodia, being suspended until at least 2018 due to NGO pressure on environmental grounds (EIU 2015b: 8).

During a discussion at the conference on investments towards SDGs, Zhenyu Sun (2016), chairman of the China Society for WTO studies under MOFCOM, claimed that “countries along the ‘Belt and Road’ have high expectations of China, given the country’s elevated economic status”. If Chinese companies fail to meet these expectations, and do not address social and environmental risks in a proper manner, they will continue to face resistance in local communities, which does not only tarnish their reputation, but can also have great financial impacts. Additionally, as was pointed out at the conference on investments towards SDGs, lack of social and environmental management also pose a challenge for Chinese companies in terms of access. As one participant noted, high standards and “rules”, especially in European countries, make it difficult to access markets, which entails that Chinese companies will have to raise their standards in social and environmental management in order to overcome this obstacle. Thus, Chinese companies face pressure both from developing and developed countries, and to mitigate risks and gain access, CSR can serve as a valuable tool.

5.4.3 Green financing

China has since issuing its first green banking policy in 1995, developed a broad policy framework on sustainable finance, which has been claimed to be one of the most innovative in the world (Friends of the Earth & BankTrack 2014: 1). The Green Credit Guidelines (mentioned in table 3.1), announced in 2008 and updated in 2012, “set a precedence in financial policy for tying the extension of a bank credit to a client’s environment and social performance” (ibid). There has however been no formal mechanism for enforcement, and an assessment report on the implementation of the guidelines in overseas projects by Chinese companies showed that there have been widespread problems in terms of compliance with the guidelines (ibid.). The report illustrates with several cases that Chinese banks have granted credit to projects, which

have not been in alignment with “good international practices”, and lacked appropriate social and environmental risk management.

The Chinese government has recently launched several new financial institutions. In February 2015, the 40 billion USD Silk Road Fund was launched as a direct financial tool for the OBOR initiative, with earmarked funds from the Chinese national budget (Djankov 2016: 9). In January of 2016, the Asian Infrastructure Investment Bank (AIIB) was inaugurated, with the mandate of infrastructure development in the greater Asian region. As a central person in the establishment of the AIIB informed me, the notion that the AIIB is a mechanism for the OBOR initiative is erroneous, as the multilateral nature of the bank will prevent it from being able to narrowly serve only Chinese political objectives. Still however, with its mandate overlapping with the intentions of OBOR, funding of projects linked to the initiative is expected.³⁸ Thus, together with the Silk Road Fund, it will serve as a new financing mechanism for Chinese companies seeking to invest in overseas projects. In addition, the Bank of China has paid out 82 billion USD to three policy banks that support the initiative, the China development bank (\$32 billion), the Export-Import Bank of China (\$30 billion) and the Agricultural Development Bank of China (\$20 billion).

As UNDP official Yalin Wang (2016) emphasized during our interview, the AIIB and other financial institutions will contribute to concretizing the OBOR initiative. As she stated, “financial mechanisms are the best leverage for companies to address social and environmental concerns”, emphasizing the importance these financial institutions have in terms of securing socially and environmentally sound investments by Chinese companies abroad. As my informant at the AIIB explained, the bank is founded on the principles of being *lean, clean and green*, meaning that it shall be an efficiently run bank with a small staff, without corruption, that issues lending on environmental grounds. He further emphasized that the bank has 57 founding members from both developing and developed countries, and as a multilateral financing institution the bank will have greater transparency. Further, China’s success in convincing countries such as the UK, France Australia and Germany, has underlined the banks stated commitment to

³⁸ The two first investments of the AIIB were announced in May 2016, and were notably both road projects connected to the OBOR initiative, see <http://www.voanews.com/content/china-launches-asia-investment-bank-with-two-silk-road-projects-/3338589.html> for further information. Accessed 24.05.16.

adhering to international principles and good governance. The two first projects undertaken by the bank were announced in May 2016, and notably

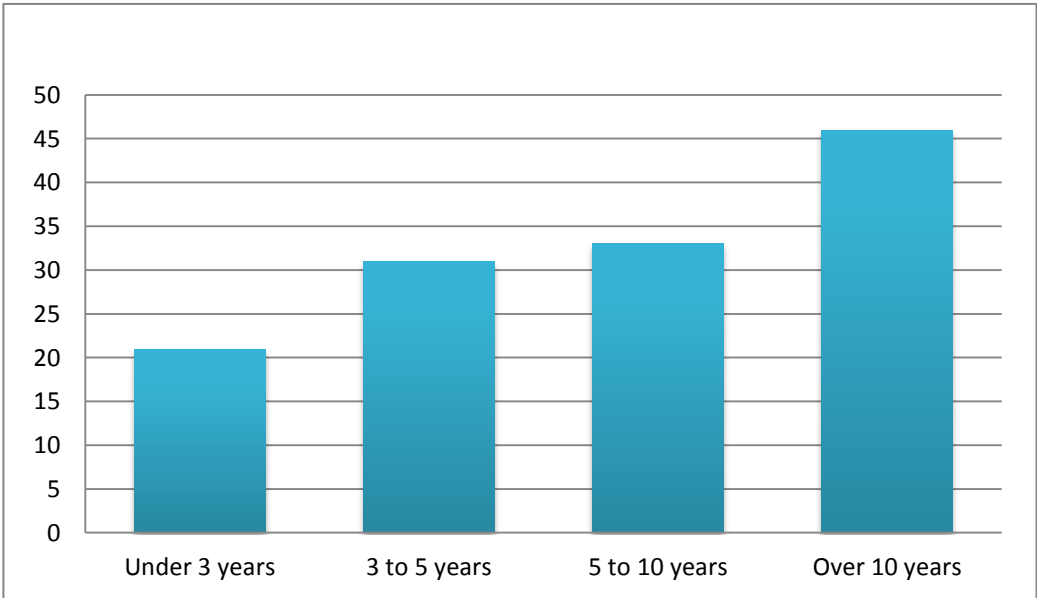
According to a paper co-authored by the Research Bureau of the People's Bank of China and the United Nations Environmental Programme (UNEP), there are reasons to believe that both the AIIB and the Silk Road Fund will “strive to implement international environmental, social and governance standards in their future investment decisions and attach greater importance to environmental and social risk management” (PBC & UNEP 2015: 3). This is due to the fact that many investments along OBOR will be risk filled, and a negligence of environmental and social risk management can lead to direct financial and reputational losses for the banks themselves (ibid.). Also Yalin Wang (2016a) believes that the Chinese government will be paying increasing attention to the sustainable financing of projects under the One Belt, One Road initiative. Under these circumstances, Chinese companies in need of financing for projects overseas will need to comply with the increasingly stringent requirements on social and environmental risk management to qualify for lending.

5.4.4 Growing international experience

During his opening speech at the conference in Beijing on Chinese sustainable investments overseas, Zhenyu Sun (2016) emphasized that Chinese companies have only been going abroad for a few decades, a very short period of time compared to Western countries. When addressing Chinese corporate practices abroad, it is thus important to keep in mind that Chinese companies are generally less experienced with overseas business operations than most Western companies. The survey by CAITEC et al. (2015: 30) shows that only 28 % of companies had more than 10 years of experience from overseas operations, with 46 % of companies having operated abroad for less than 5 years. At the same time, results show that CSR practices are generally improved the longer a Chinese company has operated abroad, which indicates that more international experience strengthens CSR understanding and implementation. For instance, there is a positive linkage between the years of overseas investment and the creation of CSR management systems (ibid.: 38). As figure 5.2 shows, only 21 % of companies that had operated abroad for less than 3 years had in place a CSR management system with dedicated departments, assigned personnel and good performance. For companies over

10 years of experience however, the percentage was more than doubled, at 46 %. Furthermore, Chinese companies’ familiarity with environmental laws and regulations is also improved the longer a company has operated abroad. Of the companies with less than 3 years of experience overseas, only 25 % claim to have a comprehensive understanding of relevant laws and regulations, while the number is 55 % for companies with over 10 years of experience (ibid.: 64). Finally, third-party environmental impact assessments are also more common in companies with longer experience (ibid.: 66), used by 88 % of companies with more than 10 years of experience, compared to 65 % of companies having operated overseas for less than 3 years.

Figure 5.2: Percent of companies who have CSR management systems with good performance, dedicated departments and assigned/established personnel (by categories of length of overseas investment)



Source: CAITEC et al. (2015: 39)

Yalin Wang (2016a), who has headed the trilateral research project on the sustainable development of Chinese companies overseas, points out that it is important to give Chinese companies time to learn. They should be pushed, she says, but as all MNCs before them, they will make mistakes. Wang has noted a significant increase of interest towards CSR only in the past 2-3 years, and claims that “more and more Chinese companies realize the importance [of CSR]”. She further points out that although there were no Chinese companies working with the UNDP only 10 years ago, many have now partnered with the organization as a way of addressing their social and environmental responsibilities abroad. “In 5-6 years there will be a lot of changes”, Wang (ibid.)

claims, an important motivation being that “companies want to correct the image of Chinese companies abroad”.

5.5 Summary

Chinese companies now have a greater presence abroad than ever before. This development is not likely to slow down, with the Chinese government putting great efforts into initiatives such as the One Belt, One Road. Several informants have indicated that although one has seen changes in the last few years, CSR is still not largely considered important by Chinese companies overseas, reflecting the state of CSR domestically. They are however generally optimistic, and claim that recent trends points towards an increasing recognition of the value CSR can have, not only for the communities companies operate in, but also for the companies themselves. Many informants point out that major risks and failed investments due to environmental and social issues in host countries have “taught companies a lesson”, and will lead them to increasingly implement CSR in their business to avoid such issues.

The OBOR initiative will boost Chinese investments in Asia, Africa and Europe. As the initiative is still in an initial phase, the full impact it will have on Chinese business is still not evident. However, it is clear that the initiative entails increased possibilities for Chinese companies to “go out”, with government discourse emphasizing the necessity for these companies to do so responsibly. During his keynote speech at the opening ceremony of the Belt and Road Summit in Honk Kong in May 2016, Xhang Dejiang, chairman of the Standing Committee of China’s NPC, emphasized that the OBOR initiative is not a zero-sum game, but about win-win cooperation. Accordingly, Zhenyu Sun (2016), chairman of the MOFCOM China Society for WTO Studies, stated at the conference on investments towards the SDGs that Chinese companies “have to take into account not only their short time profit, but also consider what kind of benefits they can bring to the local community”.

Although there are still few concrete mechanisms inherent in the initiative to foster a sustainable approach to conducting business by Chinese companies, the overarching aim of OBOR might lead to an increased pressure for CSR. Firstly, CSR can be a valuable tool for risk management. The discussion on challenges of Chinese companies

abroad clearly illustrates the case for a more comprehensive handling of social and environmental factors, as issues relating to this have caused many companies both bad reputation and direct financial losses. Companies will have to deliver on the expectations placed on them by host countries, making CSR a valuable tool. Secondly, deepened CSR efforts can contribute to raise the level of social and environmental management which will be required to access markets where standards are higher than the domestic market. Thirdly, financing mechanisms for the initiative are expected to address social and environmental impacts to a greater extent, causing potential barriers for funding for companies who lack adequate mechanisms for managing these issues. Finally, the OBOR initiative will contribute to the overall international experience of Chinese companies, which has been proven to be positively linked to CSR implementation.

6 Conclusions and implications for future research

The purpose of this thesis has been to examine the current state of corporate social responsibility in China, and how it may evolve in the near future. To answer this broad question, I have analyzed various aspects of the evolution of CSR in China, in addition to ongoing changes with the potential to shape the future of the CSR agenda both within and outside the country's borders. My thesis thus contributes to a deepened understanding of the characteristics of Chinese CSR, as well as nuancing the discussion surrounding Chinese corporate malpractice by identifying trends that point towards a strengthened commitment to CSR.

Top-down demand and perceived lack of self-interest

I began with an overview of the drivers of CSR in China, and how these have shaped the current conceptualization of the CSR in the country today. It became evident that CSR has been perceived by companies as somewhat of an imposed concept, stemming from top-down pressure, both from international codes of conduct and government pressure. This is further evident in current definitions of CSR in China, where legal compliance and morality are emphasized as the justifications for undertaking CSR-related activities. Thus, the drivers of CSR have not been rooted in the self-interest of companies, but rather in compliance to external demands, which has led to a common perception of CSR as a burden and cost. In contrast, the Western experience has been that market-driven pressure has driven many companies to increasingly recognize CSR as a source for competitive advantage. The value of strategically implementing CSR measures as a risk-managing mechanism and a tool to foster competitive advantages has gained widespread recognition, leading many companies to embrace the concept as a result of an enlightened self-interest

In the international academic discourse on CSR, much focus has been placed on the market incentives for incorporating social and environmental management in the core business, strengthening the business case for CSR. In China, where the main motivation to address CSR has been adhering to legal requirements, the incentive for a strategic approach to the concept is weakened by poor enforcement, which limits the negative

consequences of non-compliance. The strategic approach to CSR has thus not been widespread, and implementation of CSR practices has rather been characterized by an ad-hoc approach emphasizing philanthropy, crisis management and public relations.

Ad-hoc implementation and wide gaps between policy and practice

In chapter 4 I have discussed how the current conceptions and performance of CSR in Chinese companies are aligned with international principles and standards. My analysis shows that there are still vast challenges relating to the core issues of CSR identified by the ISO 26000 standard, and that there are wide gaps between national policies and company implementation. The first, and overarching challenge of CSR in China is the lack of strategic integration. There is generally a disconnect between core business and CSR practices, due to a lack of an institutional demand for a systemic approach towards social and environmental issues. In practice, this entails that CSR has been approached in a responsive manner, rather than as a proactive measure to manage risks and create competitive advantage. The lack of understanding in Chinese companies for the need to systematically integrate CSR with core business was illustrated by the comments of one of my informants. She noted that companies must realize that CSR does not mean issuing a beautiful report, but having a dedicated department and allocated staff to monitor the day-to-day social and environmental impacts of the company.

The discussion of the core issues of CSR showed that there are still major challenges in terms of human rights, labor rights, environmental protection, fair operating practices, consumer issues and community involvement. Many of these issues are connected to the culture of profit that emerged after the economic reforms initiated in the late 1970s, as well as a culture of secrecy that is prominent in the Chinese society. One can however see signs of improvement, and especially the issue of the environment plays a special role in the Chinese context. Faced with immense environmental issues, especially pollution of air, water and soil, the impacts of corporate malpractices in the environmental realm affect not only the natural environment in itself, but also the health and livelihoods of the Chinese people. Additionally, it poses a very tangible risk for the future business of many Chinese companies. This has led the Chinese government to implement stringent environmental legislation, followed by stricter enforcement. New regulatory frameworks in this area also address issues of transparency which permeates

the Chinese society, such as the requirement for key state-owned enterprises to release real-time emission data. In addition, the social consequences of environmental degradation are causing social unrest and intensified scrutiny from the civil sector and the emerging consumers on corporations. This also applies to issues such as food and product safety scandals, which strengthens the market-incentive for Chinese companies to deepen their CSR commitment.

Strengthened incentives with increased international activity

This thesis has also highlighted the importance of better understanding how the increasing number of Chinese companies operating abroad can potentially lead to a stronger commitment to CSR within Chinese companies. Since the turn of the millennium, Chinese companies have been encouraged to “go out” and increase overseas investment and international cooperation. This has had two major implications. At a broad level, the strategy increases the social and environmental impacts that Chinese companies have on communities around the world, which makes understanding how the companies conceptualize and implement CSR an important endeavor for the wider global community. In addition, the “going out” strategy exposes Chinese companies to new business environments with norms, risks, standards, regulations and expectations that are very different to that of the home market. In chapter 5, I argued that operating in new business environments would require Chinese companies to modify practices that have emerged as a result of domestic conditions. The OBOR initiative that has been recently launched by the Chinese government, wrapped in discourse that emphasizes shared prosperity and development, will further encourage this trend. I have argued that Chinese companies currently face a wide range of challenges related to social and environmental issues when operating abroad. Failure to adequately mitigate these challenges does not only damage the reputation of the companies and China as a whole, but can also have a direct impact on their business operations.

With the continuation of the “going out” policy, and the enrollment of the OBOR initiative, there are several indications that CSR can serve as a valuable tool for Chinese companies as they go abroad. It can benefit companies both in terms of risk management as well as gaining access to markets with higher standards and regulations.

Firstly, various government agencies are increasing their support and training in CSR-related issues to Chinese companies operating in overseas markets, bolstering knowledge and capacity on how to manage CSR abroad. Secondly, more companies will enter into markets that are increasingly demanding higher standards in terms of managing the social and environmental aspects of their business operations. These demands are not exclusive to countries with strong regulatory frameworks, but apply also in countries where civil society might have great influence, although the regulatory framework is weak. Thirdly, financing mechanisms – linked directly and indirectly to the OBOR initiative – are likely to place a greater emphasis on green and socially sustainable lending, causing lending barriers for companies who do not address CSR sufficiently. Finally, OBOR will result in more Chinese companies gaining valuable international experience, which in turn is positively linked to CSR understanding and performance.

At an aggregate level, one can expect China's pursuit for international recognition as a responsible global power to foster an environment for a greater focus on the social and environmental impacts of Chinese investments abroad. Grand scale initiatives such as OBOR must ensure that projects in fact do emphasize mutual benefit and development. This does not only mean that China must actively cooperate with the countries along the Belt and Road to ensure that projects serve the wider interests of regional development, but also that the execution of the projects themselves do not emphasize short-term benefits at the cost of social and environmental issues.

The overall conclusion of my analysis is that factors specific to the national business system in China – comprised of norms, incentives, rules and the formal organization of government and corporations – have shaped the current form of CSR in the country. At the same time, international exposure contributes to the further evolution of the operationalization of the concept in Chinese companies. Although understanding and implementing CSR in China is generally not in alignment with international standards and norms, increased regulatory and market-driven pressure both domestically and internationally will likely accelerate the adaptation of CSR in Chinese companies. When the value of CSR as a mechanism for risk-management and competitive advantage is realized to a greater extent, one can expect the companies to more systematically integrate CSR practices with their core business. It is important to keep

in mind that although CSR has been a mainly Western-driven concept and employed to a greater extent by companies in advanced economies in the West than in China, social and environmental corporate malpractice is by no means uncommon. Although we cannot expect the majority of Chinese companies to exhibit exemplary CSR performance any time soon, my analysis has showed that Chinese companies are moving in the direction of a strengthened dedication to the concept, bringing CSR practices closer to international norms and standards.

Implications for future research

Several of the aspects I have highlighted as potential mechanisms for stimulating increased CSR efforts in Chinese companies are still at an early stage. This includes the emergence of the demanding Chinese consumer, social unrest related to pollution and environmental concerns and increased pressure from civil society. Further and in-depth research will be able to provide a more comprehensive analysis of how and to what extent these developments, which are likely to play a bigger role in the future, will in fact impact CSR practices in Chinese companies. With a growing self-interest for companies to embrace CSR to a greater extent, it will also be interesting to see how certain characteristic features of Chinese CSR, such as the emphasis on philanthropy, will be affected. In recognition that CSR can actually be good for the company, instead of being seen as a necessity to respond to legislation or cultivate political relations, one could expect this practice to be replaced by a more professional CSR agenda, as has been seen in Western discourse. Furthermore, the OBOR initiative and continued internationalization of Chinese companies will require more research on how companies understand and manage their corporate social responsibility. Also the actual commitment from the government to ensure that Chinese business abroad does not only benefit Chinese economic interests, but is in fact “win-win”, should be further investigated. Doing so will however require greater openness and transparency from Chinese authorities and companies. As I found during my research for this thesis, it is extremely difficult to access reliable sources and collect data on these issues. This experience is also confirmed by a number of scholars I have been in contact with who specialize in the field.

With China on a mission to build soft power and foster greater cooperation with other countries both regionally and globally, Chinese companies are an important part of the mission. As the OBOR initiative is still in an initial phase, there are great uncertainties as to how it will play out. When more projects are implemented, the emphasis placed on safeguarding social and environmental aspects should be closer investigated. Finally, and in a long-term perspective, it will be interesting to see to what extent the growing commitment to CSR by Chinese companies abroad, can have a feed-back effect on domestic practices. Considering the sheer size of China and the magnitude of its economy, how Chinese companies address their social and environmental responsibilities both domestically and internationally, will be of importance for sustainable development on a global scale.

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Appendix 1: Key policies and regulations governing sustainable overseas development of Chinese companies

Year Issued	Government Agency	Title
2002	Ministry of Foreign Trade and Economic Cooperation (MFTEC)	Comprehensive Evaluation Measures for the Performance of Overseas Investments
2002	MFTEC and the State Administration of Foreign Exchange (SAFE)	Interim Measures for Joint Annual Inspection of Overseas Investment
2004	MOFCOM	Measures for the Administration of Training of Workers Dispatched Overseas
2004	MOFCOM	Reporting System for Investment and Operation Obstacles in Foreign Countries
2005	MOFCOM	Notice of the State Administration of Foreign Exchange Regarding Adjustment to the Administration of Financing Guarantee from Domestic Banks for Enterprises with Foreign Investment
2005	State Administration of Work Safety (SAWS), Ministry of Foreign Affairs (MFA), MOFCOM and SASAC	Notice of the State Administration of Work Safety, Ministry of Foreign Affairs, Ministry of Commerce, State-owned Assets Supervision and Administration Commission[agencies] on Improving Work Safety Supervision of Overseas Chinese Enterprises
2005	General Office of the State Council	Opinions on Strengthening the Security and Protection of Overseas Chinese Enterprises and Staff
2007	MOFCOM, Ministry of Finance, People's Bank of China, All-China Federation of Industry and Commerce (ACFIC)	Opinions of the Ministry of Commerce, the Ministry of Finance, the People's Bank of China and All-China Federation of Industry and Commerce on Encouraging and Guiding Overseas Investment and Cooperation by Private Enterprises
2007	State Forestry Administration (SFA) and MOFCOM	Guidelines on Sustainable Forest Cultivation for Chinese Enterprises Overseas
2008	MOFCOM, MFA and SASAC	Notice of the Ministry of Commerce, Ministry of Foreign Affairs, State-owned Assets Supervision and Administration Commission of Further Regulating Overseas Investment and Cooperation of Chinese Enterprises
2008	State Council	Administrative Rules for Overseas Contracting
2009	SFA and MOFCOM	Guidelines on Sustainable Operation and Utilization

		of Overseas Forests by Chinese Enterprises
2009	MOFCOM, Ministry of Housing and Urban-Rural Development (MOHURD)	Measures for the Administration of Overseas Contracting Qualification
2010	MOFCOM and China Export and Credit Insurance Corporation	Notice on Strengthening Risk Prevention in Overseas Economic and Trade Cooperation Zones
2010	MOFCOM, MFA, NDRC, Ministry of Public Security (MPS), SASAC, SAWS and ACFIC	Provisions on the Security Management of Overseas Chinese Institutions and Staff
2010	MOFCOM	Overseas Security Risk Warning and Information Notification System in Overseas Investment and Cooperation
2011	MOFCOM, MFA, SASAC and ACFIC	Guidelines on Security Management of Overseas Chinese Enterprises (Institutions) and Staff
2011	SASAC	Interim Measures for the Administration of Overseas State-owned Property Rights of Central Enterprises
2011	SASAC	Interim Measures for the Supervision and administration of Overseas Assets of Central Enterprises
2012	MOFCOM	Guidelines on Security Management of Overseas Chinese Enterprises and Staff
2012	China Banking Regulatory Commission	Green Credit Policy
2012	MOFCOM, International Communication Office of the CPC Central Committee, MFA, NDRC, SASAC, National Bureau of Corruption Prevention and ACFIC	Opinions on Corporate Culture Development of Chinese Enterprises Overseas
2012	SASAC	Interim Measures for the Supervision and Administration of Overseas Investment of Central Enterprises
2013	MOFCOM, SAWS, MFA, NDRC, MOHURD and SASAC	Notice of the Ministry of Commerce, State Administration of Work Safety, Ministry of Foreign Affairs, National Development and Reform Commission, Ministry of Housing and Urban-Rural Development, State-owned Assets Supervision and Administration Commission on General Inspection of Work Safety Governance of Chinese Enterprises Overseas
2013	MOFCOM and Ministry of Environmental Protection (MEP)	Guidelines on Environmental Protection in Overseas Investment and Cooperation
2013	SASAC	Interim Measures for Emergency Management of Central Enterprises

2013	MOFCOM	Provisions on Regulating Competition in Overseas Investment and Cooperation
2013	MOFCOM, MFA, MOHURD, National Health and Family Planning Commission, SASAC and SAWS	Provisions on Responding to and Addressing Security Incidents in Overseas Investment and Cooperation
2013	MOFCOM, MFA, MPS, MOHURD, General Administration of Taxation, State Administration for Industry and Commerce, General Administration for Quality Supervision, Inspection and Quarantine and SAFE	Trial Measures for Negative Credit Record in Overseas Investment, Cooperation and Foreign Trade
2013	MOFCOM	Notice of the Ministry of Commerce on Strengthening the Categorized Administration of Chinese Personnel Dispatched Overseas for Overseas Investment and Cooperation
2014	MOFCOM	Guidelines on Intellectual Property Rights of Overseas Enterprises
2014	MOFCOM	Measures for the Administration of Overseas Investment
2015	NDRC, MFA and MOFCOM	Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and 21 st -Century Maritime Silk Road

Source: CAITEC et al. (2015: 15-17)

Appendix 2: Agenda for “Corporate Social Responsibility along the One Belt, One Road Initiative”

Corporate Social Responsibility along the *One Belt, One Road Initiative*

10 December 2015

Mandarin Oriental Hotel, Guangzhou

WORKSHOP AGENDA

December 10th:

09:00-09:30 **Welcome and introduction**

9:30-12:00 **Session 1: CSR with Nordic and Chinese Characteristics**

Discussion leaders:

Xiuli Xu, China Agricultural University: ‘Reshaping the Concept and Practice of CSR: A Perspective from International Development’

Liu Baocheng, Center for International Business Ethics: ‘Value-Based Innovation and Creation’

Dan Banik, University of Oslo & Stanford University: ‘The Development and Consolidation of CSR in China: From Social Innovation to Social Rules’

10:45-11:00 *Coffee & tea*

Session 1 continued

Bengt Johansson, Former CSR ambassador of Sweden: ‘The Nordic Countries in the Lead of CSR Development in Europe’

Yalin Wang, UNDP: ‘Pathway to Sustainability: Challenges and Opportunities of Chinese ODI Along “Belt and Road”’

12:00-13:00 *Lunch at Ebony – Mandarin Oriental*

13:00-14:30 **Session 2: Transparency, Dialogue and CSR in Chinese**

Overseas Investments

Discussion leaders:

Guo Peiyuan, Syntao: ‘Transparency and Community Dialogue of Chinese Overseas Investment’

Duan Zhirong, Tsinghua SEM: ‘Host Country Market Development Status and CSR Activities of Chinese Overseas Investments’

Wu Chen, Social Resources Institute China: ‘The Gap: Regulations and Practice of Chinese Overseas Investment in Mozambique’

14:30-14:45 *Coffee & tea*

14:45-16:15 **Session 3: Chinese Firms Abroad: Best Practices**

Discussion leaders:

Liuhong Ye, Chinese Academy of Social Sciences: ‘CSR Practices of PowerChina in Zambia’

Guan Shanyuan, China State Farms Agribusiness Tanzania: ‘Case from Tanzania’

Annie Hu, China House: 'CSR Practices of Chinese firms
Operating in Kenya: A Case Study of Africa Tech Challenge
(ATC)'

16:15-17:00 **Session 4:**

Discussion on future trends

19:00 Dinner at Ebony – Mandarin Oriental

Appendix 3: Agenda for “Investments towards SDGs”

Synergized Innovation·Shared Prosperity

Investment towards SDGs

20th Jan. 2016, Wednesday, 9:00-17:00

**222, Administration Building, University of International Business & Economics
(UIBE)**

Host Collaborative Innovation Center for China’s Multinational Enterprise, UIBE
China Society for World Trade Organization (WTO) Studies, MOFCOM
China International Chamber of Commerce for the Private Sector
(CICCPS)

Organizer Center for International Business Ethics (CIBE), UIBE

Co-Organizers University of Oslo, Norway

SynTao Co., Ltd

Institute of International Economy, UIBE

China Strategy Research Center For Open Economy and
International Technology Cooperation (SCOT), UIBE

WTO Tribune Magazine, MOFCOM

Language **Chinese, with English interpretation**

Conference Agenda

anchors: Li Li, Associate Professor of UIBE

9:00-9:20 Opening Speech

- Guijun Lin, Vice-president, UIBE
- Zhenyu Sun, Chairman, China Society for WTO Studies, MOFCOM

9:20-10:10 Key-note Speech I

- *Revisiting the SDGs: Strengths and Challenges*
Dan Banik, Professor of Political Science & Research Director,
Centre for Development and the Environment, University of Oslo
- *Investment and Environmental protection*
Qi Shaoyun, President Assistant, CNPC Economics & Technology
Research Institute
- *Poverty alleviation and equitable growth*
Li Xiaoyun, President, China International Development Research
Network

10:10-10:30 Q&A

10:30-10:50 Coffee Break

10:50-11:40 Key-note Speech II

- *Contracting project and responsible management*
Zhang Xiang, Vice Secretary General, China International
Contractors Association
- *Responsible Investment*
Wang Yalin, Programme Officer, Sustainable Business Abroad,
United Nations Development Programme in China
- *Sustainable agriculture*
Xia Youfu, Executive director and chief expert of SCOT, UIBE

11:40-12:00 Q&A

12:00-13:30 Luncheon

13:30-15:30 Panel Discussion

Panel 1: Agriculture

- Xu Xiuli, Vice Director, Development and Management Department, College of Humanities and Development Studies, China Agriculture University (Hostess)
- Liu Denggao, Executive Vice Director, China's Soybean Industry Association
- Liu Jianguo, Deputy General Manager, China-Africa Fund
- Kevin May, Manager, China and developing country program of Hong Kong

Oxfam

- Guo Peiyuan, General Manager of Syntao Co., Ltd

Panel 2: Manufacturing Industry

- Liu Debing, Former Chairman of the Board, China General Consulting and Investment Company; Director of Advisory Board, CIBE, UIBE (Host)
- Tang Kelin, Former Vice Chairman, CRRC Corporation Limited
- Li Xiaoni, President, China Clear Energy Association
- Sun Lihui, Director of the Liaison Department, China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters
- Representative of auto industry

Panel 3: Service Industry

- Sharon Guo, Director, Government & Public Affairs, DNV GL China (Hostess)
- Zhang Jianping, Director, International Collaboration, Institute of International Economic Research, Academy of Macroeconomic Research, NDRC
- Zhang Guochen, Managing Director, Kunlun Insurance Brokers Co., Ltd
- Zhu Benfu, Partner and Director, B&J Partners Law Firm

15:30-16:00 Coffee Break

16:00-16:50 Summary of panel discussion (222 Conference Room)

- Xu Xiuli, Vice Director, Development and Management Department, College of Humanities and Development Studies, China Agriculture University
- Liu Debing, Former Chairman of the Board, China General Consulting and Investment Company; Director of Advisory Board, CIBE, UIBE
- Sharon Guo, Director, Government & Public Affairs, DNV GL China

16:50 -17:00 Closing remarks: Liu Baocheng, Director, CIBE, UIBE

Appendix 4: Agenda for “Regional Integration & Responsible Governance”

Regional Integration & Responsible Governance

21st Jan. 2016, 9:00~12:00

Beijing· UIBE

Host Asian-Pacific Center for Economic & Culture Research

Topic

- Will Asia become the engine for global economic recovery
- International order and role of international institutions
- The prospect of Asian integration
- Dispute settlement mechanism for Asian integration
- China’ leadership in Asian integration
- Environmental responsibility during regional integration
- Prospect and risks of “One Belt One Road” initiative
- Global financial order: Asian financial reform, RMB joining SDR, RMB exchange rate reform

Forum format: Closed door round-table forum

Participants (TBD)

Name	Title
Dan Banik	Director, Center for Development & the Environment, University of Oslo, Norway
Hilton Root	Professor, School of Policy, Government, and International Affairs, George Mason University, US
Joerg Wuttke	President, EUCCC
Johansson Bengt	Former CSR Ambassador of Sweden
Jonathan Fritz	American envoy to China and Economic Counselor
David Mahon	Managing Director, Mahon China Investment Management Ltd.
Yifan Ding	Expert on Sino-US development of State Council

Libo Fan	Dean, School of Public Administration, UIBE
Jun Fu	Executive deputy dean, School of Government, Peking University
Weiwen He	Director, Study Center of the Economic Strategy of China, U.S. and the EU, China Association of International Trade, MOFCOM
Yong Li	Deputy director, China Association of International Trade
Youfu Xia	Executive deputy director, SCOT, UIBE
Yuantang Yu	Director, Department of European Affairs, MOFCOM
Shijian Zhou	Center for US-China Relations, Tsinghua University
Ji Zou	Deputy director, National Center for Climate Change Strategy and International Cooperation, NDRC
	Representative from the World Bank
	Representative from EU
	Representative from ASEAN
	Representative from Africa

Appendix 5: List of invited guests for reception at the Royal Norwegian Embassy in Beijing.

Reception at the Royal Norwegian Embassy in Beijing on the occasion of the Responsible Outbound Investment Salon on Investments Towards SDGs.

1. **Wang Chengan**, Vice Chairman, China Society for WTO Studies, MOFCOM
2. **Wang Lin**, Translator of Wang Chengan
3. **Dan Banik**, Professor of Political Science & Research Director Centre for Development and the Environment, University of Oslo
4. **Liu Baocheng**, Director, CIBE, UIBE
5. **Zhang Xiang**, Vice Secretary General, China International Contractors Association
6. **Xia Haiquan**, Dean, Continuing Education School, UIBE
7. **Wolf Kantelhardt**, Financial officer, China Office, Misereor Foundation
8. **Liu Debing**, Former Chairman of the Board, China General Consulting and Investment Company; Director of Advisory Board, CIBE, UIBE
9. **Xia Youfu**, Executive director and chief expert of SCOT, UIBE
10. **Sharon Guo**, Director, Government & Public Affairs, DNV GL China
11. **Zheng Mei**, Vice Chairman, China Clear Energy Industry Association
12. **Sun Lihui**, Director of the Liaison Department, China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters
13. **Zhang Hongfu**, Senior Research Manager, SynTao, Co.
14. Song Yu, Executive Director, International Department, Kunlun Insurance Brokers Co.
15. **Kaja Elise Gresko**, Graduate Student, University of Oslo
16. **Gao Huan**, Office Director, CIBE, UIBE
17. **Li Xiaosong**, Researcher, CIBE, UIBE