

CORPORATE SOCIAL RESPONSIBILITY IN CHINA

In September 2005, at the first Sino-European CSR International Forum, the Chinese Vice Minister of Commerce Yi Xiaozhun together with business leaders and officials from the Employers and Trade Union Federations explained how they were actively putting CSR on track of both the business community and the public administration in China.

In a context of a growing concern for CSR and search for a sustainable and harmonious development in China, ORSE (Study Center for Corporate Social Responsibility) and CSR Europe decided to publish the first study on CSR in China.

This initiative echoes the conference organized by ORSE on February 14, 2006 on the topic of CSR in

China during which many key actors intervened: CSR Europe, BSR (Business for Social Responsibility), Amnesty International, FIDH, the ICFTU as well as UNEP (United Nations Environment Programme).

This study aims at explaining the context of CSR in China, describing its legal and normative framework and presenting some stakeholders and some of their initiatives.

The objective is as follows: to help all those who want to invest in China but who wonder about the way they can combine the requirements of performance and the various stakes of sustainable development (environment, working conditions and respect of human rights).

→ SUMMARY ←

- The context for CSR in China : What are the stakes and the players ? What are the Chinese cultural particularities ?
- The legal and normative framework for CSR in China: between the influence of international and European organizations and national law

The national legal framework

- The CSR management standards: Social Accountability (SA 8000), China Social Compliance 9000 (CSC 9000) and ISO standards
- The Chinese environmental legislation
- Labour law in China: a strengthened law faced with many challenges
- The Chinese legislation on human rights: the case of freedom of expression
- The major challenge of effective legislation for fighting corruption

International programmes operating in China

- The Agenda 21
- The United Nations programmes

- The European Union programmes
- The GRI
- The Stakeholders and CSR initiatives in China

The different means of action and presentation of CSR players in China

- The strategic partnerships between NGOs and companies
- The Associations of foreign companies for the promotion of CSR
- Information exchange platforms
- The Research Centers

CSR initiatives and players for:

- Environment
- The conditions of workers and human rights
- Health: the worrying case of the AIDS epidemic in China
- Education and poverty

- **Ecological review of China**

Limited resources

The per capita water resources in the country are less than 2.200 cubic meters, which is only a quarter of the world's average. Its per capita arable land is less than half of the world's average. China uses 10 percent of the world's arable land to feed 22 percent of the world population.

Pollution and Greenhouse Gas management

75 percent of China's lakes and rivers are too polluted to drink, fish or use for irrigation. Home to 16 of the world's 20 worst city for air pollution, China's greenhouse gas emissions are second largest, only after the US.

The World Bank estimates that pollution costs China in excess of US\$ 54 billion a year in environmental degradation, loss of life, and disease.

The problem of electronic waste

China is one of the favorite destinations of E-waste, despite formal official ban on import of E-waste. Low labour costs have even made manual recycling of used electronic parts profitable.

Biodiversity under threat

Deforestation

- **Cultural particularities and obstacles to conduct an effective CSR policy in China**

The confusion between CSR and charitable action

China is only at the very start of its development in terms of CSR and ill-informed business leaders and journalists may confuse the different notions.

The unequal distribution of CSR practices

There is a distinctive geography divergence in terms of CSR practices. It tends to be more popular in the southern and coastal cities, culminating in Hong Kong where diversified CSR activities can be found, and where most Annual Reports on social issues are produced. Not to mention that NGO actively involved in Occupational Safety and Health issues are all based in Hong Kong.

Chinese companies' unwillingness

At first, foreign observers confirm the existence of a general dislike of the CSR concept in the country, which leads them to consider China as being protectionist. This is especially the case among companies relying on export, such as textiles, toys and shoes.

Chinese suppliers have to meet very stringent work-

place conditions standards before they are able to bid for outsourced manufacturing. Companies also regret that they are expected to deliver price-competitive manufacturing while at the same time sharing the cost of pro-social measures. These constraints have not only become a financial burden, but are also a hindrance to day-to-day management. Since securing orders from abroad is their primary goal, factories tend to confuse CSR with the SA8000 standard and do not hesitate to conjure up fake records to satisfy the inspection teams.

FOCUS : Working conditions in China

Migrant workers, the "mingong" (farmer labourer)

The last decade of the 20th century was one of massive population movements in China. The number of people migrating doubled, from 70 million in 1993 to 140 million in 2000. Talk was of the flood of a "floating population" to city construction sites or to factories in special economic zones. The mingong, the farmer labourer, came into being.

It is the continuation of the hukou system (resident's permit), attaching rural populations to their place of birth, which has helped to maintain a vast reserve of very low cost labour. "For the same work as a labourer, a "mingong" earns less, works more and does not have the same rights", explains Lu Xueyi, president of the Chinese Sociological Association. Nevertheless, the "mingong" contribute massively to the development of the Chinese economy.

The absence of trade union freedom

Article 2 of Convention 87 of the ILO stipulates that workers have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their choosing without previous authorization. However, the Chinese law on trade unions of 2001 declares that the establishment of basic trade unions must be authorized by the higher trade union, the All China Federation of Trade Unions (ACFTU). Any attempts by employees to constitute an independent organization have come up against severe repression. Although the object of this Convention is not to make trade union pluralism obligatory, this must always remain possible, even if a single regime has been adopted at some point by the trade union movement. Yet, the Trade Union Law of 2001 maintains the monopoly of the official trade union and expressly authorizes the authority of the Chinese Communist Party over the trade union: "Trade union uniformity in China is a historic choice of the workers' movement; trade union plurality divides the work force and, as a result, reduces the power of the trade union in its relationships with the government."

Website : <http://www.icftu.org>

- **The Chinese definition of the scientific concept of development**

These are the five pillars of the scientific concept of development, which focuses on a balanced, coordinated and sustainable development:

- coordinate the development in the city and in the country side,
- coordinate the development of different regions,
- coordinate economic and social development,
- assure a harmonious relation between the nature and the mankind,
- coordinate domestic development and the opening up to the outside world.

- **Green GDP : a new tool for China ?**

On August 24, 2006, Beijing officially started to promote a "green GDP" in its economic calculations and to inquire into the financial losses caused by pollution.

The green GDP is the gross domestic product after deduction of the environmental damage costs resulting from the economic activities. Concept created by the World Bank in 1997, the green GDP is used to measure the true national richness of a country.

- **A Chinese sectorial initiative : CSR management standards China Social Compliance 9000 (CSC 9000)**

As a consequence of a lack of adaptation of some international CSR management standards, the Chinese textile industry reacted and decided to elaborate in 2005 a CSR management standards in the textile and apparel industry : China Social Compliance 9000 for the Textile and Apparel Industry (CSC 9000)

The CSC 9000 was drafted, promoted and will be monitored by the CNTAC, China National Textile and Apparel Council, which is the national federation body of the sector. It is composed of existing Chinese laws and regulation, and is a business management system for enterprises aspiring to be socially responsible actors of the society. The aim of this system, is to create a fair-competition market and improve the international image of Chinese manufacturers. The practicability of the management system makes it possible to help companies improve social and environmental efficiency.

The CSC 9000 also advocates the expansion of decision-maker to other stakeholders, mainly the employees. The only officially recognized trade union ACFTU and its branches are the designed interlocutor.

- **Beijing Manifesto on CSR for Chinese Enterprises**

In September 2005, right after the annual EU-China summit, WTO Tribune in co-partnership with CSR Europe organized the 1st "Sino-European CSR International Forum". This conference was, among others, aimed at celebrating the launch of the "Beijing Manifesto on CSR for Chinese Enterprises". For the occasion, several Chinese companies, such as Haier, Shanghai Emminence Group..., supported this Manifesto.

Its key points are as follows:

"An enterprise without sense of social responsibility is not likely to achieve sustainable development and this is the same with a society lacking of enterprises with social responsibility it can not make a healthy and harmonious progress. [...]"

Our highest objective is to achieve the harmonious development between both enterprises and the society. [...] Our key goal of achieving corporate social responsibility is to increasingly improve the responsible competitiveness of enterprises. [...]"

We believe the growth trend of constructing corporate social responsibility will be the combination of enterprises' own specific strength with addressing environmental and social issues so as to achieve mutual prosperity of enterprises and society."

- **Declaration of 2005 GoTone-Nanchang International Forum of Constructing Harmonious Society and Corporate Social Responsibility**

The GoTone-Nanchang International Forum for "Constructing a Harmonious Society and Corporate Social Responsibility" was held in the Jiangxi provincial capital, Nanchang on October 15th, 2005. Attended by 350 participants, it was the first CSR conference organized at the government level in China. A document entitled the 'Declaration of the 2005 GoTone-Nanchang International Forum of Constructing Harmonious Society and Corporate Social Responsibility' was announced during the forum by the organizers. Its key points are as follows:

" [...] All participants of 2005 GoTone-Nanchang International Forum of Constructing Harmonious Society and Corporate Social Responsibility consider that enterprises are powerful social organization, should take more responsibility and play more important roles. Constructing harmonious society must establish innovative relationships between enterprises and society, promote CSR sense and gradually, found an interactive new model between enterprise and society. [...]"

2005 GoTone-Nanchang International Forum of Constructing Harmonious Society and Corporate Social Responsibility also proposes that enterprises should promote economic development (advance productivity, promote enterprise development, create social wealth, and so on), be human-centred (treat humans as a primary resource, safeguard employee safety and health, improve working conditions, standardise employee agreements, enhance employee loyalty, and so on), standardise enterprise actions (advocate honest operations, protect the legal rights of employees, customers and shareholders, reject fraud, bribes and corruption, and so on), actively engage in recycling and environmental protection (implementing ISO14000, rely on clean energy, protect ecological systems, etc), and vigorously promote social development (sponsoring education, society culture, public service, engage in disaster relief, assist those in poverty, etc).

"2005 GoTone-Nanchang International Forum of Constructing Harmonious Society and Corporate Social Responsibility declares that those basic conceptions in terms of human right, employee, environment, anti-corruption, etc in Global Compact sponsored by UN Secretary General Kofi Annan are basically the same with the Human-entered strategies of Chinese government, and that we support enterprises to join Global Compact.

→ Networks of companies for the promotion of CSR in China and sources of information on this topic ←

Some networks of companies promoting CSR in China

- **Business for Social Responsibility (BSR)**
BSR established an office in Guangzhou in 2005 after several years in Hong Kong. The current team is composed of 4 staff in China and is led by Country Director Zhou Weidong. Besides, BSR initiated and run the “China Training Institute” which provides training programs on supply chain issues related to CSR. It also provides consulting services, hosts monthly public open courses aimed at providing capacity building for middle management in China supply chain.
BSR finally develops BSR membership through Chinese companies and publishes the last issue of Leading Perspective, BSR quarterly magazine, in Chinese and English about CSR in China. The last issue deals with the publication of the present document. Moreover, on February 14th 2006, BSR took part in a conference initiated by ORSE, in partnership with CSR Europe and BSR on “CSR in China: stakes, initiatives and players”.
Website:
<http://www.bsr.org/CSRResources/LeadingPerspectives/>
Website:
<http://www.bsr.org/CSRResources/CTI.cfm>
- **China Business Council for Sustainable Development (CBCSD)**
Created in 2004 as a branch office of WBCSD, this organization regroups aspiring foreign and local business leaders and act as a platform for communication. French companies such as Areva, EDF, Veolia or Peugeot PSA are members of the CBCSD.
Website :
<http://english.cbcsd.org.cn/>
- **Corporate Social Responsibility Charter (Hong-Kong)**
The Hong Kong CSR Charter was launched on 26 September 2005. The Charter was initiated by business leaders in Hong Kong active in Corporate Social Responsibility and developed by them with support from Community Business.
These business leaders come from small, medium and large companies, both local and multinational companies and are part of the Community Business Leadership Team. The objective of this charter for a company is mainly to show his commitment in CSR.
Website:
http://www.communitybusiness.org.hk/CSR_Charter.html
- **Chinese Association for Corporate Social Responsibility (August 2006)**
The establishment of the CACSR was announced at a forum on corporate social responsibility in North China's port city of Tianjin in May, 2006.
The association, supported already by 20 companies, would call on other firms to shoulder their social responsibilities through actions such as promoting environmental protection and helping alleviate poverty.
Information:
http://news3.xinhuanet.com/english/2006-05/17/content_4559768.htm

Some sources of information

- **ChinaCSR.com**
ChinaCSR.com provides news and information devoted to helping corporate social responsibility professionals act on new trends and forge new paths of their own. It trolls press releases, commentaries, and indices to bring information needed to conduct business in Beijing, Shanghai, or out in China's hinterlands.
Website :
www.chinacsr.com
- **CSRChina.net**
CSRchina.net is an one year old resource for Chinese business, established by SourceAsia Ltd (Oxford, UK) and the PDA Network (Guangzhou, China).
It has been sponsored by the British Council (operating in south China as the Cultural and Education Section of the British Consulate-General Guangzhou) and is supported by the Guangdong Human Resource Management Association and the Guangdong Academy of Social Sciences.
CSRChina.net provides:
 - Documents about CSR in China
 - Management tools
 - usiness network groups with good practice exchangesWebsite:
www.csrchina.net
- **Syntao : Social Responsibility in Business and Investment**
Syntao is an Internet platform that focuses on corporate social responsibility and socially responsible investment related information in China and the world. They also propose professional consulting services to help businesses improve and report their CSR conducts, and financial institutions with their social screening process.
Everyone can become member and participate to the forum and receive some newsletters.
Website:
http://www.syntao.com/E_index.asp
- **CSR Asia**
CSR Asia is a social enterprise that strives to be the leading provider of information about Corporate Social Responsibility in the Asia-Pacific region. CSR Asia builds capacity in companies and their supply chains to promote awareness of CSR in order to advance sustainable development across the region. The first CSR Asia office was opened in Hong Kong in 2004, and the second in Singapore in 2005.
They propose services in CSR to businesses, NGOs and governments in the following areas:
 - CSR reporting
 - Intensive training on CSR
 - Help to develop CSR StrategyWebsite:
<http://www.csr-asia.com/>

ORSE – Observatoire sur la Responsabilité Sociétale des Entreprises, which means Study Center for Corporate Social Responsibility, is a French network designed to study and promote socially responsible investment (SRI), corporate social responsibility as well as all the issues related to sustainable development. www.orse.org

CSR Europe is a non-profit membership network that aims to help companies integrate corporate social responsibility (CSR) into the way they do business. www.csreurope.org