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## Serve the People!: Corporate Social Responsibility (CSR) in China

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**Mads Holst Jensen**

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# **Serve the People!**

## **Corporate Social Responsibility (CSR) in China<sup>1</sup>**

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### **ABSTRACT**

Taking into account a broad range of stakeholders who may affect or be affected by corporate action, the perspective of Corporate Social Responsibility (CSR) carries the promise of a win-win situation for all. CSR in China is highly topical, as the country is integrating into the supply chains of the major global players, but the ideals of CSR are a far cry from the realities of production in “the workshop of the world”. In this paper I will discuss key issues relating to the process of adapting CSR into the Chinese context. I will focus on the position of the PRC political leadership. I argue that the leadership seems to pursue an agenda of submerging CSR under the control of the Party-State and conceptualizing CSR by reference to a blend of an eclectic interpretation of Western European welfare models and CSR conceptions with an eclectic interpretation of Chinese tradition and political culture. As a result, CSR in China lacks the element of multi-stakeholder dialogue, which is commonly recognized as the core element of CSR in Western countries.

***Keywords:*** CSR, China, Labour issue, MNCE, NGO, Politic change.

## INTRODUCTION

The concept of Corporate Social Responsibility (CSR) was invented in the West nearly two decades before China began acceleration to its present speed of integration into the global production chains. By the mid 1980s, when Shenzhen was still a fishing village, attention on CSR emanated from academic circles in Northern America to a wider audience in the Western countries. Advocates of CSR contest the viability of short term economic assessment of business in isolation. Instead, they call for a broader, long term perspective encompassing the range of economic, social and environmental factors, which may affect, or be affected by business operations. CSR implies the ideal of a win-win situation for all stakeholders and the insistence that the market forces, under proper guidance, may bring about a sustainable future for individual companies as well as the entire globalized world.

From the early 1990s on, CSR has become an issue of increasing importance in regard to outsourcing by developed countries of low-tech, labour intensive production to developing countries. Thus, CSR implies the claim that such outsourcing should not only be profitable, but also ethically accountable. Involvement in unethical business operations can be quite fatal to companies, and this is not least the case in relation to operations in China, “the workshop of the world”.

Meanwhile, Western CSR policies remain a far cry from Chinese realities. Unleashing market forces in China has resulted in the decline of the welfare system that characterised the era of the centrally planned economy. Inequalities are unfolding between the urban and rural sectors, between the new entrepreneurs and the traditionally privileged working class, and between the rich coastal provinces and the backward inner provinces. Millions of Chinese peasants have migrated to East and South China to find work in new production facilities established by foreign funded enterprises. In countless cases, these workers are subject to appalling working conditions with long working hours, poor wages and scarcely any safety regulations.

Moreover, the environment in China suffers badly from inappropriate administration and the over-heated pace of production.

The issues of CSR in China are highly topical. Prime time news media stories and international NGO campaigns highlight them frequently, and each year, millions of Chinese workers take part in massive protest actions to express their grievances. Western companies are investing heavily in the formulation and implementation of CSR policies in relation to their operations in China and in the performance of social audits of their Chinese partners and suppliers. In sum, the companies have been pursuing an approach of policing CSR compliance in China.

Labour and environmental issues are a headache to China's political leaders these years.<sup>2</sup> They relate to the key concerns of development and stability that serve as the basis for the legitimacy of the political leadership in reform era China. Major global players push for improvements as the thrust of CSR enters China and internal stability is threatened by civil unrest and labour protests that have exploded in number and severity over the past years.

In this paper I will discuss key issues relating to the process of adapting CSR into the Chinese context. I will focus on the position of the PRC political leadership. I argue that the leadership seems to pursue an agenda of submerging CSR under the control of the Party-State and conceptualizing CSR by reference to a blend of an eclectic interpretation of Western European welfare models and CSR conceptions with an eclectic interpretation of Chinese tradition and political culture. As a result, CSR in China lacks the element of multi-stakeholder dialogue, which is commonly recognized as the core element of CSR in Western countries.

After an outline of CSR in theory and practice I will review two cases that illustrate key aspects of the position of the PRC political leadership in regard to CSR.

In the following substantial parts of the paper, I will describe the process through which CSR is being adapted into the Chinese political discourse.

## **CSR in theory**

The concept of CSR is part of the field of business ethics, and it has frequently been expanded, discharged, supplanted and reintroduced by a great number of scholars, activists and companies. Suffice here to introduce the key issues of CSR in theory and practice.<sup>3</sup>

It has become a standard observation that the waning of nation states and intergovernmental organisations has virtually left unattended huge tasks of social and environmental protection. In response, it is the basic drive of CSR to find ways how the private sector may take on part of these tasks. So, basically the term “Corporate” indicates that the agency of CSR initiatives lies in the private sector. Governments do take part in a great number of CSR projects, but they serve the role of facilitators rather than regulators.

The stakeholder model probably offers the most viable identification of the object of CSR. In 1984, Edward Freeman published *Strategic Management - A Stakeholder Approach*, which has become the backbone classic of the subsequent and very extensive elaborations of the stakeholder model (Freeman 1984). Freeman defines stakeholder as "any group or individual who can affect, or is affected by, the achievement of a corporation's purpose", and offers the following list of possible stakeholders "employees, customers, suppliers, stockholders, banks, environmentalists [and] government" (Freeman 1984: 25). However, this list is by no means conclusive, as it is the organisation and its context in each particular case that determines who is a stakeholder and what their stakes are.

“Responsibility” as applied in CSR is deprived of much of its original rigour (Hendry 2001: 225; Quinn & Jones 1995; Swanson 1995: 44-46). Again, the stakeholder model pinpoints the crux of the matter. As indicated by the title, Freeman’s classic work concerns *Strategic Management* and CSR as a whole does rely on tackling the difficult question of how business strategy may come to terms with ethical responsibility. Freeman maintains that in principle there is no contradiction between strategy and ethics; taking all stakeholders into consideration is at the same time the wise thing to do and the right thing to do. Seen from the level of the individual company, CSR can be understood as part of risk management, that is, taking different strategic measures to secure survival of the company in the foreseeable future. This is part of the responsibility of the management towards the shareholders to begin with, remarks Freeman, and the best way to do this is to strive for a model of operation that creates value for all stakeholders, who might otherwise in the long run jeopardize the survival of the company. The normative core of CSR stresses the importance in practice of the pluralism and contexts of actors and action (Donaldson & Preston 1995; Freeman 1994: 415). In regard to responsibility, this implies the notion that “most people, most of the time, take or want to take responsibility for the effects of their actions on others”. It “allows for the creation of positive obligations”, but it is essentially founded on libertarian notions of freedom secured by negative rights and voluntary action (Freeman & Phillips 2002: 336, *et passim*; Freeman 1994).

In sum, CSR in theory is based on strong notions of freedom, agency and voluntarism for actors and actions in the private sector, which in effect only leaves space for a minimal state. CSR represents a push away from unscrupulous, short sighted “Cowboy Capitalism” towards “Stakeholder Capitalism” that stresses “solidarity” and “fairness” (Freeman & Phillips 2002: 332; Freeman 1994), but it shuns away from codification and sanctioning by authorities outside the company. CSR is based on a dynamic interplay of descriptive and instrumental aspects of business, set in a self-regulated normative framework in which governments and intergovernmental organizations may take part as facilitators rather than regulators.<sup>4</sup>



## CSR in practice

CSR has become the object of a virtual craze on a global scale from the early 1990s on. Under the heading of CSR, corporations, employees, trade unions, governments, communities, NGO's, and consumer groups promote their respective views and solutions in regard to some of the most critical issues of globalization, such as labour exploitation, environmental neglect and competition between developed and developing countries for shares in production and export to the global market.

Generally, CSR standards refer to *The Declaration on Fundamental Principles and Rights at Work* of The International Labour Organization (ILO). After several failed attempts at formal incorporation of a so called "social clause" in the WTO trade framework *The Declaration* was adopted in 1998. It covers the four categories of Freedom of association and the right to collective bargaining; The elimination of forced and compulsory labour; The abolition of child labour; The elimination of discrimination in the workplace. ILO website vaguely describes *The Declaration* as "an expression of commitment by governments, employers' and workers' organizations to uphold basic human values - values that are vital to our social and economic lives" (ILO 2005), and although CSR standards have some degree of binding force *vis-à-vis* governments, they tend to function as points of reference for voluntary action, rather than sanctioned provisions.

*The Declaration* in general and CSR in particular play a controversial role with regard to claims on global free trade and competition between developed and developing countries for shares in production and export. Thus, WTO member countries as well as non-member developing countries argued in the 1990s that full pledged implementation of labour standards would hamper the key competitive edge of developing countries: low cost, labour intensive production (Ward 1996, Alben 2001). Parallel to these high politics deliberations, the global CSR craze has accelerated in civil society spheres through a host of actions by and interactions between corporations and NGOs.<sup>5</sup>

A whole range of measures, initiated by corporations over the last decade, represent attempts at implementing CSR policies at the workshop floor level. The corporations integrate CSR policies into existing routines, such as human resource management and quality management. Yet, this exercise becomes more complicated with the increase of outsourcing to facilities far apart from the corporation, in terms of location as well as standards. In response, the corporations formulate so called Codes of Conduct. Allegedly, Levi Strauss was a pioneer in developing and implementing its *Global Sourcing and Operating Guidelines* in 1991, and today most corporations have formulated Codes of Conduct that specify sets of ethical standards to be observed in all business operations of the corporations (Lum 2003; Williams 2000; Wright 1993). Corporations have initiated routines of monitoring or auditing in which personnel or specific sections within the corporation perform so called “social audits” of their suppliers. It is the aim of these social audits to assess whether the suppliers comply with the Codes of Conduct of the corporations and these audits thus constitute the core of the policing approach. The fact that some multinational corporations (MNCs), such as Reebok, Nike and Disney, have set up specific CSR offices in mainland China and Hong Kong indicates the high priority given to these efforts (Tan & Liu 2003: 20). The certification programmes represent an emerging trend of universalizing standards across industries, countries etc. For instance, the Social Accountability 8000 (SA8000) certification program was initiated in 1996 by the New York based NGO Social Accountability International (SAI). At the time of writing, the number of SA8000 certified facilities around the world total 710. 99 of these are located in China.<sup>6</sup>

Now, let me review the two cases that illustrate key aspects of the position of the PRC political leadership in regard to CSR: The *Stella case* and the *Wal-Mart case*.

## The Stella case

Unfolding in 2004 the Stella case included the entire range of aspects, twists and stakeholders of a typical CSR scenario. Thus, MNCs such as Nike and Reebok were actively engaged in the case, NGOs such as China Labour Bulletin and China Labor Watch reported on and intervened in the case and it received extensive international news media coverage. As such, the progress and final outcome of the Stella case offers indications as to the position of the Chinese political leadership in the face of open conflicts over labour and the global thrust of CSR entering China.

The Taiwanese-owned shoe company *Stella International* runs a number of large factories in the city of Dongguan in Guangdong province. Here, 30,000 workers, of which more than 80% are migrant, produce footwear for such Western brand name corporations as Nike and Reebok. In early 2004, the two Western corporations allegedly demanded that overtime be reduced to 36 hours and that the number of resting days be increased from four to six per month.<sup>7</sup> In order to accommodate these demands, the factory management devised a controversial overtime system and withheld wages.<sup>8</sup> These measures, together with general frustration over the quality of the factory canteens and dormitories, incited approximately 4,000 workers at one Stella factory to stage a fierce protest action on 21 April and a similar protest action took place at another factory two days later involving 1,000 workers. During subsequent investigations, police interrogated and detained up to 100 protesters on charges of “assembling to disturb public order” and eventually decided to push charges against ten protesters for “intentional destruction of property” (CLB-2).

Lawyer Gao Zhisheng represented six of the defendants and on 28 August he delivered a remarkable defence speech in the Dongguan Municipal People’s Court (Han 2004).<sup>9</sup> He stated that the protests were “the result of certain clear and pressing social causes: namely, the fact that our society today permits and encourages the most naked forms of social injustice, together with an unrestrained level of gross and

inhuman exploitation of the workers that has reached truly reactionary proportions”. After listing details of the case he continued:

With regard to the broader social environment, the unfair and unequal relations between employers and workers is a worldwide phenomenon, but one of the most extreme and abusive examples of this generalized unfairness in labour relations is nowadays to be found right here in China. The inequity of workers within our current system of labour relations is absolute; the channels for resolution of labour conflicts of all kinds in our society are either totally blocked or non-existent; and judicial protections for the rights and interests of the labourer are functionally absent. When on top of all this, my fellow defence lawyers and I read through the case files and saw the urgent and immediate crisis of survival that confronts the workers in this case, together with the appalling conditions of labour that have been imposed on them by the company, we said to ourselves: This is just like the [pre-1949] situation of cold-blooded and ruthless exploitation of the workers by the capitalist that was depicted by Mao Dun in his famous novels of that period; the very same situation that caused the workers then to rise up in revolutionary rebellion! *What distinguishes the present situation, however, is that in those days the Communist Party stood alongside the workers in their fight against capitalist exploitation, whereas today the Communist Party is fighting shoulder-to-shoulder with the cold-blooded capitalists in their struggle against the workers!* (My emphasis)

Now, how did the political leaders respond to this direct assault and more generally, what was their role in relation to the Stella case?

On 29 October PRC President Hu Jintao received a letter about the Stella case from the General Secretary of the International Confederation of Free Trade Unions (ICFTU) on behalf of its 148 million members worldwide. After listing the facts of the case, as seen from the perspective of the ICFTU, the General Secretary concluded:

As a Member State of the ILO, China is bound to uphold its basic principles, including the freedom of association. Therefore, I strongly urge you, Mr. President, to order an independent inquiry into all aspects of this case including illegal working conditions and the summary proceedings before the Dongguan Municipal People’s Court. As no reliable evidence has been presented to justify the five workers’ conviction, we further urge you to order their immediate release. Failing to act the Chinese authorities will once again

be tarnished by their lack of protection of fundamental workers' rights. (ICFTU 2004)

This indicates that the political leadership was informed about the Stella case and was urged by, at least, one major international stakeholder to take direct action.<sup>10</sup> However, the political leaders did not take direct action. They did not respond to the accusations of the ICFTU letter of being “tarnished by their lack of protection of fundamental workers' rights” and during the proceedings of the case they did not purge Gao for his direct assault. Instead, the Stella case ended in a remarkable concession on the part of the Chinese authorities. Thus, on 31 December the case took a sudden U turn when all ten defendants were released, despite the fact that they had previously been sentenced to terms of 2-3½ years imprisonment (CLB-2).<sup>11</sup>

However, other cases signal an uncompromising stance of protecting Chinese territory against “foreign ideas”. The Wal-Mart case is a representative example.

### **The Wal-Mart case**

Practically all high profile CSR related initiatives towards China claim more or less directly - and insistently - respect for the right to freedom of association. But in response, official China categorically maintains that the All China Federation of Trade Unions (ACFTU), which refers directly to the political leadership, is the absolute authority with regard to all labour issues on Chinese soil. On 23 October 2004 the NPC standing committee issued a report based on a study of enforcement of the Trade Union Law in Chinese and foreign private companies in China. In his presentation of the report, Cheng Siwei, deputy head of the NPC Standing Committee, stressed the function of the Trade Union Law of “safeguarding the right of workers and staff members to take part in and organize trade unions” and he elaborated further:

It cannot allow whatever unit and individual to handle or obstruct [such activities] on whatever pretext. No matter what ‘investment’ (资), when it has arrived on the soil of the People’s Republic of China, then it has to abide by the laws of the People’s Republic of China. Chinese trade unions are different from foreign trade unions in that the former safeguard the rights of workers and staff members and at the same time promote business development. Investors from outside the territory and private enterprise managers do not fully comprehend this and some even hold contradicting opinions. (Cheng 2004; inverted commas in the original)

The report highlighted Wal-Mart among those foreign retail chains black listed for failure to allow employees to organize trade unions. According to the report, the head of the ACFTU Shenzhen branch had repeatedly approached the Shenzhen based Wal-Mart China branch headquarters to discuss the matter. But the latter had rejected any discussion saying that “It is the policy of Wal-Mart all over the world to refrain from organizing trade unions”. In response, the Shanghai municipal government decided to sanction investment by Wal-Mart (Liu 2004b).<sup>12</sup>

The NPC report is representative of the general official line concerning foreign involvement in the issue of CSR in China. It signals an attempt at resisting criticism by demonstrating resolute action to safeguard labour rights on the one hand and turning defence to attack on the other hand. The report could be seen to have far reaching implications on internal affairs in China, because it stresses the principle that all companies, including the Chinese ones, must abide by the Trade Union Law. However, full pledged enforcement of the law would entail transformation of the general labour situation to such a degree that China would practically lose its competitive edge in terms of low cost production. But this does not seem to be the intention behind the report. In stead, the message, as conveyed in the Chinese official media, could be paraphrased as follows: “Do not import any foreign trade union ideas to China. We enforce our own Trade Union Law, which by the way proscribes that all labour issues are handled at the discretion of the political leadership through the ACFTU!” Diverting attention away from the critical implications of this message, the report turns defence of the Chinese administration of labour to an attack at foreign

companies committing injustices towards Chinese labour. The fact that Wal-Mart is already infamous for its anti trade union policy makes it a particularly easy target. Yet, the report also mentions other companies and an analysis of the report makes direct reference to the Stella case and points out that the Taiwanese management here could learn a lot from it (Ning 2004).

As I mentioned above, the Stella case and the Wal-Mart case unfolded almost simultaneously in time. Thus, the NPC report was issued only six days before Hu Jintao received the ICFTU letter concerning the Stella case. But they indicate substantially divergent positions of the political leadership. Keeping a very low profile in the Stella case the Chinese leadership signalled a rather compliant position towards Western CSR policies at stake. Meanwhile, the Wal-Mart case conveyed a much more self-assertive message that once “arrived on the soil of the People’s Republic of China” Western CSR policies have to adapt to Chinese preconditions. The latter message is representative of what seems to be the principal position of the political leadership in regard to CSR. The implications of this message, or more precisely, the process through which CSR is being adapted into the Chinese context will be the key theme of my discussion below.

### **Adapting CSR to china**

In October 1994 Chinese Centre for International Human Resource Exchange (中国国际人才交流中心) hosted a seminar on contemporary business ethics attended by a delegation of British diplomats and business ethics scholars. The passage quoted below derives from a review of this seminar, and it epitomizes key themes in the way CSR is being adapted into the Chinese context:

During the lively deliberations of the Chinese and British scholars I gained the impression that the British scholars’ comprehension of Chinese business ethics was insufficient, or limited. First of all, part of them believed that business ethics had never come about in China. They explained that discussions on business ethics had been initiated in North America in the 1960s and that research on business ethics issues had begun in Europe and Britain in the

1980s. In response, the Chinese scholars explained that the basic norms of business ethics emerged as early as 2,500 years ago in the eras of *The Spring and Autumn* and *The Warring States* and that business ethics had developed in scope ever since. After the founding of The People's Republic of China, the concept of *Serve the People* has not only become the common belief of all citizens, it has also been the unwavering precept of the state-owned business enterprises. In this environment, business enterprises have never developed conditions that run counter to business ethics. Since the outset of the reforms, business ethics has been a key element of the *Socialist Spiritual Civilization* that we have been formulating. All levels of business management departments in China stress civilized business conduct as a key element of their ideological and political work. (Liu 1995: 26-27)

First of all, this passage implies relative subordination of Western business ethics ideas in that it points out their sheer infancy compared to their Chinese counterparts that have, according to the review, been elaborated throughout the long history of Chinese civilization. Secondly, the passage states that the Chinese socialist era constitutes a comprehensive programme of putting business ethics into practice, particularly by virtue of the state-owned enterprises (SOEs). Thirdly, the passage adapts CSR into the Chinese political discourse by putting CSR under the heading of such slogans as “Serve the People” and “Socialist Spiritual Civilization”, on the one hand, and by implying that CSR issues sort under the “ideological and political work” of administrative departments, on the other hand.

Adapted this way, Western CSR ideas are being transformed substantially. Western CSR ideas are still predominantly informed by what one might summarize as the ideals of American society stressing freedom and individualism. Strong antagonistic statements against CSR in the American context have resulted in amplification of this precept. Economist and Nobel Prize winner Milton Friedman argues that the social responsibility of business is exclusively to increase profits for stockholders and in 1970 he launched an ardent attack on advocates of CSR: “In fact, they are – or would be if they or anyone else took them seriously – preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades” (Friedman 1970). Friedman remarks that a corporate executive, who



“imposes taxes and spends proceeds for ‘social’ purposes”, is not responding to “market mechanisms” and is not mandated through “democratic procedures”. Hence, “the doctrine of ‘social responsibility’ involves the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses” (Friedman 1970, inverted commas in the original).

Advocates of CSR in the American context have to respond to such claims that they are promoting a socialist agenda of undermining the basis of a free society. For instance, Edward Freeman and Robert Phillips have written an article entitled “Stakeholder Theory: A Libertarian Defense” in which they stress that in deed “there are libertarian arguments for both instrumental and normative stakeholder theory” (Freeman & Phillips 2002: 331). The state does play an absolutely minimal role in the American conceptualization of CSR, while full attention is devoted to civil society characterized by market mechanisms and rational choices by free, individual actors and companies. Advocates of CSR are careful not to present social responsibility as something forced upon business by the state or other forces external to the key concern of increasing profit.

The strong libertarian notions underlying the American conceptualization of CSR have been downplayed somewhat in the European context. This is commonly acknowledged by Western business ethics scholars. Thus, a substantial study comparing business ethics in North America and Continental Europe finds a significant difference between the two continents: “Europeans are predominantly concerned with systemic macro-issues while North Americans mainly deal with personal micro-issues”. In effect, the European conceptualization of business ethics predominantly refers to “legal regulations and negotiations between social partners (management, labour, professional associations, etc.) at the national and European levels”. As to the legal regulations in question, the study specifies European labour laws and provisions by governments for education, health care, and environment

(Enderle 1996: 37). In other words, nation states and the EU seem to play decisive roles in the systemic organisation of social welfare responsibilities of businesses.<sup>13</sup>

This feature is highlighted as a source of inspiration in the Chinese debate on the reformulation of the government's role in the welfare system. In February 2006, the journal *Study Times* (学习时报), an organ of the CPC Central Committee Party School, published an article summarizing this trend.<sup>14</sup> The article notes that Western European social democratic parties have come to acknowledge that the state should not be regarded as the only agent responsible for social welfare. In stead, “companies, individuals and other social groups must undertake responsibility together with the government.” As to the role of government in this new setup, the article quotes British Labour Party representatives stating that “It is not automatically the role of government to provide all social welfare, but rather to provide the organization and norms for it” (Wang 2006).

The transformation of the original conceptualization of CSR can be summarized as follows. CSR in the American context evolves in society with a minimal state on the sideline. CSR in Europe evolves in interactions between state and society on a fairly equal footing. But CSR in China is undergoing a process of virtual expropriation by the Party-State. This process is based on a blend of an eclectic interpretation of Western European welfare models and CSR conceptions with an eclectic interpretation of Chinese tradition and political culture. In sum, the recommendation that the government should provide the organization and norms for the social responsibility of companies, individuals and other social groups is interpreted by the Chinese political leaders to mean that the government should take full control in organizing these civil society activities and prescribe the values and norms guiding them. This is where the eclectic interpretation of Chinese tradition and political culture comes in. I will discuss this latter aspect in detail below. But first let me offer two examples illustrating how high-level CSR projects in China tend to be submerged under the control of the Party-State.

The project of State-Owned-Enterprise Restructuring and Enterprise Development (SOERED) took place in 2002-2003. The aim of this project was to enhance SOE managers' capacity of implementing CSR. One result of the project was a comprehensive compilation of CSR related PRC legislation, case examples and key CSR references in the Chinese context (SOERED 2004). The project was organized by the Beijing based Institute of Environment & Development, which is an NGO, according to the institute's website. However, the names and titles of the institute's board of directors indicate that the institute has very close ties to the political leadership.<sup>15</sup>

Initiated on 9 May 2005 the other project consists in collaboration between the UK Ministry of Foreign and Commonwealth Affairs and the China Pudong Cadre College in Shanghai. The one-year program is intended to result in a new model of CSR, which takes into account the perspective of developing countries, particularly that of China, in order to identify the government's duty and role in advancing CSR. The China Pudong Cadre College sorts among the three highest ranking institutions devoted to enhance governance capacity among leading officials and chief executive officers. The fact that a UK ministry is involved in the project indicates that government involvement in CSR projects is not a uniquely Chinese phenomenon. What is uniquely Chinese is the way government officials can be ascribed positions as CEOs and *vice versa* through the systems of nomenklature and "establishment of posts" (编制) (Brødsgaard 2002). As a result, the public/private sector divide is blurred and government officials come to play a key role in monitoring CSR.

Summarizing the above account of the process through which CSR is being adapted into the Chinese context I would like to delve a bit more into the adaptation of ideas of Western European social democratic parties. The *Study Times* article quotes British Labour Party, and it obviously refers to the idea of the so called "Stakeholder Society". Tony Blair introduced this idea in his speech to the Singapore Business Community in January 1996. Demarcating himself from traditional socialism Blair proposed abolishment of universal welfare; in stead certain duties and

conditions should be required from welfare beneficiaries. Each having a stake in society, all citizens and groups should have equal opportunities. Business should play an active role in the Stakeholder Society and the government should serve as the facilitator.

Unleashing market forces in China has resulted in the decline of the welfare system that characterised the era of the centrally planned economy, and one can see why Blair's "modern social democracy" appeals to the Chinese political leadership. However, adapting the idea to China the leadership seems to downplay the fact that Blair refers to a political context in which democracy is spelled with a capital D. He was running for election when he introduced his stakeholder idea in Singapore and subsequently he has been continuously criticized and even ridiculed for it in public. Western European social democratic parties refer to the ideals of a representative democracy, citizens' freedom from abusive political power and not least free trade unions. Denying these ideals, the Chinese political leaders not only amputate the heart of Western social democracy, they also leave out a crucial dimension of the stakeholder model as applied in Western CSR. Essentially, the stakeholder model is based on the belief in negotiation between stakeholders, who are free to leave the table, so to speak, if they find that their interests are neglected. Clearly, the lack of free trade unions is a thorny issue in relation to CSR in China. Moreover, there are clear indications that the leadership fails to engage Chinese private sector actors in the welfare programme, precisely because the essence of the stakeholder model is lost as it is being adapted to the Chinese context. I will return to this below, but first I will discuss the way CSR is being adapted into an eclectic interpretation of Chinese tradition and political culture.

## The Chinese tradition of CSR

Chinese business ethics scholars go a long way to substantiate the claim that Chinese business ethics originates from Chinese tradition. A tentative survey of their explications indicates general agreement that the Confucian virtue of *yi* (义) is the pivot around which the Chinese tradition of business ethics evolves. *Yi* is commonly translated as “righteousness” and it refers to the virtue of knowing and acting according to what is right. Scepticism towards profit (*li* - 利) is a defining characteristic of Confucianism, and righteousness is elevated as the opposing virtue. Writes one scholar: “Throughout history, numerous business people have encountered the problematic opposition of ‘righteousness’ and ‘profit’. If they could not help focusing on short term profit, they would go for the petty gain. But if they appreciated the large, long term gain of the nation; they would bring about national common prosperity, even if that entailed sacrificing their own personal revenue” (Shi 1995: 32-33). So far, the Chinese explications of the opposition between “righteousness” and “profit” appear to be almost identical to the explications of the opposition between ethics and profit offered by the Western CSR literature. However, a significant difference emerges, as the Chinese scholars elaborate further on the connotations of “righteousness” to the Chinese traditional emphasis on hierarchal ordering of human relations. According to one scholar, “righteousness” is the key norm of the superior interacting with the inferior: “‘righteousness’ should guide a virtuous ruler interacting with a subject, a father interacting with his son, a husband interacting with his wife, an elder brother interacting with his younger brother. In these situations, ‘righteousness’ includes the approval, protection and favour bestowed by the superior upon the inferior” (Liu 1995<sup>b</sup>: 41). This is consistent with the saying of Confucius that “The mind of the Superior man is conversant with righteousness, the mind of the mean man is conversant with profit.”<sup>16</sup>

In sum, the Confucian virtue of “righteousness” does not only refer to knowing and acting according to what is right. Rather, it refers to behaving in a way that is appropriate for one’s role or status in a given social hierarchy. Adapted into the

Chinese context, the conceptualization of CSR thus comes to refer to traditional Chinese paternalistic notions of the superior bestowing approval, protection and favour upon his inferiors. This, again, refers to the Chinese tradition of leaders educating the people by performing as role models for righteousness.<sup>17</sup>

### **Serve and educate the people**

The review, quoted above, on the business ethics seminar links CSR to the Chinese concepts of “Serve the People” and “Socialist Spiritual Civilization” as well as the special attention, allegedly paid to “civilized business conduct” by business management departments in China. There are indications that CSR is being submerged into a more encompassing agenda, promoted by the political leadership, of raising ethical and educational standards in the general public. It is the professed goal to bring China to a higher level of civilization and the term “quality” (素质) is commonly employed in assessments of individual persons’ cultural proficiency. Throughout the era of reforms, this agenda has been pushed forward, with varying momentum, under the heading of “Socialist Spiritual Civilization” with the aim of establishing a consistent ideological foundation for the economic development, referred to as “Socialist Material Civilization”. For instance, Jiang Zemin remarked in his speech on the 80<sup>th</sup> anniversary of the CPC in 2001 that “The comrades of the whole Party must have a comprehensive mastery of the dialectical relations between the two civilizations and while promoting material civilization, it is necessary to promote socialist spiritual civilization. In contemporary China, to develop advanced culture is to develop culture with distinct Chinese characteristics and to build socialist spiritual civilization” (Jiang 2001). In his government work report to the First Session of the 10th NPC in 2003, Zhu Rongji stated that “Firmly grasping the orientation of advanced culture, we should redouble our efforts to build up a socialist spiritual civilization” and that “We should encourage popular participation in activities to raise the cultural and ethical standards of the general public” (Anonymous 2003).

Meanwhile, the promotion of “Socialist Spiritual Civilization” has not mitigated growing disintegration of Chinese society. Since the start of the reform era, when Deng Xiaoping proposed the principle of allowing some regions and people to get rich first, inequalities have been unfolding between the urban and rural sectors, between the new entrepreneurs and the traditionally privileged working class, and between the rich coastal provinces and the backward inner provinces. As a result, civil unrest and labour protests have exploded in number and severity over the past years, as I noted above. In response, the political leadership has propagated intentions of securing a more balanced, or harmonious, course of development of Chinese society. The 11<sup>th</sup> Five-Year Plan of 2006-2010 that was approved by the CPC Central Committee in October 2005 signals these intentions. The Five-Year Plan is presented as being “revolutionary”, because it downplays uneven economic growth and stresses in stead the goal of “common prosperity” under the slogan of “Serving the people to improve life quality” (Anonymous 2005<sup>c</sup>).

The vision of the “Harmonious Society” points in the same direction.<sup>18</sup> This vision was introduced at the Fourth Plenum of the 16th Central Committee held 16-19 September 2004, and a whole section was devoted to explications of it in the *CPC Central Committee Decision on the Enhancement of the Party's Governance Capability*, which was adopted during this plenum (CPC Central Committee 2004). Hu Jintao offered further explications of this vision of the political leadership in a speech on 19 February 2005 at a seminar, which was sponsored by the CPC Central Committee Party School and attended by major provincial- and ministerial-level leaders. “A Harmonious Society should feature democracy, the rule of law, equity, justice, sincerity, amity and vitality,” said Hu and honesty, unity, fraternity, professional ethics should be advocated to the whole society. However, he also stressed that “without a common ideological aspiration or high moral standard, a Harmonious Society will be a mansion built on sand” (Anonymous 2005<sup>d</sup>).<sup>19</sup> There is a need for more research on the implications of this new vision of the Harmonious Society. Meanwhile, it seems fair to assume that the political leaders envision the Harmonious Society as a spiritual driving force (re)uniting China under the control of the Party-State. The fact that Hu Jintao mentions “vitality” as one of the features of

the vision, indicates that the harmonization is not intended to hamper the entrepreneurial spirit that has energized China's rapid economic development over the past decades. The vision rather signals the wish that part of the entrepreneurial energy should contribute to the common good. Here the political leaders seem to draw on the insights of Western European social democratic parties that the government should provide the organization and norms for the social responsibility of companies, individuals and other social groups.

However, in the Chinese context, these insights are blended with an eclectic interpretation of Chinese tradition and political culture, as I noted above, and in their attempt at providing the norms guiding the Harmonious Society, the political leaders draw on the Chinese tradition of leaders educating the people by performing as role models for righteousness. For instance, Wen Jiabao made a contribution to this effect, when he visited Tongchuan City, Shaanxi Province on January 1, 2005. Here, an explosion in the state-owned Chenjiashan coalmine had killed 166 miners in late November 2004 and had sparked a subsequent riot involving 200-300 miners and relatives to the deceased. Wen shed tears as he embraced the son of one of the victims during his visit and he exclaimed: "This accident has taught us a lesson paid for with blood". Before leaving he pledged: "We must pay great attention to production safety and not let such things happen again. We must hold ourselves responsible to the miners, the people and the children." (CLB-5; Xinhua 2005).

The image of the righteous leader is being disseminated to lower levels of the Party-State administration, as well. One illustration of this is the way the institution of "Incoming Letters and Complaints" has been boosted under the heading of the Harmonious Society.<sup>20</sup> In April 2005 The *People's Daily* ran a story on Zhang Yunquan, head of Taizhou city Letters and Complaints Bureau (LCB) in Jiangsu Province. Zhang had been awarded several honours including "excellent state servant" for his "warmth to petitioners and competence to handle complaints." "Zhang's popularity reflected Chinese government's strategy to build a Harmonious Society", noted the article and it continued "It was a centuries-old Chinese tradition to



seek justice from higher authorities, even top leaders, when they were mistreated by officials or wronged in courts. After the Communist Party of China (CPC) came to power in 1949, a nationwide petition-handling system was established to guarantee this right” (Anonymous, 2005<sup>e</sup>).

In sum, the Chinese leadership seems to promote the image of righteous leaders serving the people with the intention of constructing a role model to be emulated by companies, individuals and other social groups. However, the efforts do not seem to yield the intended result of engaging part of the entrepreneurial energy in shouldering the burden of social welfare. Statistics compiled by the PRC Ministry of Civil Affairs in 2005 show that charity donations by companies are less than 1% of gross national product, and a survey, which was conducted by China Charities Federation in late 2005, indicates that fewer than 100,000 of China's 10 million companies, or 1%, have records of donation (Mackey 2005).<sup>21</sup>

After these figures had been published, *China Daily* columnist Liu Shinan wrote a comment entitled “Rich People Must Carry More Social Responsibility”. Listing examples of millionaires spending huge sums on private extravagance, Liu concludes that “It seems we have realized the goal set in the early 1980s to ‘let a part of the population get rich first’”, and he continues: “Now an affluent class has begun to take shape but they seem to be breaking away from the vast majority of the population rather than leading them onto a ‘path towards common prosperity’”. He notes that inadequate tax policies regarding private donations is part of the problem, but his key concern is “the poor quality of some private entrepreneurs”. “China's private entrepreneurs do need to improve their quality through learning” remarks Liu and he sees some reason for optimism in that regard: “Fortunately, some of them have realized such a need. *China Daily* reported yesterday that 40 businesspersons from across the country are studying traditional Chinese culture at Peking University” (Liu Shinan 2005).

However, alleged poor quality of some private entrepreneurs is not the only reason why private sector actors are reluctant to engage in the social welfare project. “Socialism with Chinese Characteristics”, as the leadership dubs the current political system, represents an odd combination of control and *laissez-faire*. On the one hand, the leadership maintains the principle of absolute Party-State control and China is still characterised by heavy bureaucracy and remnants of the centrally planned economy. On the other hand, decentralization and the current mode of economic development imply at times unlimited permissiveness to representatives of the entrepreneurial spirit.

Having the impression of the omnipotent Party-State fresh in memory, private sector actors are reluctant to sell out of their newly won freedom. This affects their attitude towards CSR. The era of centrally planned economy was characterized by the *danwei* (单位) system in which state-owned enterprises (SOEs) secured lifelong social security for over-sized workforces. Contemporary private entrepreneurs tend to assume that CSR belongs to a past of Party-State controlled welfare burdens.<sup>22</sup>

Current policies of the leadership seem to justify this assumption. Thus, the principle persists that private sector charity must be submerged into the Party-State system, and charity organizations are required by law to obtain the sponsorship of a state agency, just like all other NGOs in China. The Ministry of Civil Affairs is in charge of regular management and organization of nationwide social donation activities, and local departments of the Ministry of Civil Affairs are in charge of management of local regular charity activities. Charity associations are organized under China Charities Federation, a national umbrella organization that was established in 1994 under the Ministry. The fourth plenary session of 16th CPC National Congress in September 2004 promoted accommodating guidelines towards charity associations and the Chinese leadership claims a commitment to “better social atmosphere to encourage corporate donations,” as Vice-Minister of Civil Affairs Li Liguo put it at a press conference recently held by the Information Office of State Council (Zhang 2006). But again the preferred measures refer back to the Chinese

tradition of leaders educating the people by performing as role models for righteousness. For instance, the Ministry of Civil Affairs issued a document entitled *Opinions on Promoting the Development of Charity Civil Organisations* in November 2005 (Ministry of Civil Affairs 2005). This document instructs government officials to “take the lead in discovering and cultivating role-models and best practices in service and administration; [they should] attribute honour to civil charity organizations that exert desired beneficial effects upon society and economic performance, and [they should] enthusiastically propagate and popularize their vanguard experiences”. In the same paragraph, however, the document states that government officials must conduct regular investigations of civil charity organizations and punish them according to law if necessary and in a preceding section, the document reiterates the basic principle that charity civil organizations must register at a Ministry of Civil Affairs department (Ministry of Civil Affairs 2005).

In sum, the political leaders want to promote private sector charity, but at the same time they impede the voluntarism of the private sector. Voluntarism is a defining feature of Western CSR, as we saw, and corporate philanthropy is characterized by the principle that corporations are perfectly free to choose when, where and how they spend their donations (Porter & Kramer 2002). By contrast, Chinese private entrepreneurs seem justified in fearing that they will be swallowed by a heavy, Party-State controlled welfare system, if they engage in publicly organized charity. Thus, a telecommunications equipment maker in Zhejiang Province told *China Daily* that he avoids the public eye on his charity contributions, "I want to make sure that my money goes to those who really need and deserve it, not those who would waste it in the bureaucratic pipeline" (Zhou 2004).

The attempts at engaging the entrepreneurial energy in the new social welfare scheme also relate to complicated tax issues. It is commonly acknowledged that current tax policies do not allow adequate reductions in relation to corporate charity donations, and government officials repeatedly assure that these policies are being revised (Zhang 2006; Zhou 2004). Wide spread practices among private entrepreneurs

of creative book keeping contribute to the complications. A *China Daily* article brought the following example, offered by Tong Xiaoping, a Guangzhou-based sociologist: "A common method of abusing the philanthropic spirit is to give away unwanted stock at inflated prices. Stuff that's stuck on shelves would be presented as gifts and recorded at the highest possible price, often several times higher than their actual market value, and then used to write off tax liabilities. That is something that will happen if we have tax incentives but no checks-and-balance mechanisms". The article also quoted an entrepreneur for observing that "If a business pays all the taxes required by law, that is the biggest contribution it can make towards society at large" (Zhou 2004). The latter quote was brought on condition of anonymity and it brings attention to the fact that games of hide-and-seek is a manifest feature of the contemporary Chinese political economy. Looking back at the political leadership's discussions on Western European social democracy, we might thus note that redistribution of wealth through taxation is, after all, still a defining characteristic of this model. The leadership could also find inspiration here in search for a solution of Chinas' welfare problems and develop a system of consistent implementation and enforcement of taxation on those actors, who are now expected to engage in regular charity activities. The leadership has failed to devise such a system, however, and the *laissez-faire* dimension of "Socialism with Chinese Characteristics" seems to be part of the explanation.

The Chinese variant of *laissez-faire* consists in at times unlimited permissiveness to representatives of the entrepreneurial spirit, and it appears to diverge fundamentally from the insistence on Party-State control. In short, it seems to refer back to the dogma of the Deng Xiaoping era of allowing some regions and people to get rich first, and it contributes to a number of CSR related problems. The Chinese legal system serves as an illustration. Legal system building has been a core element of the reform project from the very start and the Chinese government has passed much labour legislation including the Labour Law (1994), the Trade Union Law (2001), the Law on Work Safety (2002), and the Law on Industrial Injuries Insurance (2003).<sup>23</sup> This legislation proscribes labour standards that meet or even surpass international standards. However, cutting through a very complex discussion

of whether the current Chinese legal system is characterized by Rule *by* Law or Rule *of* Law, we can observe that the system leaves much to be desired in terms of universal implementation and enforcement.<sup>24</sup> In the Wal-Mart case we saw that the political leaders sometimes insist on the principle that all companies, including the Chinese ones, must abide by national labour legislation. In reality, however, there are countless exceptions to this rule and appalling working conditions, long working hours, poor wages and dismal health and safety standards are rife in China's factories. Local government officials play a key role in this regard. For instance, Liu Kaiming remarks in a comprehensive study of enforcement of the Law on Industrial Injuries Insurance, that local government officials tend to function as facilitators for rather than monitors of local factory operations in their efforts to create a "soft environment" (软环境) that is attractive to foreign direct investment (Liu 2004: 34-37).<sup>25</sup>

"The Communist Party is fighting shoulder-to-shoulder with the cold-blooded capitalists in their struggle against the workers!", remarked Gao Zhisheng in his defence speech in the Stella case. Without necessarily sharing the hatred expressed by Gao, we might posit that the leaders seem hesitant to strike down on illegal acts, if the culprits are considered key drivers in China's economic development, be it local government officials, private entrepreneurs or odd schemes of collaboration between such actors. As a result, we see a kind of black political economy in China, outside the scope of explicit Party-State control, where the bulk of violations against the principles conveyed in CSR take place and which is by and large comparable to what Western advocates of CSR describe as "Cowboy Capitalism". The Chinese tradition of leaders educating the people by performing as role models for righteousness seems rather misplaced in this scenario.

Drawing towards a conclusion I will now discuss to what extent the position of the political leadership regarding CSR can be integrated into international CSR initiatives. I shall focus on one of the most prestigious international CSR initiatives: The Global Compact.

## **The global compact adapting to china**

The Global Compact was introduced by Kofi Annan in January 1999 as an international initiative to advance CSR. Since its introduction into China, the Global Compact has enjoyed official support from the political leadership. Thus, high-ranking government officials attended a forum on human capital development in Beijing in December 2002, which was organized by Global Compact in collaboration with the Chinese Academy of Social Science (CASS) (GPF 2002). Following a seminar, hosted by Annan in Beijing during his official visit to China in October 2004, more than 20 leading Chinese companies became members of the Global Compact – and in total 60 Chinese companies are now (March 2006) Global Compact members.<sup>26</sup> In late November 2005, a Global Compact Summit was held in Shanghai. CEOs and representatives of government and NGOs from around the world attended and it was launched by UN representatives as “the largest event ever held in China on the topic of responsible business”.<sup>27</sup>

The Global Compact is based on “Ten Principles” that are a far cry from the realities of China and the stated position of the Chinese political leadership. For instance, Principle 3 reads: “Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining” (GP 2005). Now, how does that correspond with the implied message of the above mentioned NPC report that import of “foreign trade union ideas to China” is unacceptable to the Chinese political leadership? An answer could be sought in the conciliatory spirit underlying the Global Compact initiative. Thus, the Global Compact webpage invites to rather loose interpretation of the Ten Principles, when it notes: “The Global Compact *asks* companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption” (GP 2005, my emphasis). Kerstin Sahlin-Andersson, Department of Business Studies, Uppsala University has studied the way the Global Compact is based on “soft law”. She defines “soft law” as “non-hierarchical forms of regulations that are not legally binding” and continues “formally at least, these regulations are voluntary and include large elements of self-regulation and co-regulation. Moreover,

these regulations are not directly coupled to systems of sanctions or resource allocation and the regulators and those being regulated are not hierarchically coupled” (Sahlin-Andersson 2004: 134).

As I noted in the above outline of CSR in theory, the concept is based on a dynamic interplay of descriptive and instrumental aspects of business, set in a self-regulated normative framework in which governments and intergovernmental organizations may take part as facilitators rather than regulators. The Global Compact resembles this description with the supplement that governments and intergovernmental organizations may be included on terms equal to those of companies, NGOs and trade unions. Sahlin-Andersson portrays the inclusive setup of the Global Compact as a “multiplicity of actors”: “The Global Compact comprises a network-like structure. It builds upon the significance, active support and participation of a number of state and non-state actors. Alliances and constellations among these diverse types of organizations are formed as the governance framework is shaped. This network structure means that who is responsible for what and who is controlling whom is neither clear nor formalized” (Sahlin-Andersson 2004: 143). This implies that the Chinese leadership can maintain its discretion over internal matters. Within the framework of the Global Compact it can act simultaneously as a government and an entrepreneur promoting the business interests of China on the global market.<sup>28</sup>

To sum up we can observe that the Global Compact and CSR in general are characterized by the features of “soft law” and inclusion and that the Chinese political leadership appears quite forthcoming as long as these features remain uncompromised. “Whatever its name, soft law leaves those who are being regulated with plenty of leeway to edit the rules by displaying their compliance with a portion of the rules, or interpreting the rules to fit their own situation and expectations”, writes Sahlin-Andersson and comments further on the feature of an inclusive “multiplicity of actors”: “It is not merely a way to seek the regulation of corporations; it is also a way to mobilize corporate citizens to exert their influence on other corporations, states, and societies. Thus the Global Compact is not merely an example

of the emergent trend of corporate social responsibility; it exemplifies the emergent trends of revised modes of global governing and regulation” (Sahlin-Andersson 2004: 134-135, 137). One could observe that CSR, interpreted this way, presents itself to the political leadership as a model for China’s course towards inclusion into global society. China gains legitimacy as a good global citizen, but retains plenty of leeway to interpret the rules to fit her own situation and expectations.

A Chinese private sector leader attending the October 2004 Global Compact seminar, commented to this effect: “This is the time when Chinese and UN concepts of development are closer than ever before. The Global Compact is not something new to China, because being socially responsible has long been the history of Chinese business community. It is a framework to help Chinese businesses to become a global citizen” (UN 2004).<sup>29</sup>

## **Conclusion**

My discussions in this paper have been focusing almost entirely on the ideological aspects of the adaptation of CSR into the Chinese context. We need to take a whole range of other aspects into account to reach a full understanding of the adaptation of CSR into China. In particular, much research remains to be done on the huge number of CSR projects taking place at the factory floor level in China these years. Meanwhile, let me offer some concluding remarks on the basis of the discussions presented in this paper.

Development and stability have served as the basis for the legitimacy of the political leaders in the reform era, as I noted in the introduction, and it seems fair to assume that those are their two principal concerns. Moreover, the leadership is subject to both international pressure and internal pressure pushing for improvements in



conditions of labour and environment in China. Seen from one perspective it appears obvious that the Chinese leaders should embrace CSR wholeheartedly. This way, improvements would come, foreign direct investments (FDI) would be less vulnerable to international CSR scandals and the Chinese citizens would be relieved from some of their troubles. In effect, development and stability would prevail and international and internal pressure would subside. Seen from another perspective, however, this scenario appears quite unrealistic. If the leaders embrace CSR, then production costs will unavoidably rise and FDI and growth rates will drop. This would endanger both development and stability. This dilemma is presented in a very simplistic manner here, and yet it may serve as a basic explanation of why the Chinese political leaders do not take resolute action in regard to CSR; they neither embrace nor reject it wholeheartedly.

This neither-nor, or both-and, position of the political leadership corresponds quite well with the basic constitution of CSR. The pragmatism of CSR does seem to accommodate China's attempts at gaining legitimacy as a good global citizen, while retaining plenty of leeway to interpret the rules to fit her own situation and expectations. So, if we temporarily leave numerous conditions and principles out of the equation, we may conclude that the ambiguous position of the leadership is not in itself strategically problematic, as long as China stays out of CSR scandals.

However, it is both unrealistic and irresponsible to ignore the conditions and principles. Few of us can deny that improvements in conditions of labour and environment in China are required. All international and local stakeholders in China have a responsibility in this regard, not least Western consumers demanding minimal retail prices. But the responsibility of China's political leadership is in focus here. Again, both international and internal factors are relevant. Internationally, China still depends on offering labour intensive, low cost production, and must therefore compete with other developing countries in a "race to the bottom". The leadership could push more insistently for an incorporation of the ILO labour standards into a

“social clause” in the WTO trade framework, but the global market forces make such efforts seem almost futile.

But the global thrust of CSR pinpoints a number of internal problems that the leadership might approach from a different angle. The insistence that the Party-State must have paramount control appears to be the crux of the matter. Thus, the Chinese leaders seem to undertake virtual expropriation of CSR as they draw on a blend of an eclectic interpretation of Chinese tradition and political culture with an eclectic interpretation of Western European welfare models and CSR conceptions. However, the intended symbolic effect of leaders performing as role models for righteousness does not seem to have much bearing in the general public. Moreover, the leadership’s vision of the Harmonious Society is essentially a far cry from Western European social democratic welfare models, because it leaves out the latter’s ideals of a representative democracy, citizens’ freedom from abusive political power and free trade unions. The leadership fails to engage Chinese private sector actors in the welfare programme, precisely because the essence of the stakeholder model is lost as it is being adapted to the Chinese context.

It seems unrealistic that the leadership can gain the trust of the key national stakeholders, as long as the ideals of Rule of Law are so distant from realities. Take Gao Zhisheng as an example. After launching his direct attack at the political leadership in the Stella case, he pursued a number of other controversial civil rights cases, and apparently he was granted free process.<sup>30</sup> However, in January and February this year (2006) he has reported to Western media on harassments by the authorities and on 4 March it was reported that he had been brought in for detention by authorities (Anonymous 2006; Petersson 2006).

In his defence speech in the Stella case, Gao rather polemically remarked that the Stella factory management, being Taiwanese, should know better:

Another very serious problem can be seen from this state of affairs: the functional absence of any channels for dialogue or communication between employers and workers. The company is entirely accustomed to following the Chinese pattern of thinking about such issues; but coming as it does from a democratic society with rule of law, it should be well aware of the socially dangerous consequences that can ensue from a company attitude of despising and disregarding the rights and interests of the workforce, and instead pursuing a policy of absolute gain for itself and absolute harm to the workers. Such behaviour is not simply unlawful and immoral, it is also, in a very real practical sense, highly dangerous. (CLB-4)

His remark can also be taken to convey an advice to the Chinese political leadership, comparable to those given by advocates of the Stakeholder Model advising business executives on risk management: Management should strive for a model of operation that genuinely takes account of all stakeholders, who might otherwise in the long run jeopardize the survival of the company. Milton Friedman called CSR “unadulterated socialism”. Time will show if CSR will survive as the Chinese political leadership is adapting it into “Socialism with Chinese Characteristics”.

### **Author's Bio**

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## NOTES

<sup>1</sup> Paper presented at the Inaugural Workshop, *China in the World, the World in China*, 10-11 March 2006, Copenhagen Business School, Denmark

<sup>2</sup> The definition of “the political leaders” referred to here is based on the one proposed by Kenneth Lieberthal and Michel Oksenberg in their study of policy making in China in the mid-1980’s. They posit that “At any moment in time, 25 to 35 people constitute China’s top leadership” and that this group is composed of members of the Politburo and Secretariat of the CCP and of the Standing Committee of the State Council as well as top commanders of the military and the leaders of the wealthiest and largest cities and provinces (Lieberthal & Oksenberg 1988: 35-41). In present day China it seems relevant to add top business leaders to this list.

<sup>3</sup> A good overview is offered in Carroll & Bucholtz 2000.

<sup>4</sup> There are, however, an increasing number of cases, in which companies have been deemed liable to legal sanctions due to CSR non-compliance (Ward 2003).

<sup>5</sup> In some respects, the constructive import of CSR is lost in excessive and superficial use of the concept. Thus, CSR is little more than a buzzword in branding, when some corporations are publicizing Codes of Conduct and high profile philanthropic programmes, while at the same time being involved in human rights violations or environmental damage (Brønn 2002; Matten *et al.* 2003). Likewise, CSR sometimes functions as a catch-all, when NGOs and anti-sweatshop movements rather summarily charge corporations with misconduct and punish them with activist attacks and consumer boycotts. The fight in the spring of 1995 between Shell and Greenpeace over the case of the Brent Spar serves as an example (Grolin 1998; Smith 2003). The case of Nike Inc. serves as another example, which also illustrates attempts at recovery by corporations after involvement in a CSR scandal. The business model of Nike inevitably brings the corporation to the centre of the CSR mine field. The magnitude of Nike lies in branding, on the one hand, and outsourcing of labour intensive production to suppliers in developing countries, on the other. However, these same two dimensions of its business model constitute the Achilles heels of the multinational giant. Customers must be proud of wearing the “swoosh” – not because of what it is, but because of what it stands for. But the “swoosh” also makes them into accomplices, when Nike is reportedly involved in unethical conduct in developing countries (Quan 2003). In May 2002, Nike suffered a devastating defeat in the California *Kasky vs. Nike* case on Nike’s alleged “false advertising” in lying about working conditions at Asian suppliers’ factories (Ward 2003: 19-21). “We’ve been fairly quiet for the past three years in Corporate Responsibility

<sup>6</sup> These figures are retrieved from the Social Accountability International website on 25 February 2006 ([http://www.sa-intl.org/\\_data/global/includes/worldmap.htm](http://www.sa-intl.org/_data/global/includes/worldmap.htm)). By comparison in total numbers of certified facilities, China comes in third after Italy (233) and India (104). For further comparison it could be observed that Brazil comes in fourth with 73 certified facilities, while there are only 3 certified facilities in North America.

<sup>7</sup> The *PRC Labour Law* specifies a maximum of normal working week of 44 hours, 9 hours overtime on average per week, 36 hours maximum per month (PRC LL). This piece of information derives from

an article on the background of the Stella case, which was brought on 25 October 2004 in the Mainland Chinese *China News Weekly* (中国新闻周刊), a magazine run by the semi-official China News Service (Tang 2004). The Hong Kong based labour issues NGO *China Labour Bulletin* has pointed out one error in the article. Yet, eventual flaws notwithstanding we might at the same time appreciate the sort of on-the-spot research, observation and experience that Chinese reporters may provide and that is normally out of reach for Western researchers (Chan 2001: 4-7; CLB-1).

<sup>8</sup> According to the *China News Weekly* article, the management announced that wages would not be cut as long as workers produced the same amount of goods as before the increase in the number of resting days. According to the *China Labour Bulletin*, workers' overtime hours were reallocated from the weekend to weekdays, which in effect reduced overtime rates (Tang 2004; CLB-2).

<sup>9</sup> Head of the Beijing based Shengzhi law firm, Gao has become a prominent, and controversial, advocate for civil rights in recent years (Jiang 2005). Gao had five other lawyers of the Shengzhi firm take part in the case. I base my account of this speech on an edited translation produced by CLB (CLB-4).

<sup>10</sup> In early December 2004 socialist MP Joe Higgins led attention to the Stella case in the Irish parliament, as he urged Prime Minister Bertie Ahern to confront the Chinese government on the issue of labour exploitation. In response, Ahern promised to raise human rights issues if he visited China in 2005 (Anonymous 2005b).

<sup>11</sup> Seven of them had their original sentences converted to nine months' imprisonment, suspended for one year, and the other 3 protesters were exempted from criminal sanction altogether (CLB-3). The Dongguan court verdict announced the following reasons for revising the original sentences: 1) The fact that the protests were initiated collectively ruled out the liability of the defendants as instigators, 2) some of the defendants were below 18 years of age, and 3) the defendants represented no further threat to the security of society. Li Qiang, Executive Director of the New York based NGO China Labour Watch provided me with this information on the verdict. Personal communication by email, 10 January 2005. 3 of the defendants were aged 16, while the other 7 were aged 19, 21 and 24, respectively (CLB-3).

<sup>12</sup> On November 22, Wal-Mart announced that it would not oppose efforts by the ACFTU to represent workers, if the workers requested establishment of a union (Barboza 2004). Wal-Mart has 19,000 employees in 35 warehouses in 17 Chinese cities (Liu 2004<sup>b</sup>). Moreover, Wal-Mart sources large quantities of products from Chinese suppliers.

<sup>13</sup> For a review of the development of business ethics in Europe, see Luijk 1997.

<sup>14</sup> David Kelly, East Asian Institute, National University of Singapore drew my attention to this article

<sup>15</sup> Seeing that NGOs in China are required by law to obtain the sponsorship of a state agency, observers of Chinese affairs have coined the term GONGO, an acronym for "Government Organized Non-Governmental Organization". The names and titles of the institute's board of directors of Institute of Environment & Development are: Qu Geping, (Chairman) Chairman of Environment & Natural Resource, National People's Congress (NPC); Liang Congjie Chairman of Friends of Nature; Standing

Committee Member of Chinese People's Political Consultative Conference; Mao Yushi Chairman of Unirule Institute of Economics; Qian Yi Academician of Chinese Academy of Engineering, Standing Committee Member of NPC; Sun Honglie Academician of Chinese Academy of Sciences; Standing Committee Member of NPC; Zhang Kunming Secretary General of China Council for International Cooperation on Environment and Development; Zhu Yinghuang Editor in Chief of China Daily; Zou Xinqing Oceanographer, Nanjing University (<http://www.ied.org.cn/>). Incidentally, both examples summarized here are Sino-UK joint projects.

<sup>16</sup> *Analects*, Book 4, Chapter 16.

<sup>17</sup> Lucian W. Pye offers a representative discussion of this (Pye 1985)

<sup>18</sup> *Hexie shehui* (和谐社会) is the standard Chinese term employed, but it is sometimes qualified as "socialist harmonious society", *shehuizhuyi hexie shehui* (社会主义和谐社会). The vision of the Harmonious Society is linked quite directly to CSR related issues. For instance, *the Report on the Implementation of the 2004 Plan for National Economic and Social Development and on the 2005 Draft Plan for National Economic and Social Development*, which was presented at the Third Session of the Tenth National People's Congress on March 5, 2005, pledges that the following steps will be taken under the heading of "striving to build a socialist harmonious society": "We will work harder to ensure production safety. Systems and mechanisms for ensuring production safety will be improved and spending on safety equipment will be increased. We will actively work to prevent and properly handle mass disturbances and improve emergency response mechanisms" (National Development and Reform Commission 2005).

<sup>19</sup> Here, Hu Jintao might imply a reference to Sun Yat-Sen. Lecturing on the manifestation of liberty in China in March 1924, Sun Yat-Sen explained: "Why, indeed, did China start a revolution? To answer that question directly we must say that our aim is opposed to that of the European revolutions. Because Europe was formerly too much deprived of liberty, she started a revolution in order to obtain it. But our reason is that we have too much liberty, no cohesion, no power of resistance; we are 'loose sand'. Because we have become 'loose sand', we have been invaded by foreign imperialism and oppressed by an economic and commercial war on the part of the Powers. Now we are unable to resist. If, in the future, we want to repulse foreign oppression, we shall have to break down individual liberty; we shall have to form a very solidly organized body, and, so to say, add cement to the 'loose sand' so as to make it into a solid stone" (D'Elia 1931: 271).

<sup>20</sup> Two terms refer to this institution: 1) *shangfang* (上访), "seeking an audience with higher-level authorities" or "visiting the capital from the countryside", and 2) *laixin laifang* (来信来访), "incoming letters and complaints", sometimes abbreviated as 信访. The institution was addressed in *Notice of the CPC Standing Committee and the State Council on Strengthening Work for the People's Letters and Complaints*, which was issued on 20 September 1963 (CPC Standing Committee 1963). It has been formalized into the Letters and Complaints Bureaus (LCBs), and functionally it is comparable to ombudsman. The political leaders pledge to "make perfect the system of responsibility of the Letters and Complaints Bureaus" in the section concerning the Harmonious Society in the above mentioned

*CPC Central Committee Decision on the Enhancement of the Party's Governance Capability* (CPC Central Committee 2004).

<sup>21</sup> Estimates indicate that private charity in China accounts for 0.5% of the GDP. The corresponding percentage in North America is 9% (Zhang 2006). In the following, the two terms of “philanthropy” and “charity” are employed interchangeably, because both terms are employed in the quotes. The two terms are very similar in meaning, although charity might refer to more *ad hoc* measures, while philanthropy might refer to acts to the benefit of the common good understood more broadly. For instance, *Merriam-Webster Dictionary* cites the following meaning of “charity”: “generosity and helpfulness especially toward the needy or suffering” and the following meaning of “philanthropy”: “active effort to promote human welfare”. But all in all, the dictionary does not indicate any substantial difference in meaning between the two terms.

<sup>22</sup> Liu Junhai, Professor & Assistant Director, Institute of Law, Chinese Academy of Social Sciences (CASS), portrayed this vividly for me during an interview in April 2005. Liu is commonly acknowledged to be the first to author a monograph in China on CSR (Liu 1999). Collecting data for this study, Liu often heard entrepreneurs impulsively respond: “No more CSR, please!”

<sup>23</sup> In addition, there is a range of CSR related legislation within such areas as environmental law, company law, and commercial law with the latter including legal protection of consumers’ rights, which is considered a particularly important CSR component in China (SOERED 2004).

<sup>24</sup> The following two works are, in my view, particularly valuable contributions to this discussion: Lubman 1999; Otto 2002. I discuss Criminal Procedure in China in Jensen 2003.

<sup>25</sup> Incidentally, this description was confirmed by a study conducted in August 2004 by ACFTU on Trade Union Law enforcement (Liu Sheng 2004). Liu Kiaming is the founder and executive director of the Institute of Contemporary Observation (ICO), which one of the leading Mainland Chinese NGOs working on labour rights.

<sup>26</sup> Figures retrieved 3 March 2006 from the Global Compact webpage  
[http://www.unglobalcompact.org/ParticipantsAndStakeholders/search\\_participant.html](http://www.unglobalcompact.org/ParticipantsAndStakeholders/search_participant.html)

<sup>27</sup> Brian Ho, who attended the summit as an observer, reports that the expectations did to some extent exceed the actual outcome of the summit (Ho 2006).

<sup>28</sup> Annan made a comment during the October seminar in Beijing that does by implication support such an approach: “With the active engagement of the Chinese business community, I am confident that the Global Compact can serve as a platform to help China pursue economic growth and global competitiveness, while advancing environmental and social responsibility” (UN Press release 2004).

<sup>29</sup> The term “corporate citizen” has emerged as a popular label for corporations living up to their social responsibility (Matten et al. 2003; Power 2005). According to the global, cross-sectional, non-hierarchical, interactive multi-stakeholder model described from different perspectives in the present paper, there are in principle no definite boundaries between “corporate citizen” and “global citizen” and moreover, governments can readily be labelled as such. The quoted Chinese private sector leader is Hu Deping, who is the Secretary-General of the very prestigious *China Society for Promoting the Guangcai Programme* (CSPGP) (Guo & Yu 2006: 9-14).

<sup>30</sup> On 31 December 2004, Gao send an open letter to the NPC concerning unlawful detention of a member of the Falungong movement. The NPC did not issue an official response to this letter, but Gao's person and work subsequently got widespread publicity in such media as Xinhua and People's Daily (Anonymous 2004; Anonymous 2005a). For an account of other examples of legal defence speeches that have functioned as channels for critical political statements, see Chan 2001: 167-169.

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