IR 2008: 
Maximizing the Impact of CSR in China

AN HRIC BACKGROUND

The growing interest in Corporate Social Responsibility (CSR) in recent years has not always been matched by practical results. Combined with other efforts, however, CRS can make a valuable contribution to the promotion of human rights in China.

The past five years have seen a growing number of Corporate Social Responsibility (CSR) conferences in China, increasing participation by Chinese businesses in international multi-stakeholder processes, and the development of China-specific CSR standards. The launch of the Global Compact’s China network in 2001 in particular signals a growing willingness among Chinese business and government actors to engage international values on the environment, human rights, labor rights and transparency.

Although CSR is currently the focus of mainly corporate, government and international policy actors, this growing interest in CSR activities, and references to international economic and social, as well as civil and political human rights standards in CSR debates and discussion, may suggest some openings for advancing human rights concerns. What CSR may offer China, therefore, may be the opportunity not only to raise the awareness of local businesses of international CSR business practice, but also to reinforce protection of human rights in China, and create greater room for local actors working on rights defense (weiquan) and human rights issues.

This IR 2008 update will examine the recent development of CSR in China and its relationship to Olympic Games preparations, as well as the challenges and opportunity that the popularity of CSR presents for expanding civil space for promotion of human right-related issues.

The Global Compact

LAUNCHED: July 26, 2000

WHO: Announced by UN Secretary-General Kofi Annan at the World Economic Forum on January 31, 1999. The Compact was launched to bring together companies, UN agencies, labor and civil society.

WHAT: Voluntary initiative to implement 10 principles in business activities and catalyse actions in support of UN Goals.

THE 10 PRINCIPLES:

Human Rights
- Businesses should support and respect the protection of internationally proclaimed human rights; and
- Make sure that they are not complicit in human rights abuses

Labor Standards
- Effective recognition of the right to collective bargaining;
- Elimination of all forms of forced and compulsory labour;
- Effective abolition of child labour; and
- Elimination of discrimination in respect of employment and occupation.

Environment
- Businesses should support a precautionary approach to environmental challenges;
- Undertake initiatives to promote greater environmental responsibility; and
- Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
- Businesses should work against all forms of corruption, including extortion and bribery.

COMMUNICATION ON THE 10 PRINCIPLES:
- The Global Compact is a voluntary initiative that works primarily through learning, dialogue and projects, and does not monitor or measure performance. However, misuse of association with the UN or UN emblem is prohibited, and allegations of systematic or egregious abuses can be made in writing, after which they will be considered by the Global Compact Office. The Global Compact will seek to work with companies to resolve the issues raised in complaints, but a company that fails to comply can be made “inactive” and later removed from the Global Compact entirely.
- Finally, companies must annually communicate their progress in implementing the 10 Global Compact Principles. If a participant fails to communicate for two years in a row, it becomes non-communicating, or “inactive,” and cannot participate in Global Compact activities or use the Global Compact name.
- Global Compact China Network: Launched in December 2001

OVERVIEW

CSR debates and activities are now commonplace among multinational businesses based in the U.S. and Europe. CSR strives to ensure that businesses operate in an ethical but sustainable way, safeguarding underlying principles including human rights, labor rights and environmental protection. During the early to mid-1990s, in response to growing consumer activism and bad press at home, multinational corporations (MNCs) looked increasingly to codes of conduct, social reporting and monitoring as ways to protect their brands. Companies generally tried to promote self-regulation and industry oversight rather than be subject to government or other regulation. As CSR projects and activities continue to evolve and become more nuanced and complex, they are also becoming increasingly popular and prevalent in China—on the factory floors of MNC subsidiaries, and also among Chinese businesses.

CSR can be an important way to raise awareness on corporate labor, social and environmental practices. However, CSR
alone will not protect and promote the rights of workers, which must come from independent unions and freedom of association. Business-based CSR activities can aim to support education, capacity building, local NGO organizing and independent labor organizing. The preference for CSR by businesses must also be supported by a stronger international legal framework. The UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights adopted by the UN Sub-Commission on the Promotion and Protection of Human Rights includes a strong framework of accountability. The Commission on Human Rights appointed a Special Representative of the Secretary General to further explore standards on corporate responsibility and accountability. These developments in international law will be critical to the success of CSR-focused activities.

CSR remains one important approach to dealing with the human rights issues presented by business activity. Certainly, the impact that business activities have on human rights is not limited to foreign business activities. Chinese business leaders themselves have acknowledged negative impacts their business activities can have.\(^3\) The importation of CSR and developing CSR with “Chinese characteristics” presents both challenges and opportunities. As the “world’s factory,” China’s large and cheap supply of labor, combined with the lack of transparency in China’s legal and regulatory system, its weak enforcement mechanisms and the restrictions against labor organizing, all pose challenges to implementing both the tenets and practice of CSR in China.

**CSR For China**

While CSR is of limited use in the absence of other measures to address the impact of business practices on human rights, the development of CSR in China remains important for Chinese and foreign businesses operating in China, as well as the broader Chinese and international community:

- Chinese corporations gain visibility and marketability: As Chinese corporations themselves become increasingly competitive and invest domestically as well as internationally,\(^4\) CSR offers an opportunity to raise the visibility and marketability of their brand name at an international level through participation in same international events, sponsorship opportunities and CSR processes as their international competitors. At the same time, this increased international visibility provides an opportunity to promote greater transparency and compliance with international norms.

- Playing field leveled for foreign corporations: American and European MNCs have long been criticized for their business practices abroad, including in China. In the 1990s in particular, health and safety concerns, as well as reports of forced overtime or underpayment brought companies under attack by consumers. Foreign-based MNCs have had to specifically address the issue of operating in China, where the labor laws fall below international standards par-

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**Organizations Developing The Global Compact Network In China:**

- UNDP
- China Enterprise Confederation (CEC)
- Chinese Academy of Social Sciences (CASS)

**Total Number Of Participants:** 73

**Total Number Of Inactive Participants:** 31

**Selected Active Chinese Participants**

- **Beijing Laowan Bioenergy Technology Company**
  
  *Profile:* Established on April 27, 1961, the company has become a corporation with wholly-owned subsidiaries in Guangzhou, Shanghai, Tianjin, Qingdao, Dalian, Xiamen and Hong Kong. The company states that it aims to voluntarily improve environmental protection.

  *Joined Global Compact:* Nov. 19, 2002


  *Sector:* Technology hardware & electrical equipment

- **Chongqing Lifan Industry (Group) Co., Ltd.**

  *Profile:* Established in 1992, Lifan is a large privately-owned enterprise specializing in science and technology development, and the manufacture and development of engines and motorcycles. It also has offices in Latin America, Africa, the Middle East, the U.S. and Asia.

  *Joined Global Compact:* Nov. 1, 2004

  *Website:* [www.lifan.com](http://www.lifan.com)

  *Sector:* Company/Industrial conglomerates

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*Note:* The information provided includes a list of active and inactive participants in the Global Compact network in China, along with their profiles and sectors. The text discusses the challenges and opportunities for CSR in China, emphasizing the importance of accountability and transparency in the business environment. The text also highlights the role of Chinese corporations in gaining visibility and marketability at an international level, alongside their efforts to improve environmental protection and address labor rights issues domestically. The importance of a strong international legal framework and the need for businesses to align their practices with both domestic and international standards are underscored throughout the document.
particularly in precluding workers from forming independent trade unions.

Extending the CSR debate to Chinese domestic corporations partially levels the playing field for increasingly competitive Chinese multinationals that face fewer regulations or restrictions at home. CSR and the related values of transparency, environmental sustainability, accountability and anti-corruption—all of which have entered CSR parlance through the Global Compact—also encourage a stable and predictable market and environment for investment.

- Raising business practice standards: Finally, CSR has the potential to contribute to protecting labor, environmental and human rights. The values imbued in standards such as the Global Compact, even where they are voluntary, are based in international legal principles. The participation of Chinese companies in processes that require reporting and public invocation of those principles promotes the process of bringing these international labor rights and human rights standards into use on the ground for Chinese workers, and international and Chinese consumers.

CSR WITH CHINESE CHARACTERISTICS?

Challenges in the Chinese legal framework:
The transfer of CSR principles, practices and activities has not been a simple matter of lateral transfer from foreign corporations. While Chinese businesses initially learned of CSR from foreign corporations operating in China, those foreign businesses have had to adapt their CSR standards in order to accommodate particular Chinese laws and regulations. Corporations such as Nike, which produces more goods in China than in any other country, note the challenge and exception that must be made with respect to the principle of independent union organizing in China, and argue that engagement with China is the best way toward reform. Similarly, social accounting organizations and assessment mechanisms, such as Social Accountability 8000, build in specific exceptions for local laws with respect to independent labor organizing.

CSR Activities in China: Local Chinese CSR activities are also growing: in December 2001, the Global Compact—convened by the Secretariat of the United Nations, and if not the most stringent CSR initiative, certainly the most well-known—launched its China network that now includes 73 Chinese businesses, business associations, cities and other participants; the Global Compact also held its 2005 Summit in Shanghai. In the summer of 2006, Business for Social Responsibility, a prominent CSR consulting group, published a special issue of their journal on CSR in China, and there are also an increasing number of homegrown CSR conferences taking place in China. Increased activity does not necessarily mean increased compliance with CSR values and standards, however. While there is considerable business interest in joining those activities, close to half of the Chinese participants of the Global Compact, for example, are “inactive” — that is, out of compliance with the Global Compact’s require-

SELECTED ACTIVE CHINESE PARTICIPANTS, (cont.)

- Huawei Technologies Co. Ltd
  www.huawei.com/
  Sector: Company/Telecommunication
  Joined Global Compact: Nov. 9, 2004
  Profile: Huawei incorporated and established its headquarters in Shenzhen in 1989, and now has subsidiaries in Europe, the Middle East, Asia and Sub-Sahara Africa. Its Web site notes that it provided relief in response to the 2004 Tsunami, and that it participates in local school projects.

- Li & Fung Limited
  www.lifung.com
  Sector: Company/Commerce and distribution
  Joined Global Compact: March 22, 2002
  Profile: Founded in 1906 in Guangzhou, Li & Fung now has a global network of 72 offices in 41 countries and territories, with 18 offices in China. The company states that social compliance is a key part of its supply chain, and it is an active member of Business for Social Responsibility (BSR)

SELECTED INACTIVE CHINESE PARTICIPANTS

- China Aviation Supplies Imp.& Exp. Group Corp.
  http://www.casc.com.cn/
  Sector: Company/Aerospace & aviation
  Joined Global Compact: March 15, 2004
  Profile: Established in 1980, CASC also has three branch offices in France, Russia and the U.S..

- China International Marine Containers Ltd
  http://www.cimc.com/
  Sector: Company/Transportation & storage
  Joined Global Compact: April 8, 2004
  Profile: Founded in 1981, CIMC has 13 branch offices in China and a trailer production site in the U.S.

- China Petroleum and Chemical Corporation
  http://www.sinopec.com.cn/
  Sector: Company/Oil & gas
  Joined Global Compact: Jan. 1st, 2001
  Profile: Established in 2000, CPCC has 4 subsidiaries, 56 branch offices and 6 research institutes. It also holds shares in 19 other petroleum and chemical-related Chinese companies.
ments for communication on progress. See text box "The Global Compact".

Social accounting mechanisms: Social accounting standards and assessment mechanisms such as Social Accountability 8000 have for years been applied in China by multinational corporations presenting numerous issues of implementation, proliferation of standards and the growth of a monitoring cottage industry. In May 2005, the Responsible Supply Chain Association and the China National Textile and Apparel Council introduced a China-specific standard, China Social Compliance 9000, for Textile & Apparel Industry (CSC9000T). The standard describes itself as incorporating Chinese legislation and regulations, international standards and practice, and the specific needs of the Chinese textile and apparel industry. The self-reporting system that CSC9000T relies on remains susceptible to problems related to corruption, transparent reporting and harassment of interviewees, but it does specifically name international human rights conventions as reference points, including the International Covenant on Civil and Political Rights.

POSSIBLE TENSIONS

PR or CSR? Human rights and labor rights organizations have criticized CSR as an enabling mechanism for corporations to whitewash possible abuses. Checklists, self-reporting and even third-party monitoring are all tools that depend on the honesty of reporting and the transparency of cooperation with the process. Abuses of the system have been and continue to be documented in the form of keeping double books or preparing workers for interviews. Foxes guarding the hen house? Further, there is a concern that CSR as the focus of the business and human rights debate comes at the expense of more stringent international legal mechanisms. The ongoing debate around the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights demonstrates that while civil society prefers the regulatory approach, businesses prefer voluntary CSR initiatives. The bottom line remains: there is no substitute for a vibrant independent civil society, or independent trade unions representing workers’ interests.

International standards and local practice: The introduction of CSR to the Chinese business arena, however, does pull in international human rights standards, which may open up the debate on issues such as independent unions, access to information for workers, and free expression for workers. Possible tension arises over the place of the State in that debate. Local and national government actors were participants at the Global Compact Submit in Shanghai in 2005, and domestic CSR discussion also considers the State to take a central place in the development of CSR. Whereas the role of the government is important in processes such as the UN-organized Global Compact, concerns arise where the scope of discussion related to the human rights responsibilities of businesses may be narrowed by legal restrictions on expression and access to information. Where opportunities present themselves, therefore, international corporations must ensure that discussion remains as broad as possible, including

- **China Yituo Group**
  - **Sector:** Company/ Paper & forest products
  - **Joined Global Compact:** March 30, 2004
  - **Profile:** Founded in 1988, Wanda now has 6 subsidiaries in China.

- **Haier**
  - **Sector:** Company/ Personal care & household products
  - **Joined Global Compact:** July 15, 2002
  - **Profile:** Founded in 1987, Haier is now a multinational corporation with a division in the U.S., a subsidiary in Hong Kong and factories in five African countries. An Olympic Sponsor for the 2008 Beijing Games, Haier states that it is committed to philanthropy and environmental protection.

- **Huatai Group**
  - [www.huataipaper.com](http://www.huataipaper.com)
  - **Sector:** Company/ Paper & forest products
  - **Joined Global Compact:** March 30, 2004
  - **Profile:** Huatai consists of 7 subsidiaries in China.

- **Junyao Group**
  - **Sector:** Company/ Aerospace & aviation
  - **Joined Global Compact:** Nov. 7, 2001
  - **Profile:** Founded in July 1995, the corporation notes that it is involved in the Western China Development Fund.

- **Shanghai Baosteel Group Corporation**
  - [www.baosteel.com](http://www.baosteel.com)
  - **Sector:** Company/ Metal & mining
  - **Joined Global Compact:** June 10, 2004
  - **Profile:** Founded in Nov. 1998, it now has 22 wholly owned subsidiaries (including 9 outside of China), 14 holding companies (2 outside China) and 24 equity-sharing companies.

- **Wanda Group Share Co.**
  - [www.chinawanda.com](http://www.chinawanda.com)
  - **Sector:** Company/ Industrial conglomerates
  - **Joined Global Compact:** March 23, 2004
  - **Profile:** Founded in 1988, Wanda now has 6 subsidiaries in China in the fields of electronic, chemical, construction, real estate, microchip and wheel production.

Source: www.unglobalcompact.org. Additional information was gathered through a survey of individual company Web sites. Many inactive participants have little, if any information regarding CSR activities on their Web sites, and most active participants have little more.
through reference to international legal standards, already available in home-grown CSR standards.

**POTENTIAL TRACTION**

Despite the limitations and challenges of the expansion of CSR in China as a vehicle to promote human rights protections, the potential of the CSR debate to broaden domestic understanding of and reference to international human rights is two-fold. First, CSR can open up room for discussion and debate by local actors of key human rights issues, including transparency, freedom of expression and the right to organize. Second, CSR can reinforce and help to ground other international obligations undertaken at the international legal level as well as in preparation for the Olympics.

Opening up local space: The growing popularity of CSR in China may offer local groups working on specific human rights issues increasingly greater room for discussion. Rights defense groups working on environmental and health rights issues have more space than those working on issues related to civil and political rights. However, the space for individuals and groups working on issues that are critical of the government remain under political pressure to retain a low profile, stay out of international media, and stay away from sensitive issues such as workers rights and freedom of expression.

The government has been amenable to growth of CSR in China, and in some cases local level governments have been using the CSR framework to advance their own system of work. The government has encouraged the growth and discussion of CSR issues not only because they have are directly involved in the debate and can therefore control content and place, but also because CSR is seen as engaging international business practice, and will legitimize domestic Chinese corporations.

Because CSR has become a legitimate space to invoke human rights issues—those related to labor practices, transparency and expression—it has the potential to strengthen or possibly widen the space provided to other groups working on these issues. It is this potential that international corporations, organizations and others should build on and encourage.

Reinforcing obligations: Towards 2008: Despite its use by business actors, the popularity of CSR in China today has the potential to draw upon and promote the international human rights obligations of the Chinese government. These obligations range from international human rights standards, including recommendations that have been specifically directed to the Chinese government by international bodies.

The range of obligations undertaken by the Chinese government includes not only international law, but also specific obligations in preparation for the Olympics. In their Olympics Promises, the Chinese government also undertook very specific commitments to:

- Provide information services to all;
- Allow peaceful demonstrations;
- Provide for complete freedom of the press;
- Ensure a Green Olympics; and
• Provide transparent information related to Olympics preparations.

Preparations for the Olympics have brought together Chinese and international businesses with the Chinese government: local businesses are pulled in to promote the Games and Beijing’s image.

Corporate sponsorship of the Games plays no small role in the success of the Olympics on the international stage: the Beijing Olympics are expected to be not only the most expensive Games ever put on, with operation costs at approximately $2 billion, but also the most profitable Olympics to date. The profit of the Games is estimated as breaking the $224 million surplus set in 1984 in Los Angeles. The marketing profit for the Olympic mascot “Friendlies” alone is estimated at $300 million, exceeding the profits of the Athens Olympic mascot by $100 million.15

The growth of CSR in China does not guarantee that human, labor and environmental rights protections will automatically improve. A focus on CSR as the sole way forward presents a danger of excluding real protection for workers especially in the absence of pushing for independent organizing. However, CSR has gained popularity among both Chinese business and government actors as one way of getting more traction on efforts to address serious human rights, labor rights and environmental issues at stake.

CSR provides another road towards accountability that can be followed at the same time as developing regulatory approaches, strengthening NGO, media and consumer oversight, and supporting the development of an independent civil space, including independent trade unions. For CSR to be truly useful, therefore, independent civil society actors, including rights defense groups and activists, must be supported and encouraged. In the run up to the Olympics, the international community must maintain serious monitoring of the Chinese government’s crackdown on media, rights defense groups, lawyers and others.

NOTES
1. Elisabeth Wickeri was the primary drafter of this backgrounder, with research contributed by Mily Ming-tzu Kao.
7. Ibid. “Upholding our Code of Conduct with respect to the issue of freedom of association is an obvious challenge: Chinese law prohibits independent labor organizing. . . .
8. We believe that a policy of direct engagement and openness is the best path to reform in China.
9. Standard 4 of SA 8000 relates to freedom of association, noting that “the company shall respect the right of all personnel to form and join trade unions of their choice and to bargain collectively.” An exception reads “The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all such personnel.” Social Accountability 8000, Social Accountability International, SA8000: 2001, available at http://www.sa-intl.org/.
12. For example, the Institute of Contemporary Observation, based out of the Migrant Workers College in Shenzhen, is organizing an international CSR conference from October 25-27, 2006.

Who’s Who in the 2008 Olympics

The following chart updates the individuals and bodies involved in preparations for the 2008 Beijing Olympics, first introduced in China Rights Forum in 2003. (Source: www.olympic.org)

**International Olympic Committee (IOC):** The principle international body creating and supervising all Olympic Games, and holding rights to all Olympic symbols. The IOC selects 126 members, who act as IOC representatives in their home countries.

**IOC Coordination Commission:** The Commission is formed after the election of a host city to oversee and assist the Organizing Committee in planning and implementing the Games.

**Chinese Olympic Committee:** The national body for the 2008 Games, which is entrusted by the International Olympic Committee to organize the Olympic Games.

**Beijing Organizing Committee for the Olympic Games (BOCOG):** Formed by the Chinese Olympic Committee, the BOCOG takes instructions directly from the IOC. Its executive body includes representatives of public authorities and other leading figures.
INTERNATIONAL OLYMPIC COMMITTEE (IOC)
EXECUTIVE BOARD

President
Jacques Rogge, Belgium

Members
Sergey Bubka, Ukraine
Richard L. Carrión, Puerto Rico
Ottavio Cinquanta, Italy
Gerhard Heiberg, Norway
Ser Miang Ng, Singapore
Denis Oswald, Switzerland
Mario Pescante, Italy
Sam Ramsamy, South Africa
Mario Vázquez Raña, Mexico
Yu Zaiqing, People’s Republic of China

Executive Board
Château de Vidy
1007 Lausanne, Switzerland
Tel: (41.21) 621 61 11
Fax: (41.21) 621 62 16

WHO’S WHO IN BEIJING 2008 FOR THE GAMES OF THE XXIX OLYMPIAD

CHINESE OLYMPIC COMMITTEE

President
Liu Peng, Minister of the General Administration of Sports; Executive President of BOCOG Executive Board

Secretary General
Gu Yaoming, Vice Secretary General of All-China Sports Federation; Executive Member of BOCOG Executive Board

Chinese Olympic Committee
Tiyuguan Road 2
Beijing 100763, PRC
Tel: (86.10) 6711 6669
Fax: (86.10) 6711 5858
coo@olympic.cn

DELEGATES ORGANIZING OF GAMES

BEIJING ORGANIZING COMMITTEE FOR THE OLYMPIC GAMES (BOCOG)
EXECUTIVE BOARD

President
Liu Qi, Member of Political Bureau of the 16th CPC Central Committee

First Vice President
Chen Zhili, State Councilor

Executive Presidents
Deng Pufang, President of China Disabled Person’s Federation
Liu Peng, Minister of the General Administration of Sports; President of the Chinese Olympic Committee
Wang Qishan, Mayor of Beijing

Executive Vice Presidents
Duan Shijie, Vice President of All-China Sports Federation
Jiang Xiaoyu
Li Binghua, Member of National Committee of the Chinese People’s Consultative Conference
Li Zhijian, Vice Minister of the General Administration of Sports
Liu Jingmin, Vice Mayor of Beijing
Tang Xiaowan, Vice President of China Disabled Persons’ Federation
Yang Shu’an, Vice President of All-China Sports Federation; Vice President of Chinese Olympic Committee
Yu Zaiqing, Vice President of the State General Administration of Sports; Member of IOC Executive Board
Zhang Mao, Vice Mayor of Beijing

Executive Vice President and Secretary General
Wang Wei, Deputy Secretary General of Beijing Municipal Government

Executive Members
Gu Yaoming
He Zhengliang
Yang Zhongqiu
Zang Aimin

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for the Games of the XXIX Olympiad
267 Bei Si Huan Zhong Lu
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N.B. Country designations are given using IOC usage.
Updated July 2006.