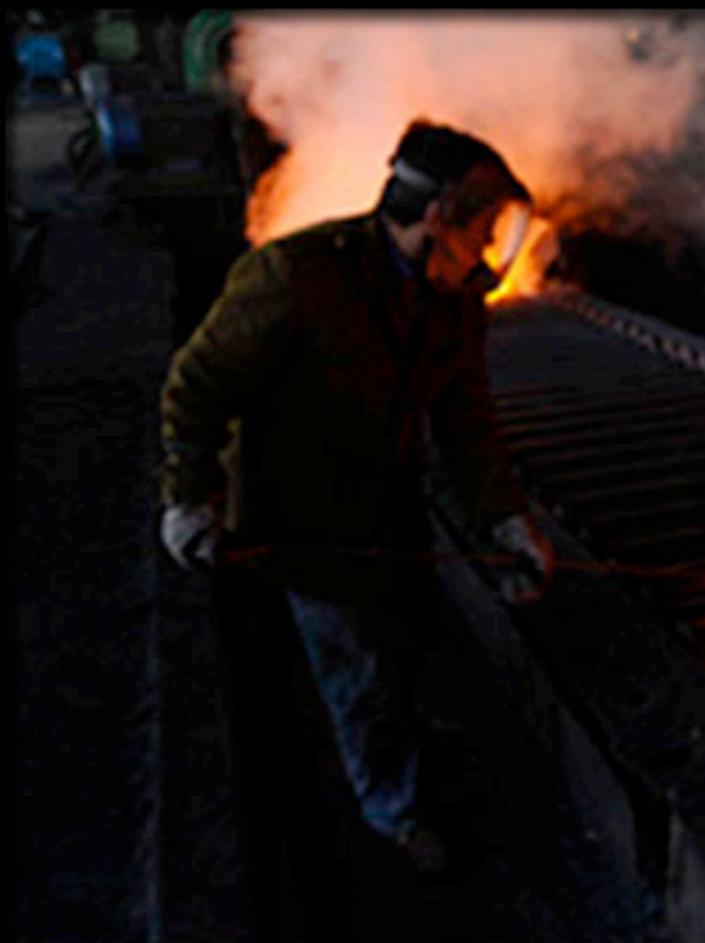


Corporate Social Responsibility In China

Claudia Mininni



**The Role of Foreign Multinationals
In the Promotion of Social Rights**

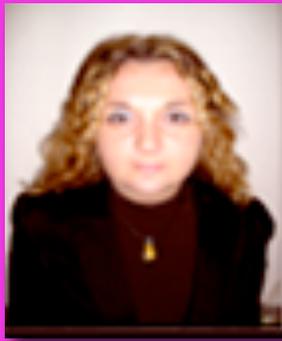


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INTRODUCTION

Corporate social responsibility (CSR) has been now for some time a stake of International Relations. If its conceptual origins are traced in the United States in the years which follow the “Great Crisis” in the 30's, its consecration as an international social movement and its ambitions as a “doctrine”, arrive only in the 90's in the wave of the debate on globalization and the role of multinational firms and the private sector as “regulators” of globalization processes. The emergence of CSR as a doctrine was structured in **the** West on the basis of putting under discussion the main political and economic role of the State at the national and international level, face to the increasing power of new trans-national actors, in particular multinational firms (MNF). Indeed, the power of the MNF is supported by a vision of globalization where trans-national flows and the forces that manage them dominate national flows, coordinated by the actions of the States. This new position of the firms decreases the control of the States on the national economy and society and confers to the new actors a considerable politico-diplomatic power. On this subject, the researcher Michael Blowfield underlines the existence of a “consensus” around CSR in the West (especially in the United States) as answer to a “narrow” interpretation of globalization. Certain concepts, such as the preponderance of multinational firms and the creation by these of universal standards starting from the imposition of practices and private codes of conduct, were established by the doctrines as distinctive features of the globalization, which is treated as a unitary phenomenon. By consequence, the preponderance of multinationals' regulating power and its voluntary character, in opposition to formal mechanisms of regulation set up by the States, are concepts of which applicability and desirability at a global level are never put in question¹.

Today, part of the doctrine advances the need for highlighting the ideological basis on which CSR was structured in the West in order to open it to the analysis of other disciplines, in particular of International Relations and to explore its possibilities at global level. Thus, this new angle of analysis seeks to explore “... the ways in which business shapes and responds to globalization and influences the possibilities of contemporary society and governance”². The goal is to arrive at better evaluating

¹ Michael Blowfield, « Corporate Social Responsibility : The Failing of the Discipline and Why it Matters for International Relations, *International Relations*, Vol. 19 n.2, 2005, p. 173-191.

² Ibid.

the possibilities of CSR in political and ideological contexts different from those of Western democracies, in particular those of developing countries.

In China, the imposing presence of the State in the society, its preponderance in the management of labor relations, the absence of an “autonomous” civil society pose many doubts about the possibilities of CSR and the capacity of the foreign firms to impose their codes. Thus this country seems to us an excellent ground to question the possibilities of CSR at a global level. In particular, it will be question of considering the implication of CSR at the social level (right of the workers, working conditions) and the role that foreign multinational firms can play in the improvement of social standards and the adoption by China of international norms.

Indeed, in spite of its recent emergence, the debate on CSR in China is the subject today of an increasing attention from various actors (i.e. multinational firms, NGO, investment funds, international agencies and governments). However, the respective place of the main actors (Firms, States, Civil society) in a Chinese internal context as well as the finality and the impact of the CSR remain still badly defined.

This inaccuracy is not very astonishing when we consider the stakes of CSR at the international level and their possible consequences in the Chinese context: policy issues (the promotion of a model of society based on democracy and the rule of law and its possible effects on the “democratization” of China); legal issues (the respective role of the public law and voluntary engagements and thus the responsibility for the State and the private actors), and economic issues (the image of the companies like an element which can affect the profits, the cost of the practical application of the rules, the market of certification and audits etc.)³

The major sources of this work were obtained during a ground work in China in June and May 2007. During this period I contacted various actors active in the promotion of CSR in China. Among these information sources, Business for Social Responsibility (BSRChina), one of the main organizations very active in China in consulting and training of companies to CSR⁴, the Conference/Training of the NGO CSR ASIA in Beijing on May 31st and June 1st 2007⁵. In France, the documents, information and contacts provided by the ORSE (Observatory for corporate social responsibility) constituted a base for the predisposition of this work and the preparation of the ground.

³ Michel Doucin, « Il existe une doctrine française de la responsabilité sociale des entreprises », *Droits Fondamentaux*, N.4, January-December 2004.

⁴ In particular the material was gathered during a three days staying, from May 22nd to Mai 25th 2007, at the headquarter of BSRChina in Canton by the means of interviews with the BSR employees , the follow-up of certain activities inside and outside the office, the consultation of documents which were placed at my disposal.

⁵ CSR Asia, « Doing CSR : The building blocks to better business in China », Pekin, 31 Mai-1 Juin 2007.

I ORIGIN AND DEVELOPMENT OF CSR IN THE WEST AND IN CHINA

I-A. THE EMERGENCE OF CSR IN GLOBALIZATION AND INTERNATIONAL RELATIONS: THE SETTING UNDER DISCUSSION OF THE ROLE OF THE STATE

Corporate social responsibility is an Anglo-Saxon concept and proposes the idea that firms have duties related to the powers which they exert on various types of actors concerned with their activities: their personnel, their customers, their shareholders, populations concerned indirectly with their activities, the natural environment of which they form part. Three fundamental aspects are concerned: the internal organization of the company and its relations with its partners (quality and transparency of management and relationship to the shareholders and the customers), environment and social relations⁶. Moreover, as evoked in the preceding paragraph, there exists in the West “a consensus” on the voluntary character of CSR which seems to eliminate, except exception, the recourse to obligatory regulations and poses the problem of its effectiveness. Lastly, we can note the emergence at the international level of a tacit agreement **on the public international rules to respect by Multinational Firms**: the four basic principles of the man at work defined by the ILO declaration of 1998 (trade-union freedom, representation freedom, prohibition of forced labor, not discrimination and elimination of the child work), the obligations created by the international treaties relating to the environment and those of the convention on the fight against corruption of OECD, the principles stated by the Universal declaration of human rights (this last aspect being however still debated⁷).

The disengagement of the State from the management of the industrial relations policies explain the emergence of the CSR during the 90's in the debate on the globalization whose amplification of

⁶ Michel Doucin, « Il existe une doctrine française de la responsabilité sociale des entreprises », *Droits Fondamentaux*, N.4, January-December 2004, p. 17

⁷ Indeed as recalled by Doucin, “this new issue, which goes up in power in the public opinions, is still welcome with caution by certain companies, as well as by certain States: for the latter, CSR should not lead to call into question their first responsibility and their precedence in the protection and the promotion of human rights”, Michel Doucin, 2004, cit. work.

“deregulation” processes and the discussion of the role of the State count among the main implications⁸. Thus the global dimension of CSR has become the new field of discussion to redefine the power struggles between States and non-state actors.

Indeed, the multinational firms as a major actors of globalization and because of their economic power and the transnational character of their activities and of their financial capital, see themselves assigned an increasingly considerable power with respect to the States and societies in which they operate. This power is different and sometimes is opposed to that of the States. The firms are thus “the main actor of the strong international movement of deregulation”⁹. Consequently, the MNFs are considered more and more by the discipline of International Relations as eminent political actors able to exert what Doucin describes as “the art of the political lobbying”. That enables them, amongst other things, to push the States to accentuate the deregulation of their economy, including at social and environmental levels. Thanks to this power, which escapes control from the States, the MNF would be at the origin of a new transnational private law whose impact is considerable and reinforces the role of the private actors, with respect to the States, in the development of the international rule.

In parallel, at the ideological level, one of the main consequences of globalization is the tendency to the universalization of values. The latter is the fruit of the emergence of problems, which transcend the borders of the States and require “global” answers. For example, climate warming, the protection of human rights, the difference between the rich and the poor can find solutions only within a global framework.

For this reason, the expression “world governance” is often used to indicate the whole of actors, States, intergovernmental organizations, NGO’s, transnational movements which, by exerting an influence the ones on the others, pursue a common goal and give origin to the system of world governance¹⁰. The common objective is the promotion, through the development of “regimes”¹¹, of a universal model of society based on values such as democracy, human rights, and the respect of the environment. The multinational firms and the private sector are recognized through the CSR as

⁸ The debate on the role of the State in globalisation with respect to the emergence of the transnational forces sees in opposition various visions: for an analysis of “the weakening” of the State as an economic and political actor see: Susan Strange, “The Declining Authority of States” in David Held and Anthony McGrew (eds.), *The Global Transformation Reader: an introduction to the Globalisation Debate*, Polity Press, Cambridge, 2003, p. 127-134. For counterparts which highlight with different intensities the role of the State in globalisation: M. Mann, “Has Globalisation ended the rise and rise of the nation-state”? *Review of International Political Economy*, 4 (3), 1997 p. 472-482. Zaki Laidi, “Does Globalisation Threaten the State? Thesis one the Fractal State” *Cambridge Review of International Affairs*, vol. 15, Number 3, 2002, p 393-405.

⁹ Michel Doucin, 2004, cit. work, p.16.

¹⁰ Fred Halliday, “Global Governance: Prospects and Problems” in David Held and Anthony McGrew eds., *The Global Transformation Reader: an introduction to the Globalisation Debate*, Polity Press, Cambridge, 2003, p.489.

¹¹ A common definition of Stephen Krasner, "International regimes are sets of explicit or implicit principles, norms, rules and procedures, decisions around which actors' expectations converge in a given area of international relations"

leading actors in the development and the promotion of international regimes and in the management of world governance. Through the imposition of codes of conduct the multinational firms could then contribute to the promotion of the international standards in force in a way perhaps more effective than the States and the intergovernmental institutions.

The potential role of the multinationals as an international actor is also the consequence of the changes that globalization generated in the structure of the multinationals, amplifying their legal responsibility. For example, when the borders were well defined, the principle according to which the responsibility for a company extends to the behavior of its suppliers in the countries of delocalization did not even pose. On the contrary, now companies are also responsible for conditions in the factories of their subcontractors including in sensitive areas such as the protection of human rights and labor rights¹². So we see the potential links between CSR and international development that derive from the growing presence of foreign multinationals in developing countries.

The research between CSR and development has been structured since the '90s in order to study the benefits that CSR and the presence of foreign multinationals in "developing countries" can bring to the poor and marginalized (i.e promotion of fundamental rights and adoption of universal standards in countries where respect for these rights is weak). However, as some researchers have pointed out, it has tended to be "normative," based on established concepts and approaches that characterize CSR in the West¹³. Thus, the analysis of CSR in developing countries has been dominated by a "business case" approach. The latter, based on the idea that business engagement in CSR must be translated into profit for the company, has tended to focus on the benefits that CSR provides to firms while improving the working conditions locally, using "win-win" model¹⁴.

Today, several authors suggest the development of a "critical" approach to CSR, which is able to go beyond the approach "business case" and highlight the potential limitations of CSR in developing countries. This is to assess the actual impact of codes of conduct and CSR practices of foreign firms on improving working conditions and lives of the disadvantaged.

The adoption of this approach accepts that the aims and impact of CSR may be different in different contexts with all the implications that this entails. This applies, for example in contexts of severe social deprivation that characterizes most developing countries and is accompanied, in the case of China, by a restrictive political environment and the omnipresence of the Party in society. In this

¹² Gerald F. Davis, Marina von Neumann Whitman, Mayer N. Zald, cited work, p. 19

¹³ Michael Blowfield and Jedrzej George Frynas, "Setting new agendas: critical perspectives on Corporate Social Responsibility in the developing world », *International Affairs*, Vol. 81 n. 3, 2005, p. 504.

¹⁴ Marina Prieto-Carron, Peter Lund –Thomsen, Anita Chan, Ana Muro et Chandra Bhushan, cit.work, p. 977.

context, as we shall see later, the CSR practices of foreign multinationals face several obstacles. Even the capacity of codes of conduct to contribute to respect only of those rights recognized by national laws can not be guaranteed beforehand.

I-B CSR IN CHINA: A DEBATE STILL UNCLEAR

The emergence of CSR in China is due to the pressure from the anti-sweatshop movement¹⁵ on multinational firms to make them assume a major responsibility in the promotion of social, human and environmental standards. The first phase is thus from the mid-1990s until the early 2000s, which see, with the launch of the Global Compact, the beginning of a real debate on CSR in China.

The first phase sees the foreign multinationals as protagonists. Indeed, as Zhou Weidong pointed out in his article "Will CSR work in China?"¹⁶ it is precisely the foreign firms that, in the mid-1990s, exhibited for the first time Chinese companies to CSR. At that time, the latter passively accepted CSR standards imposed by foreign firms at risk of being sanctioned or miss their contracts. However, for most Chinese, CSR was a totally new idea. Thus, during this first phase of CSR, the Chinese government, the public and the media were not involved in the debate. Very rarely talks about CSR appeared in the press or on the Internet. This contrasts with the context of the emergence of CSR in the West where "civil society" in the U.S. and Europe, played a key role.

The CSR strategy of large foreign firms in China during this first phase was based primarily on auditing and monitoring. These mechanisms have been the essence of CSR initiatives in the field of social rights until very recently. But despite some improvements in working conditions in some large plants¹⁷, the effectiveness of this type of approach is increasingly questioned today, even by firms that were the first to implement them. In fact, most contractors will get to avoid the codes of conduct by falsifying working conditions to "pass" social audits of foreign buyers. The falsification of working time, wages and terms of the contract and the practice of providing employees with "standards"

¹⁵ Citizen's Movement which developed in the United States and spread worldwide during the '90s. It looked not only at the behaviour of multinationals, but also at the conditions in the factories of their subcontractors in the world.

¹⁶ Zhou Weidong, "Will CSR Work in China", *Leading Perspectives*, BSR, Summer 2006.

¹⁷ Anita Chan, 2005, cited work.

answers are systematic practices that have highlighted the limitations of an approach that is limited to audits and controls¹⁸.

Despite the emergence of international attention around CSR in China in the '90s, it was only since the 2000s, following the initiative of the Global Compact, but more concretely, since 2004-2005, that a real debate on the subject has emerged within the country. Today the Chinese attitude towards CSR has evolved from a passive approach to a more active participation. Various factors contributed to this development: the commitment of the international community and NGOs, the pressure of foreign MNFs on their Chinese suppliers, the interest of Chinese scholars to explore the concept further and to introduce a debate on CSR in China are all factors that can be evoked.

The launch of the Global Compact has played an important role in the formal emergence of this discourse. Indeed, the years 2000-2004 saw a new phase of development of CSR. Inside the government, skeptical with respect to the impact of CSR practices of foreign firms on the costs of Chinese exports, many government departments have begun to pay closer attention to CSR. Their main fear was that international organizations and multinational companies through codes of conduct could link trade and investment to working conditions and violations of workers' rights by imposing sanctions or trade barriers. Thus government bodies such as the Ministry of Labor, the Ministry of Commerce and the China Enterprise Confederation (CEC) have set up commissions of inquiry on CSR. However, the Chinese government has chosen in this phase a "wait-and-see" approach, without either accept or reject CSR¹⁹. Fully aware of the criticisms of the international community on the situation of human rights, corruption and environmental degradation in China, Chinese leaders have begun to focus more actively on the subject. They understood that in order to provide the country with the maximum economic and commercial benefits reserved for other major global players, it was necessary for the country that representatives of business and economic sectors started integrating in their official speeches universal principles defended by the international community²⁰.

The accession of China to the Global Compact²¹, in conjunction with its entry in the WTO may be viewed in this context as a means to increase the legitimacy of China internationally and take its place in the global economic system. Internally, Chinese leaders take very seriously the relationship between political stability and development. This principle has always been the basis for the legitimacy of

¹⁸ ORSE, 2007, cited work.

¹⁹ Zhou Weidong, 2006, cited work.

²⁰ Gavin Power, "Advancing Corporate Citizenship in China", *UN Global Compact*, http://www.unglobalcompact.com/docs/news_events/9.5/gp_china_art.pdf.

²¹ In 2004, 50 Chinese companies have joined the Global Compact. According to a study of the ORSE (Observatory on Corporate Social Responsibility) published in June 2006, the number had increased to 70. On the base of the latest data available on the web-site of the Global Compact (<http://www.unglobalcompact.org>) in 2007 the number of Chinese companies participating was about 100.

political leadership since the beginning of policy reforms in the 80s and continues with the opening of China to the global economy. Thus, international pressure around CSR fits into the context of growing social unrest, the inability of law to protect workers from abuse, increased demands and protests from workers, which accompany China's road to development. It is in this context and in light of its possible consequences for the stability and legitimacy of the regime that the government's attitude has changed with respect to CSR.

Indeed, since the years 2004-2005, the Chinese government has gradually entered the debate on CSR within the official discourse rather than leaving the subject pushed by the sole initiative of foreign companies²². The debate now revolves around a concept of Confucian origin which attempts to provide a "Chinese" justification for CSR and to give it its own characteristics, just like everything else in China. The discourse on "building a harmonious society" was introduced at the Fourth Plenum of 16th Central Committee in September 2004. The concept was then announced loudly at the launch of the "Manifesto of Beijing on CSR for Chinese enterprises" in September 2005. The vision outlined in the manifesto is based on the principle that development must result from a "harmony" between businesses, society and environment. Companies must therefore be "socially responsible" in their pursuit of profit in order to ensure competitiveness and a "healthy and harmonious" progress²³. This is the Chinese version of the concept of sustainable development. We start to speak of "CSR with Chinese characteristics", title of an article published in the journal "Leading Perspectives", published by the NGO Business for Social Responsibility (BSR). The article underlines that although the debate on CSR is becoming more relevant in China, at least in some circles as Shanghai, Beijing and Guangzhou, its meaning and impact are not yet clear in the minds of a majority of Chinese. A study, conducted in February 2005 on several Chinese companies, showed that 90% of them believe that CSR is the same as philanthropy²⁴. Moreover, if the discourse on building a harmonious society is asserting as means of increasing the competitiveness of Chinese companies²⁵, CSR is still regarded by his opponents, with great suspicion²⁶. It is considered as an alien concept and an expression of cultural imperialism of Western powers. These are accused of wanting to seek the stability of China's political system through the imposition of Western values, the acceleration of reforms, and the promotion of a model of society based on democracy. Two perceptions of CSR coexist in China and are representative of the complexity of the debate. This debate is now led, among others, by the issue of the adaptation of CSR to the Chinese context and how the government is considering this adaptation.

²² Zhou Weidong, 2006", cited work

²³ "Beijing Manifest on CSR for Chinese Enterprises", in *La responsabilité sociétale des entreprises en Chine*, ORSE, Etude n°9, Septembre 2006.

²⁴ CSR: Made in China", 2006 BSR Conference Session Summary, 10 November, 2006.

²⁵ For a Chinese version of the concept of competitive advantage in relation to CSR see: « Ruang Jing Zheng Li –Soft Competitive Advantage, Corporate Social Responsibility of Transnational Corporations », China Economic Publishing House

²⁶ Aron Cramer and Geir Westgaard, "CSR with Chinese Characteristics", *Leading Perspectives*, BSR, Fall 2005.

In this regard, some analysts point out the risk that CSR "with Chinese characteristics" is exploited by the political power to (re) assert its legitimacy and control over society. In the next paragraphs, we will discuss the dangers that might result from this exploitation of CSR by the regime. We will try, through the analysis of different positions, to consider the possible implications for the ability of foreign multinationals but also of "civil society" to play a role in the improvement of social rights.

***I-C. SOCIAL RIGHTS SITUATION IN CHINA:
BETWEEN SOCIAL DISCONTENT, GAPS IN THE SYSTEM
AND RECENT DEVELOPMENTS, WHAT ROLE FOR CSR?***

China currently faces huge social challenges that are the subject of increasing attention from the international community (i.e NGOs and international organizations like the UN and the European Union, economic institutions such as WTO and OECD), but also increasingly by MNFs and investors who profit from China's economic 'miracle'. As we mentioned, these challenges are related to important social imbalances and rapid changes, both structurally and regionally, that accompany China's development since the beginning of the intensification of economic reforms in the '90s. These imbalances in combination with the restrictive policy environment that characterizes the undemocratic nature of the Chinese political system have led to alarming social situation that has focused the debate on CSR on the issue of social rights in China.

According to a study by ORSE (Observatory for Corporate Social Responsibility), the level of inequality between rich and poor in China has reached 0, 447 of coefficient. The level of inequality in China is significantly above the emergency threshold of 0.4, value accepted internationally²⁷. In addition, the alarming gap between rich and poor is accompanied by a marked imbalance between the urban and industrial areas (coastal areas of east) and the inland areas of the west still highly underdeveloped. Therefore, China is facing a major phenomenon of migration of workers from rural internal areas to the coastal regions. The condition of minggong (migrant workers) and the operation of the hukou system (residence permits) that connects these workers of peasant origin to their place of birth, have been widely studied and its impact on poverty of these workers identified²⁸. For the following, we will limit ourselves to highlight the persistence of this system which strongly discriminates and divide migrant workers from other workers. Indeed, as pointed out by Cai

²⁷ ORSE, 2006, cited work, p.6

²⁸ See Isabelle Thireau and Hua Linshan «Les migrants et la mise à l'épreuve du système du hukou». *Études chinoises XXIII*, 2004, p.275-312 et Fei-Ling Wang, *Organizing through Division and Exclusion, China's Hukou System*, Stanford, Stanford University Press, 2005.

Chongguo, in addition to the prohibition of free trade unions, one of the major problems facing the implementation of CSR in the Chinese context is the competition between workers. Indeed, he says, "workers are not often united in defending the same causes but rather compete with each other. The Minggong not having the same rights as the resident workers, the needs and demands are not the same. The system aims at dividing the workers and not to unite²⁹."

The minggong constitute a large pool of manpower at a very low cost, which helped to push down the wages of unskilled workers. Average hourly wages in China are less than 5% of those of countries in Western Europe and the United States. In addition, the minimum wage varies across districts. Chinese labor law gives local authorities the power to decide the minimum wage. According to data from a study by the Swiss bank Sarracin in 2004, the amount varies between 30 and 60 dollars per month. The study also emphasizes that workers are often paid less than the statutory minimum, according to investigations carried out by NGOs in Chinese factories³⁰. Another problem that has emerged in the audits conducted by foreign companies such as Marks & Spencer with their local suppliers is the malfunctioning of the social protection system. According to Chinese law, all employees are covered by 4 different social insurances which are: retirement, accident, health (including maternity and death) and unemployment. However, in reality, workers often do not know if they are covered. Therefore insureds are underpaid or not paid at all³¹. Some Chinese workers must also pay, through employment agencies, a large amount to their employer as a "guarantor" or "rights of hiring." According to the study of Sarracin, many foreign companies producing in China hire their workers through local recruitment agencies. Thus, in most cases, companies do not have direct control over the terms of the contract. According to the same survey (Sarracin), conditions of contract are best when workers are directly employed by foreign companies³².

The hygienic conditions and poor security on the workplace, the persistence of forced labor in the Laogai (work camps), child labor, excessive overtime (10-14 hours per day for 85% of mingong in Guangdong, according to the study of Sarracin) are some of the serious shortcomings that make conditions of workers extremely precarious. These deficiencies constitute violations of ILO conventions on labor law. Indeed, among eight fundamental conventions of the ILO, China has ratified only four. Among the conventions not ratified include the one on "freedom of association and effective recognition of collective bargaining (C 87 and C 98) that protects the rights that are now central to the debate on the social aspects of CSR in China.

Several analyses agree in asserting that the conditions suffered by Chinese workers are strictly related to their inability to use collective bargaining to improve their working conditions. In China, independent unions are not allowed. The All China Federation of Trade Unions, ACFTU has a

²⁹ Interview with Cai Chongguo, Paris, 24th April 2007

³⁰ Eckhard Plinke et Makiko Ashida, 2004, cited works, p.3.

³¹ Ibid.

³² Ibid.

monopoly of official trade unions and it manages all union activities at the national level³³. The question that arises today with respect to CSR is the following one: given the lack of freedom of association, what alternative means can be set up by foreign enterprises to improve the conditions of workers? To what extent these means will bring benefits to workers?

Although the social situation remains extremely serious, certain analysts underline recent evolutions **in the** in the labor situation in China that could lead to changes in the decades to come. In this **context**, the role of CSR and foreign firms has its place, but we shall see more afterwards, the impact of codes of conduct in this context remains limited. Moreover, especially in the representation of workers, initiatives by foreign firms must now confront the government activism and participation of AFCTU. The government commitment appears to limit in practice the freedom of action of foreign firms.

The first of the possible developments in the labor situation is the lack of migrant workers in the years to come. Indeed, several analysts, supported by reports in the Chinese press since 2003³⁴, say China seems to live a shortage of its work force because of the precarious working conditions, low wages or unpaid, violations of workers rights in developed areas of the deltas of the Yangtze and Pearl River. Particularly concerned would be thus the areas of Guangdong and Zhejiang, with strong concentration of industries asking more labor. In combination with the policies of support and management of agriculture implemented by the central government and taking into account the working conditions which we described, a growing number of workers decide to remain at home in the villages rather than going to seek work in the cities³⁵. In addition to this observation, there are the new values defended by the last generation of migrant worker, who, unlike their parents has better expectations with respect to the working conditions and their future³⁶.

It is difficult at present to state with certainty whether or not there is a shortage of labor force in China. However, what analysts like Brian Ho and Anita Chan emphasize is that changes in the mentality of workers and the transformation of the production system in combination with the pressure exerted by foreign firms on their sub-contractors could motivate managers of Chinese factories to improve standards, at least by making them conform to Chinese laws. They are however tendencies which are hardly emerging and whose impact is still difficult to anticipate.

³³ For a thorough analysis of fonctionnement of trade unions in China in the context economic reforms to see : Anita Chan, "Globalization, China's Free (Read Bonded) Labour Market, and the Chinese Trade Union, *Asian Pacific Business Review*, vol. 16, no. 3 & 4, 2000, pp. 260-281

³⁴ Brian Ho, "Is there a migrant labour shortage in China ?" *CSR Asia Weekly*, 22 Feb. 2006, Vol. 2 Week 8.

³⁵ Anita Chan, « La condition ouvrière en Chine : les signes d'une évolution », *Perspectives chinoises*, n°86, 2004.

³⁶ Brian Ho, 2006, cited work.

A second evolution in the context of work relates to the recent efforts of the ACFTU in the establishment of trade-union branches in the foreign companies as well as the organization of direct elections of the trade-union representatives in the companies with public participation³⁷.

In fact, the Chinese law of 2001 on Trade Unions provides that members of union committees are democratically elected. In this context, some initiatives of foreign companies in the field of CSR such as the election of committees of workers in some subcontracting factories as well as direct elections of union representatives in workplaces³⁸ would have played, according to some analysts, a role in changing the attitude of the ACFTU.

These kinds of initiatives on the part of foreign firms had been revealed by internal reports of the AFCTU³⁹. The ACFTU, which like the government had shown indifference towards CSR practices of foreign firms, decided in September 2003 to publicly encourage direct elections of its representatives. This decision was taken in connection with a statement by its vice-president in August 2003, stating that "Foreigners" should not intervene in Chinese trade union affairs "and with the revelation by the Chinese press of several cases of direct elections⁴⁰". Thus the "popularization" of direct election by the AFCTU could be interpreted as a counterweight strategy against the organization of workers committee and other similar initiatives on the part of foreign companies. This shift in the attitude of the ACFTU coincides with the change of government attitude towards CSR occurred in recent years.

A third and last evolution relate to the tendency towards a major implication of the Chinese media and "civil society" in the debate on the protection of workers rights, to which the one on CSR is closely related. Indeed, as we have seen the emergence of CSR in China has been characterized in a first phase by the absence of debate in the media and the Chinese society. Recently, the press, local NGOs' and citizens are emerging in the debate. We will discuss below in more details the role of these "new" players.

³⁷ Anita Chan, 2004, cited work.

³⁸ Reebok was one of the first foreign companies to organize the election of the trade-union representatives in 2001, 2002 and 2003 in 3 of its sub-contracting factories. Anita Chan, 2004, cited work. Other foreign companies followed its example. However, we will see then that the judgment on CSR approaches in the representation of workers, particularly the organization of elections in the subcontracting factories, divides today scholars of CSR and social rights in China.

³⁹ Anita Chan, 2004, cited work.

⁴⁰ Ibid.

II. THE SOCIAL IMPACT OF CSR: FOREIGN FIRMS "REGULATORS" BETWEEN STATE AND SOCIETY?

II- A CASE STUDIES OF CSR STRATEGIES AND "BEST PRACTICES" FOR IMPROVING SOCIAL STANDARDS IN CHINA

What initiatives can be considered "good practices" in improving social standards? Which companies have already implemented them? What are their impacts on improving the conditions of workers? In what follows, we will try to answer these questions through the analysis of case studies of good practices in promoting social standards. Key initiatives to improve social standards have been adopted by enterprises towards their suppliers, especially in the area of retail and consumer goods. Several companies have established ethical codes for their choice of suppliers and began auditing programs to monitor and improve standards among their subcontractors. Beyond American companies such as Nike, Reebok, Gap or Disney which were the "pioneers" of CSR in China, European companies are also becoming active in the social aspects of CSR. We will discuss in what follows, the initiatives of the British company Pentland, Ikea, H&M, Adidas and EDF with a focus on the strategy and the initiatives of Pentland.

PENTLAND

Pentland is an English company whose turnover in 2003 was 328 million pounds. It manages 11 brands, mostly in sportswear and shoes. These brands include those which it owns, as Speedo and Ellesse, and those which it has licensed, such as Lacoste and Kickers. The company operates on four continents with five offices in Asia, including three in China (Hong Kong, Shenzhen and Dongguan). Its activities cover a broad field ranging from design and development, research and identification of suppliers (sourcing), until the delivery of products to distributors.

The engagement of Pentland in CSR (that the company defines in term of "Business Standards") is attested by the respect of which it is the object in the field of international NGOs as well as by its active participation in several English and international initiatives in the field of CSR and human

rights. Thus, it is one of the founding members of “Ethical Trading Initiative (ETI)”. It is also member of “the International Business Leaders Forum (IBLF)”.

Adhering to the United Nations Global Compact since 2001, Pentland instituted a department “Businesses Standard” with personnel and offices in the United Kingdom and in Asia. It counts in its team “Businesses Standards” CSR experts such as Zhou Weidong, now responsible for the BSR (Business for Social Responsibility) office in China and Lesley Roberts, president of the CSR Committee at the World Federation of the Industry of the Sport. The action of the department is to centralize the initiatives concerning the social rights and the environment as well of the company as of its suppliers in Asia.

Pentland CSR strategy with its suppliers is based on standard modules or "training modules" that summarize the codes of business conduct in the field of health and safety, wages, working hours and child labor . These modules, which represent the "grassroots" to approach suppliers, are then used to identify gaps and monitor progress. The first step is to send to suppliers staff of Pentland’s companies. This first approach focuses on the health and safety standards that are presented through the « training module ». An initial survey of workers is also conducted. If these standards are accepted by the managers of the factory, the team "Business Standard" joins his colleagues. A second survey is then carried out introducing additional modules that address wages, working hours and child labor. Pentland also publishes modules on specific issues. All this information is translated into the language of its suppliers. Indeed, surveys conducted by teams of Pentland in collaboration with experts and local NGOs have shown that major problems, particularly in China but also in Vietnam and Sri Lanka, are the lack of information on the risks and the rights or not understanding technical information both from suppliers and employees. Thus, in China Pentland has published posters in Chinese on safety in workplaces that were distributed in the factories of its subcontractors in the province of Guangdong. For the reduction of excessive work hours, Pentland has led in 2001-2002, in collaboration with a Chinese NGO, a research project in Guangdong province in which more than 200 workers housed in dormitories were interviewed to make an assessment of existing conditions and priorities of workers. What has emerged are mostly gaps in terms of safety of buildings that are managed by local authorities. Thus Pentland committed to working with suppliers to ensure building safety, let workers to participate in decisions that affect them and ensure the availability of rooms for couples. Indeed, the survey revealed that many workers are married or want to marry but they can not afford to live as a couple. Following the investigation, a supplier of Pentland now provides housing for employees with family and organizes access to local schools for children. Another project, expired in 2004, was directed by Pentland in collaboration with Impactt Ltd., a British firm specializing in business ethics (ethical trading consultancy) and local organizations in China. The project aimed to seek opportunities to reduce working hours without reducing salaries. Chinese factories have responded with several

initiatives. Some have set up committees of workers, others have introduced new management systems and have made structural changes⁴¹.

In the field of worker participation in improving standards, within the framework of the project on working hours, the former Pentland Chinese specialist Zhou Weidong initiated the development of a network of organizations and local residents, the Participatory Development Appraisal (PDA), to develop in plants the use of methods defined Participatory Rural Appraisal (PRA)⁴². This network is now independent and continues to facilitate the creation of committees of workers, health and safety committees and other more informal workers committees. According to the report, the use of PRA enables workers and employers to understand the importance of improving communication and work together to find solutions on the workplace.

The effectiveness of laws, particularly in terms of health and safety, has also been the target of initiatives. In 2002, the Chinese government has introduced a new law on health and safety in the workplace. The law requires companies with more than 300 employees to establish a special department for health and safety or to employ staff full time to consult workers on these issues. Pentland has started training programs to explain this law to managers of factories and workers in order to help them implement the new procedures. Pentland began with seminars for providers to explain the changes. These seminars were attended by representatives of about 30 factories. Then, the company has established pilot projects with three suppliers. The results of these projects will then be used to develop other projects with other suppliers. The key element of Pentland's strategy, on which the report highlights, is the need to communicate as much as possible about standards with workers and employers, to explain and educate in Chinese, using specialists and to seek solutions by integrating the various stakeholders (workers, local authorities, employers, NGOs). Finally, the participation of local authorities is considered fundamental to improve conditions in factories. Thus, members of the Chinese team Business Standards have been invited to train labor officials on national and international standards. Notably Zhou Wei Dong has given these training programs through a program funded by the World Bank⁴³. The project on the reduction of working hours driven by Impactt has also been expanded to a second group of firms, among which Ikea, Marks & Spencer, The Body Shop International and Lambert Howarth.

⁴¹ Pentland's study was published by The Institute of Business Ethics in Louise Jamison & Hilary Murdoch Taking the temperature: Ethical Supply Chain Management, 2004.

⁴² Participatory Rural Appraisal (PRA) is a label given to a set of participatory approaches and methods designed to foster the exchange of information knowledge at local level and help local people develop their own proposals and projects. Source: "Participatory Rural Appraisal Collaborative decisionmaking: Community-Based Method", The World Bank Participation Sourcebook <http://www.worldbank.org/wbi/sourcebook/sba104.htm>.

⁴³ *WTO & China Labour Security Officials Training Manual*-International Labour Standards and Corporate Social Responsibility, Guangdong Human Resource Management Association, Fevrier 2004.

IKEA

The company Ikea is also actively engaged in the promotion of social standards with its Chinese subcontractors. It collaborates with various international NGOs active in China in the promotion of social rights and CSR such as Save the Children and BSRChina. The production of house furniture in China supplies 18% of the total production of the group in the world. The working standards in the factories of its suppliers are established by a specific code of conduct The IKEA Way on Purchasing Home Furnishing (IWAY) whose implementation is monitored by a system of audit carried out by the staff IWAY of Ikea but also by external partners such as the firms KPMG, PricewaterhouseCoopers and Intertek Testing Service. In Asia, the number of suppliers complying with IWAY standards is the lowest. For this reason audits with Asian suppliers are made more frequently than in Europe and the United States, that is to say every six months. In 2006, the number of Asian suppliers approved by the IWAY audits fell from 16% to 13% compared to 2005. This was justified by the tightening of controls and multiple « surprise » audits with its Asian suppliers⁴⁴. In China, the organization by foreign firms of "surprise" audits is used very rarely because of difficulties in their implementation. However, as discussed in the next paragraph the importance of "surprise" audits is highlighted by the experts of CSR as an essential element for effective controls in the Chinese context. Since 2006, IWAY asks suppliers to conduct their own audits and establish committees for health and safety, half of whose members must be employees. This initiative is in line with Ikea commitment to motivate and support providers to ensure themselves the application and improvement of codes developed by Ikea. The implementation of auditing systems operated by suppliers is one of the objectives of the training approach advocated by organizations specializing in the promotion of CSR in China.

Ikea is not the only Swedish company to have taken initiatives on social standards. The producer and distributor of clothing **H&M** is a member of BSRChina and its suppliers are involved in training for managers of the factories provided by the organization. Today, H&M, of which approximately 20% of products are manufactured in China, is planning more targeted initiatives in the longer term for these suppliers. "Tailored" training on specific issues could be organized in partnership with BSR. The project, which was at the time of my staying at BSR still under discussion, would see the participation of other foreign firms⁴⁵. However, in spite of the good will of the company, to change the mentality of the suppliers remains extremely difficult and it is not obvious to choose the good strategy to be held, according to H&M. Zhou Weidong notes that the key of the problem is not to limit themselves to impose practices to the suppliers but to support them in their implementation for example through incentives and inviting the "good pupils" to show the example.

⁴⁴ Ikea, *Social & Environmental Responsibility Report 2006*, www.ikea-group.ikea.com/corporate/responsible/index.html

⁴⁵ During my stay in Guangzhou, I attended a meeting between a representative of H&M in charge of CSR and Zhou Weidong. The purpose of the meeting was to lay the bridges for new collaborations between the two in the training of Chinese suppliers of H&M.

Communication between foreign companies, collective initiatives and sharing best practices through the creation of working groups to establish "benchmark" of best practices, are essential to a better implementation of the codes.

Among European companies which have taken different types of initiatives in the social field, we can also cite the German producer and distributor of clothing and sports shoes Adidas. Some Adidas initiatives towards the Chinese suppliers have been included in the guide on CSR published by the European Chamber of Commerce in China. Major initiatives have been taken regarding health and safety through a program of inspections and checks on its suppliers, and trainings in partnership with NGOs⁴⁶, managers and factory workers. SEA (Social and Environmental Affairs) program also includes specific questions that require special attention in China such as the transmission of AIDS, women's health and the protection of migrant workers⁴⁷. **Adidas** has also taken initiatives to improve communication between workers and managers, both in its factories and with its suppliers. To this end, Adidas has introduced social standards committees composed of representatives of workers as well as internal mechanisms of complaint (suggestion boxes). In addition, the company distributes in southern China, educational materials on the agencies and organizations that can educate workers about their rights⁴⁸.

Among other initiatives aiming at a major participation of the workers to the improvement of the standards, we can also mention those of the American giant Disney and the German BASF.

Disney, in partnership with a NGO of Hong Kong, instituted a hotline for the employees. Calls to the hotline help Disney to be informed anonymously on the internal operation of the factories. According to Stephen Frost, this type of initiative is both effective and less costly for the company⁴⁹.

The world leader in chemical industry, BASF also established a "Compliance Hotline" for employees to explain to them their rights and collect suggestions and complaints on the implementation and improvement of codes. Calls are handled by lawyers working for the company and by independent law firms⁵⁰.

However, among these various methods mentioned above (hotline, workers committees, complaint box) to encourage better representation of workers, the first two methods gave results much more satisfactory than the third. The latter leaves the possibility for management directions of subcontractor companies to put pressure on the workers through denunciation or monitoring of the box⁵¹.

⁴⁶ European Chamber of Commerce in China, op.cit., p. 36

⁴⁷ Ibid.

⁴⁸ Eckhard Plinke et Makiko Ashida, 2004, op. cit.

⁴⁹ CSR Asia, « Doing CSR : The building blocks to better business in China », Beijing, 31 May – 1 June 2007.

⁵⁰ European Union Chamber of Commerce in China, cited work

⁵¹ Interview with Jean François Huchet, Hong Kong, 21 Mai 2007

A last case that we can mention is that of EDF (Electricité de France)⁵² This is a company with public participation to whom French law requires an extra financial report. EDF is now a major investor in the electricity sector in China on its own sites and on Chinese ones of which it has a share of participation. As such, EDF is concerned with social rights particularly in the field of staff management and working conditions⁵³.

The case of EDF seems interesting as well for the commitment of the company in China as for its status (involvement of the French state as the main shareholder), or its "social" policy. According to Jean-Claude Lalizou, EDF HR Asia-Pacific, EDF's commitment in promoting CSR in China is written in the spirit of the company, its willingness to engage in the country and its long-term vision and it is explained by the training and education of Chinese managers in CSR⁵⁴.

In January 2005, EDF has signed a framework agreement on CSR following negotiations between employee and management representatives of major corporations that control the EDF Group, with support from international trade union federations. The agreement is valid in all companies controlled by EDF in the world. Article 10 established the group's responsibility towards the practices of its subcontractors "in law enforcement, health and safety, ethical behavior with customers and environmental friendliness."⁵⁵

Other French companies such as Rhodia and PSA have taken this agreement as a model for the development and negotiation of global agreements on CSR. In addition, the EDF agreement was used as a model by a Chinese electric company. The monitoring of the agreement is secured by a Committee of Dialogue on Corporate Responsibility (CDRS) composed of 25 employees' representatives of the companies of the group (on average 2 per country, one for China)⁵⁶. The implementation of the agreement in the different countries is provided by the local human resources departments⁵⁷.

In China, what seems to characterize the CSR approach illustrated by Jean Claude Lalizou is the "personal and progressive approach turned inward rather than outward"⁵⁸. In other words, in China the company has preferred to manage its CSR efforts itself rather than relying on outsourced expertise of

⁵² It refers to the case of EDF before the fusion with Suez.

⁵³ Responsabilité Sociale du Groupe EDF-Engagements et mise en oeuvre, Seminaire IIES-BIT, Juillet 2006.

⁵⁴ Interview with Jean Claude Lalizou, Beijing, 29 May 2007.

⁵⁵ Responsabilité Sociale du Groupe EDF-Engagements et mise en oeuvre, Seminaire IIES-BIT, Juillet 2006 <http://www.ilo.org/public/french/bureau/inst/papers/confrence/gover2006/edfpre.pdf>

⁵⁶ EDF, *Accord sur la Responsabilité Sociale du Groupe EDF*, 24 Janvier 2005.

⁵⁷ Ibid.

⁵⁸ Interview with Jean Claude Lalizou, Beijing, 29 May 2007.

specialized NGOs or other external organizations. In this sense, the focus of social dialogue is within the company, between managers and employees.

We have seen that European companies such as Ikea and Pentland, who also adopted a long-term approach focused on training, chose to work closely with local and foreign organizations active in promoting CSR. Some companies have taken the initiative to organize the election of union representatives in their own factories or those of their subcontractors. Others have committed other means more or less useful, such as workers' committees (Pentland, Adidas), but also suggestion boxes (Adidas) or hotlines (Disney, BASF).

The initiatives in the field of workers' representation by foreign companies are now encouraged by the professionals of CSR within an approach "multistakeholders" which includes negotiations with the union officials, local government and "civil society". Thus isolated initiatives taken in this area by foreign firms now seem to have their limits in terms of "best practices" of CSR in China. Foreign companies must commit to improving working conditions and local law enforcement in factories. But the representation of workers, including the elections of union officials, are not their competence, but rather that of the unions⁵⁹. This trend is needed among professionals of CSR in China in parallel with the escalation of CSR in the official discourse of the government. However, some social rights activists point out that, given the absence of independent unions in China, if the CSR of foreign multinationals wants to contribute to improve social standards, initiatives for workers' organization such as organization of elections of union representatives are among the most useful initiatives to improve working conditions. Cai Chongguo insists that foreign companies can, if desired, **to** contribute to a better organization of workers in China. This debate raises again the question of the aims of CSR in the Chinese context and the role that different actors (MNCs, civil society, State-Party) play in shaping those purposes⁶⁰.

Beyond the initiatives cited above, others "best practices" emerge. Thus some foreign firms of the same sector begun programs of cooperation between them to form their suppliers in order to impose the same standards. Given that the same subcontractor may work with several multinationals, such initiatives may be more effective to impose subcontractors' compliance with established standards. A subcontractor has more incentive to break a partnership with a foreign company under the pretext of finding another with less restrictive standards. The solution of group between foreign producers has been adopted in the distribution sector with the formation of SEDEX (Supplier Supermarket-led

⁵⁹ Stephen Frost, Trade Unions 101: MNCs and freedom of association in China, CSRAsia Weekly, Vol.3, Week 38, Sept. 2007.

⁶⁰ Entretien avec Cai Chongguo, Paris, 24 Avril 2007.

Ethical Data Exchange Initiative), and in the electronics industry in China with the implementation of "the Electronic Industry Code of Conduct (EICC)⁶¹.

Despite these examples of good practices, initiatives by foreign companies to improve social standards are generally very limited and insufficient. In most cases, foreign firms are passing a double message to their suppliers: the observance of codes of conduct on one side and the search for production costs lower and lower on the other. The difficulties in the implementation of codes exist but that should not be an excuse for companies to close their eyes to conditions in the factories. On the other hand, while the Chinese version of the CSR takes shape, the initiatives of foreign firms are adapting. Thus, the question of representation of workers now seems increasingly difficult to address by foreign firms without engagement with the official union.

The conclusions drawn from these examples of initiatives by foreign multinationals are confirmed in the theoretical debate on the social aspects of CSR in China. Even with tighter controls and audits by some companies to their suppliers, the impact of these initiatives will remain limited in the absence of better workers' representation. Han Dongfang is very skeptical about the role of foreign companies in the promotion of social rights. He said: "Foreign companies all have codes of conduct that should protect the rights of workers in factories. However, specific examples show that these codes are not improved and made effective in China ... It is naive to expect that foreign investors can promote better working conditions ... The only way to promote better working conditions is workers' organizations⁶². Other observers are less skeptical about the possibility that CSR practices of foreign companies and pressure from international civil society can make positive changes in working conditions. However they stress that the future for CSR in China mainly depends on the role that the State-Party and the ACFTU will decide to play against the privatization of labor law that CSR of foreign multinationals should encourage⁶³.

⁶¹ ORSE, 2007, cited work, p.19

⁶² Han Dongfang, "The Role of Foreign Investors in Promoting Good Labour Practices in China", speech at the annual International Conference of Rights & Democracy (International Centre for Human Rights and Democratic Development), Toronto, 14-15 June 2006, in *China Labour Bulletin*, <http://www.chinalabour.org.hk>.

⁶³ Chang Dae-oup and Monina Wong, "China's Labour Relations as a contesting ground: Corporate Social Responsibility and Labour Activism", *Asian Labour Update*, Asia Monitor Resource Centre (AMRC), Issue No. 58 January - March 2006.

**II-B "CIVIL SOCIETY": NGO, 'NO PROFIT',
'GONGO', CONSULTING FIRM?
CASE STUDY OF CSR PROFESSIONALS IN CHINA**

Civil Society within the country is emerging as a player capable of playing a "promoter" role of social standards in China. This "civil society" is composed primarily by the different types of organizations (foreign and Chinese) engaged in promoting CSR. We give some examples of Foreign and Hong Kong "NGOs" specializing in CSR and their initiatives for social standards. The work of these organizations is in close connection with foreign firms in the country but also with Chinese enterprises, the 'GONGOs' (Government-Operated Non-Governmental Organizations), local governments, Chinese workers and citizens. It is sometimes difficult to define and assess the role of each of these actors in improving social standards in China. This difficulty is mainly due to "ambiguous" statute of "civil society" and NGOs (foreign and Chinese) in the country. These correspond to different types of organizations of which even the terminologies for describing them are contributing to the confusion. In fact NGOs in China can be recorded as: social oriented organizations, "non profit" organizations, foundations, educational institutions and even firms. During the 90s the development of Chinese NGOs (even if they are still faced with serious constraints), and the appearance of foreign NGOs in China, are explained by some analysts as part of a strategy to legitimize the party in the second phase of reforms (after Tiananmen)⁶⁴. According to this angle of analysis, within Chinese society, the process of "professionalization" of the Chinese elite and the emergence of local NGOs meet the need for the government to manage the "negative" consequences of economic opening and ensure the stability of the regime. "Civil society" becomes a means « to design solutions to social problems that the party state cannot solve for lack of resources—or for lack of will—but under its control »⁶⁵.

The accession of China to the principles of "governance" and the opening to the concept of "civil society" does not mean that the latter is independent. As noted by Anthony Saich, every social organization in China has negotiated with the state its space available in the society. It is within this

⁶⁴ For two critic analysis of the emergence of the "civil society" in China during the '90s and its meaning in terms of relations between State and Society see: Anthony Saich, "Birth of a civil society with Chinese characteristics?", *Esprit*, February 2004, pp. 162-170, Jean Philippe Beja, "The Changing Aspects of Civil Society in China", *Social Research* Vol 73: No. 1: Spring 2006.

⁶⁵ Jean Philippe Beja, 2006, cited work

space defined by the state that some of these organizations "seek to manipulate official and semi-official institutions to their advantage" and promote change⁶⁶. The different types of organizations specializing in CSR in China are no exception. Thus, the question that arises is that of autonomy and capacity of action of these actors vis-à-vis the objectives of government. Will they be in a position to influence the evolution of government policy on social rights? Is there a risk that they unconsciously participate in the legitimization of a vision of CSR as a means of "channeling" the opposition and control of the regime on society? Are there differences in how these organizations promote CSR and consider relations between firms, state and society?

Among the various existing organizations, we will focus our study on the approach and initiatives of three main foreign and Hong Kong NGO's specializing in CSR with a focus on BSRChina.

BSRChina was created in January 2005 with its headquarters in Guangzhou. The organization, which is a division of the U.S. organization BSR (Business for Social Responsibility), aims to promote CSR in China in Chinese companies and government agencies. In the long term goal is to get BSRChina to influence political discourse and decision-making concerning different aspects of CSR (environment, transparency, and social rights)⁶⁷. Its business consists mainly of a set of consulting services for companies in CSR. His expertise ranges from defining and integrating CSR strategies, to the development of structures to manage corporate performance. Its activities do not include aspects related to the implementation of codes of conduct such as auditory, controls and monitoring of suppliers. BSRChina is currently working with about 70 foreign multinationals, mostly American, among which HP, Disney, Nike, Timberland, HM, Ikea, Gap. As part of its activities, it also works with GONGOs (Government-Operated Non-Governmental Organizations) and Chinese national and local government authorities in the province of Guangdong.

The approach of BSRChina wants to emphasize the limits of the traditional approach of foreign companies based on 'monitoring' and audits imposed on suppliers. This "defensive" approach that has dominated for a long time the CSR strategies of foreign companies do not contribute, according to the organization, to the commitment and the accountability of providers. They undergo audits imposed by foreign companies without understanding the motivations.

Therefore, BSR stresses the importance of engaging with suppliers through an approach defined as "proactive" and which aims to reduce the gap between foreign firms and their suppliers. The fundamental points are the importance given to the education of the suppliers and the benefits of a long-term engagement on the part of foreign firms. This vision is the basis for the establishment of the

⁶⁶ Antony Saich, 2004, cited work, p. 170.

⁶⁷ Information on BSR China were collected during my stay at BSR in Canton as well as during an interview with the representative of BSR in Beijing, Yiling Wang, on May 29, 2007

China Training Institute (CTI), a program of training which aims to improve social standards in Chinese factories of foreign companies' suppliers.

Part of the training programs delivered through the CTI is 'open', that is to say, accessible to different companies' and sectors' suppliers. These programs are organized on one or two days and focus on a general set of 'good practice' in CSR. They cover issues including health and safety at work, productivity and reduction of working hours and human resources management.

The courses are given by Chinese experts in CSR (former plant managers, members of "NGOs" in China) under the supervision of BSR staff and are mainly addressed to young managers of Chinese factories⁶⁸. However, one problem that arises is that the trainers and the BSR staff in most cases do not know the actual working conditions in different plants unless they have been informed by the audits of foreign companies. Thus, for example if the training shows the procedures to be implemented in case of fire (use of fire extinguishers, emergency exit) it may be that such measures do not exist at all within the factories and that young managers are unable to make improvements because the susceptibility of equipment and safety measures for the plant depends on the willingness of employers. During these two years, approximately 80 of these types of training were provided by BSR. Courses can also be 'tailor made' to meet the requirements of an industrial sector or a given industry. These 'customized' programs can either cover a wide range of topics related to CSR or rather focus on a particular issue, such as wages or health issues with the participation of other stakeholders such as doctors for health issues. These courses normally last from 3 to 12 months and may include in some cases visits to factories. These customized programs require a long term commitment by the foreign company which aims at developing an independent CSR strategy by suppliers and developing an audit system managed by them.

However, BSRChina addresses the issue of representation of workers with some reluctance. According to the organization, the context of social rights in China is "different" primarily for cultural reasons. Thus, it bases its strategy on changing the attitudes of managers of factories through training to regard the workers as "human beings"⁶⁹. The initiatives of foreign companies in the area of employee representation are encouraged by the organization only when taken in concert with the official union and mediation organizations such as BSR. Unilateral actions by the companies will only increase the workers' demands and instability without offering them skills to find solutions to their situation⁷⁰. Scott Chang, a member of the team of BSRChina since its foundation, said: Specifically on union issues it is preferable for companies to take initiatives in a collective bargaining perspective,

⁶⁸ During my stay at BSR, I attended a one day course on "Health and safety in the workplace". The training involved approximately 20 young managers from 10 subcontractors' factories of foreign brands of apparel sector: Quicksilver, Kappa, Gap and Marks & Spencer.

⁶⁹ Interview with Scott Chang during my stay at BSRChina in Guangzhou.

⁷⁰ Ibid.

involving ACFTU for example creating roundtable with enterprises, AFCTU and BSR. BSR would be the neutral platform”⁷¹.

Given this analysis it is clear that BSR approach focuses on the need to adapt CSR to the Chinese context by focusing its aim on a better application of existing Chinese laws and suppliers’ education to change attitudes. Another BSR method is the multistakeholders approach which aim, as we have said, to ensure participation of all stakeholders particularly NGOs in China, the AFCTU and public authorities.

Other foreign "NGO's" such as CSRAsia and GTZ are also very active with companies and government agencies. More than a cabinet, CSRAsia wants to combine the promotion of CSR and advising foreign companies with research. CSRAsia is led among others by Stephen Frost, a professor at City University of Hong Kong and host of "Asia Labor News" - one of the most active websites in employment in China. CSRAsia is defined as a "social enterprise" occupying "the middle ground between civil society organizations and fully commercial consultancies⁷²". Present in Hong Kong, Shenzhen and Singapore, it is also active in other Asian countries such as India.

His approach to CSR is to show firms, through "business cases", the risks in terms of image and profit derived from the absence of CSR strategies. CSRAsia organize in China, Hong Kong and Singapore conferences and courses open to different actors (companies, NGOs, academics, organizations and government agencies) to inform and facilitate dialogue between different actors. These conferences are often organized in partnership with other actors such as the European Chamber of Commerce, GTZ, or Asrla.

GTZ is a German NGO affiliated to the Federal Ministry for Economic Cooperation and Development (BMZ). It has been for 25 years in charge of the implementation of cooperation programs between China and Germany. Today the promotion of different aspects of sustainable development and assistance in the implementation of reforms are the priority goals of the organization in China. Its action is mainly to provide technical advice on sustainable development and CSR for the implementation of pilot programs. The latter are in most cases public-private partnership programs⁷³. GTZ is now very active in promoting CSR with government and Chinese enterprises.

Since 2004, the organization launched in partnership with The Foreign Trade Association of the German Retail Trade (AVE), a project to improve working conditions in factories of Chinese subcontractors of German supermarkets. A main element of the project is the organization of regular round table organized by GTZ, in order to discuss issues and strategies for the implementation of CSR

⁷¹ Ibid.

⁷² www.csr-asia.com

⁷³ <http://www.gtz.de>

in the country. The forums attract the participation of different actors, representatives of the European Union, the ILO, the Chinese Enterprise Confederation, the AFCTU and other actors in public and private sectors as well as in civil society. Since 2004, 7 of the Forum have already been held. The 2005 theme was "European Perspective on CSR". The last, held in November 2006 entitled: "From CSR in China to Chinese CSR". This forum made, through the perspective of different actors (including BSRChina, the EU-China Trade Project, the China WTO Tribune World), a state of the development of CSR in China when attention is focused on the topic in the country⁷⁴.

During 2005, GTZ has funded the creation of CSRChinaMap in collaboration with SynTao, China Credit Information Service (CCIS) and CSR Asia. The aim of the initiative is to facilitate the exchange of information on CSR in China. The initiative has given origin to a database that provides information on Chinese and international organizations active in the field of CSR in China and their activities⁷⁵.

What emerges from the analysis of approaches and initiatives of these organizations is that training of managers is now the main line of action. The objective of this new approach is changing strategies of foreign companies to a long-term commitment with their suppliers. Training system comes with the promotion of the multi-stakeholder approach. During the first 10 years of developing and promoting CSR in China, strategies and practices of foreign firms have been characterized by a defensive approach by imposing controls and audits to their suppliers. Today, given the evolution of the discourse within the country, the development of a specialized "civil society", the changing government's attitude with respect to CSR, a different engagement is necessary according to these organizations.

In this vision, the role of government and official bodies such as AFCTU is seen as a stakeholder, as well as civil society, which acts as an intermediary, including on sensitive issues such as labor relations. However, if you look at the initiatives of these organizations, a majority of them relates to the aspects having major support from authorities such as health and safety while the issue of working hours is less considered.

The initiatives on worker representation and other rights protected by law (employment contracts, discrimination, and child labor) exist, but their promotion to foreign companies and the training process of plant operators and local authorities is long and complex and its impact uncertain. Without wishing to deny the benefits of a CSR approach by foreign firms that takes into account the negotiations with various stakeholders, it seems necessary to emphasize its limits in the Chinese

⁷⁴ <http://www.csr-roundtable.com>

⁷⁵ The initiative has given origin to a database that provides information on Chinese and international organizations active in the field of CSR in China and their activities.

context. Clearly we believe that the implications of multistakeholders approach cannot be the same in China that in Europe and in the United States, where the truth of the social dialogue is ensured by the independence of the different parts involved.

II-C THE NEW "STAKEHOLDERS": THE ROLE OF MEDIA AND CHINESE CITIZENS?

Beyond the “professionals” of CSR, the ordinary citizens start to emerge as actors engaged in the debate. During last years the Chinese press and consumers became increasingly active in the attacks to firms. These attacks aim at the image and the reputation of the brands. They concern in most cases famous foreign brands and much more rarely Chinese companies. In certain cases the charge is not precise but a simple image taken by a citizen and published in the press or diffused on Internet can be enough to make “the case” burst and the speculations multiply quickly. Thus, *MC Donald* found himself in the Chinese press because of the images taken by the mother of a little girl who was injured in a restaurant of the chain⁷⁶. The images showed the injured girl next to the sign of the restaurant in question. Internet forums on the model BBS (Bulletin Board System) often attract the attention of public opinion on stories that end in the press. This is the case of an image that appeared on one of these sites showing two young girls kneeling on the steps of *Emerson* in front of three uniformed guards. Site members made speculations to try to unveil the truth.

Issues of discrimination are also subject to special attention from the citizens and those engaged in social rights advocacy. Some communities have developed on the web about discriminatory practices in hiring mainly by foreign companies. Thus, the forum HBVHBV.com is a wide community that fights discrimination against carriers of the Hepatitis B disease. The Forum was formally registered in 2001 and in 2005 there were over 164,948 members. Their mission is to welcome and follow-up “hbver” (HB virus carriers) and awareness of political leaders and public opinion on the conditions of life and work of about 120 million people carrying the virus. Its actions go from legal action against discrimination in hiring to the proposal, by 1161 citizens⁷⁷, of a project to revise the constitution. In addition, the site contains a list of “good” and “bad” companies in employment discrimination. The forum asks members to provide names of companies, including American, who practice this type of discrimination and calls to boycott their products. Among the “bad” are the American brands Dell, Walmart, TNT, Lucent (Alcatel-Lucent since 2006, company under French law) and the Chinese group Sinotrans. Among the “good” the forum cites only Siemens, Nokia and IBM⁷⁸.

⁷⁶ CSRAsia, “DoingCSR: The Building Blocks to Better Business in China”, Pékin, 31 Mai-1 June 2007.

⁷⁷ <http://www.hbvhbv.com>

⁷⁸ CSRAsia, « DoingCSR: the building blocks to better business in China », Pekin, 31 Mai -1 Juin 2007

The existence of websites such as HBVHVB.com indicates that citizens and the Chinese media are changing their attitude towards firms' behavior, particularly towards foreign firms. The debate around CSR now intersects with the commitment to defend the rights of the weakest in the country. This last point, as already mentioned, is a consequence of the professionalization of elites and the commitment of some intellectuals within the system in the implementation of reforms⁷⁹. On the other hand, the greater participation of citizens in the debate is part of the space that the government has opened to the public and that the latter tries to extend at his advantage.

⁷⁹The Movement for the Defense of Rights (in Chinese weiquan yundong) was developed from the case of Sun Zhigang, who was killed in 2003 in a nursing home for the villagers in irregular situation because he did not possess the residence license for the city of Canton. Sun Zhigang's death caused the reaction of Chinese intellectuals who have expressed their protest on the Internet. The scandal has had a huge echoe in public opinion as to compel the government to abolish the law on nursing homes in question. Jean Philippe Beja, 2006, op. 79-82. On the scandal Sun Zhigang and the weiquan yundong also see: Isabelle Thireau et Hua Linshan, « De l'épreuve publique à la reconnaissance d'un public : le scandale Sun Zhigang », *Politix*, Vol. 18 n. 71, Sept. 2005.

**II- D THE ROLE OF THE STATE:
INITIATIVES BY LOCAL GOVERNMENTS IN FAVOR OF CSR,
COLLABORATION BETWEEN 'NGOS' AND LOCAL GOVERNMENTS.
WHAT PRIORITIES OF THE REGIME IN THE PROMOTION OF CSR?**

The Chinese government is affirming itself as a major player of CSR in China. We have seen that CSR has been gradually integrated into the official discourse, and today the government is engaged in its promotion through putting forward in its political discourse the concept of "harmonious society" and the role of government in its promotion. More recently, Wang Jinhua, an official of the Ministry of Civil Affairs in charge of the Division for Rural Areas, Department for Political Power of "Grassroots", told local media that China is developing a standard for "quantifying" harmonious society⁸⁰. Still on the subject he said: « Currently, many public services in China, like health, education and security are undertaken by local communities, but they should be influenced by the national government as well ». Thus, according to Wang, the weight carried by 'self' acting organizations in local communities will be relieved in the future by the government. On the other hand, some departments of the provinces most affected by foreign investment such as Guangdong and Zhejiang have begun to take initiatives towards CSR. Following a March 2006 study by the Shenzhen Municipal Bureau for Labor and Social Security, which highlighted the increase in complaints and conflicts at work in the region (in 2004, Shenzhen received 45,200 complaints about firms' behavior) and other surveys carried out by local authorities since 2003, the latter decided to act⁸¹. Thus, the Shenzhen government decided in 2006 to publish a document entitled "Instructing Opinion on Promoting Corporations Practicing Corporate Responsibility ». The document is considered a first step towards adopting a standard for certification of CSR in the region. The standard will be based on Chinese laws and regulations and will include the protection of the environment, worker protection,

⁸⁰ "China Plans Harmonious Society Measurement Standard", CSRChina Weekly Update, 11th October 2007. <http://www.csrchina.com>

⁸¹Brian Ho, "Shenzhen Promote CSR Standards", *CSRAsia Weekly*, April 2006, vol. 2 Week 16.

health and safety⁸². Recently, a new CSR standard "HM 3000" was published in Hang Zhou by a Chinese consulting firm⁸³.

Alongside these initiatives, while the Chinese government shows its intolerance towards Western pressures around CSR, integration of CSR in the public discourse, public policy effort to promote CSR, cooperation of formal institutions with specialized NGOs seem to provide evidence of its commitment, within the country and internationally.

In this context, the government's willingness to assert its role in the implementation of CSR "with Chinese characteristics" is obvious. Notably, the message for foreign firms and Western countries is clear enough. CSR is now a priority for the authorities. And the Chinese authorities, not foreign firms, have the responsibility to promote the Chinese vision of CSR among enterprises, and to establish its distinctive features. Thus, in accordance with the orientation of CSC9000T⁸⁴, speeches by Chinese authorities stressing the priority given to health and safety have increased as well as statements about recent improvements in working conditions⁸⁵.

We have discussed in this section, through analyzing the different actors involved in promoting CSR, the risk that it is used by the government as a stabilizing factor of the system, affecting its ability to produce real change and facilitate the process of democratization of the regime. This concern coincides with the angle of analysis that highlights the need for the Chinese regime to manage, in the reformative phase post-Tiananmen, the social conflicts that accompany economic development and undermine its legitimacy. In this vision, economic modernization and reform processes are not coupled with the democratization of the regime⁸⁶. In this connection, Jean-François Huchet in his analysis of the role of CSR on the improvement of social rights, clearly evoke the risk that CSR "is exploited by the government to avoid the creation of real counterweights, including free trade unions"⁸⁷.

According to the researcher Mads Holst Jensen, the adaptation of the CSR to the Chinese context seems under consideration by the government in order to radically change its meaning, i.e. the relations between business community and society. In United States CSR has developed in a context of minimal role of the state. In Europe, even incorporating the voluntary nature of CSR, the latter

⁸² Ibid.

⁸³ CSRAsia News, 25th July 2007.

⁸⁴ The Chinese government has developed in 2005: the China Social Compliance 9000 for the Textile and Apparel Industry (CSC 9000T), a CSR management standard in textiles and apparel which comes in ten areas: system management, work contract, child labor, prohibition of forced or compulsory labor, working hours, wages and social protection, trade unions and collective bargaining, discrimination, harassment, health and safety on the workplace. It is defined as "... A Social Responsibility Management System based on China's Laws and Regulations, international conventions and standards, and China's Particular situations". It clearly shows the priority it assigns to the conditions of health and safety compared to other aspects. For example the CSC 9000 does not mention the conventions 87 and 98 of the ILO, respectively, on freedom of association and collective bargaining.

⁸⁵ Senior Official: China's work safety improving », CSRchina Newsletter, September 2007.

⁸⁶ Jean Philippe Beja, Jean François Huchet, « Où la modernisation n'aboutit pas à la démocratisation », *Esprit*, n°302, Février 2004, p. 100-103.

⁸⁷ Mads Holst Jensen, 2006, op.cit.

develops in a context where interactions with the state are often on the same level as those with civil society. In China, CSR is in a process of virtual expropriation by the regime⁸⁸. Thus, the discourse on "Harmonious Society" as an ideological basis of the Chinese version of CSR could be considered by the regime as a force that can help unify Chinese society under auspices of the Party while facilitating the perception of China as a "responsible power" by the international community.

To conclude the analysis of initiatives and interactions of these three players (Foreign Firms, "Civil Society" and State) for the role of foreign companies in the promotion of social rights, we must put things in the Chinese context. CSR of foreign firms could, in collaboration with various organizations from the "civil society", contribute through more effective controls and training of suppliers, to a better enforcement of existing laws, an awareness of workers about their rights, and maybe changing attitudes toward a different vision of labor relations. However, its capabilities could be very limited, if it is perceived by the regime, as an external force, which, beyond its control, undermines the country's political stability.

⁸⁸ Ibid.

CONCLUSION

CSR has been structured in the West on the basis of setting under discussion the role of state and 'traditional' diplomatic actors. It asserts among IR specialists from the supremacy of multinational power and the power of civil society and the assumption of an attenuation of national specificities under the pressure of transnational forces and issues.

In China, the debate on CSR of foreign multinationals and their potential role in the improvement of social standards will inevitably confront the crucial issue of adapting CSR to the Chinese context, particularly in social standards. The way the Chinese government intends to shape the Chinese version of CSR, will necessarily affect the implementation of codes by foreign companies in accordance with international standards.

The hope that CSR can be a positive force for change in China and the commitment to promote it on the ground can not stop to see the limits. At present, CSR in China focuses on strict enforcement of Chinese laws, according to the priorities dictated by the government through the CSC9000T and initiatives of local governments. To this context we must add the various obstacles associated with implementing the laws in force.

These difficulties are due largely to the control that the Party exercises at all levels, on Chinese companies, "civil society", trade unions, media, employers' organizations, and justice. The lack of autonomy of these actors with respect to the priorities of the system make it extremely difficult to implement and improve these codes, and seriously affects the veracity of social debate between the various parties.

Besides this, it is necessary to consider the characteristics of Chinese system, such as the high level of decentralization and the power of local bosses, which makes extremely problematic the law enforcement in the area. The involvement of some foreign companies in promoting CSR in China besides Chinese and foreign NGOs and local government, the promotion of a training approach with respect to suppliers, citizen and media participation in the debate are positive signals.

The approach to CSR requires companies to go beyond a vision of CSR practices in terms of earnings and profits for the company, taking into account their impact on recipients and focusing on changing mentalities in the long term.

However, at the current state, the message from foreign firms is unclear with respect to social aspects of CSR. The initiatives of firms in social standards are focused on working conditions (health and security), although in some cases the training approach is integrated with the audits. The majority of practices leave behind other issues such as wages, and employee participation, even for those rights which are protected by Chinese laws. The message that "civil society" within the country sends to companies particularly in terms of worker participation is necessarily vague because the capacity of action of these actors is limited with respect to the objectives of government. In this context the capacity of codes of conduct of foreign firms for the evolution of Chinese laws towards international standards can only be discussed. On the other hand, engagement in promoting CSR in China does not relate only to foreign firms. States of country of origin of multinationals and the IGO (International Governmental Organization) have a role to play. Notably, the activism of some European companies in the implementation of codes of conduct relating to the social standards and the commitment of governments in promoting CSR at international level is hardly a coincidence. Meanwhile, some initiatives to promote CSR among Chinese enterprises are now taken within a framework of technical cooperation with countries in the implementation of reforms. These initiatives see, besides foreign firms and NGOs working in the country, participation of institutional actors such as chambers of commerce, parastatal agencies, international agencies and governments. In particular, the EU through initiatives such as the EU-China Trade Project⁸⁹, or in partnership with Chinese institutions in charge of CSR, moves to China the European experience of CSR⁹⁰.

However, these are very recent initiatives still limited in number, given the different strategies and non-uniform levels of commitment of member countries in promoting CSR internationally. Finally, the possibility of a major role of international unions in the promotion of social standards in China is a future prospect so that the promotion of CSR at the global level becomes a force capable of

⁸⁹ The EU-China Trade Project (EUCTP) is a major cooperation project between Europe and China in the commercial sector. It was launched in June 2004 by the European Commission and the Chinese Ministry of Commerce to promote the integration of China into the global trading system. CSR is an integral part of the EUCTP, particularly as regards the training of Chinese enterprises in the textile and food industries.

⁹⁰ We can cite, as such, the realization of the comparative study on CSR in China and the EU ("Comparative study on EU & China Corporate Social Responsibility (CSR): Requirements and Preview of The Possibility of Establishing Standards and Conformity Assessment System in the Field of CSR in China "). This project was conducted between July 2005 and March 2006 and saw the participation of members of the European Commission and the European Chamber of Commerce in China for the European side. On the Chinese side, CNCA (Department for Accreditation, Certification and Accreditation Administration, the CNAS (China National Accreditation Service for Conformity and Assessment) and CNIS (China National Institute of Standardization) have co-directed the project. The main objectives were among others the analysis and translation into Chinese of the principles, policies and standards of European CSR through a series of investigations. The project resulted in the drafting of a study on a set of European recommendations on CSR "suitable for Chinese enterprises". <http://www.csr-roundtable.com>

improving the protection of the rights of the weakest. The "promoters" of CSR in China seem to suggest that multinationals are now in the country "regulators" between State and Society. However, what we have tried to show in this work is that the under consideration of the state's role with respect to the role of multinationals and actors of "civil society" can hardly be an advantage for promoting better social standards in China.

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POINT DE VEILLE

Society

In June 2004, International Focus, an international strategy management company, started to develop conferences called *Point de Veille*. Since this date, these conferences focus on strategic matters, by crossing multidisciplinary approaches. G-MAP, the research group dedicated to the main transformations of the 21st Century, was born from this experience.

From now on, *Point de Veille* is also the name of a series, which gathers the texts of the lectures given by the G-MAP members as well as some of their feature articles.

According to the four main transformations identified by G-MAP, the series consists of four themes: economy and geopolitics, climate and environment, sciences and technologies, society.

