

**Corporate Social Responsibility Leads to Sustainable Economic Growth in China**  
**— Observations from the Leader of the CBCC Dialogue Mission on CSR**  
**to the People's Republic of China —**

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As interest in corporate social responsibility (CSR) increases both at home and abroad, so does the amount of attention focused on the CSR initiatives of multinational corporations operating overseas by consumers, NGOs and organizations that make evaluations for the purpose of socially responsible investment (SRI). At present, Japanese corporations are promoting CSR in their affiliated companies or suppliers in Asia, and in that context, there are numerous points worthy of note with regard to the CSR initiatives of the many Japanese companies establishing a presence in China.

With this in mind, following the CBCC Dialogue Mission to the United States and Europe in December 2003, a Dialogue Mission visited China from October 13 to 22, 2004 to discuss CSR. (CBCC was established by Nippon Keidanren.) This Mission visited the Chinese government, economic organizations, chambers of commerce, CSR promotion organizations, as well as European, American and Japanese-affiliated companies, holding wide-ranging talks on CSR-related topics. The main results of this Survey Mission are summarized here.

## **1. CSR Initiatives in China**

### **(1) Background to the Need for CSR in China**

While China continues to maintain economic growth of nearly 10% every year, structural adjustment issues such as the gap between the rich and the poor, energy problems, regional disparities in economic growth and environmental problems are becoming increasingly serious. The new administration led by President Hu Jintao and Premier Wen Jiabao is aiming for sustainable economic growth under the new policy guidelines of the “Scientific Development Concept” and “People First.” This thinking is in keeping with that of CSR.

Moreover, in China, while legislation pertaining to areas relevant to CSR, such as labor, environmental protection and social welfare, is in place, there are many problems with compliance, such as difficulty with enforcement, frequent changes to the content of laws and regulations, and interpretation of laws being left up to regional governments. In the knowledge that resolution of these problems will strengthen Chinese corporations' international competitiveness, the Chinese government is taking a proactive position on the issue of CSR.

## (2) CSR Initiatives Undertaken by Multinational Corporations in China

At present, from the point of view of risk management, Japanese corporations in China are actively involved in compliance issues, activities that contribute to local society, and conservation of nature. A questionnaire carried out by the Japanese Chamber of Commerce and Industry in China also indicates that Japanese companies in China have already achieved a great deal in terms of afforestation, the greening of deserts, and support for education-related projects.

At the same time, in addition to such activities, and based upon a globally accepted code of conduct, European and American corporations carry out periodic audits of affiliated companies and suppliers in accordance with the acceptable level of risk. The audit method differs with each type of business, but based upon a program furnished by each company, an audit team made up of people from both inside and outside of the company works within predetermined parameters to inspect such matters as the supplier's working environment and labor standards. Chinese staffs are also included in the local management structure, and the business is run in a manner that takes into account the region's social and cultural background.

In contrast to this, Japanese corporations have only just commenced initiatives related to supply chain management, and efforts are now being pushed to organize appropriate systems and appoint staff to oversee CSR.

## (3) Moves to Promote CSR by Economic Organizations and the Chinese Government

Taking into account such international CSR standards as the UN Global Compact, the China Enterprise Confederation holds seminars on international CSR guidelines, carries out surveys of initiatives by Chinese corporations and compiles files of example cases in order to promote CSR initiatives appropriate to the situation in China. Viewing CSR-related initiatives to be valuable in terms of achieving sustainable economic growth and increasing corporate value, the Development Research Center of the State Council of the People's Republic of China is providing information and training on CSR.

Also, with the Standardization Administration of China (SAC) taking a major role, China has taken a proactive position on the standardization of social responsibilities as benchmarking for the ISO (International Organization for Standardization). Currently, an exploratory committee made up of representatives of Chinese consumer groups, universities, NGOs and industry is considering standardization issues from a Chinese perspective. In order to ensure that standards are created that reflect East Asian values, it has been decided to cooperate closely with Nippon Keidanren and the CBCC.

## **2. Future Issues for Japanese Corporations**

Through this Mission, the following issues for Japanese corporations became apparent.

(1) From the point of view of risk management, Japanese corporations need to strengthen ties with foreign chambers of commerce and European and American corporations operating in China and look beyond data collection on economic trends. They also need to improve their data collection concerning regional society and the political situation. To

facilitate this, it is important that Chinese staff are promoted and encouraged to excel, and that further localization of operations is pursued. Various causes for concern exist in relations between Japan and China, and on many occasions worries were voiced about the deterioration of sentiments among the Chinese people about Japan. In this respect, while it is obviously important for corporations to persist with slow but sure, grassroots initiatives to contribute to local society, efforts are also needed to seek improvement at the national level.

(2) There is a need to strengthen links between head offices in Japan and their operations and affiliated companies in China. In particular, on the head office side, in addition to understanding the local situation in China, there is a need to create a management system based on management strategy, which will globally promote the kind of CSR required of corporations in today's new era.

(3) More effective dissemination of information is needed. As previously stated, Japanese-affiliated companies are carrying out a wide-range of activities that contribute to local society, but for the most part, the general Chinese public is unaware of this. Such information needs to be more effectively communicated through cooperation with such organizations as local NGOs to ensure that activities that contribute to local society also lead to the enhancement of the corporate brand and image.

The CBCC will continue to encourage the CSR-related international initiatives of Japanese corporations, and through the global network of CSR promotion organizations, work toward even more effective dissemination and collection of information.