

1. Introduction

My intention in writing this book is to critically analyse contemporary notions of corporate social responsibility (CSR) in China. A very direct question that will be applicable to the book is whether CSR can be an effective solution to irresponsible corporate behaviours and problems of human rights, climate change, food safety and environmental pollution in China, all issues in which corporations are closely involved. The book devotes itself to a critical reading of the existing scholarship on CSR in China, and uses a legal approach to discuss this contemporary topic.

Over the last three decades China has achieved unprecedented economic growth as ‘a champion of a state-led growth model’.¹ China represents a novel environment for research, practice and legislation for CSR by virtue of the distinctive roles of its government and regulation, and the integration of the Chinese economy into the globalized map.² As such, *Corporate Social Responsibility in Contemporary China* considers the treatment of CSR in the academic literature and the inherent scepticism underpinning the reception of analyses of CSR within a legal framework. As the Chinese economy continues its rapid growth and market reform, economic aggression and corporate voracity cannot ride roughshod over the call for sustainable transition or outstrip the need to maintain the health, welfare and safety of both people and planet.³ However, China’s sustainability crisis, including environmental and social problems, is seriously hindering the movement of the Chinese economy towards a stronger and more respectable position. In terms of environmental problems, a pressing issue will be water scarcity, since 20 per cent of the world’s population in China only has access to 8 per cent

¹ B. van Rooij, ‘The People’s Regulation: Citizens and Implementation of Law in China’ (2012) 25 *Columbia Journal of Asian Law* 116 at 118.

² P.K. Ip, ‘The Challenge of Developing a Business Ethics in China’ (2008) 88 *Journal of Business Ethics* 211.

³ J. Kong, ‘What Virtues and Formalities Can Do for Corporate Social Responsibility and the Rule of Law in China’ (2012) 14 *European Journal of Law Reform* 414 at 417.

of the world's fresh water supply.⁴ China's air pollution problems are also significant, with China ranked 128th out of 133 countries in 2006 with a score of 22.3 in terms of overall air quality, the worst score among all the Asia-Pacific nations.⁵ Based on more recent data China was ranked 116th out of 132 countries in the Environmental Performance Index in 2012.⁶ The egregious social problems also drain China's economy and threaten the political stability and confidence of China's ruling party. A controversial issue since 2012 has been the question of whether China is able to afford high speed trains at the cost of passenger safety. The rapid economic rise has brought risks to environmental food safety, construction safety, and occupational and property safety. This growth has also led to challenges that must be addressed 'to avoid weakening the nation's ability to sustain economic growth and development progress in decades to come'.⁷ The role played by corporations in facing these challenges is increasingly recognised, and they are encouraged or even required to answer the call to introduce the practice of CSR.

The role of corporations in society is high on the agenda for the Chinese government. Hardly a day goes by without media reports on corporate scandals and misbehaviour towards stakeholders, or, more positively, on corporate contributions and philanthropic actions from business for the benefit of wider society in China. Monopolies, disordered markets, the gap in wealth, fake commodities, environmental pollution and the erosion of consumers' and workers' rights seem like globalised problems that arise while businesses pursue profits. In comparison with countries with better enforcement of laws that regulate CSR, such as labour protection and environmental responsibilities, the relatively low level of economic development and imperfect legal regimes

⁴ For more discussions on this issue, see T. Riley and H. Cai, 'Unmasking Chinese Business Enterprises: Using Information Disclosure Law to Enhance Republic Participation in Corporate Environmental Decision Making' (2009) 33 *Harvard Environmental Law Review* 177.

⁵ See Yale Centre for Environmental Law and Policy and Centre for International Earth Science Information Network, *Pilot 2006 Environmental Performance Index* (2006) p. 51.

⁶ See Yale Centre for Environmental Law and Policy and Centre for International Earth Science Information Network, *EPI 2012: Environmental Performance Index and Pilot Trend Environmental Performance Index* (2012) p. 10.

⁷ S. Zadek, M. Forstater and K. Yu, *Corporate Responsibility and Sustainable Economic Development in China: Implications for Business* (US Chamber of Commerce, National Chamber Foundation and Asia Department, 2012) p. 4, available at www.uschamber.com/.

always lead to slow development of CSR systems in developing countries like China.⁸ From a negative point of view, developing countries, especially the least developed nations, are badly affected by social problems such as employees' working standards, pollution and resource exhaustion, which may be a result of low tax revenues. Therefore, research on CSR in China seems essential for corporations and various corporate stakeholders, including Chinese people, who are simultaneously customers, part of local communities and government taxpayers, in order that they might understand, critically evaluate and attempt to promote socially responsible corporations with support from law.

The scope of CSR in China has moved rapidly beyond its roots, which were limited to compliance and philanthropy. It has developed towards a global concept with strategic concern for addressing issues such as project quality, employee management, governance and human rights, with the strong and purposeful evolution of regulatory elements for building better supply chains and attracting more international talent and investment. A positive aspect of the increasing awareness of CSR in China is that the government and government agencies at different levels have embraced CSR as an instrument to address environmental and social issues. This trend towards the official endorsement of CSR standards, public policy and legislative philosophy will be important in an economy that is still greatly influenced by the state. It will be valuable to consider the law and regulations surrounding CSR at various levels, pointing out gaps and disparities between domestic and international standards and between standards in China and those in developed markets. Therefore, CSR-related legislation will be discussed not only from the point of view of international principles and standards, but also with reference to law and regulations in the United Kingdom and Europe. Positively, Chinese political leaders introduced the Harmonious Society policy in order to reduce the conflict between the drive for profits and corporations' responsibility to environment and society. However, the effectiveness of this policy in affecting managers' decisions and their development agendas is still questionable. Furthermore, it is also uncertain how much impact it has had on the Chinese government, NGOs and consumer campaigners in terms of corporate decisions and their effects on social and environmental welfare.

⁸ S. Shen and H. Cheng, 'Economic Globalisation and the Construction of China's Corporate Social Responsibility' (2009) 51 *International Journal of Law and Management* 134 at 135.

1.1 CORPORATE SOCIAL RESPONSIBILITY AND REGULATION OF CSR

The concept of CSR, once known as ‘*noblesse oblige*’, has experienced a vigorous resurgence since the 1950s.⁹ The term took shape and gathered momentum during the 1950s and 1960s, developing out of a time when the sole corporate motive had been to ensure business success via profits.¹⁰ Perhaps because of its wide-ranging coverage, there is no universally accepted definition of CSR. The term is a comparatively contemporary one, referring to sustainable development with respect to environmental and social issues. The topic has been widely discussed among academics from various disciplines, including philosophy, business management, law, politics, sociology and economics, as well as pragmatically by businessmen and politically by public representatives.¹¹ CSR functions as a built-in, self-regulating mechanism whereby businesses monitor and ensure their adherence to law, ethical standards and international norms. Social responsibility is the obligation of managers to choose and act in ways that benefit both the interests of the organisation and those of society as a whole.

In the modernized economy, adherents of the CSR movement recognize the tripartite relationship between government, corporations and society to achieve a combination of economic, social, environmentally friendly and philanthropic goals. The dynamic nature of CSR implies that it is sometimes necessary to redefine the boundaries of what is acceptable, feasible and profitable and relate these boundaries to corporate decisions and strategies.¹² Companies are required to become more powerful and stronger with respect to their command over resources, and equally more responsible and accountable for their decisions and actions in terms of societal outcomes. Despite the fact that CSR has been traditionally regarded as a voluntary responsibility of corporations, the emphasis on corporations’ attention to CSR has not been entirely

⁹ H. Mintzerberg, ‘The Case for Corporate Social Responsibility’ (1983) 4 *Journal of Business Strategy* 3.

¹⁰ T. Levitt, ‘The Danger of Social Responsibility’ (1958) 36 *Harvard Business Review* 41.

¹¹ A. Elbing, ‘The Value Issue of Business: The Responsibility of the Businessman’ (1970) 13 *Academy of Management Journal* 79.

¹² U. Baxi, ‘Market Fundamentalisms: Business Ethics at the Altar of Human Rights’ (2005) 5 *Human Rights Law Review* 1.

voluntary in practice.¹³ The debate surrounding CSR is closely related to the responsibilities of boards of directors, especially their duties towards various stakeholders, including employees, customers, suppliers, creditors, the environment, government and local communities. CSR is not an isolated term; it overlaps with some policies and is synonymous with others. Discussions about CSR lie both within and beyond law.¹⁴ Therefore, together with debates on the voluntary and mandatory nature of CSR, another question which will be examined is the regulation of CSR. Should CSR be regulated through state regulation, soft law and codes of conduct or self-regulation? While a consensus has not been reached in the general debate, the question in China provokes intense controversy and interest.

1.2 INTRODUCTION TO THE CORE TERMS IN THE BOOK

It has been observed that corporate social performance is related to the political, labour, education and cultural systems of a country.¹⁵ The arguments in this book proceed in a logical order. Discussions flow smoothly from Chinese history and culture to corporate governance models and political policies in China and their impact on CSR. The emphasis of the whole book will be on arguments surrounding legal aspects and responses to CSR issues in the unique Chinese environment. Within the flow of this logic, debates on corporate objectives within the classical model of stakeholder theory and the shareholder primacy norm will be discussed to enhance the discussions of CSR in China. First, however, a series of core terms and related concepts, such as CSR, the stakeholder approach, the shareholder primacy norm and the different

¹³ M.E. Porter and M.R. Kramer, 'Strategy and Society: The Link between Competition Advantage and Corporate Social Responsibility' (2006) 84 *Harvard Business Review* 78.

¹⁴ D. Matten and J. Moon, 'A Conceptual Framework for Understanding CSR' in A. Habisch, J. Jonker, M. Wegner and R. Chidpeter (eds), *Corporate Social Responsibility Across Europe* (Heidelberg: Springer, 2005) p. 335; see also D. Matten and J. Moon, "'Implicit" and "Explicit" CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility' (2008) 33 *Academy of Management Review* 404.

¹⁵ I. Ioannou and G. Serafeim, 'What Drives Corporate Social Performance: The Role of Nation-Level Institutions' (2012) 43 *Journal of International Business Studies* 834.

forms of Chinese corporations, will be introduced and defined in the following section in order to ensure consistency within the book.

1.2.1 Stakeholder Approach

The use of the term ‘stakeholder’ to refer to the various interests which participate in a business has been commonly accepted since the publication of Freeman’s book *Strategic Management*¹⁶ in 1984. The concept of stakeholders was defined as ‘those groups without whose support the organisation would cease to exist’.¹⁷ They have legitimate interests in or claims on the operations of the firm.¹⁸ These stakeholders are inter-related, and every company has their unique stakeholder groups. However, the groups which are most frequently seen as stakeholders are employees, customers, creditors, local communities, the environment, government and society or the public at large. The stakeholder theory was defined by Clarkson who stated that ‘the firm is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm’s activities. The purpose of the firm is to create wealth or value for its stakeholders by converting their stake into goods and services’.¹⁹

Contemporary stakeholder approach arguments have always been paralleled by the emergence of the global CSR movement.²⁰ According to stakeholder theory, the directors are required to consider the interests of the company’s stakeholders apart from the interests of the company

¹⁶ R.E. Freeman, *Strategic Management: A Stakeholder Approach* (Boston, MA: Pitman, 1984); for some examples demonstrating the acceptance of the term in major academic writings see A.F. Alkhafaji, *A Stakeholder Approach to Corporate Governance: Managing in a Dynamic Environment* (New York: Quorum Books, 1989); J.W. Anderson, *Corporate Social Responsibilities* (New York: Quorum Books, 1984); J.J. Brummer, *Corporate Responsibility and Legitimacy: An Interdisciplinary Analysis* (New York: Greenwood Press, 1991); S.N. Brenner and E.A. Molander, ‘Is the Ethics of Business Changing’ (1977) 58 *Harvard Business Review* 54.

¹⁷ R.E. Freeman, *Strategic Management: A Stakeholder Approach* (Boston, MA: Pitman, 1984) pp. 31–2.

¹⁸ A.B. Carroll, *Business and Society: Ethics and Stakeholder Management* (Cincinnati, OH: South-Western Publishing Co., 1989) p. 57.

¹⁹ M. Clarkson, *A Risk Based Model of Stakeholder Theory, Proceedings of the Second Toronto Conference on Stakeholder Theory* (Toronto: Centre for Corporate Social Performance and Ethics, University of Toronto, 1994).

²⁰ C.A. Williams and J.M. Conley, ‘An Emerging Third Way? The Erosion of the Anglo-American Shareholder Value Construct’ (2005) 38 *Cornell International Law Journal* 493 at 494.

shareholders. The directors must not only manage the corporation for the betterment of the shareholders, but also in the interests of a multitude of stakeholders, clearly including the shareholders, who can affect or be affected by the actions of the company.²¹ The theory is defined by the Company Law Review Steering Group (CLRSG) as the pluralist theory,²² which views the corporation as a locus in relation to wider external stakeholders' interests besides shareholders' interests. The stakeholder theory is embraced in many continental European jurisdictions (most notably Germany) and Japan.²³

Donaldson and Preston argued that stakeholder theory can be subdivided into descriptive, instrumental and normative approaches.²⁴ The descriptive approach decides whether stakeholder interests should be taken into account, while the instrumental approach is concerned with the impact stakeholders may have in terms of corporate effectiveness. The normative approach is concerned with justifying whether corporations should take stakeholders' interests into account even in the absence of any obvious benefits to shareholders.

It is argued that a consideration of stakeholders' interests enables the creation of long-term favourable conditions for the company to be more competitive. It is useful to regard 'the company' as 'the company as a whole', a coherent body in which the various stakeholders are bound together through the business.²⁵ The long-term focus on creating value for various stakeholders will enable the directors to devote themselves to improving the long-term interests of the corporation, and does not exclude long-term value-enhancing strategies.²⁶ Taking social responsibilities into account in the development of corporate strategies is one of the most important and most direct impacts of adopting the stakeholder theory model. The concept of CSR implies that corporations should integrate social and environmental concerns in their operations and

²¹ R.E. Freeman, 'A Stakeholder Theory of the Modern Corporation' in T.L. Beauchamp and N.E. Bowie (eds), *Ethical Theory and Business*, 5th edn (Upper Saddle River, NJ: Prentice Hall, 1997) p. 69.

²² CLRSG, *Completing the Structure* (2000) para 3.5.

²³ L.L. Dallas, 'Working Toward a New Paradigm' in L.E. Mitchell (ed.), *Progressive Corporate Law* (London: Kluwer, 1995) p. 35 at p. 39.

²⁴ T. Donaldson and L.E. Preston 'The Stakeholder Theory of the Corporation: Concept, Evidence, and Implications' (1995) 20 *Academy of Management Review* 65.

²⁵ J. Parkinson, *Reforming Directors' Duties*, Policy Paper 12 (Political Economy Research Centre, University of Sheffield, 1998).

²⁶ R. Aggarwal and A. Chandra, 'Stakeholder Management: Opportunities and Challenges' (1990) 40 *Business* 48 at 49.

interactions with stakeholders. ‘The evolution of CSR theory provides a sort of social responsibilities and performance paradigm that is, in essence, a solid foundation for corporate social management and stakeholder engagement.’²⁷ Very early discussions of the CSR concept suggested that CSR is about attending to stakeholder rights and taking proactive, voluntary steps to avoid harm or wrongful consequences to stakeholders.²⁸ CSR theory suggests that corporations should recognize obligations beyond their shareholders, based on stakeholder theory.

1.2.2 Shareholder Primacy Norm

The shareholder primacy norm is the corporate governance model prevailing in the United States, the United Kingdom and some other common law countries with effective legal enforcement of shareholder rights. The directors’ duties are exclusively owed to the company and the maximization of the wealth of the shareholder is the fundamental focus of the fiduciary duties.²⁹ It is constructed in terms of financing through equity, dispersed ownership, active markets for corporate control, and flexible labour markets.³⁰ Companies rely on stock and bond markets for their external financing. Corporate law provides relatively extensive protection for shareholders, with active enforcement of that protection in the courts.

According to the maintenance of efficiency theory, it is more efficient if directors run corporations with the aim of maximizing shareholder wealth since the least cost is expended in doing this. The directors can

²⁷ R.T. Byerly, ‘Seeking Global Solutions for the Common Good: A New World Order and Corporate Social Responsibilities’ in I. Demirag, *CSR, Accountability and Governance: Global Perspectives* (Sheffield: Greenleaf Publishing, 2005) ch. 7, p. 122.

²⁸ See the initial argument for CSR in H.R. Brown, *Social Responsibilities of the Businessman* (New York: Harper & Row, 1953); see also A.B. Carroll, ‘The Pyramid of Social Responsibility: Towards the Moral Management of Organizational Stakeholders’ (1991) 34 *Business Horizons* 39 at 39–48.

²⁹ *Percival v Wright* [1902] 2 Ch. 421; *Multinational Gas and Petrochemical Co. v Multinational Gas and Petrochemical Services Ltd* [1983] Ch. 258 (‘*Multinational Gas*’); *Grove v Flavel* [1986] 43 SASR 410 at 417 (Jacobs J); *Peskin v Anderson* [2000] BCC 1110 (and affirmed on appeal by the Court of Appeal (14 December 2000)). Also see the comments of the Jenkins Committee, Cmnd 1749 (1962) at para. 89.

³⁰ R.V. Aguilera and G. Jackson, ‘The Cross-national Diversity of Corporate Governance: Dimensions and Determinants’ (2003) 28 *Academy of Management Review* 447.

work more efficiently if they focus on one objective only,³¹ without any unpoliced managerial discretion.³² Besides, the contracts between the firm and its shareholders are implicit since all they amount to is a claim on the company's residual cash flow.³³ Shareholders are also vulnerable as they are unable to negotiate special terms by signing contracts with the company, and in many ways they are at the mercy of the directors because the monitoring of directors is not easily undertaken.³⁴ In contrast, various stakeholders have explicit contracts with the company, which will protect their legal rights.

1.2.3 Corporate Social Responsibility

So far, a consensus regarding the definition of CSR has yet to be reached, because the expectations and demands of various stakeholders in corporate practices are constantly adjusting due to rapid changes in the business world. Table 1.1 shows significant variations in definitions of CSR.

Despite the fact that the term CSR has been defined in various ways, a few common characteristics can be drawn from the definitions listed above. First of all, CSR holds that responsible behaviour on the part of corporations can help achieve corporate and wider goals, in particular the general good of society. Secondly, the scope of CSR mainly focuses on social and environmental concerns, in addition to the traditional economic goals of corporations. Most researchers suggest that CSR aims to improve quality of life and community harmonization, working towards a

³¹ M. van der Weide, 'Against Fiduciary Duties to Corporate Stakeholders' (1996) 21 *Delaware Journal of Corporate Law* 27 at 56–7; see also J. Fisch, 'Measuring Efficiency in Corporate Law: The Role of Shareholder Primacy' (2006) *Journal of Corporation Law* 637; L.A. Stout, 'Bad and Not-So-Bad Arguments for Shareholder Primacy' (2002) 75 *South California Law Review* 1189; M.C. Jensen, 'Value Maximization, Stakeholder Theory, and the Corporate Objective Function' (2001) 14 *Journal of Applied Corporate Finance* 8; R. Daines, 'Does Delaware Law Improve Firm Value?' (2001) 62 *Journal of Financial Economics* 525; G. Subramanian, 'The Disappearing Delaware Effect' (2004) 46 *Journal of Law, Economics and Organisation* 525; L.A. Bebchuk, A. Cohen and A. Ferrell, 'Does the Evidence Favor State Competition in Corporate Law' (2002) 90 *California Law Review* 1775.

³² A.K. Sundaram and A.C. Inkpen, 'The Corporate Objective Revisited' (2004) 15 *Organization Science* 350 at 354.

³³ *Ibid.* at 355.

³⁴ See L. Zingales, 'Corporate Governance' in P. Newman, *The New Palgrave Dictionary of Economics and Law* (Basingstoke: Macmillan, 1998) p. 501.

Table 1.1 Definitions of corporate social responsibility

Year	Source	Definition
1973	K. Davis, 'The Case for and against Business Assumption of Social Responsibilities' (1973) 16 <i>Academy of Management Journal</i> 312	CSR is the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm ... to accomplish social benefits along with the traditional economic gains which the firm seeks.
1997	J. Elkington, <i>Cannibals with Forks: The Triple Bottom Line of 21st Century Business</i> (Oxford: Capstone Publishing 1997)	CSR is taking care of societal, ecological and economical concerns.
1998	World Business Council for Sustainable Development	CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.
2000	A.B. Carroll and A.K. Buchholtz, <i>Business and Society: Ethics and Stakeholder Management</i> , 5th edn (Australia: Thomson South-Western, 2003)	Corporate social responsibility encompasses the economic, legal, ethical, and philanthropic expectations placed on organisations by society at a given point in time.
2001	A. McWilliams and D.S. Siegel, 'Corporate Social Responsibility: A Theory of the Firm Perspective' (2001) 26 <i>Academy of Management Review</i> 117	CSR is the situation where companies participate in public welfare issues more than is required for their interests by legal regulations.
2003	S.A. Aaronson, 'Corporate Responsibility in the Global Village: The British Role and the American Laggard' (2003) 108 <i>Business and Society Review</i> 309	The making of business decisions is connected with the moral values, observance of law bindings and care for the whole society and environment.
2003	United Nations (H.E. Ward, E. Wilson, L. Zarsky and T. Fox, 'CSR and Developing Countries: What Scope for Government Action?', United Nations Sustainable Development Innovation Briefs, Issue 1)	CSR is a directors' responsibility which aims both to examine the role of business in society, and to maximise the positive societal outcomes of business activity.*

Year	Source	Definition
2003	World Bank (D. Petkoski and B. Herman, 'Summary Report' in D. Petkoski and B. Herman (eds), <i>Implementing the Monterrey Consensus: Governance Roles of Public, Private and Advocacy Stakeholders</i> (2003))	The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life, in ways that are both good for business and good for development.**
2008	Chinese Government (State-Owned Assets Supervision and Administration Commission, <i>Central Corporations CSR Research Report</i>)	Corporations should carry out their social responsibilities by abiding by all relevant laws, regulations, and business ethics codes. While pursuing economic profits, corporations are held responsible by shareholders, employees, consumers, suppliers, communities, and other stakeholders. Moreover, corporations have responsibilities to protect the environment.
2011	M. Baker, 'Corporate Social Responsibility: What Does It Mean?'	CSR is the business administration procedure for a general good effect on society.***
2011	C. Nakajima, 'The Importance of Legally Embedding Corporate Social Reasonability' (2011) 32 <i>Company Lawyer</i> 257	CSR is a directors' responsibility that has focused on corporations' voluntary actions which are over and above legal requirements, and which contribute to sustainable economic development so that the business can address both its own competitive interests and the interests of wider society.

Notes:

* Available at www.un.org/esa/sustdev/publications/innovationbriefs/no1.pdf.

** Available at http://info.worldbank.org/etools/docs/library/57431/monterrey_econference.pdf.

*** Available from blog of Mallen Barker at www.mallenbaker.net/csr/definition.php.

more sustainable society at large via the performance of corporations. Thirdly, CSR plays a due role: on one hand, it deals with minimizing the impacts of corporate misconduct in the sphere in which a business operates, and on the other, it encompasses a vast array of philanthropic corporate activities which are important, especially in developing countries, to enhance corporate reputation, culture and image. Last but not

least, despite the fact that many definitions emphasize the voluntary characteristics of CSR beyond enforceable legal requirements, the practice of CSR is established on the basis of the fulfilment of traditional economic and legal responsibilities, which are normally achieved via directors' duties and corporate reports on social and environmental issues.³⁵

Legal awareness of the need for CSR requires us to define CSR in a manner that integrates both mandatory and voluntary behaviours.³⁶ CSR as a concept covers many issues, encompassing sustainability development, corporate governance development and corporate objectives, employment rights, consumer protection rights, occupational health and safety, local taxation law and socially responsible investments from shareholders, especially institutional shareholders. Most corporate governance scholars have recognized the connection between 'good behaviour towards stakeholders to whom no legal duty is owed and fulfilment of the shareholder primacy obligation required in corporate law and the role the courts have played in guiding the way'.³⁷

Corporate practices are typically influenced by an array of legal domains, such as securities regulation, taxation law, contract law, employment law, environmental law, consumer protection law and insolvency law.³⁸ Decisions are made under the mandatory legal rules embodied by these legislative instruments. When they manage their businesses, directors will find 'their decision tree considerably trimmed

³⁵ See W. Vandekerckhove and M.S.R. Commers, 'Beyond Voluntary/Mandatory Juxtaposition: Towards a European Framework on CSR as Network Governance' (2005) 1 *Social Responsibility Journal* 98; M. Blowfield, 'Corporate Social Responsibility: Reinventing the Meaning of Development' (2005) 81 *International Affairs* 515; O. Aiyegbayo and C. Villers, 'The Enhanced Business Review: Has it Made Corporate Governance More Effective' (2011) *Journal of Business Law* 699; K. Campbell and D. Vick, 'Disclosures Law and the Market for Corporate Social Responsibility' in D. McBarnet, A. Voiculescu and T. Campbell, *The New Corporate Accountability: Corporate Social Responsibility and the Law* (Cambridge: Cambridge University Press, 2007) p. 241; A. Johnson, 'After the OFR: Can UK Shareholder Value Still be Enlightened?' (2006) 7 *European Business Organization Law Review* 817.

³⁶ J.A. Zerk, *Multinationals and Corporate Social Responsibility: Limitations and Opportunities in International Law* (Cambridge: Cambridge University Press, 2006) 32.

³⁷ I.L. Fannon, 'The Corporate Social Responsibility Movement and Law's Empire: Is there a Conflict?' (2007) 58 *Northern Ireland Legal Quarterly* 1 at 16.

³⁸ OECD, *OECD Principles of Corporate Governance* (2004) p. 2, available at www.oecd.org.

and their discretion decidedly diminished by mandatory legal rules enacted in the name of protecting stakeholders'.³⁹ While CSR is worthy of study from multiple disciplinary perspectives, it is also fundamentally affected by how law and other forms of regulation treat it.⁴⁰ Apart from behaviours that are legally prescribed or prohibited, legal responsibility also includes what is legally permissible.⁴¹ Therefore, the scope of legal responsibilities is not just limited to that strand of responsibility in which legal compulsion and sanctions apply towards legal outcomes.⁴² The interaction between law and CSR will embrace a 'minimum position of legal compliance and harm-avoidance where the law is lacking, a mid-way position of facilitating corporate contributions to sustainable development and other forms of community investment where the business case warrants it, and a more expansive position of'⁴³ 'active alignment of internal business goals with externally set societal goals'.⁴⁴

CSR is an issue of potential significance not only to governments but also to wider society in terms of both welfare and development,⁴⁵ in the sense that CSR may 'assist a government in fulfilling welfare state goals of political character or based in law as obligations'.⁴⁶ In the United States, President Obama called for a new concept of responsibility as the only proportional remedy for a crisis of infinite magnitude, the result of the US recession.⁴⁷ Under the banner of CSR, many local and international institutions seek to raise public awareness of the necessity for transnational corporations to abide by certain health, environmental and

³⁹ A. Winkler, 'Corporate Law or the Law of Business? Stakeholders and Corporate Governance at the End of History' (2004) 67 *Law and Contemporary Problems* 109 at 111.

⁴⁰ B. Horrigan, *Corporate Social Responsibility in the 21st Century: Debates, Models and Practices Across Government, Law and Business* (Cheltenham: Edward Elgar, 2010) p. 26.

⁴¹ *Ibid.*

⁴² P. Cane, *Responsibility in Law and Morality* (Oxford: Hart Publishing, 2003) p. 30.

⁴³ B. Horrigan, *Corporate Social Responsibility in the 21st Century: Debates, Models and Practices Across Government, Law and Business* (Cheltenham: Edward Elgar, 2010) p. 26.

⁴⁴ H.E. Ward, E. Wilson, L. Zarsky and T. Fox, *CSR and Developing Countries: What Scope for Government Action?*, United Nations Sustainable Development Innovation Briefs, Issue 1, available at www.un.org/esa/sustdev/publications/innovationbriefs/no1.pdf.

⁴⁵ K. Buhmann, 'Corporate Social Responsibility: What Role for Law? Some Aspects of Law and CSR' (2006) *Corporate Governance* 188 at 189.

⁴⁶ *Ibid.*

⁴⁷ Barack H. Obama, President of the United States, Inaugural Address.

social standards. Companies are closely regulated by various groups of actors who may include shareholders, public authorities, inter-governmental bodies, trade unions, NGOs, insurers and consumer groups.⁴⁸ All these positive and responsible actions will in turn have a collective societal-friendly impact on the government's subsequent policies and legislative direction. CSR-related actions are always based on a good mix of social and legal norms, and legal requirements to report non-financial issues are becoming increasingly common in countries in the European Union and elsewhere.⁴⁹

Because of various forms of manifestation of CSR-related performance, the regulations governing CSR are also in a variety of forms and are drafted and enforced by regulatory bodies at different levels. At the most fundamental level, government regulations are normally formal and binding in law, or they are recommendations that have guiding effects but no legal standing. Local government bodies issue public regulations that are regional, national or supra-national,⁵⁰ based on delegated state, government or international powers⁵¹ that are founded on the membership of each country.⁵² Meanwhile, globalization has further increased the complexity of the legal environment by exposing corporations to international law and the laws of foreign nations.⁵³ Progressive advocates who are engaged in promoting more sustainable businesses, more environmentally-friendly companies and firms focused on human rights will also drive corporations to adopt more socially responsible ethical

⁴⁸ J.A. Zerk, *Multinationals and Corporate Social Responsibility: Limitations and Opportunities in International Law* (Cambridge: Cambridge University Press, 2006) 41.

⁴⁹ For example, the Business Review, in line with the minimum requirements of the EU Accounts Modernisation Directive 2003, which called for companies' annual reports to include 'both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters (when necessary)' (art. 14 amending art. 46 of the Accounts Directive); see also Companies Act 2006 s. 417(3); this is a replacement for Operating and Financial Review; for discussions on Business Review and Operating and Financial Review, see A. Johnson, 'After the OFR: Can UK Shareholder Value Still Be Enlightened?' (2006) 7 *European Business Organization Law Review* 817.

⁵⁰ E.g. the European Union.

⁵¹ E.g. the OECD, United Nations, ILO or UNICEF.

⁵² K. Buhmann, 'Corporate Social Responsibility: What Role for Law? Some Aspects of Law and CSR' (2006) *Corporate Governance* 188 at 194.

⁵³ J.F. Steiner and G.A. Steiner, *Business, Government, and Society: A Managerial Perspective, Text and Cases*, 13th edn (New York: McGraw-Hill, 2012) 42.

codes and guidelines for conduct, although the adoption of these codes is largely on a voluntary basis.

1.2.4 Corporate Social Responsibility in China

CSR can be directly related to the idea that corporations should engage in activities that are more than shareholder wealth maximization or 'strictly business'. Instead, companies, in addition to their economic responsibility at the bottom of the corporate responsibility pyramid, should have legal, ethical and philanthropic responsibilities.⁵⁴ Within the CSR literature corporations are suggested to provide various political and public benefits that are commonly associated with governments and public welfare.⁵⁵ The general thrust of CSR's opponents is to refute Friedman's argument that the only social responsibility of business is to increase its profit.⁵⁶ Many scholars also argue that CSR has been concerned with suggesting that those companies who promote the interests of society will tend to be financially successful, especially in the long term.⁵⁷ The mantra of business has evolved from 'profit alone' to 'profit, people and planet', to include people's issues, social issues and environmental issues. It is recognized that all these factors are no longer seen as incidental and CSR has come to the fore as a core business issue.⁵⁸ CSR is becoming a key basis on which corporations aim to build the trust and confidence of their stakeholders, which may in itself be a primary source of competitive edge.⁵⁹

⁵⁴ A.B. Carroll, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders' (1991) 34 *Business Horizons* 39.

⁵⁵ A. Crane, D. Matten and J. Moon, *Corporations and Citizenship* (Cambridge: Cambridge University Press, 2008).

⁵⁶ M. Friedman, 'The social reasonability', *New York Times Magazine*, 13 September 1970.

⁵⁷ M. Orlitzky, 'Corporate Social Performance and Financial Performance: A Research Synthesis' in A. Crane, A. McWilliams, D. Matten, J. Moon and D. Siegel (eds), *The Oxford Handbook of CSR* (Oxford: Oxford University Press, 2008) p. 113; see also S. Urip, *CSR Strategies: Corporate Social Responsibility for a Competitive Edge in Emerging Markets* (Chichester: John Wiley & Sons, 2010) ch. 1.

⁵⁸ S. Urip, *CSR Strategies: Corporate Social Responsibility for a Competitive Edge in Emerging Markets* (Chichester: John Wiley & Sons, 2010) p. 5.

⁵⁹ *Ibid.* at 13.

When Margolis and Walsh wrote their overview of companies' social initiatives in 2003 they declared that 'the world cries out for repair'.⁶⁰ They recognized the increasing pressure for corporations to take a responsible perspective on social and environmental problems, even as they pursue seemingly competing financial demands. This is necessary not least because, despite their limitations, in the current era of economic globalization they may be the bodies of last resort for achieving all manner of social objectives.⁶¹ It is argued that corporate responses towards CSR have never been either strategic or operational; rather, they are cosmetic, focusing on public relationships and media campaigns, the centrepieces of which are the glossy CSR reports that showcase companies' social and environmental good deeds.⁶² The sincerity of CSR and CSR-related reports has been a highly controversial issue, especially in countries with emerging markets such as China.

The embedding of CSR into Chinese corporate strategic management policies, corporate governance-related codes and regulations and corporate law is the result of external pressure from multinational corporations, in combination with internal pull factors from the modernized role of state-owned enterprises (SOEs) and a strong civil society with more demanding consumers, suppliers and local communities.⁶³ The adoption of CSR by the state reveals a realistic recognition that the country is not able to address the challenges brought by its rapid but uneven economic transition and the growth of corporations. It is argued that SOEs in China, as international operators or global brands, have begun to recognize that an effective CSR framework offers an efficient tool to enable corporations to move up the value chain and negotiate the complex demands of consumers and civil society in diverse environments.⁶⁴ The case for adopting CSR in China is not only to secure a domestic licence to operate, but also to help shape the global competitive environment to reward sustainability. After China was granted entry into the WTO, the

⁶⁰ J.D. Margolis and J.P. Walsh, 'Misery Loves Companies: Rethinking Social Initiatives by Business' (2003) 48 *Administrative Science Quarterly* 268.

⁶¹ M. Blowfield and A. Murray, *Corporate Responsibility*, 2nd edn (Oxford: Oxford University Press, 2011) pp. 346–7.

⁶² M.E. Porter and M.R. Kramer, 'Strategy and Society: The Link between Competition Advantage and Corporate Social Responsibility' (2006) 84 *Harvard Business Review* 78 at 80.

⁶³ L. Zu, *Corporate Social Responsibility, Corporate Restructuring and Firm's Performance* (Berlin: Springer-Verlag, 2009) pp. 44–50.

⁶⁴ G. Long, S. Zadek and J. Wickerham, 'Advancing Sustainable Competitiveness of China's Transnational Corporations' *AccountAbility* (London, 2009) p. 35.

CSR criteria imposed by international joint ventures prompted the evolution of a model which has a positive influence on Chinese enterprises' participation in international competition.

In the three decades since China opened its door to the outside world, a legal system regulating the corporate and financial market has been established based heavily on Chinese Company Law. Since the Sixth Plenary Session of the Sixteenth Central Committee of the Chinese Communist Party in 2006, the emphasis on 'building a harmonized society' has been adopted as the long-term goal of Chinese socialism.⁶⁵ From the perspective of corporations, these policy statements have symbolic importance for advancing CSR in China.⁶⁶ Regulating corporate behaviour through politically legitimate measures is arguably an effective way to achieve these goals.

Since 2005, the idea of building a Harmonious Society, a 'scientific development concept'⁶⁷ that shifts China's primary focus from a model based purely on economic growth to a more balanced, Confucian-style approach aimed at maintaining growth while addressing daunting social concerns,⁶⁸ affirms the government's attention and policy support for the adoption of CSR as an important step towards the sustainable development of enterprises and the promotion of corporate competitiveness, corporate image and China's reputation globally. This shift has led to a chain reaction in Chinese corporate objectives, moving from basic economic responsibility to responsibility for improving the social and natural environments, and onwards to a position of influencing basic social values and concepts. Of course, the evolution of CSR can also be seen as a collective result of a number of different factors: developments in the regulatory environment; changes in people's understanding of value in China; the evolution of civil society to act as both watchdog and

⁶⁵ *Ibid.*

⁶⁶ L.W. Lin, 'Corporate Social Responsibility in China: Window Dressing or Structural Change' (2010) 28 *Berkeley Journal of International Law* 64 at 88.

⁶⁷ Former President Hu Jintao, 'Scientific Outlook Development', Lecture for Yale University, 24 April 2006; in the lecture, Hu clarified that 'China will pursue a scientific outlook on development that makes economic and social development people-oriented, comprehensive, balanced and sustainable. We will work to strike a proper balance between urban and rural development, development among regions, economic and social development, development of man and nature, and domestic development and opening wider to the outside world; it is also rooted in the cultural heritages of the Chinese nation'.

⁶⁸ J.P. Gies and B. Holt, 'Harmonious Society: Rise of the New China' (2009) *Strategic Studies Quarterly* 75.

partner to business; progress in developing basic CSR tools and frameworks for use in China; the development of a gatekeeper system involving an increasing number of professionals such as lawyers, auditors and accountants; and social phenomena, such as corruption and the status of workers.

Indeed, there are also initiatives and attempts in legislation to improve CSR within corporations and raise CSR awareness and understanding across sectors. The attempts constitute both general provisions for corporate objectives⁶⁹ and specific provisions for protecting various stakeholders in corporate law⁷⁰ or other laws that directly relate to the legitimate rights of certain stakeholders.⁷¹ Corporations in China, which are regarded as one of the biggest suppliers of the world market, are engaged in developing philanthropic projects to promote their corporate image. However, urgent discussion is required concerning how it may be possible to establish a corporate responsibility programme which is adherent to law, codes of conduct and international standards.

The idea of CSR, which is new to China, was not conceptualized when the first Chinese Company Law (CCL) was drafted in the 1990s. The employee participation and work council⁷² was more of a politically and economically path-dependent body where the employees were regarded as the masters of state-owned enterprises. Some level of awareness of CSR began in the 1990s when unethical business behaviours were rampant and the government passed the State Council's Decision Concerning Correcting and Regulating the Order of the Market Economy in April 2001. Since then, awareness has been promoted to a legislative level.⁷³ The process of modernizing corporate law in China started in 2004, and CSR was one of the many issues considered in the revision of the CCL. The New Chinese Company Law was passed by the National People's Congress and took effect in January 2006, wherein CSR was given explicit recognition.

⁶⁹ CCL 2006 art. 5.

⁷⁰ For example, regarding employees, see CCL 2006 arts 14 and 17.

⁷¹ For example, regarding employees, see Labour Contract Law 2008.

⁷² See CCL 1994 arts 16, 45, 55, 56, 68, 121, 122.

⁷³ M.H. Jensen, *Serve the People! Corporate Social Responsibility (CSR) in China*, Copenhagen Discussion Paper 2006-6 (Asia Research Centre, 2006), available at <http://openarchive.cbs.dk/bitstream/handle/10398/7405/cdp%202006-006.pdf>.

Institutional failures and corporate scandals are often attributed to weak legal institutions and a lack of government transparency.⁷⁴ A common criticism is that China's 'weak legal institutions are inexplicably inexcusable since China boasts length, breadth and depth in its legal tradition'.⁷⁵ This arguably is reflected in the CSR-related legislation. The issue of CSR was explicitly stipulated in the new CCL 2006. However, even after the enforcement of this law, the world has witnessed a series of CSR-related incidents such as food and production safety incidents and unfair treatment of employees and neglect of the environment. In response, activities including interference by the government, increased accountability of corporations towards the public and requirements for sustainable development, began to emerge. The China Enterprise Confederation Global Compact Promotion Office was established in order to help Chinese enterprises to take part in the United Nations' Global Compact.

1.2.5 Different Types of Corporations in CCL 2006

With the development of the Chinese domestic and international economy, many types of companies have been introduced in China. During the period between 1949 and 1956 when the new China was being established under the leadership of the Chinese Communist Party, the Provisional Regulations on Private Enterprises 1950 and Implementing Methods for Provisional Regulations on Private Enterprises were passed in order to encourage private enterprises to continue to operate in China. According to the Regulations, there were five types of private companies in China, including: unlimited liability companies (*wu xian gong si*); limited liability companies (*yu xian ze ren gong si*); companies limited by shares (*gu fen you xian gong si*); companies formed by one or more shareholders with unlimited liability and one or more shareholders with limited liability (*liang he gong si*); and companies formed by one or more shareholders having unlimited liability and one or more shareholders having liability limited to their share contributions, with the company capital divided into equal shares (*gu fen liang he gong si*).⁷⁶

Apart from these private enterprises, SOEs have always played a significant role in the Chinese economy. More than two-thirds of the

⁷⁴ D.J. Goelz, 'China's Environmental Problems: Is a Specialised Court the Solution?' (2009) 18 *Pacific Rim Law and Policy Journal* 155 at 168.

⁷⁵ J.W. Head, *Global Business Law, Principles and Practice of International Commerce and Investment*, 2nd edn (Durham, NC: Carolina Academic Press, 2007) pp. 58–9.

⁷⁶ Provisional Regulations on Private Enterprises 1950 art. 3.

companies listed in the Fortune 5000 are SOEs, excluding banks and insurance companies. The largest and most important of the companies are controlled by a central holding company known as the State Owned Assets Supervision and Administration Commission, which is the world's largest controlling shareholder. Traditionally, SOEs were more than corporations wholly owned by the state as the only shareholder. They are more 'aptly seen as a division or aggregation of productive assets within the loosely organised firm of China, Inc'.⁷⁷ It is worth noting that Chinese SOEs are some of 150 or so corporations that report directly to central government, while thousands more fall into a grey area.⁷⁸ The post-Mao period saw a stage of reform through efforts to change SOEs, which were plagued by low productivity, unresponsiveness to economic signals and waste.⁷⁹ The changes also involved a re-evaluation of the roles of directors, which are closely related to the bureaucratic hierarchy and powerful political positions. Since 1980, the SOEs have gradually lost some of their primacy and advantage with the introduction of the Chinese government's policy on the separation of government functions and business operations. SOEs are converting to other forms of companies under the CCL, including companies limited by shares, limited liability companies or wholly state-owned limited liability companies.

Legally, based on article 2 of CCL 2006, Chinese Company Law only deals with two types of company, including limited liability companies (*youxian zeren gongsi*) and companies limited by shares (*gufen youxiang gongsi*). A limited liability company is a type of organization normally intended for a small and closely connected group of investors; these are recognized as 'private' or 'closed' companies. On the other hand, companies limited by shares are the equivalent of Delaware corporations or the German *Aktiengesellschaft*, and they may be traded on a stock exchange. Companies limited by shares do not have to trade their shares

⁷⁷ D.C. Clark and N.C. Howson, 'Pathway to Minority Shareholder Protection: Derivative Action in the People's Republic of China' in D. Puchniak, H. Baum and M. Ewing-Chow (eds), *The Derivative Action in Asia: A Comparative and Functional Approach* (Cambridge: Cambridge University Press, 2012) p. 243 at p. 244.

⁷⁸ J.R. Woetzel, 'Reassessing China's State-Owned Enterprises' (2008) *McKinsey Quarterly* 1.

⁷⁹ D.C. Clark and N.C. Howson, 'Pathway to Minority Shareholder Protection: Derivative Action in the People's Republic of China' in D. Puchniak, H. Baum and M. Ewing-Chow (eds), *The Derivative Action in Asia: A Comparative and Functional Approach* (Cambridge: Cambridge University Press, 2012) ch. 6, p. 2.

through a stock exchange. However, if they do, a company limited by shares will be a listed company limited by shares.

1.3 RESEARCH OBJECTIVES, ORIGINALITY AND METHODOLOGY

Over the decades, CSR has continued to grow in importance and significance and has been regarded as a subject of considerable debate, commentary, theory building and research from various disciplines.⁸⁰ CSR and its relationship with corporations' financial performance has always been one of the most heated topics in academic debate, as well as in corporate behaviour and practice. As a highly contentious topic with permeable boundaries, CSR draws from various research traditions, focusing on different issues relating to the overall topic.⁸¹ At the heart of the debate there are questions still awaiting a comprehensive and convincing answer, especially after the financial crisis in 2008, while the lack of confidence shown by investors and the public towards corporations is becoming increasingly worrying. Can corporations do well by doing good? Can corporations make efficient profits by doing good? Is fair trade helping farmers to get better and fairer returns in developing countries? How are corporations in China not only addressing their own basic and strategic needs, but also the overall needs of society with regard to their local communities? What form of CSR interventions have been applied and carried out with the intention of promoting community development in China? What obstacles and opportunities hinder and help community and business organizations participate in economic development, community development, social service delivery and public policy dialogues?

From the point of view of corporations, what do the business community and organizations get out of CSR? How do corporations gain tangible benefits from engaging in CSR policies, corporate strategies and

⁸⁰ A.B. Carroll and K.M. Shabana, 'The Business Case for Corporate Social Responsibility: A Review of Concept, Research and Practice' (2010) 12 *International Journal of Management Reviews* 85.

⁸¹ A. Lockett, J. Moon and W. Visser, 'Corporate Social Responsibility in Management Research: Focus, Nature, Salience and Influence' (2006) 43 *Journal of Management Studies* 115 at 117.

activities and practices as enforcement measures of these policies?⁸² Do people care about CSR if it does not benefit them directly? What kind of partnerships can be developed and maintained between corporations, government, NGOs and local communities in the context of CSR? What does CSR practice in China look like? What is the future of CSR in China, with a consideration of Chinese history, politics, culture, traditions and law? Can Chinese law play an active part in promoting CSR? If the answer to this final question is 'yes', apart from the effects of soft law, how will it be possible to enforce hard law on CSR, which has voluntary roots? Furthermore, how can China build an efficient regulatory framework to promote CSR as an effective policy to benefit stakeholders?

This book is an up-to-date examination of contemporary issues such as the Harmonious Society in China, the 2008 financial crisis and its impact on the Chinese economy, and discussions of recent corporate scandals over the last few years including the Sanlu Baby Milk scandal, the Wenchuan earthquake and CSR donations, the Beijing Olympic Games and CSR, and the Fujia chemical plant, which produced a potentially toxic chemical paraxylene. It is inter-disciplinary, with a focus on discussions of the legal aspects of CSR. Just like the legal framework for corporate governance, the legal framework for CSR in China comprises four levels: basic laws, administrative regulations, regulatory provision and self-disciplinary rules.

Currently there is a shortage of similar examinations published in the English language. Regarding CCL 2006, this book takes a closer look at related provisions aiming to introduce social and environmental aspects into corporate decisions and corporate objectives through legislation. Suggestions for how to enforce these laws more effectively and efficiently will be discussed with reference to UK law, especially related provisions and legislative experiences after suggestions from the Company Law Review Steering Group and the drafting of the Companies Act 2006. The reconstruction of the Chinese corporate governance model will also be discussed as a measure for prompting Chinese corporations in a more socially responsible direction.

Three main approaches will be adopted in order to address the research questions and reach conclusions about the effectiveness of the enforcement and regulation of CSR in a Harmonious Society with a long history dominated by Confucian values. These methods include literature-based

⁸² A.B. Carroll and K.M. Shabana, 'The Business Case for Corporate Social Responsibility: A Review of Concept, Research and Practice' (2010) *International Journal of Management Reviews* 85.

library research, comparative research and a doctrinal analysis. CSR reports from Chinese listed companies will also be studied in order to gather industry perspectives on CSR reporting and enrich the social and public impact of the research. The primary approach adopted throughout the book will be a literature-based analysis, including qualitative reviews of modern secondary sources. The literature-based review will be supported by a doctrinal analysis of the law relating to CSR in China. This is concerned with the analysis of legal doctrine and how it has been developed in conjunction with the social economy in China.

1.4 STRUCTURE OF THE RESEARCH

This book offers a comprehensive discussion on the new conceptualization of CSR, with a focus on the legal side. The book is organized in nine chapters. Chapter 1 provides an introduction with discussions of the basic terms that will be used throughout the book, such as CSR, the shareholder primacy norm and stakeholder theory, as well as the classification and definition of companies in China as recognised by CCL 2006. Chapter 2 presents a detailed analysis of CSR in China from a historical developmental perspective. This chapter also shows how the ideology of Chinese CSR has a grounding in Chinese history, culture, traditions and corporate law. The development of CSR in China will be discussed from a historical and cultural perspective. The relationship between CSR and Confucian philosophy will be presented, together with an examination of CSR in a few important historical periods including the late *Qing* dynasty, the Republic of China, and the initial transformation period of the People's Republic of China from a strictly planned economy to a socialist market economy with Chinese characteristics.

CSR in contemporary China will be discussed in Chapter 3 as a term that is attracting increasing attention from lawyers, economists, corporate directors and government policy-makers as a result of external push factors and internal drivers. A unique Chinese corporate governance module, including a specially developed CSR policy system, will be introduced in Chapter 4 in order to find solutions for the problems of how to promote socially responsible corporations under such a corporate governance system. Focusing on the legal aspects of CSR, Chapters 5 and 6 will assess the stakeholder position in China, examining the current legal protection offered to them and making suggestions for reform. CSR challenges in China after the financial crisis will be also discussed in order to predict the development of CSR in the future.

Turning to enforcement of CSR policies in China with the development of an efficient legal system that incorporates CSR, issues surrounding mandatory information disclosure will be introduced in Chapter 7. The political policy of the Harmonious Society will be examined in Chapter 8, with a discussion proposing a linkage between CSR and the government’s policy and a dialogue on the positive effects of government interference in CSR in China.

The main structure of the project can be logically expressed as shown in Figure 1.1.

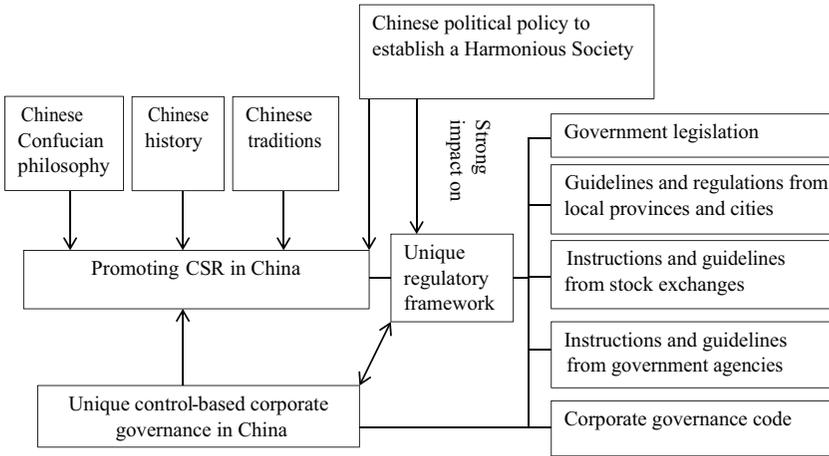


Figure 1.1 Structure of the book