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# Corporate Social Responsibility and Sustainable Development in China: Current Status and Future Perspectives

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**Abstract:** With a long history, large population, rapid economic growth, and major social transformation in recent years and the launch of the Belt and Road Initiative, China has increasingly become an important global player. However, the negative social and environmental consequences of such a fast and extensive economic expansion are becoming significant. A series of measures have been taken to tackle the current problems faced by the country, including the issuing of new laws and regulations, and the most recent is China's ban on plastic waste imports. However, there is a significant gap between Chinese laws and their implementation. Therefore, more people are putting their hope in a combination of legislation and Corporate Social Responsibility (CSR) to help address the current social and environmental problems faced by the country. This paper discusses the drivers of CSR in China and compares them to the drivers of CSR in the West. The paper also explores the extent to which CSR can make a contribution to solving the sustainable development challenges faced by China and discusses possible solutions if the current CSR pattern fails. Finally, the paper makes suggestions for future research on CSR in China.

**Keywords:** sustainable development (SD); China; economic growth; consequences; measures; corporate social responsibility (CSR)

## 1. Introduction

With a long history, large population, rapid economic growth, social transformation, and the recent launch of the Belt and Road Initiative, China has increasingly become an important global player. However, there has been increasing concern about whether Chinese economic growth is sustainable, and more broadly, whether the country is following a sustainable path of development. Given that the private sector is now the dominant economic force in China, although the state still plays an important role, it has been suggested that Corporate Social Responsibility (CSR) can make a major contribution to the sustainable development of the country, but the jury is still very much out as to whether this has been, or indeed can be, the case. It is this question that will be addressed in this paper.

Sustainable development (SD) and CSR have an interesting historical lineage in China. The earliest ideas relating to SD were recorded during the Xia dynasty (2070–1600 BC) in the Huang (Yellow) River area (the 'cradle of the civilization of China') in the form of religious beliefs. At that time, people respected the mountains and rivers in the same way they did their spiritual icons [1]. The basic idea of CSR is also reflected in Chinese Confucianism, which appeared 2500 years ago in the classic text *Chunqiu*. The core of Confucianism includes five elements—*ren*, *yi*, *li*, *zhi*, and *xin*. *Ren* is a capacity of compassion or benevolence for fellow humans and is essentially expressed in terms of

social relationships. *Yi* is a sense of moral righteousness, and a capacity to discern appropriateness and follow the right norms in acts, relationships, and other human matters. *Li* represents the principles, norms, and protocols that are deemed appropriate by society. *Li* is not in itself a virtue, but observing *li* is a basic virtue. *Zhi* represents wisdom and *xin* trustworthiness. Another important component of the Confucian moral system is *junzi*, which is the exemplary Confucian moral person. In addition to possessing the five virtues mentioned above, a *junzi* also has other virtues, such as righteousness, diligence in actions and duties, acting before speaking, prudence in speech and words, action aligning with words, demonstrating filial piety to parents, displaying respect for brothers, associating with men of moral principles, loving learning, loving others, being broadminded and non-partisan, taking virtues seriously, observing rules of propriety, harboring good will towards others, being accommodating, being dignified but proud, being courageous, being steadfast, being self-reflective, being self-motivated and being fair-minded. *Harmony* is also a cardinal value of Confucianism, considered to be the primary goal of personal and social life. *Harmony* is the basic and overlapping goal of familial, organizational, communal, and political lives. Practicing *ren*, *yi*, *li*, *zhi*, and *xin* and exercising virtuous acts are ways to achieve harmonious personal and interpersonal lives. Of all Confucian virtues, *Filial piety* is held in the highest regard. *Filial piety* requires people to respect the existing social hierarchy; for example, the son obeys the father, the wife obeys the husband, the inferior obeys the superior, and so on. It defined and dominated all other human relationships in traditional China [2]. This Confucianism underpinning of CSR in China has led to a unique Chinese approach to CSR and the importance of respecting social hierarchy is frequently reflected within the implementation of CSR in contemporary China.

However, in recent years, China's development has been showing signs of concern, as the country is increasingly suffering from an unequal income distribution, resource depletion, and environmental degradation and corruption. These have not only offset China's economic achievement, but also pointed to major challenges in trying to achieve SD. Furthermore, with the increasing economic and political influence of China in the world, especially the recent launch of its Belt and Road Initiative, which aims to promote its infrastructure-driven development model and seeks long-term common prosperity, China's SD is also crucial to the global sustainability agenda. However, tensions resulting from a more global China have been apparent, especially with the ascendancy of Donald Trump to the Presidency of the United States (US) and his moves against the spirit of globalization, free trade, global cooperation, climate change, and global responsibility [3,4].

Given the importance of the business sector to China's economy, a question needs to be asked as to whether CSR can play a role in helping the country to achieve SD. Can CSR in China provide a vehicle to support the attainment of SD or is it just window-dressing? Given the importance of this question, it is perhaps surprising that current research in this area is sparse [5,6]. The aims of this paper are twofold. Firstly, to give the current state-of-play of the complex nexus which exists between SD and CSR in China. The authors will then seek to apply a number of published reasonings on the future of the SD-CSR nexus developed for more global scales to see how they could help derive a possible future for the nexus in China. This is undoubtedly a complex topic, but the emergence of analyses designed to explore the future of CSR can help provide some clues as to how matters may develop in China.

Following a brief discussion of how Confucianism has influenced CSR in China, the paper will begin by setting out a theoretical framework designed to assess the relationship between CSR and SD. The third section provides some of the current challenges to SD in China. These are multiple, and they do interact, and the paper can thus only provide a summary of some of the most important. Here, the authors will, after a brief review of China's economic achievement, focus on three challenges to SD: income inequality, poverty and human rights, environmental degradation, and government interventions. This analysis will be followed by a brief history of CSR in China and its main drivers. The fifth section will provide some empirical evidence as to how CSR has contributed to SD in China. Finally, the paper will explore how CSR may evolve in China, how it can help address some of the challenges to SD in the country, and what may happen if CSR fails in China.

## 2. Theoretical Framework

Although there are various definitions, the main foci of SD since its conceptualization in the late 1980s have always been the three pillars, i.e., social, environmental, and economic sustainability. To be more specific,

- Meeting needs, including food, shelter, jobs, etc.;
- Ethical values, including equality, basic rights and liberties, maximized utility, etc.;
- Social and environmental issues;
- Human rights, including freedom, peace, security, democracy, adequate standard of living, etc.;
- Cooperation of all major groups in order to achieve sustainability goals [7].

However, in the early years of SD following the publication of the Brundtland Commission report ('Our Common Future') in 1987 [8], it was often misunderstood as solely addressing environmental issues, such as water and air pollution and deforestation. It was not until the last two decades that people began to realize that environmental issues cannot be separated from economic and social concerns, although it has not been easy to integrate these areas [7]. Similarly, views have also changed regarding who should act to promote SD. While at first it was typically regarded as being the government's responsibility, the focus shifted in the early 1990s towards the role of civil society actors and the private sector. Since the beginning of the current century, private sector actors, especially large manufacturing companies and service providers, have increasingly been seen as being of great importance in the achievement of SD. This is perhaps not surprising given that these large multinational enterprises (MNEs), as a result of globalization, can operate in several countries, employ tens of thousands of workers, and hence have significant power. Data from the International Monetary Fund (IMF) and Fortune Global 500 indicates that in 2018, out of the world's largest 'economies', comprising both countries and corporations, 42 were corporations (Table 1). In terms of corporations, Wal-Mart had the biggest revenue in 2018 and is numbered 25 on the list of the largest economies in Table 1. The second largest company is State Grid, a Chinese power grid company, which is 38th on the list. The following two companies are both Chinese oil companies, Sinopec Group and China National Petroleum, which are 41st and 42nd on the list. These MNEs may follow a wide array of regulations from both their home and host countries, but self-regulation has been given more emphasis among MNEs.

**Table 1.** World's 100 largest economies in 2018 (Nominal GDP or Revenues in million USD).

1. United States (20494050)	26. Thailand (487239)	51. BP (244582)	76. Ford Motor (156776)
2. China (13407398)	27. Austria (457637)	52. Exxon Mobil (244363)	77. China State Construction Engineering (156071)
3. Japan (4971929)	28. Iran (452275)	53. Berkshire Hathaway (242137)	78. Hungary (155703)
4. Germany (4000386)	29. Norway (434937)	54. Czech Republic (242052)	79. Hon Hai Precision Industry (154699)
5. United Kingdom (2828644)	30. United Arab Emirates (424635)	55. Vietnam (241272)	80. Amerisource Bergen (153144)
6. France (2775252)	31. Nigeria (397270)	56. Romania (239851)	81. Industrial & Commer. Bank of China (153021)
7. India (2716746)	32. Ireland (372695)	57. Portugal (238510)	82. AXA (149461)
8. Italy (2072201)	33. Israel (369843)	58. Apple (229234)	83. Total (149099)
9. Brazil (1868184)	34. South Africa (368135)	59. Iraq (226070)	84. Ping an Insurance (144197)
10. Canada (1711387)	35. Singapore (361109)	60. Peru (225203)	85. Kuwait (141050)
11. Russian (1630659)	36. Malaysia (354348)	61. Greece (219097)	86. Honda Motor (138646)
12. Korea, South (1619424)	37. Denmark (350874)	62. Samsung Electronics (211940)	87. China Construction Bank (138594)
13. Spain (1425865)	38. State Grid (348903)	63. McKesson (208357)	88. Trafigura Beheer (136421)
14. Australia (1418275)	39. Colombia (333114)	64. Glencore (205476)	89. Chevron (134533)
15. Mexico (1223359)	40. Philippines (330846)	65. New Zealand (203404)	90. Cardinal Health (129976)
16. Indonesia (1022454)	41. Sinopec Group (326953)	66. UnitedHealth Group (201159)	91. Costco (129025)
17. Netherlands (912899)	42. China National Petroleum (326008)	67. Qatar (192450)	92. SAIC Motor (128819)
18. Saudi Arabia (782483)	43. Bangladesh (314656)	68. Daimler (185235)	93. Verizon (126034)

Table 1. Cont.

19. Turkey (766428)	44. Pakistan (312570)	69. CVS Health (184765)	94. Ukraine (124603)
20. Switzerland (703750)	45. Royal Dutch Shell (311870)	70. Algeria (180441)	95. Allianz (123532)
21. Poland (586015)	46. Chile (298172)	71. Amazon.com (177866)	96. Kroger (122662)
22. Sweden (551135)	47. Finland (275321)	72. Kazakhstan (170539)	97. Agricultural Bank of China (122366)
23. Belgium (533153)	48. Toyota Motor (265172)	73. EXOR Group (161677)	98. General Electric (122274)
24. Argentina (518092)	49. Volkswagen (260028)	74. AT&T (160546)	99. China Life Insurance (120224)
25. Walmart (500343)	50. Egypt (249559)	75. General Motors (157311)	100. Morocco (118309)

Source: Compiled by the authors based on data from the International Monetary Fund (IMF) and Fortune Global 500. Note: The shaded entities are the big corporations, and unshaded boxes are countries.

CSR has various definitions, but as with SD, the essence of CSR is founded on the three dimensions of economic, social, and environmental responsibility. Specifically, they include the following:

- Environmental and social interrelationship;
- Stakeholder approach;
- Corporate ethical behaviour;
- Volunteering [7].

Behringer and Szegedi [7] note that CSR is a business model which promotes business contribution to SD. That is to say, CSR creates a balance between economic interests, environmental needs, and social expectations by integrating the spirit of SD into the business strategy. Figure 1 illustrates the relationship between CSR and SD. Note that there are two levels here; the micro-level is the level of the company, while the macro-level exists at larger societal scales. At the micro-level, while a company integrates social and environmental concerns into its business operations and interaction with its stakeholders, the CSR management team of the company ensures compliance with CSR-related legal requirements and best practices, maintains continual improvement under existing CSR commitments, and facilitates more efficient and effective CSR reporting. At the same time, external drivers are vital in helping to facilitate CSR implementation. In the Western context, these include government drivers, market drivers, social drivers, and globalization drivers, as Moon [9] has suggested.

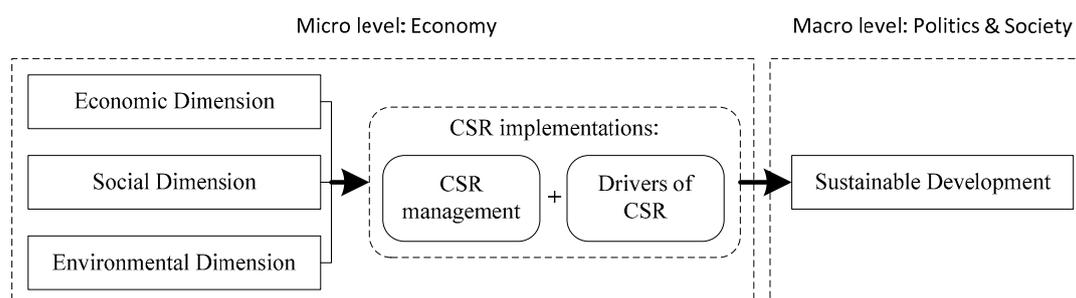
By legislating, fostering, partnering with business, and endorsing good practice, governments play an important role in supporting companies' CSR management. The role governments play can either be minor (i.e., the government in the West) or major (i.e., the government in China), which will be discussed later in the paper.

Market drivers for a company's CSR engagement include its consumers, employees, investors, and business suppliers. First and probably the major reason that a company engages in CSR is to meet consumer demands and expectations of CSR. A global survey by Cone communication [10], a public relations and marketing agency, suggested that 90% of consumers would boycott a company if they learned of its irresponsible behaviour and 93% of those surveyed wanted to see more CSR in the products and services they purchased. Various academic studies have also highlighted the increasing consumer preference for products and services with socially responsible attributes [11–14]. In addition, employees are increasingly putting pressure on employers to engage in CSR. The same survey conducted by Cone Communication found that 65% of respondents who already had a job claimed that they were proud of their employer's social and environmental activities and this increased their loyalty to the company. Furthermore, social responsibility has been an aspect of investment for many years, and there has been a dramatic increase in global socially responsible investing (SRI) assets, rising from 21.4 trillion USD in 2014 to 30.8 trillion USD in 2018, and the fastest expanding regions for such investment are Japan, Australia/New Zealand, and Canada [15]. SRI involves the incorporation of extra-financial factors, such as environmental, social, and governance (ESG) factors, into decision making, so as to improve returns and manage risks.

Social drivers for CSR include pressure from activist groups and NGOs, media attention, general social expectations, and business coalitions, etc. NGOs have been drawing public attention to unethical

business practices. The rise of radio and television during the 1950s and 1960s, with the associated rapid coverage of major events such as the Civil Rights movement, along with traditional media such as books (*Silent Spring* by Rachael Carson, *Unsafe at Any Speed* by Ralph Nader), has helped to reinforce the role of NGOs. The vast use of social media tools worldwide in more recent years has made easier to spread news of business misconduct more rapidly and business managers can no longer ignore public opinion of CSR.

As another driver, globalization, in particular the role of MNEs as discussed earlier in the Section, has pushed the standardization of CSR practices across the world. Some of this standardization has arisen through the influence of MNEs and foreign direct investment (FDI) because of increasing trade and the attendant need to meet international regulation, whilst some has arisen through the influence of international organizations such as the UN, World Bank, OECD, WTO, and so on.



**Figure 1.** The relationship between Corporate Social Responsibility (CSR) and Sustainable Development (SD).

With good CSR management and various CSR drivers, companies can become dynamic and well-functioning, whilst at the same time protecting labor rights and environmental and health standards in accordance with relevant international standards and agreements. Therefore, companies can make a significant positive contribution to sustainable development, which is the macro level of the CSR-SD relationship set out in Figure 1. However, this framework is based on existing theories and applies worldwide. Does this framework work in a China-specific context? This is the question that will be tested in the following sections.

### 3. Sustainable Development in China—Current State-of-Play

#### 3.1. Economic Dimension of SD—Economic Reform and GDP Growth

China set up its centrally-planned economic system in 1949 in the wake of the USSR, which had previously established its own centrally-planned system. Over the years, a series of reforms were carried out to speed-up economic growth, though they remained within the centrally planned system. From 1978 onwards, China has seen a push towards the establishment of a market economy. China's economic reform has been a gradual process, and as Deng Xiaoping put it, "crossing the river while feeling the rocks" [16]. The reforms started with the state-owned enterprises (SOEs), but ironically achieved unexpected success in the rural areas, which became the initial focus for change. In 1984, the focus of the reform shifted back to the urban areas and to SOE reform amongst other changes, such as price, import, and export reforms.

These reforms have been successful in catalyzing economic growth and structural change in China, including industrialization and urbanization (see Table 2). Although some aspects of China's change are comparable in scope and scale to other countries, such as social change in eighteenth century England and the urbanization of post-medieval Europe [17], China is still in a definitional phase [18].

**Table 2.** Gross Domestic Product in China at the current price.

Year	GDP (100 million Yuan)	Percentage of GDP (%)			Ratio of Secondary to Primary Industry	Per Capita GDP (Yuan)
		Primary Industry	Secondary Industry	Tertiary Industry		
1978	3678.7	27.7	47.7	24.6	1.7	385
1980	4587.6	29.6	48.1	22.3	1.6	468
1985	9098.9	27.9	42.7	29.4	1.5	866
1990	18,872.9	26.6	41.0	32.4	1.5	1663
1995	61,339.9	19.6	46.8	33.7	2.4	5091
2000	100,280.1	14.7	45.5	39.8	3.1	7942
2005	187,318.9	11.6	47.0	41.3	4.1	14,368
2010	413,030.3	9.5	46.4	44.1	4.9	30,876
2016	744,127.2	8.6	39.9	51.5	4.7	53,935
Average annual GDP growth rate (%)		9.6				

Note: According to the ‘Three-Sector Theory’, economies can be divided into three sectors of activities: primary sector represents activities that include the extraction of raw material, the secondary sector includes manufacturing, and the tertiary sector includes services. Source: [19].

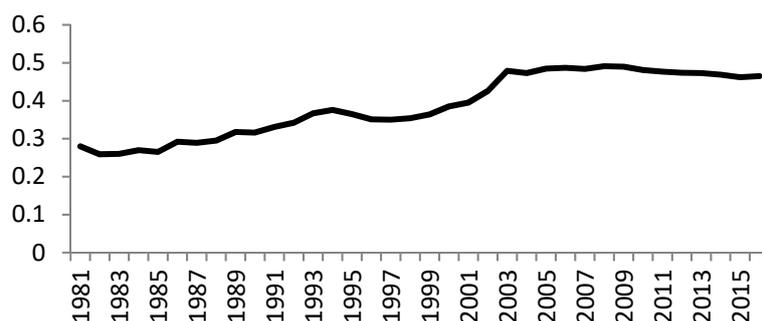
China’s most recent development goals are the Two Centenary Goals, which were put forth by the 18th National Congress of Chinese Communist Party in 2012. The first Centenary Goal aims to double China’s GDP and per capita income from the levels of 2010 and transform China into a moderately prosperous society to the benefit of over one billion people by the time of the Chinese Communist Party’s (CCP) centenary (2021). The second Centenary Goal is to bring per capita GDP up to the level of moderately developed countries and build China into a modern socialist country that is prosperous, strong, democratic, culturally advanced, and harmonious by the year 2049, which is the centenary of the founding of the People’s Republic of China.

To promote the realization of the Two Centenary Goals and the Chinese dream of the great rejuvenation of China as a nation, the Belt and Road Initiative was proposed by Xi Jinping in 2013. It has been recognized as ‘the new climax’ in China’s journey of reform and opening-up of the economy. The Belt and Road Initiative is intended to send a positive message of international cooperation so as to build a harmonious world based on mutual trust and win-win cooperation [20].

### 3.2. Social Dimension of SD—Income Disparity, Urban Poverty, and Human Rights

China’s spectacular economic growth has been accompanied by an increasingly unequal income distribution, which is a key point that needs to be made regarding the social dimension of SD in China. The Gini coefficient rose from about 0.3 in the early 1980s to a high of 0.491 in 2008. Since then, although it has declined, it has remained above 0.45 (Figure 2). With a Gini coefficient approaching 0.5, China’s level of income disparity is close to that of some Latin American countries with relatively high inequality, such as Mexico (0.51), Nicaragua (0.52), and Peru (0.48). Unofficial estimates indicate that the Gini coefficient of China could be higher (at 0.61 in 2010), indicating the situation might be worse than the official figures indicate [21]. Perhaps ironically, given that it is a Communist state, China is now amongst the 25% most unequal countries in the world [22], with one-third of the country’s wealth owned by the top 1% of households, while the bottom 25% account for only 1% of wealth [23]. One of the outcomes of such income disparity is the impact it has on economic growth and on efforts to alleviate poverty, and it seems reasonable to suppose that it is likely to continue to undermine the long-term sustainability of the Chinese economy [24].

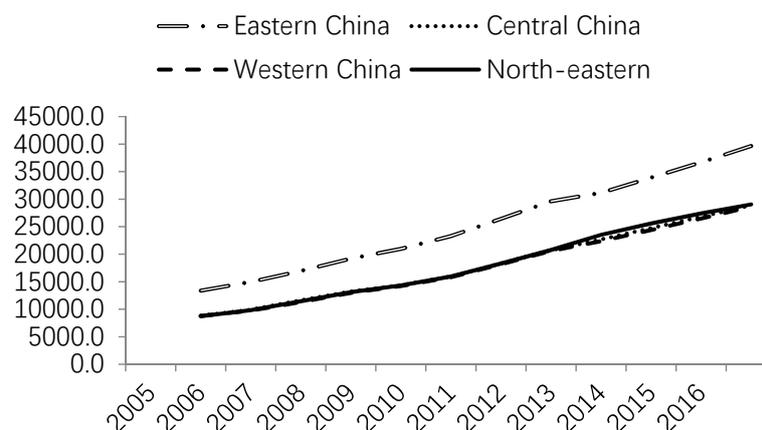
This inequality relates to both the changing distribution of incomes across the income quintiles and the changes across regions. Incomes of the upper income groups in China have grown faster than those in the lower quintiles. Between 2000 and 2015, incomes in the lowest quintile grew at 8.6%, whereas the incomes of the highest quintile grew at 10.8%.



**Figure 2.** China's Gini coefficient (1981–2016). Sources: Gini coefficients for the years 1986–2001 are from [25]; 2002 from [22]; and 2003–2016 from [19].

In addition, the income gap between rural and urban China has also grown and is larger than in other Asian countries [26,27]. Calculations based on data from National Bureau of Statistics of China (NBSC) indicate that the ratio of urban to rural incomes increased from about 2.5 in 1978 to a high of 3.3 in 2007. It then declined to 3.0 in 2015, which is a rate that is still higher than that in 1978. These trends have been exacerbated by increasing private property ownership in China [28].

Of course, uneven GDP growth between regions also contributes to income inequality. China's economic reforms started from the coastal areas and these are also the regions with the first special economic zones (SEZs) and largest inward investment. The consequent increase in growth has increased the gap between incomes in Eastern China and the rest of the country (Figure 3).



**Figure 3.** Per capita disposable income of urban household in eastern, central, western, and north-eastern China (2005–2016). Source: [19].

The World Bank [29] reported a national urban income poverty rate of 2.7% using a \$2/day poverty line and 9.7% using a \$3/day poverty line in China. If we use the urban *Dibao* (*Dibao* program will be introduced in Section 3.4) registration rate as an index of urban poverty in China, then the urban poverty rate in 2017 was 1.55% (based on varying poverty lines across regions).

High unemployment has been the main driver behind urban poverty. Many former SOE workers were laid off as a result of restructuring and, in the process, lost their social welfare services so that they could no longer afford medical care or their children's education [30–32]. Another source of urban unemployment is rural to urban migration. Calculations based on NBSC [33] have suggested that by the end of 2017, there were 287 million urban migrants in China, which accounted for 35% of the urban population. Park and Wang [34] conducted a survey in 10 Chinese cities, leading them to conclude that migrant workers face both financial and non-financial difficulties. Not only do they earn significantly less than local residents, but their housing conditions are much worse and most do not contribute to a pension plan or unemployment and health insurance. In addition, because of China's *hukou* system

(often referred to as ‘household registration’), rural to urban migrants must pay significantly higher fees for their children to go to schools in the city because they do not have local *hukou*.

Most outside observers estimate that official measures of the unemployment rate in China are “*decidedly too low*” and the actual unemployment rate is far higher than the official data [35]. The urban unemployment data from China’s NBSC have suggested an unemployment rate of between 4.0% and 4.3% during 2004–2015, while the rates reported by the CIA [36] of the US have varied between 4.0% and 10.1% for the same period. The Hong Kong-based, Alibaba-owned newspaper China South Morning Post, claimed that employment data in China is always an issue of debate, and the measure that the government traditionally uses only counts the urban registered jobless rate, thus covering only part of the story. The true unemployment situation might be significantly underestimated.

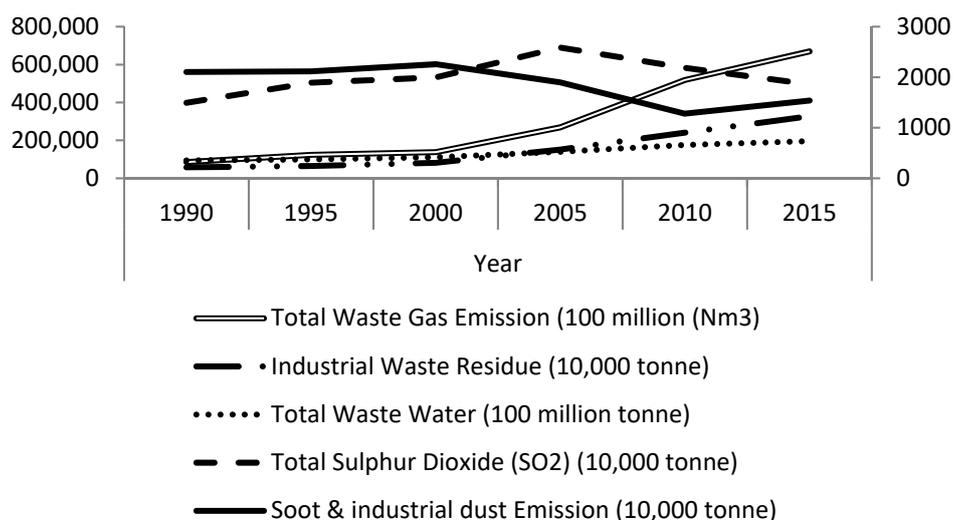
Human rights in China are highly contested topics. While some western governments and international NGOs have frequently criticized China for violating the freedom of speech, movement, and religion of its citizens (for example, the US-based American newspaper The Washington Post [37] reported that the human rights lawyer, Jiang Tianyong, was sentenced to two years in prison by a Chinese court for “*inciting subversion of state power*”, and more than 200 human rights lawyers, legal assistants, and activists have been detained over the past two years in the national crackdown of criticism in China that started in 2015), the Chinese government states that it has a different definition of human rights based on its national culture and level of development, and it includes economic and social, as well as political, rights [38]. Whelan and Muthuri [39] also found that human rights are interpreted in China as only comprising some human rights and not the full spectrum that is usually included within international standards. Based on China’s definition, it is claimed by the government that human rights in China have improved [40]. One possible reason for this disparity between Chinese and global perspectives on human rights is the influence of the Confucianism virtue of *filial piety*, which nurtures and advocates a hierarchical structure of the human relationship in society and undermines the equality of persons [41].

### 3.3. Environmental Dimension of SD—Resource Exploitation and Environmental Degradation

According to the US Energy Information Administration [42], China has been the largest energy consumer and producer in the world since 2010. However, since 1999, China has become a net energy deficit economy, with its total primary energy consumption surpassing its energy production. Coal supplied nearly 66% of China’s total energy consumption in 2012 and by 2013, China’s coal consumption had surpassed the rest of the world combined. China was also the second biggest petroleum consumer (after the US) and third biggest dry natural gas consumer (after the US and Russia) in 2015. China’s consumption of total petroleum and dry natural gas has also been increasing steadily in the past few decades, and this demand has had a significant impact on global energy prices.

In addition to its energy consumption, China has been the biggest global consumer of steel since records began. In 2015, China’s apparent steel consumption, measured by the finished steel product, was 45% of the world total, and is 7 times more than the US and 8.5 times more than the third biggest steel consumer, India [43]. It is therefore not surprising that demand in China has had a significant impact on world steel prices and availability.

Because of its high consumption of coal, China has become the leading energy-related SO<sub>2</sub> emitter globally, with a peak emission in 2005 of 26 million tons. This then decreased to 18 million tons of SO<sub>2</sub> in 2015, which is still significantly higher than the early 1990s (Figure 4). The increasing number of cars on the road in China, especially in medium-sized and large cities, has also contributed to the total waste gas emission. Taking Beijing as an example, the number of vehicles increased from 0.5 million in 1990 to 5 million in 2012. As a result, China’s air pollution is becoming more and more severe. In 2013, air quality in Beijing on more than half of the days was considered hazardous or worse [44]. A recent study reported that nearly everyone in China experiences air that is worse for particulates than the worst air in the US, and about 4000 people in China are killed by air pollution every day [45].

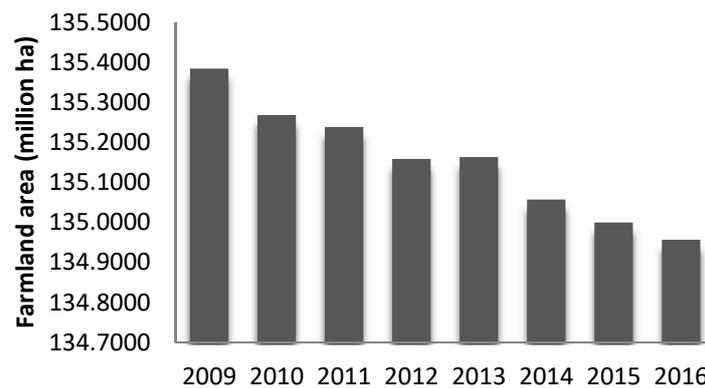


**Figure 4.** Discharge of waste gas, waste water, and solid waste in China (1990–2015). Note: Nm<sup>3</sup> is a normal meter cube, measured at 1 atmosphere pressure and 0 degree centigrade temperature. Source: [19].

Figure 4 also indicates that although the amount of soot and industrial dust emissions decreased between 1990 and 2015, the amount of waste water, waste gas, and industrial waste residuals produced in China during the same period increased. The most severe of these was the discharge of waste gas. Water pollution has also become a serious problem in China, with research indicating that about 59.6% of underground water in China cannot be used directly for drinking [46]. In addition, the quality of the supply of drinking water in China has deteriorated in recent years. For example, Leung et al. [47] detected 17 pharmaceuticals in 89% of tap water samples collected in 13 cities in China. In 7000 water samples taken from various rural water supplies, Zhang et al. [48] found that nearly half were unsafe for drinking. As important sources of water supply for about 70% of rural residents in China, wells and shallow groundwater were found to be very unhealthy, with 90% of them being polluted by heavy metals and organic solvents, and 30% being too dirty to be treated for use as drinking water [49]. According to a study by the World Bank and China's Ministry of Environmental Protection (MEP) [50], the cost of air and water pollution for China is around \$100 US billion a year (or about 5.8% of China's GDP), and the air and water pollution has also caused growing levels of cancer.

With air and water pollution in China attracting international attention, the seriousness of soil pollution in China was also unveiled with the release of a report on a nine-year nationwide soil pollution survey (2005–2013) by the MEP and Ministry of Natural Resources (MNR) in 2014. The results indicated that 19.4% of the agricultural soil samples were contaminated with heavy metals such as cadmium, nickel, and arsenic, which means that around one-fifth of arable land in 2013 was dangerously polluted. This was the first ever report on soil contamination in China and it admits that the situation is not an optimistic one. However, the report declared that many of the specifics are classified and therefore cannot be released. At the news release conference on the completion of the second national land survey in December 2013, Wang Shiyuan, the head of the MNR, admitted that around 50 million mu (3.3 million ha, which is approximately the size of Belgium) of China's land is medium-heavily polluted and cannot be farmed.

Soil pollution, together with a loss of farmland (Figure 5) because of industrialization and urbanization, has raised concerns over food security in China [51].



**Figure 5.** Change of farmland area in China (2009–2016) (million ha). Source: [52].

### 3.4. Government Policy for SD

The negative social and environmental impacts, of which the previous sections have provided only a taste, of China's three decades of high-speed economic growth are becoming too serious to ignore. International and domestic pressures have forced China to take steps to tackle the increasingly urgent issues. Since the 9th Five-Year Plan (1996–2000) that explicitly stated the need for qualitative instead of quantitative growth in China, sustainability has been considered a mark of the former. The 13th Five-Year Plan highlighted the need for social, economic, and environmental sustainability, emphasizing the need to tackle social problems, reduce regional disparities, and increase environmental protection and energy efficiency. The plan supports the phasing out of the export-led development model and transformation into a more domestic-market-oriented growth model, with a better balance between agriculture and industry and an industrial shift towards high value-added, technology-intensive industries [53]. A series of new laws and legislations relating to improved social security and environmental protection have come into effect in recent years.

To alleviate poverty, the Chinese government introduced the 'Minimum Livelihood Guarantee Scheme', popularly known as *Dibao* in Chinese. The aim of the *Dibao* program is to alleviate poverty by providing monetary compensation to registered citizens in China. The scheme was piloted in Shanghai in 1993 and became a national policy in 1999. However, it was applicable only to urban citizens before 2007, after which it was adopted nationwide (including in rural areas). The thresholds for *Dibao* registration are decided by the local government based on the per capita income in a household. Hence, they are different from region to region and from cities to the countryside, and have increased gradually over the past years along with an increase in average income. To bridge the income gap between urban and rural areas, the Chinese central government has been trying to encourage regional governments to unify the urban and rural *Dibao* thresholds. By the end of 2016, approximately 61 million urban and rural residents were registered for this program.

In February 2013, a new reform plan named the 'Income Distribution Plan (IDP)' was released. The Plan lists 35 different goals and targets for narrowing income inequality, including doubling personal income levels by 2020; limiting excessive salaries in the state sector and cracking down on grey and illegal income received by SOE employees; improving interest rates for savers; and adjusting redistribution policies, including increasing the participation of migrant workers in the pension system, improving the urban pension systems, and accelerating the establishment of a national universal healthcare system.

In addition, the Chinese government released the Outline for Development-oriented Poverty Alleviation for China's Rural Areas (ODPACRA, 2001–2010) and ODPACRA (2011–2020), aiming to provide adequate food and clothing for poverty-stricken people in rural China while ensuring their access to compulsory education, basic medical services, and housing by 2020.

Xi Jinping, at the 19th National Congress of CCP, called for the whole Party, the whole country, and the whole society to implement targeted poverty reduction and alleviation measures so as to

build a moderately prosperous society in all respects by the centenary of the CCP (the first of the Two Centenary Goals). He suggested a working mechanism of poverty reduction whereby the central government makes overall plans, provincial-level governments take overall responsibility, and city and county governments ensure implementation.

To tackle air, water, and soil pollution, China has moved forward with a series of new environmental policies and laws to be applied at the national level, including the following:

- 2013 Action Plan for Air Pollution Prevention and Control (Air Ten Plan);
- 2015 Action Plan for Water Pollution Prevention and Control (Water Ten Plan);
- 2016 Action Plan on Soil Pollution and Control (Soil Ten Plan);
- Environmental Protection Law (adopted on 1 January 2015);
- Law on the Prevention and Control of Atmospheric Pollution (adopted on 1 January 2016).

The 'Air Ten Plan' proposes improving the overall air quality across the country over a five-year period, reduce heavy pollution in the Beijing–Tianjin–Hebei region, the Yangtze River Delta, and the Pearl River Delta. It contains 10 measures designed to prevent and control air pollution [44], and sets, for the first time, a reduction target for PM<sub>10</sub> nationwide and requires an increase in the supply of clean energy and a decline in coal use. In addition, the 'Air Ten Plan' seeks to fortify China's environmental policy regime, setting aside funds for subsidies and revamping policies on pricing and taxation to encourage private participation in pollution control and improve the legal system to ensure compliance.

The 'Water Ten Plan' sets ambitious goals for cleaning up the country's heavily polluted water bodies, for example, by 2020, 70% of seven major rivers, including the Yangtze, Yellow, Pearl, and Huai, have to be in a good condition, and this figure will rise to 75% by 2030; an overall improvement of water quality nationwide and of aquatic ecosystems can be expected by 2050.

The 'Soil Ten Plan' put forward 231 specific actions and the main objectives are as follows:

- To keep the worsening soil pollution under control and effectively manage soil pollution risks by 2020, and set up a virtuous cycle in the ecosystem by 2050;
- To restore the soil system and bring back 90% of contaminated land to safety levels by 2020, increasing to 95% by 2030;
- By 2020, to apply a soil quality monitoring system in all cities and counties;
- By 2020, laws on soil pollution prevention and control and related regulation systems should be set up.

The passing of the New Environmental Protection Law represented a critical improvement in China's pollution control efforts. In addition to a tougher penalty system, the new law establishes a performance assessment system for regional officials based on the region's track record of environmental protection performance, rather than solely on economic growth. In addition, the new law has given the MEP greater legal authority to regulate and penalize polluters, and NGOs can take legal action against polluters on behalf of the public.

In 2017, the Chinese government approved an action plan that called for a ban on the importation of 24 kinds of solid waste (including waste plastics, mixed paper, discarded textiles, etc.) that cause serious pollution, as well as a ban on the importation of solid waste that can be substituted by domestic resources, to take effect by the end of 2019. This will obviously benefit China's environment and people's health.

Furthermore, a new Food Safety Law took effect in October 2015. It contains 154 articles and reflects an overall trend toward strengthening food safety regulation in China by further defining the scope of regulators and by introducing many new regulatory requirements. However, this law is not integrated with soil and water pollution management policies, and is thus unlikely to be comprehensive enough to be a policy safety net for China's long-term food security. The separate soil and water pollution management policies have not been integrated.

In addition to the shortage of an integrated approach to policy development, there is also a gap between legislation and implementation [44,54–56]. Despite the 2009 Food Safety law, there are still numerous food safety incidents around China, such as gutter oil, dyed green beans, adulterated noodles, contaminated strawberries, fake beef, and pork meat scandals. In spring 2013, around 14,000 dead pigs were found floating on the Huangpu River in Shanghai, and yet the officials claimed that water from the river was safe for humans to use [14]. In June 2015, the Chinese news agency Xinhua reported that the authorities had seized nearly half a billion dollars' worth of smuggled frozen meat and some of the meat dated to the 1970s. The meat included beef, pork, and chicken wings, and was discovered in a nationwide crackdown that spanned 14 provinces and regions [57].

Weak enforcement has been claimed to be the main cause of the ineffectiveness of the current laws and legislations in China. Of course, there are common problems when it comes to law enforcement, such as technical obstacles (i.e., how to use bio-technology for water pollution control), problems when the power of interest groups being affected, and issues when changing the existing situation to match the new standard. However, the fundamental cause of the big gap between legislation and its implementation is corruption in China because corruption has been weakening and even sabotaging the legitimacy of the ruling CCP [58]. Corruption is also the source of social dissatisfaction, socioeconomic disparity, massive economic distortions, environmental degradation, and a higher risk of public unrest (ibid). In effect, it is corruption that has plagued the *Dibao* program, with only 21% of poor households being able to receive *Dibao* in 2010, while more than half of the recipients were above the poverty line [59].

Since the 18th National Congress of the CCP in 2012, Xi Jinping has launched a far-reaching Anti-Corruption Campaign to crack down on high-level officials, as well as local civil servants, to clean up the government's wrong-doings. Since then, more than 100,000 people have been indicted for corruption. Even with this effort, in 2018, China was still ranked 87th in the Transparency International (TI) Corruption Perception Index (CPI) out of 183 countries. This puts China on par with Serbia and right behind Benin and Argentina [60]. Corruption has had a great negative impact on China's long-term sustainability. Pei [58] stated that the direct cost of corruption was 3% of China's GDP in 2003, while the indirect costs, including waste, loss of efficiency, damage to the environment, education, public health, moral, and credibility, are incalculable.

Facing the challenges discussed above, China has a long way to go in achieving sustainability. In addition to tightening its legislation system, it has, for some time, been recognised that China must encourage CSR to curb its social and environmental problems and the corruption of government officials [14,54,61,62]. However, can CSR in China help address such complex issues of income inequality, poverty, and environmental degradation?

#### 4. CSR and SD in China

The evolution of CSR in modern China is linked to the economic reforms outlined above and can be divided into two periods: the socialist planned-economy period (1950–1978) and the transitional period (after 1978), when China launched its transformation from a socialist planned economy to a socialist market economy. In the first period, what would now be considered to be CSR activities were undertaken by SOEs and were not voluntary. In particular, these activities were subsumed into the SOE's mission as these firms had wider objectives than simply economic profitability; they had to meet employment targets, provide social benefits, and generally were the conduit for government policy to reach local levels. Therefore, Chinese SOEs were an early precursor of the triple bottom-line approach that current CSR requires. They were expected to adhere to the slogan 'serve the people', introduced by Mao when the People's Republic of China (PRC) was first established.

SD had an important place in Mao's administration. He called for green policies because they would benefit agriculture, industry, and other aspects of society [63]. Equality and social justice were also among China's objectives during the Mao era. Workers' rights were central in both urban and rural areas, where peasants were well looked after by their communes. During this period, CSR was

strongly politicized due to the socialist nature of the enterprises, and obeying state orders and serving the employees were central concerns for socialist enterprises.

What is now considered to be the modern conceptualization of CSR was introduced into China as the country opened-up its economy after 1978. MNEs brought modern Western CSR norms and standards into China. As members of global supply chains, some Chinese companies were required to accept CSR standards, particularly about working conditions [5].

As discussed in Section 2, drivers of CSR in the West include market drivers, social drivers, government drivers, and globalization drivers. In the Chinese context, CSR drivers include not only these four drivers, but also institutional drivers and cultural drivers (Table 3).

It is not difficult to see that most drivers of CSR work differently in China than in the West, and one of the major differences for this is the role of the state. In China, most institutions are state-based, state-led, or state-influenced in some way. CSR has been promoted by the private sector and NGOs and has grown organically in the West, whereas the main promoter of CSR in China is the government. Chinese domestic NGOs are mostly state-backed and regarded as fund-raising mechanisms for the government [32]. International NGOs have been struggling in China, especially after the new Foreign NGO Law took effect on 1 January 2017. The law places tighter control over overseas NGOs in China, requiring them to have government sponsors, for instance, or to register with the public security authorities or submit regular reports on their activities and funding, etc. Any violation of the law results in severe punishment.

Institutional weaknesses in China might reinforce the Chinese government's advocacy of CSR [5]. In particular, SOE reform has left many social responsibilities unattended in recent years as SOEs concentrate more on profitability and constructing an effective legal system is likely to take considerable time. Under these circumstances, the Chinese government might see the adoption of CSR as helping to address some of these gaps. In this sense, CSR in China could now be called 'political CSR'. Companies in general see social spending as primarily a cost to be reduced rather than embraced [6], so are Chinese companies. Stuck between political CSR and economic motivation, many companies across the world have decided to take a strategic CSR approach; that is, to relate CSR activities to the company's core business through adherence to CSR codes and the implementation of social and environmental management systems. Hence, it could be construed that CSR is largely defensive in nature. It is used by the company owners (institution leaders) as defensive measures designed to head-off societal criticism of a company's social, economic, and environmental irresponsible behaviour. Because of its defensive, political, and economic nature, CSR has been criticized by Lamarche and Bodet [6] as showing no signs of being able to help achieve SD.

In China, CSR is used as a defensive measure not only by companies, but by the government, to first ease international criticism of its environmental damage and second settle national social unrest caused by SOE reform. It has also generated skepticism. For example, although CSR has gained legal recognition in China, the 2006 Company Law does not give a clear definition of CSR or specify its content, nor does it clarify whether implementing CSR is advisory or mandatory, which makes it difficult to evaluate if the company has practiced CSR and how to penalize it if it does not. In addition, although the Chinese government is active in promoting CSR, the state-led CSR initiatives shown in Table 3 are often uncertain and seemingly short-term. This has led to the reluctance of companies to show their true commitment. Therefore, CSR in China has been criticized as being little more than window-dressing [64,65].

**Table 3.** Drivers of corporate social responsibility (CSR) in China in comparison to those in the West.

Drivers for CSR	Details of CSR Drivers in China	Details of CSR Drivers in the West
Market drivers	<p><b>Chinese domestic consumers:</b> who care more about physical conditions and the functionality of the products than how they are produced, less aware of consumer rights;</p> <p><b>Employees:</b> who are more concerned with their pay and working conditions than about their employer's overall social and environmental performance;</p> <p><b>SRI fund:</b> The Sustainability Growth Equity Fund launched in 2006 by the Bank of China;</p> <p><b>SRI index:</b> The TEDA Environmental Protection Index launched in 2008 by Shenzhen Securities Information Company and Tianjin Teda Company;</p> <p><b>Responsibility Index:</b> launched in 2009 by Shanghai Exchange.</p>	Consumers, employees, investors, business suppliers and customers
Social drivers	<p><b>Government organized NGOs:</b> Chinese Children and Teenagers fund, Project Hope, Poverty Alleviation Foundation, China Charity Federation;</p> <p><b>Independent NGOs:</b> Amity Foundation, Chinese Christian Service Organization, Young Men's Christian Association (YMCA);</p> <p><b>CSR organizations:</b> China CSR, SynTao, China Business Council for Sustainable Development;</p> <p><b>Cross-sector initiatives:</b> China Social Compliance 9000 for the Textile and Apparel Council (CSC9000T), Social Responsibility Guide of the China Industrial Companies and Industrial Associations (SRGCICIA);</p> <p><b>Others:</b> media, nationwide CSR awards.</p>	NGO pressure, media attention, general social expectations, business associations for CSR
Government drivers	<p><b>2005 National People's Congress:</b> China changed its focus from economic growth to societal balance and harmony;</p> <p><b>2006 New Company Law:</b> required companies to undertake social responsibility;</p> <p><b>2006 Guide on Listed Companies' Social Responsibility (Shenzhen Guide):</b> promoting CSR disclosure;</p> <p><b>2007 Regulation on Environmental Information Disclosure (trial implementation) (REID):</b> heavily-polluting companies and environmental agencies were mandated to make their environmental information transparent;</p> <p><b>2007 Green Credit Policy:</b> Chinese banks include corporate environmental performance into credit assessment;</p> <p><b>2008 Green Securities Policy:</b> control financial risks and restrain the expansion of Chinese listed companies in 14 highly polluting industries;</p> <p><b>2008 Guide on Environmental Information Disclosure for Companies Listed on the Shanghai Stock Exchange (Shanghai Guide):</b> request to publish annual CSR reports in addition to financial reports;</p> <p><b>2014 Opinions on Promoting the Sound Development of Philanthropy:</b> First programmatic document issued for the development of Chinese philanthropy since the founding of the People's Republic of China;</p> <p><b>2016 Guiding Opinions on Promoting Green Consumption:</b> deploys the consumption of green products, green service supply, and financial support, and proposes to support developing sharing economy and form a thrift, green and low-carbon, and healthy life style and consumption mode;</p> <p><b>Others:</b> state-backed media exposure of corporate misconduct among foreign multinational enterprises (MNEs).</p>	Government encouragement of good business practice
Globalization drivers	Pressure from global supply chain.	New imperatives for business legitimacy across borders
Institutional drivers	Institutional weaknesses in China might reinforce the Chinese government's advocacy of CSR, hence CSR in China is 'political CSR'.	N/A
Cultural drivers	Confucianism and its five elements— <i>ren, yi, li, zhi, and xin</i> .	N/A

Source: the authors' compilation.

## 5. Contribution of CSR to SD in China—Empirical Evidence

The Environmental Performance Index (EPI) is a comparable country-level index of environmental sustainability and performance. It offers a scorecard that highlights leaders and laggards in environmental performance, gives insight into best practices, and provides guidance for countries that aspire to be leaders in sustainability. EPI was developed by the Yale Centre for Environmental Law and Policy and the Centre for International Earth Science Information Network at Columbia University. It was first published in 2002 and updated annually from 2002 to 2010 and every two years afterwards. EPI scores are between 0 and 100, and the closer they are to 100, the better the environmental performance. The 2018 EPI ranked 180 countries on 24 performance indicators across ten issue categories covering environmental health and ecosystem vitality. China was scored 50.74 and ranked 120th out of 180 countries in 2018.

The Human Development Index (HDI) is a statistics composite index produced by the Human Development Report Office (HDRO) of the United Nations Development Programme (UNDP) and aims to evaluate development not only by economic advances, but also improvements in human well-being. It was first released in 1990, and has been updated yearly ever since. It has been used by HDRO to measure a country's development. The HDI includes three dimensions: life expectancy, education, and per capita income, and the higher the lifespan, the educational level, and the gross national income per capita (PPI), the higher the HDI value. HDI values are decimal numbers between 0 and 1. The closer they are to 1, the higher the human development level, and vice versa. China's HDI value for 2017 is 0.752 and it is ranked 86th out of 189 countries, which put the country in the high human development category.

Because the EPI and HDI are rankings developed by independent organizations and they indicate development levels in environmental, social, and economic dimensions, it is assumed that a combined index of EPI and HDI would represent the sustainable development level of a country. We name this combined index SDI, i.e., the Sustainable Development Index. To calculate the SDI, we first need to assign weights to the HDI and EPI. Because the HDI covers two dimensions of SD (social and economic) and the EPI only covers the environmental dimension of SD, the weight of the HDI is assigned as 2/3, and the weight of the EPI is 1/3. The SDI is calculated as follows:

$$SDI = HDI * 100 * \frac{2}{3} + EPI * \frac{1}{3}$$

where  $\frac{2}{3}$  is the weight of the HDI, and  $\frac{1}{3}$  is the weight of the EPI.

Based on above method, the SDI for China is calculated as seen in Table 4. To make it consistent with Corporate Social Responsibility Index (CSRI) data, only the years 2009–2018 are included. Because the latest HDI is for 2017, we used historical data to forecast the HDI for 2018 in Excel, which is 0.763. EPI data have been published every couple of years since 2010, and data for 2011, 2013, 2015, 2017 are regarded as the arithmetic mean for the data from the previous year and the year after. For example,

$$SDI_{2011} = \frac{SDI_{2010} + SDI_{2012}}{2}$$

A CSRI has also been developed based on research undertaken by the Chinese Academy of Social Science (CASS) on the best CSR performers in China. Research findings have been reported annually by CASS since 2009 in the Blue Book of Corporate Social Responsibility series. China's top 100 SOEs, top 100 private enterprises, and top 100 foreign-invested enterprises in 14 sectors, including electric power, banking, communication, special equipment, manufacturing, electronics, real estate, automobile, retail, and chemical fields, were picked out based on their CSR performances. CSR performances were evaluated from four dimensions: social, economic, environmental, and CSR management, including more than 100 performance indicators (depending on the industry the company is in). Data were collected from five sources: CSR Report, Annual Report, Company's official website, major Chinese

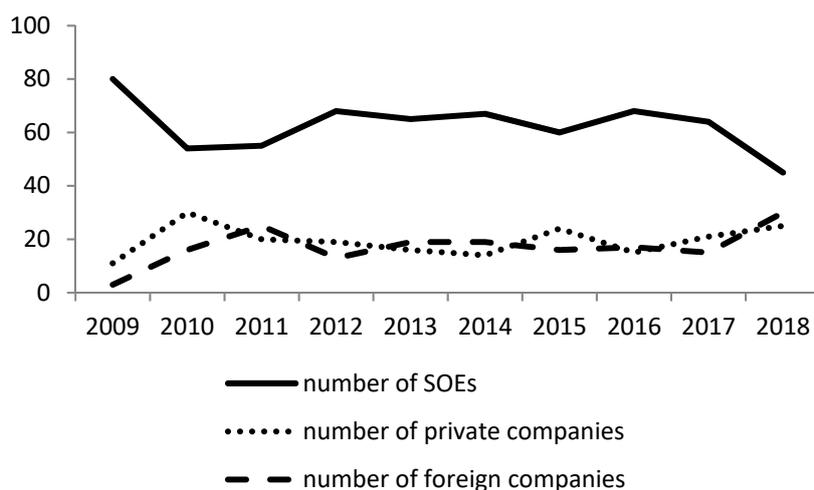
news sources, and other related reports produced by the company (The detailed methodology for CSRI calculation can be seen in [66]) [66]. Based on the CSR scores, we picked the top 100 CSR performers (including SOE, private, and foreign-invested companies) and took their average score as China's CSRI (Table 4).

**Table 4.** China's Sustainable Development Index (SDI) and Corporate Social Responsibility Index (CSRI).

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
SDI	60.33	63.40	62.81	62.21	62.81	63.53	67.55	71.57	69.44	67.78
CSRI	31.70	39.60	45.73	52.24	56.66	66.82	69.31	72.68	75.9	66.57

Note: Data only available from 2009 to 2018.

China's SDI and CSRI are positively correlated ( $r = 0.836$ ,  $P < 0.01$ ) and this may be suggestive of CSR making a contribution to SD in China over the past 10 years. However, we cannot ignore the fact that the Chinese government has played a big part in promoting both CSR and SD in China. For example, within the 100 best CSR performers in China between 2009 and 2017, more than half are SOEs (Figure 6). In 2018, the year SOEs represented less than half of the companies, the CSRI dropped significantly. Therefore, any correlation between SD and CSR could simply be a reflection of a strong government intervention to guide both, rather than one (CSR) driving the other (SD).



**Figure 6.** Number of state-owned enterprises (SOEs), private companies, and foreign companies in the 100 best corporate social responsibility (CSR) companies (2009–2018).

## 6. Future of CSR and SD in China

### 6.1. Stages of CSR

Visser [67] has suggested that there are five 'stages' of CSR: defensive, charitable, promotional, strategic, and systemic. Defensive CSR happens in the stage of greed, where companies undertake limited sustainable and responsible practices and only on the premise that shareholder value will not be harmed as a result. The second stage is charitable CSR, where the wealthy like to give/share their wealth. The next stage is the promotional CSR, where businesses practice CSR so as to build a good reputation and improve the brand's image. At the fourth stage is strategic CSR, as was discussed in Section 4. The systemic CSR is the stage where companies identify and tackle the root causes of present unsustainability and irresponsibility, typically through innovating business models; revolutionizing their processes, products, and services; and lobbying for progressive national and international policies.

According to Visser [67], the current form of CSR (CSR 1.0) includes the first four stages of CSR and CSR 2.0 or ‘corporate sustainability and responsibility’ is the last stage of CSR. CSR 2.0 is defined as follows:

*“The way in which business consistently creates shared value in society through economic development, good governance, stakeholder responsiveness and environmental improvement”*. [67], p. 10

Visser further argued that we are now in a transition from the first four stages to the fifth (systemic) stage of CSR. That is to say, the current form of CSR cannot take us further in defining the role of business in society and in achieving long-term sustainability. Therefore, a systemic and transformative form of CSR, i.e., CSR 2.0, that can identify and tackle the root causes of the present unsustainability, is needed.

Chinese companies have also been experiencing the first four stages of CSR, although they may have CSR activities at several of these stages simultaneously. The picture is thus a complex one, which reflects the rapid pace of change in the country. To prevent companies becoming stuck in any of the first four stages, they need to be encouraged to make the transition to systemic CSR in an emerging age of responsibility and help address the social, environmental, and ethical crises that we face. But how will that play out in the future? The centralized and dominant nature of the government will undoubtedly play a major role, especially in a world where trade disputes may become more common [5,68]. However, pressures from consumer markets around the world, and the expectations of those consumers, will also be important [69,70].

## 6.2. CSR in Addressing the Current Inequality and Poverty Problem

Although China’s extraordinary economic growth in the past three decades has lifted 500 million people out of extreme poverty [71], income disparities and urban poverty, as discussed earlier, have increased. In addition, there are still more than 30 million people in the rural area in 2017 that live on the equivalent of less than 95 cents a day, which is the poverty line set by the Chinese government [33]. Although a series of policies (such as the *Dibao* program, IDP, and ODPACRA) have been taken by the Chinese government, the effectiveness of such programmes has been limited by the problems related to targeting (associated with errors of unfair exclusion and undeserved inclusion) and inappropriate project design, along with inefficient fund allocation [72]. In 2015, the Chinese government called for enterprises to participate in their war on poverty [53].

CSR can help with income disparity and poverty reduction in a number of ways. The first is job creation. By creating more employment, industries can help poorer people earn decent wages and provide a greater stability of income. China started the legal minimum wage requirement in 2004, which can also be a way of ensuring that companies do not pay wages which are below the poverty line. Equal pay for women can also be seen in this light and is especially important where poor households have female heads.

Secondly, correct tax payment can be seen as a fundamental aspect of corporate citizenship. Industries can contribute to government revenues through taxation, which would generate funds that might then be used for poverty reduction purposes. What comes with government revenues and expenditure is bribery and corruption, which are receiving more attention on the CSR agenda. By discouraging the bribery of public officials and companies, CSR can contribute to government revenue. China’s effort in combating corruption (as noted in Section 3.4 above) has been far-reaching.

The third is that CSR can contribute to poverty reduction through social projects of a charitable nature. For example, since 2009, China Everbright Limited, a Hong Kong-based financial service company, has formed a close partnership with Lifeline Express and become one of its largest funding sources to help cure cataracts in poverty-stricken areas in mainland China.

Not only is CSR associated with poverty reduction in China, but industries have long recognized their important role in helping to address poverty in the West. As the UK’s Department for International Development (DFID) has stated,

*“By following socially responsible practices, the growth generated by the private sector will be more inclusive, equitable and poverty reducing”.* (quoted by [73], p. 525)

In June 2004, the fight against corruption was added as the 10<sup>th</sup> Principle of the United Nations Global Compact (UNGC).

However, there are clear distinctions between China and the West regarding the role of CSR in addressing inequality and poverty. The Chinese government plays a dominant role in incentivizing the private sector to participate in poverty reduction programmes, while in the West, such effort from the private sector is voluntary. As a result, Chinese industries are more active in poverty reduction, while their Western counterparts consider inequality and poverty as issues more for the government than for them to address [74].

In addition, companies can make initiatives in improving the level of education. Educational programmes that truly enhance the learning capability and improve people’s output could help address income inequality. Companies in various industries can manage and support these programmes to contribute to income inequality and poverty reduction. However, companies, both Western and Chinese, are not generous in this regard. According to the Varkey Foundation, from 2011 to 2013, Fortune Global 500 companies spent 2.6 billion USD (only 13% of their CSR contributions) on education annually, and of the top 25 spenders on education, none were Chinese firms [75].

### 6.3. CSR in Addressing Environmental Degradation

In a developing country like China, albeit one that is developing rapidly, the primary goal of many businesses is still economic growth [54]. China’s cultural and institutional environment decides that voluntary engagement of CSR, especially when it comes to environmental protection, is difficult. Governmental regulation and relevant environmental law have been the main reasons that Chinese businesses pay attention to their impact on the environment [76]. The series of laws and regulations mentioned earlier have helped mitigate businesses’ irresponsible actions towards the environment.

As indicated by the empirical evidence in Section 5, and with the drivers for CSR mentioned in the previous section, environmental CSR in China is mandated by the state (as opposed to the predominantly voluntary approach in the West), but it is likely that there will be a move towards a collaborative management approach involving diverse groups of players, including the public, environmental NGOs, and the private sector. The main efforts may well be in the following areas:

1. Reducing greenhouse gas emissions responsible for climate change;
2. Reducing the environmental pollution to air, water, and land resources;
3. Developing watersheds, providing access to clean water to the masses, and developing sustainable land use patterns.

Hence, CSR will still be an important subject in the future for businesses, governments, NGOs, academia, and the public in China. As some Chinese business leaders stated in face-to-face interviews carried out by the UNGC, being on the Fortune 500 list is not sufficient for maintaining competitiveness in global markets and their companies must evolve, particularly in the area of CSR, if they are to achieve their lofty goals. This is good news for sustainable development, which is facing great challenges [77]:

*“We may all have embraced the idea of sustainable development, but we have failed the essential practical test of sustainability: the phasing out of unsustainable behaviour”.* [77], p. 2

CSR can certainly serve as a positive message and provide the basis for private sector involvement in sustainable development. However, there is still so much to do and many challenges remain to be addressed. Indeed, it is as well to remember that CSR is an ongoing exercise and its meaning and expression will continue to evolve. There is no ‘one size fits all’ and CSR will change as society and its values and threats change.

In the future, the rise of more conscientious domestic and global consumers and investors, the prevalence of social media, and the increasingly competitive global market will reinforce market and

globalization drivers as key drivers for China's further engagement in CSR. Trade disputes may cloud waters, but in many markets, consumers are now very discerning and social media is a powerful means of spreading news about companies which exploit workers or cause damage to the environment. Chinese companies will not be immune from this pressure and this will also help the transformation of CSR 1.0 to CSR 2.0 in China.

#### 6.4. What if CSR Fails in China?

The future of CSR in China sounds promising with an eager embrace of CSR from consumers, investors, governments, companies, and other stakeholders and international players. However, what if CSR fails? For example, CSR 1.0 might fail to transform successfully to CSR 2.0. After more than 50 years of development in Western countries and recent years in developing countries, the current form of CSR (CSR 1.0) is gradually evolving to CSR 2.0 [67,78], but how can we guarantee the future success of CSR 2.0 worldwide in a broad sense, and in China in a narrow sense? Perhaps a starting point here would be a consideration of what would happen if CSR 2.0 does not become embedded in China. Firstly, it seems reasonable to assume that China's inequality and poverty problem would be left unaddressed and this, combined with other issues caused by failing CSR, could lead to significant social and political unrest, even within a state where the government has great power. The consequences could be catastrophic given the fact that corruption and inequality were among some of the major reasons for the turbulent and conflict-ridden dissolution of the former Soviet Union in the early 1990s, the effects of which resonate to this day [79]. Second, environmental pollution and resource exploitation would become far more serious than they are at present. This, in turn, would have serious consequences in terms of food security, food safety, and health. As the world's biggest automobile market [80], its largest energy consumer, and the largest economy by GDP, China's irresponsible and unsustainable behaviors would greatly impair what we have achieved so far regarding the mitigation of climate change worldwide, and this could be disastrous for the planet. The stakes are indeed very high.

However, care does need to be taken when trying to predict the future like this. While there may be a superficial resemblance, China is not the Soviet Union and one cannot use the evolution of the latter to predict the former. China's experience to date has been unique, and that is likely to continue, even within an increasingly globalized world economy. As Xi Jinping stated in a speech marking 40 years of China entering economic reform on 18 December 2018, China's great historic transition in the past 40 years was due to their adherence to the centralized and united leadership of the CCP and only the CCP's dominance would allow China to continue its stunning transformation in the decades ahead. However, Xi also asserted that China will continue to contribute a 'community of shared future for mankind'. Recent moves by the government in terms of banning plastic imports and goals to eradicate poverty across the country by 2020 are all encouraging. There is still a lot of work to be done, but given the stakes, it is to be hoped that the momentum continues.

A few questions need to be further explored regarding CSR and SD in China. First, there is a suggestion from the empirical analysis that CSR may have contributed positively to SD in China in the past 10 years. Hence, it is important to keep CSR improving in the future in China so as to help sustain the country's SD. It was also found in our analysis that the Chinese government has been a major force in facilitating the CSR agenda in China. Although government pressure on this front is likely to continue, there is still an urgent need to find out what triggers a company to engage in CSR voluntarily. With both government pressure and motivation from industry, there could be an even greater contribution from CSR to help China achieve SD in the long run. In addition, although Confucian interpersonal harmony has been advocated as the foundation of CSR in China, the Confucianism virtue of *filial piety* undermines the equality of persons, which contradicts the popular Western/international ideas that underpin both CSR and SD. There are obvious dilemmas regarding standards and rules to follow when judging a specific country's progress on CSR and SD. It would be very interesting to see what these country-specific standards are and how to make global comparisons. Alternatively, should countries

like China be more critical and selective when considering the cultural influence on CSR and SD? In this case, maybe a combination of Confucianism and Taoism provides a better way to explain China's CSR and SD agenda.

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