

WHY IS CSR SUCH AN UPHILL BATTLE IN CHINA?

BY HE QINGLIAN

Transnational corporations attempting to implement corporate social responsibility among their Chinese vendors face their greatest challenge within the official bureaucracy.

The cover story of the November 27, 2006 issue of the American news magazine *BusinessWeek* attracted renewed scrutiny to China's sweatshops.¹ What was new in this article, entitled "Secrets, Lies and Sweatshops," was its assertion that China's export manufacturing industry is filled with deception and has given rise to a whole crop of "consulting companies" specializing in helping Chinese vendors falsify or evade inspections. The article alleges that in the past four years, the proportion of Chinese vendors caught submitting false payroll records has risen from 46 percent to 75 percent. It estimated that only 20 percent of Chinese vendors comply with wage rules, while just 5 percent adhere to work hour limitations.

The inescapable conclusion is that attempts by transnationals in recent years to implement SA8000 standards in China have met with serious obstacles.

On the surface, sweatshops would seem to be the result of amoral entrepreneurs, and all that's needed to solve the problem is to restrain these entrepreneurs. Harder to explain is another important factor: the passive or even negative response to factory inspections by government officials and workers. The truth is that sweatshops are a product of China's existing economic model and of its overall social environment. For that reason, resistance to SA8000 standards comes not only from business, but also from the government, and cooperation from workers is also minimal.

The Chinese media shamelessly claim that the SA8000 standard certification system operated by American transnationals is an example of how the U.S. fears China's growing power and erects trade barriers in disguise. A December 2003 article in a Guangdong newspaper, entitled "The U.S. Wags its SA8000 Stick at China; Fears that the Pearl River Delta will be Hardest Hit," was reposted repeatedly on other Chinese Web sites over subsequent years.² Guided by this public discourse, much of the Chinese media depict the whole range of standards associated with SA8000—relating to child labor, forced labor, health

and safety, freedom of association and the right to collective bargaining, discrimination, punitive measures, working hours and remuneration—as U.S. attempts to pressure China and erect camouflaged trade barriers.

Although some responsible media, such as *Beijing News* (*Xinjing Bao*), have published articles clarifying that implementation of the SA8000 standards in China would help to safeguard the interests of Chinese workers, mainstream media typically maintain a so-called "patriotic" stance; for instance *Globe* (*Huanqiu*) magazine's London correspondent published an article on January 1, 2006, entitled "U.S. and Europe Demonize China as the World's Sweatshop, Exposing Their own Fear,"³ still raving about paranoia in the U.S. and Europe over China's increasing might, and blaming Western companies for the appalling working conditions of China's laborers.

The attitude of the central government can be illustrated by the position of its Certification and Accreditation Administration. An official of this administration once claimed that implementation of SA8000 certification was inappropriate at the present stage in China, because it is basically in accord with China's Labor Law, Fire Prevention Law, Production Safety Law, Occupational Disease Prevention Law and others, but in many areas is not as strict as China's existing laws. The administration spokesperson also stated that it was understandable for Chinese enterprises to be unwilling to comply with foreign standards of social responsibility when they didn't even take heed of mandatory provisions in Chinese law.

Sweatshops are a product of China's existing economic model and of its overall social environment

In their desire to increase tax revenue, local officials plead ignorance of the existence of sweatshops and do not welcome media reporting on them. Wal-Mart's experience is an obvious example. In February 2004, a front-page story in the *Washington Post* stated that the actual hourly wage for workers at Wal-Mart's Chinese vendors was 16.5 cents an hour (about 1.36 yuan).⁴ After follow-up investigations, the U.S.-based National Labor Committee and other organizations issued reports accusing Wal-Mart of condoning terrible working conditions, unautho-



Workers in a factory in Jiangsu Province prepare frozen chickens for packaging. Photo: Reuters

alized wage deductions and forced overtime at supplier factories in Dongguan, Guangdong Province.⁵ Although Wal-Mart was not legally bound to answer charges of operating “sweatshops,” it came under tremendous pressure from the public and media for selling “sweatshop merchandise.” The company responded by requiring its worldwide vendors to implement a system of “corporate social responsibility standards” in order to qualify as contractors and cooperating partners. Wal-Mart’s factory inspections caused a panic in many of China’s large processing enterprises, and since these enterprises were the mainstays of local tax revenue, local officials and media were nearly unanimous in their criticism of Wal-Mart’s imposing “social responsibility barriers” on Chinese enterprises. In an environment in which the Chinese government strictly controls public opinion, this sort of one-sided criticism is bound to create misunderstandings.

Wal-Mart’s socially responsible actions also cause panic among the oppressed workers, who feared that Wal-Mart’s standards would put their factories out of business and cost them their hard-won jobs. More than 200 million people are seeking work in China’s rural areas, and tens of millions in the cities; however much workers may hate their harsh exploitation by unscrupulous factory owners, they fear unemployment more. For this reason, as long as factory owners do not push their workers beyond all endurance, few workers take the initiative to report substandard conditions to inspectors, and it is extremely difficult for factory inspectors of transnational companies to get a clear picture of the real situation in Chinese enterprises.

Transnational corporations have to recognize that attempting to make social responsibility a reality in the Chinese marketplace without official support will bring negligible results. Not only that, but Chinese authorities may intentionally manipulate nationalist sentiments to create misunderstandings and bad feeling among the general public.

Translated by a friend of HRIC

The original Chinese article was posted in HRIC’s weekly e-newsletter, *Huaxia Dianzi Bao*.

NOTES

1. Dexter Roberts and Pete Engardio with Aaron Bernstein, “Secrets, Lies, and Sweatshops,” *BusinessWeek*, November 27, 2006, http://www.businessweek.com/magazine/content/06_48/b4011001.htm.
2. “Meiyu xiang wo lun SA8000 dabang: Zhushanjiào kongcheng chongzaiqu,” *Yuegang Xinxi Ribao*, posted on December 11, 2003 at <http://business.sohu.com/2003/12/11/16/article216761650.shtml>. The article was posted again on July 27, 2005 at <http://www.china.com.cn/chinese/zhuanti/zgqy/925860.htm>.
3. “Mei’ou jiang Zhongguo yaomohua wei shijie xuehan gongchang tuxian kongju xinli,” posted on Sina.com on January 8, 2006, <http://finance.sina.com.cn/j/20060108/11262257278.shtml>.
4. Philip Goodman and Philip Pan, “Chinese Workers Pay for Wal-Mart’s Low Prices,” *The Washington Post*, February 8, 2004.
5. See, for example, “Blood and Exhaustion: Behind Bargain Toys Made in China for Wal-Mart and Dollar General,” The National Labor Committee, 2005, <http://www.nlcnet.org/reports.php?id=110>.