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中国における企業の社会的責任（CSR）の発展と政府の役割

―煙台経済技術開発区(YEDZ)の事例を中心に

The Development of Corporate Social Responsibility (CSR) and the Role of Governments in China----Mainly on the Case of YEDZ

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――煙台経済技術開発区(YEDZ)の事例を中心に

北海商科大学商学研究科ビジネス専攻博士後期課程

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ABSTRACT

This paper aims at analyzing comprehensively the development of CSR and specifying the importance of CSR in China. The specific research objective includes two points: 1) to make it clear that the CSR in China is the part of social responsibilities imposed by Chinese governments, and 2) to examine the leading role of Chinese governments in promoting the spread of the CSR policies and implementing the CSR. Empirical study and field work are adopted by collecting the data from related materials and interviewing the Management Committee and corporations in YEDZ. Regional policies issued by local governments and their achievements are compared and analyzed by examining the indexes for evaluating the CSR and the annual reports on practice of the CSR.

The originality of this paper is composed of the following three points.

Firstly, this paper examined the main social incidents concerning violating the labor security and the food security under the Chinese market economy and

presented the necessity of promoting the CSR in China.

Three cases are surveyed in the Chapter 2. (1)On July 8, 2010 *Beijing Times* reported under Shantou bay bridge there are seven unfinished villa on Luyu Island, terrible loess sand exposed on the construction site. (2)National Health and Family Planning Commission issued *Occupational-Disease-Prevention Working Report* reporting 27,420 occupational disease cases, including 24,206 cases of pneumoconiosis. (3)On August 1, 2008, Sanlu group admitted that they hiding truth of that many batches of their milk powder contained melamine material for five months. On September 21, 2008, 12,892 children were reported to have kidney stone condition and were sent to hospital for treatment. Among those children, 104 infants were in serious conditions and three were killed. On February 12, 2009, Sanlu group officially announced bankrupt.

There are two reasons why enterprises are irresponsible for the CSR standards. (1)Some entrepreneurs prefer to make profits by saving costs for the quality control and the safety of commodities rather than to improve the working environment and the production standards. (2)Entrepreneurs claim that most of international CSR standards are not appropriate for Chinese economic reality. Most manufacturers lack resources and other kinds of protection to devote to labors.

Secondly, Chapter 3 traced the process of making policies on the CSR and enforcement of them by the central and local governments. The establishment of the CSR Faculty in Chinese Academy of Social Sciences is the cornerstone of promulgating CSR policies in China. According to *The Blue Book of CSR*, the

development of CSR policies in China has strong characteristics as the leading role of governments. Since 2007, the central and local government departments have issued a series of documents that require or encourage companies to release sustainable development report.

In December 2007, the State-owned Assets Supervision and Administration Commission issued *Guidelines for The Central Enterprises to Fulfill Social Responsibility*; as a guide for the central enterprises to fulfill social responsibility, which caused a strong reaction among central enterprises. Moreover, China Textile Industry Association announced CSR standards at the same year. In March, 2008 Yantai city of Shandong province issued *Opinions on Implementing CSR Evaluation System among Enterprises in Yantai Economic and Technological Development Zone (for trial)*. In June of 2011,Shanghai Pudong New Area Government Issued *Three-year Action Plan for Promoting the Establishment of CSR System in Pudong New Area(2011-2013)*

Thirdly, as a case study the practice of CSR policies in YEDZ is examined in Chapter 4. Based on the case of YEDZ, the policies on the CSR, the relation between the management committee and bureaus furnishing the data on the CSR, the evaluation systems and the result of implementation of CSR have been analyzed in detail.

Moreover, In March 2016, the author had an interview with the Director of YEDZ Management Committee. According to this interview, in 2004, the first CSR development year of YEDZ, the Department of Economy and Industry together with Commercial Department and others spent a whole year to study how to promote

CSR, and they specially focused on how to fully implement CSR practices in the enterprise. At the same year of 2004, the Director of the Bureau of Industry and Commerce of Shandong Province pointed out the purpose and significance of promoting the CSR under the perspective of development of industry and commerce. It is composed of the fairness of market and the credit of enterprises. According to his statement, they should establish a theoretical system for the promotion of CSR in YEDZ. It means that the local governments have to promote the CSR through the functions of compulsory administration and help corporations accept the new management model.

On the one side, there are lots of difficulties in practicing the CSR in YEDZ. For instance, YEDZ needs a better standard for CSR implementation process. Since 2010, local government has widened the evaluation scope to cover all enterprises in YEDZ. There are two challenges during implementation process. The one is the difficulty in collecting the reliable data statistics from enterprises, the other is the difficulty in building up the sustainable system for collecting the necessary data.

On the other side, achievements made in YEDZ are also outstanding. In January 2010, YEDZ spent 10 million RMB to reward the advanced enterprises performing well in the sphere of CSR (CSR online reprint of "*The Advanced CSR Practicing Enterprises Rewarded in YEDZ*").

Since 2012, YEDZ has been carrying out "Peony Prize" each year to reward the enterprises with better performance in CSR. (http://www.YEDZ.gov.cn). A list of "Peony Prize" 2012 was issued by YEDZ management committee. 14 enterprises

were awarded the first class prize and 33 individuals were awarded the outstanding personal prize.

On considering of the previous achievement of my research, my paper "The Development of Corporate Social Responsibility (CSR) and the Role of Governments in China［中国における企業の社会的責任(CSR)の発展と政府の役割］ has been already published in *Hokkai Shoka Ronshu*, Vol.4, NO.1, 2016 February.

For the further study, the next stage of this study should be followed by a full and detailed analysis of the implementation of the CSR and the effects on enterprises, governments and society in YEDZ. For example, specific cases can be taken from diverse enterprises in the district. A long time trace of the corporation performance on CSR is especially needed. That step of research requires further opportunities for more interviews with the administrative personnel at the CSR departments of both corporations and governments in YEDZ.

Keywords: Corporate Social Responsibility (CSR), Chinese market economy, role of governments, state -owned enterprises, private enterprises.

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CHAPTER I: INTRODUCTION

1.1 Motivation and Goals

This paper describes and critically analyses three different areas. Firstly, the main incidents caused by ignoring the CSR, for example the poor treatment of employees in the coal industry, environmental damage problems due to illegal construction activities in Shantou and food safety problems in the milk industry are analyzed in Chapter Two. Secondly, in Chapter Three we traced the process of introducing the CSR policies to China, including the establishment of the CSR faculty in the Academy of Social Sciences, as well as the promulgation of policies for promoting the CSR by the central government and the local governments. Thirdly Chapter Four of this paper examines the practice of CSR policies in the case study in Yantai Economic and Technology Development Zone (YEDZ) in China.

This paper aims to comprehensively analyze the development of CSR and specify the importance of CSR in China. The specific research objective includes two points: 1) to make it clear that CSR is part of the social responsibilities imposed by Chinese governments, and 2) to discuss the Chinese governments' leading role in promoting the spread of the CSR policies and their implementation. Using the case of YEDZ, the CSR evaluation systems and the implementation facts in China have been analyzed in detail. Moreover, the interview of governors on the YEDZ management committee provides another angle through which

to express regional CSR thought and the characteristic connection between local and national government in China.

1.2 Literature Review

The concept of CSR was first presented by European researchers. The British scholar Oliver Sheldon defined the concept of CSR as "morals and ethical pursuing rather than business" in his book *Managerial Philosophy* in 1923 (Sheldon, O. 1923, p.58). However, H. R. Bowen is accepted by the public as the father of modern CSR theory even now. In his book, *Social Responsibilities of the Businessman* in 1953, he gave the definition of CSR that "the CSR is implemented by businessmen who take ownership for the decisions followed society values, the actions they take, and the consequences that result" (Bowen, 1953, P6). Based on previous studies, Carroll presented a more advanced conceptual framework for CSR in 1979. Carroll recognized the CSR as a kind of expectation of social obligations on enterprises. The four-dimensional CSR model indicated by Carroll was at once widely accepted and recognized in the academic world. Since then, Carroll's theory has been successfully used in the Western world for more than 30 years (Cui Li, 2013).

The first CSR movement was recognized as helping multinational companies to develop and implement an internal production code. Since the 1980s, social poverty, labor issues and a series of social contradictions have loomed due to the financial gap between diverse social standards. Consequently some multinational companies set up "The Code of Corporate Conduct" to maintain their

corporate image whose content generally focuses on the two aspects of basic labor rights and production conditions (Chen Wenjun, Le Yehua, 2010, pp.127-131). Similarly, Gao Yang (2011, P115) gave the statement that the form of CSR movement which began to "self-discipline" the multinational company "internal production code" gradually upgraded to "social constraints" and "external guidelines on production" along with the development of the CSR movement. Tian Guangyan (2004, pp.27-31) indicated that from the international experience, CSR exists mainly in order to solve the contradiction between the capital and the public, enterprises and consumers.

Chinese research on CSR started relatively late and mature research mostly came after 1990. Famous scholars are You Li and Wang Jinshun from Sichuan University, Liu Junhai from Renmin University of China, Bai Liquan、Wang Yali from Zhengzhou Institute of Aeronautical Industry Management, Tian Guangyan from Xi'an University of Architecture and Technology and Cui Li from Jilin University.

You Li and Wang Jinshun (1990, pp.41-46) argues that "CSR is the legal and moral responsibility for enterprises to stay healthy and make a contribution to society development". Liu Junhai (1999, P6) pointed out that "CSR refers to a company not just seeking to maximize profits for shareholders, and may need to have the obligation to maintain and increase the interest of the other social subject." Bai Liquan, Wang Yali (2000, pp.19-22) predicted that the focus of CSR issues, scope and requirements are different. This is because the

scope of CSR can be classified by different age, different social (or countries) environment, diverse evaluation systems, and the social expectations of enterprises ". Tian Guangyan (2004, pp.18-19) illustrated that "CSR means the enterprises undertake liability for shareholders in management and actively create profits by following the law. Meanwhile they should also increase stakeholders' interests as well as the social and public interests. Cui Li (2013, pp.44-58) presented her study of CSR as based on relational contract theory, and pointed out that "CSR refers to the responsibility of enterprises which should operate in accordance with the law and actively create profits, to increase the interest of the stakeholders as well as the social and public interests.

In China, the commonly acknowledged concept of modern CSR is that enterprises are responsible for looking after the benefit of employees, consumers, and communities and protecting the environment. These responsibilities include business ethics, safe production, occupational health, protection of rights and interests of workers, environmental protection, and charity support, etc. (Huang etc., 2009, P25). Moreover, based on the study by Xu Shangkun and Yang Rudai (2008, P133), "China's CSR has both common and unique dimensions as compared with Western CSR". They further found 6 common points and 3 different points between Chinese and Western CSR. That is to say, Chinese and Western CSR share common points in economic responsibility, legal responsibility, en-

vironmental protection, “people focus”, “customer focus” and charity undertaking, whereas business ethics, employment and social stability are unique dimensions in China.

CSR has been regarded as an important part of economic growth since the reform and opening-up policy in China. However, Chinese businessmen just recently begun to be concerned about taking social responsibilities. According to the investigation report by the Chinese Academy of Social Sciences (CASS), *The Development of Chinese CSR Report* (2010, pp.50-60), a huge amount of Chinese corporations are still at the beginning stage of practicing CSR. Only a handful of firms have taken up a positive attitude of practicing CSR. It means that most enterprises have continued to take a passive attitude. Based on the investigation of the Social Research Center, Economic Department of Enterprise, CASS in 2011, only 76 enterprises and organizations in China joined the ″global compact″ advocated by the United Nations. Short-sighted businessmen in China often tend to cheat customers and damage the environment in order to make short-term profits, which results in intensifying social contradictions. Compared with other developed countries, there is still a long way to go for China to fully implement CSR.

All these problems from the last few decades have impeded China’s social stability and fairness and the whole society has begun to realize that all enterprises should take up their social responsibility. For example, *Fortune* magazine made an investigation of CSR in China in 2009. On the one hand, based

on these statistics, 56% of surveyed enterprises agreed that CSR strategy was a trend in China and some corporations took CSR as a core content of internal management activity. It means CSR has already become a part of corporate strategic management. On the other hand, the policymakers of 75% of surveyed enterprises agreed that the combination of social influence and enterprise strategy is one of the most important contents of enterprise management (www.fortunechina.com).

In summary, all these previous studies confirm that the concept of CSR cannot be necessarily unified over the world. Western world corporations focus on the inner requirements while Chinese companies care more about government policies. Therefore, this paper indicates that the characteristics of China's CSR can be considered especially by governments as a kind of obligation and requirement among all of the stakeholders. The commonly accepted definition of CSR is that enterprises should be responsible for the stakeholders' interests while creating profits.

1.4 Methodology

Case study is one of the most accepted qualitative research methods, which allows people as observers to study, investigate and record a natural existing phenomenon (Yin 1994 cited in Flick, 2006). Denscombe (2000) pointed out that people who undertake the study should keep any unnatural influences from the object. The more natural the appearance of the object, the better the observed result can become.

Case study of Qualitative research investigates relationships between subjects, and studies fewer units, but more intensely. The aim with a case study is to get access to "the precise description or reconstruction of a case" (Flick, 2006). As a case study, this chapter with six parts covers various aspects of current CSR status of YEDZ. The overview of the district is illustrated as the first part. The political historical change is described in the second part. Then the existing difficulties of CSR practice in YEDZ are expressed with four sections. In the fourth part, the instructive and motive roles of Yantai local government are illustrated through four paths. The fifth part is a detailed analysis of the CSR evaluation system of YEDZ. Finally, achievements of CSR implementation such as successful corporation and social activities are demonstrated in detail.

1.4.1 Investigation Method

There are two different examination approach methods for doing research. Choosing the inductive or deductive method will decide the whole research plan and investigation methods in detail. The inductive method is about the process of discovering a general principle from a set of facts. The main part of this CSR study is based on observations, and the researcher draws up a theory from those observations. Induction therefore implies drawing a general conclusion and then summarizing them into theories. This is an open ended study, which means that the results of observation may

not fit with previous hypothesis but may show different facts of the research object. The conclusion of this study is based on facts/data from the real life. Through the inductive method, field investigation can be made by collecting data from research subjects such as management committee and corporations in YEDZ. Factors like regional policies and achievements in common can be compared and analyzed by using a CSR evaluation index and other examination approach methods.

1.4.2 Data Collecting Methods

1. Interviews: In-depth one-on-one interviews with employees from YEDZ.
2. Participant Observation: on one hand, recording behaviors of people in their own environment such as employees' reaction on interviewing when they are working. On the other hand, self-reports of knowledge or attitude, including field logs or diaries

1.4.3 Funnel Approach

1. Greeting (Pre-Session):

   a) Greet participants as they arrive: tell them the meaning of this interview.
   b) Engage in small talk: setting different groups by age or other obverse feature.
   c) Make participants feel comfortable
   d) Pre-session activities: let employees talk freely and brainstorm

about their working environment and treatment.

e) Informed consent forms (if applicable)

f) Intake form (demographics)

g) Answer questions

h) Address concerns

2. Opening/Welcome :

a) Start of questioning from appendix B

b) Purpose of the focus interview: special interview with Director L

c) Confidentiality: I was required not show the full name of the governor or any other relevant name but I could use letters of alphabet to present them.

d) Duration

e) Instructions

3. Introductory Questions

a) Introduce discussion topic: CSR Development in YEDZ

b) Broad, open-ended questions: All questions related to appendix A and B.

4. Key Questions

a) Specific questions such as the direct questions No.6 to No.8 from appendix B that will answer my research goals

b) Be sure to probe and clarify responses to get as much information as I can: I took the notes and recorded pictures which were summarized into Chapter 4.3

5. Closing

a) Wrap up the discussion

b) If time allows, give participants time to provide additional comments

c) Thank participants for their time and effort

1.4.4 Analyzing Qualitative Data

a) What the participants say during the interview or discussion is the essential data

b) Notes, audio or video files, and transcripts can all capture data

c) Identify key themes/topics

d) Use quotes for support

1.4.5 Validity and Reliability in Qualitative Research

Validity refers to that the methods being used to obtain information are reliable and correct. In other words it is whether the information reflects the truth and whether it measures what is to be measured (Denscombe, 2000).

The material used in this thesis has been taken from websites, articles and books discussing CSR. This is because the previous study is not enough to assess actual YEDZ CSR development status. By using secondary data, it

proposes to apply a more comprehensive research. Crouch and Housden (2000) define secondary data as the information that has been put together by someone else at another time for other reasons than the current reason the researcher needs. In addition, Malhotra and Birks (2006) suggest that it is necessary to examine whether secondary data is available before starting to collect primary data or, in other words, progressing primary data only when we cannot collect anything from secondary data.

Reliability is on the other hand about "the attempt to specify how far a particular method can continuously lead to the same measurements or result" (Flick, 2006). It is about doing the same observation time after time and getting the same result irrespective of the source of information. What methods have been used and how they have been carried out are factors that could be asked when looking at data's reliability.

CHAPTER II: INCIDENTS OF NEGLECTING THE CSR UNDER CHINA'S MARKET ECONOMY

The development of China's socialist market economy can be divided into four stages since China's reform and opening (Chen Yanbing, 2009, P51). During the first period from December 1978 to October 1984, the main purpose of the Chinese authorities was to get rid of the planned economy system, and to introduce the preliminary market regulation. The second stage began in October 1984 and ran into November 1989. Then the government legalized the socialist commodity economy, and strengthened the role of market mechanism at the same time. In the third period from November 1989 to November 2002, the system of socialist market economy was preliminarily established. In the fourth stage, from 2006 till now, the system of socialist market economy has been gradually developing. On the other hand, other scholars emphasized that the evolution of CSR in modern China was linked to economic reform. They separated China's economic system into two types. The first type is a socialist planned-economy in the period of 1950-1978. The second type began in 1978, when China started to gradually change from a socialist planned economy to a socialist market economy.

The Party's Important Documents Compilation of All Previous National Congress of The Central Plenary since Party's 11 Session of Third Session (1997, P200) pointed out at the meeting, that China should establish the scientific concept of development. It emphasized comprehensive, coordinated and sustainable development and it adhered to the people-oriented approach. It also stressed

people-oriented thoughts as the basic starting point to improve the socialist market economic system. Everything is aimed towards development and all should be conducive to development. The meeting stressed that in developing and improving the socialist market economic system, the developing steps should keep the gap between urban and rural area slow and narrow and it should keep a balance between the regional development, economic and social development and the harmonious natural development. Moreover, domestic development should set up the comprehensive, coordinated and sustainable development open to the outside world.

On the principle of people-oriented policy, scholars Peng Siping (2007, P30) thinks that a people-oriented approach is the core of the scientific outlook on development. In detail, the guiding significance of the following aspects was provided for the further development and improvement of the socialist market economic system: the first is the development and the basic purpose of perfecting the socialist market economy system. The government will make it better if the level of the people's material and cultural life continuously improves and meets the needs of the people. The second is to promote enthusiasm, initiative and creativity of the people in the socialist market economic system, helping people to have full scale vision of the socialist market economy mechanism. The third is the requirement of establishing and improving the multi-level social security system. This is both the development and the inevitable requirement of perfecting the socialist market economy system, and is also following people-oriented thought. The fourth is to pay attention to

giving full play to the superiority of the socialist system. Socialist market economic system is fundamentally socialist, should give full play to the superiority of the socialist system, and should give full consideration to the interests of the overwhelming majority of people in the whole society.

In terms of perfecting the socialist market economy system, Wang Mengkui (2006, P12) pointed out that fairness and efficiency are necessary in the developing process, balancing speed and quality, balancing group and personal interests, balancing regional development, balancing development between urban and rural areas, both domestic and international development, and so on. All of these will be conducive to the establishment of a socialist harmonious society. So the goal of building a harmonious society is combined with CSR involving community development and the maintenance of environment.

The development of CSR in China began in 2006. It related closely to the political change. For example, the revised "*Corporate Law*" clearly demanded large -scale enterprises to abide by the laws and administrative regulations, such as social ethics, business ethics, honesty and trustworthiness in business activities, and accept the supervision of the governments and the social public. Since then, governments have given the rights and obligations of enterprises to fulfill social responsibility from various angles such as the quality standard, consumers' rights, institutionalized market and environmental protection. In consequence of that, *"Employment Law", "Labor Contract Law", "Environmental Protection Act"* and more than another 30 relevant laws and

regulations have been published one by one. However, enterprises' behavior of ignoring social responsibilities cannot be stopped. The incidents of enterprises damaging the interests and rights of employees and consumers have often occurred throughout the development process of CSR in China.

Although the marketization of Chinese economy has progressed rapidly, there are still problems with Chinese enterprises fulfilling their social responsibilities. During the developing period there are two major problems which hinder enterprises from running in good conditions. The first is the bad environment for workers, where the rights and interests of employees can't be guaranteed. The market competition and pressure derived from entering the World Trade Organization (WTO) in 2001 can be regarded as the driving force for promoting the CSR in China. In several enterprises which are subsidized by public finance, employees' motivation and diligence became a major competitive power. In these types of companies, poor welfare of employees generally spoils the quality of products and weakens the corporation's competitive power. The second problem is the proliferation of false advertising and the market being flooded with fake and shoddy goods in China. Mass media around the world continually repeated the news which gave a bad image of Made-in-China products, which is popularly associated not only with low prices but also with the low quality of products and the disordered production process (Li-Wei Lin, 2010, P2). Ironically, these enterprises' irresponsible behaviors may have been the strong push for the development of CSR in China.

2.1. Environmental Damage on the Luyu Island, Shantou

Many small and medium-sized business owners are in pursuit of profits and their goal is to maximize their profits. So the following problems have come about: First, the environmental pollution is more serious. Some small and medium-sized enterprises have no environmental protection facilities, like a small paper producing company that lets out wastewater into rivers, which directly polluted the river. Reports have appeared in recent years that the water pollution severely damaged the environment of the river, which brought serious damage to the health of the locals. Those enterprises blindly pursued economic benefits, never thinking of social responsibility and sustainable development, and brought very big losses to society (Jin Bei, 2006, pp.7-10). Second, the use of natural resources is low while consumption is quite high. Furthermore, some small and medium sized enterprises took the path of high consumption production as a consequence of an unqualified technical level. Such damage to the natural resources is devastating, especially some non-renewable resources or slow recovering resources. Enterprises' lack of environmental protection concept and extensive management destroyed a large number of natural resources and harmed the ecological balance (Liu Shijin, 2006).

July 8, 2010 *Beijing Times* reported that under Shantou bay bridge there are seven unfinished villas on LuYu Island and terrible loss of sand exposed on the construction site. Shantou Oceanic and Fishery Administration verified that

those buildings had been built without permission nearly a year before. According to the reporter's investigation, the owner of those building was a Shantou business man from Beijing.

Originally, LuYu Island had no residents, only a long term maritime sector stationed on the beacon. The one-hundred-year lighthouse on the island, which was founded in 1880, is one of China's current saved beacons in good condition. Chinese Supervision Patrol Shantou team of Guangdong Province said according to the *Law of Chinese Island Protection*, exploitation and use of islands with no residents requires that the project should be declared to the Fisheries Sector for approval. After application, it should be submitted to the provinces, and municipalities directly under the central government. The construction project had not asked for Fisheries Department approval so it was an illegal construction.

In 2010 Chinese Supervision Patrol Shantou team of Guangdong Province vice division marshal Li Yimin said: 'The land owner of this construction project is the Beijing Sannengda Construction Company. On April 10 of 2010, the company and Haojiang Bay Village signed 'The Contract of Lease State-owned Land' which allows leasing a land area of 4 acres for 36 years with rent for 60000 yuan per mu. The project, which was under the charge of the Shantou Construction Engineering Corporation, started in September last year. The Chinese Supervision Department believes that those constructions should be removed because building a temporary pier violates the maritime space using regulation

in China and the constructions' owners should be punished because building on the island is in violation of "The Island Protection Law" in China. Seven buildings on the island have caused serious damage to landscape, vegetation and other natural resources. Building sewage works also pollutes the Marine environment. We instruct the owner to dismantle seven buildings and recover the landscape of the island."

After mass complaining, the Shantou detachment and Haojang brigade have taken measures to solve the problems of the illegal structures on LuYu Island. Staff from law enforcement declared a halt on construction on January 19, 2010. After failing many times to reach the owner, Haojang District Fisheries department announced the construction units had to stop its illegal behavior before April 23. At the end of April, all construction was shut down on the island.

2.2. Labor Rights Problems in Coal Industry

In recent years, the development of the coal industry has accelerated regional economic growth and provided energy security to China's rapid economic development. However, the prospect of moral responsibility is not optimistic in the coal industry. Undetected behavior of many small and medium sized coal enterprises has led to a waste of resources, illegal mining, tax evasion, ecological destruction and unprotected miners' rights.

The most important thing is to protect employees' benefits when enterprises develop their social responsibility (Yin Xiuqing, 2006, pp.41-43). However, if

the laborers are in a weak position, some of their legitimate rights and interests cannot be well protected, and those basic rights can even be harmed. Specifically speaking, it has been found that most of the mining environment in the coal industry is poor, which leads to the fact that employees' personal safety cannot be guaranteed (Zhang and Liu, 2001). "The Safety Net of China" mentioned the number of China's coal mining deaths amounts to 80% of the world's total deaths accumulation, which means more than 6,000 people were killed by explosions, floods, landslides and other accidents in the mining industry in 2000.

Wu Qiong and Wen Qian who are both graduate students from The Sociology Department of Peking University, have done an investigation about the Shuangyashan coal mining area that is owned by Dragon Coal Group. That mining area is the biggest state-owned enterprise in Heilongjiang province, China. The report shows that mining accidents happened twice just in 2013. Furthermore, with reference to *The Study of Transformation and Upgrading of Present Manufacturing Trade Situation and Problems in China* (2009, P56), it obviously finds that employees have no labor contracts so that their rights have no basis in private enterprises. Besides, employees who have no labor contracts can't find any credentials to base their complaints on when they are faced with various problems, such as occupational diseases, salary payment issues and dismissal. Many private enterprises use this way to escape from their employees' rights protection law suits. Since China joined the WTO, more than 20 institutions around the world like human rights organizations and consumer institutions have

drafted a basic Chinese corporation trading principle which specializes in labor rights. Some corporations signed it and claimed that they would not break the labor standards and other human rights standards such as *the International Covenant on Civil and Political Rights* and *Chinese Corporate Law* which were made by International Labor Rights Fund (ILRF) (Shan, 2006, p144). Xu Chuanshen (2011, pp.23-26) agreed with previous thoughts and led the discussion to the overtime working issues in small and medium sized enterprises. He thinks that the low salary payment is an urgent problem for those enterprises in the manufacturing business. Most of entrepreneurs in the coal industry do not have strong bargaining power to make global buyers carry the costs of implementing the standards, so they reduce incentives to implement the standards.

According to the report of Xinhua Hebei Channel (www.xinhuanews.com/hebei.html), pneumoconiosis has become the most serious occupational disease in China. The Mining Bureau of Datong, Shanxi province, has detected 10,082 people with pneumoconiosis over those years. Only in the jurisdiction district, the number of seriously ill patients which includes second and third stage amounts to 2,500 people. There are 3,131 miners who died of pneumoconiosis. There are 6,951 patients still suffering from pneumoconiosis, including more than 400 people in a serious condition. Shanxi Province has detected 36,000 patients suffering from pneumoconiosis. The numbers of patients are account for one thousandth of the total population in the province. National Health and Family Planning Commission issued *Occupational-Disease-Prevention Working Report* re-

porting 27,420 occupational disease cases, included 24,206 cases of pneumoconiosis which is 88.28% of the total accounting for 2012.

Pneumoconiosis workers eventually become bony and unable to breathe. Lots of patients can't stand the pain and then commit suicide. Chief expert researcher, Li Dehong, at the Centers for Disease Control of National Occupational Disease and Poison Control Bureau calculated that the national pneumoconiosis cases cause a direct economic loss of 8 billion RMB annually and an indirect loss of 30 billion RMB to 40 billion RMB. At the same time, this not only caused an economic decrease but also a social impact. Although pneumoconiosis workers have such a serious occupational disease problem, they are also faced with the difficulty of preserving their deserved rights. The appraisal on occupational disease was monopolized at all levels by certain institutions. Besides, the diagnosis of pneumoconiosis was difficult at the beginning. Once the occupational disease of a patient was confirmed, the long legal process also means that a lot of pneumoconiosis patients fall along the way to protect their rights. Even when the workers suffering from occupational diseases won the lawsuit that they still couldn't get timely and necessary compensation.

Based on the forgoing analysis, there are two reasons why enterprises are irresponsible about CSR standards. Firstly, it costs a lot to enhance social and environmental standards. For economic profits, most entrepreneurs choose to take risks to sacrifice employees' interests. They prefer to save money by creating an unqualified working environment and low salary payment strategy

rather than improving production standards. Secondly, it claims that most of the international CSR standards are not appropriate for Chinese economic reality. Entrepreneurs lack resources and other kinds of protection to devote to labor because most of the manufacturers' companies are in the early stage of CSR development.

2.3. Food Safety Problems

Currently, China's business operates under a weak legal system, which especially lacks civic accountability (Tan, 2009, P172). In recent years, several serious incidents of food safety in China have done great harm to customers' interests. Since the year of 2000, multiple food safety events have been reported.

Firstly, Guangdong "Heyuan Poisoned Pork" was one of the serious events in 2001. *China Daily* reported that Zhongyang Company had purchased 21kg chemicals (commonly known as F89 elements, "clenbuterol") to produce 20 tons of compound pig feed and sold 8 tons of compound pig food to Heyuan city from March to September in 2001 (*People's Daily South China news* on June 24, 2002, in the fourth edition). On November 6, 2001, Farmer Zhang sold 28 pigs fed with such chemicals to a meat factory in Heyuan city. 484 residents who ate the meat from those chemical-fed pigs were poisoned and sent to hospital. On June 19, 2002, the Heyuan intermediate people's court finally dismissed the appeal of Lin chin-yen who is the former manager and the legal representative of the company. The court sentenced the company to pay a fine of 150,000 RMB. Lin chin-yen was

sent to prison for four years with a 100,000 RMB fine. The former chief Qiu Guoqiang and section chief Li Xiqing both from Deputy Economic Culture Safe-guard Section of Guangdong Public Security Bureau were respectively sentenced to seven years and 14 years owing to covering up criminals and corruption (*People's Daily* on November 8, 2001, pp.9-10, P13, 3 edition series).

Secondly, the "Nanjing dirty moon cakes" incidents showed that profit drove entrepreneurs to ignore the interests of consumers. On September 3, 2001, CCTV news reported that the Nanjing Guanshengyuan Corporation had extensively used a filling material which was produced decades ago to produce moon cakes. This immoral behavior caused massive public complaints. At the beginning of the crisis, the moon cakes in question were quickly removed from the shelf. But Nanjing Guanshengyuan still showed no sincerity. The company argued that those tricks of producing moon cakes were very common in the industry. The company denied that it was illegal to use expired filling material during production because the *Health Management Law* just regulated the expiry date of the final product but not the filling material. After these ridiculous activities, the company issued an open letter in a hurry to clarify the situation, but they still did not make any apologies to consumers. Finally, *"Eastern News"* (February 16. 2004, third edition) reported that the Health and Epidemic Prevention Departments and Technical Supervision Departments had investigated Nanjing city and Jiangsu province's factory. Nanjing Guanshengyuan food factory was forced to halt production. After 2001, other corporations who had the same brand name of Guanshengyuan were severely affected by this food safety accident. Most of

their production was reduced by 50%. Although authorities informed that Nanjing Guanshengyuan moon-cakes had been detected and certified and could be on sale again after several years, consumers still did not buy their products.

Food safety problems in China have attracted more attention since 2000. The two accidents mentioned above have caused great damage to the whole society. As far as we are concerned, both cases have diverse behaviors which focused on the fake and shoddy products. Due to the infinite pursuit of profits, some unscrupulous businessmen produced a lot of fake, shoddy and even adulterated products. These unsafe and uncertified products not only threaten the safety and health of consumers but also violate the legitimate rights and interests of consumers (Huihui Wang, Xue Lingxian, 2013).

In the face of serious problems in food industry, the Chinese government has taken some political and legal measures on CSR. Although the *Advertisement Law of China* explicitly stipulated "No false advertising content, no cheating and misleading", lots of producers boasted about their own goods, exaggerated the function, or made false promises to deceive consumers by ignoring the quality enhancement of their products as well as the customers' feelings (Wang Maolin, 2005). The CSR strategy of an enterprise reflects its ethics to the public. However, although the public and media are aware of CSR, Chinese businessmen are often unfamiliar with CSR practices and provisions. Hui (2010, pp.4-8) expresses that some Chinese companies claimed to promote CSR through

developing CSR guidelines while employees were presumably unaware of the company's CSR activities. Hui also concludes that "CSR initiatives are used by entrepreneurs as a tool to ensure that employees work hard for the company's interests." In this condition, those companies' CSR activities are rarely checked by governments owing to poor regulation and government enforcement and weak surveillance by the media and the public. So the following "Sanlu Milk Powder" incident exploded with irreversible consequences.

The Sanlu group in Shijiazhuang was a large enterprise of dairy farming, dairy processing, scientific research and development. The group ranked in China's top 100 in the food industry and in China's top 500 enterprises. It was also the largest local tax payer in Shijiazhuang city, Hebei province (Yang Yantao, 2008, P10). The Sanlu group cooperated with more than 30 enterprises all around China. It revitalized the assets of 1.8 billion RMB and employed more than 30,000 laid-off workers. Sanlu also absorbed more than 80% surplus labor from rural areas by extending the industrial chain (Yang Yantao, 2008, P9). However, a complaint was made against Sanlu that the corporation had changed its main duty of employment to profit earning. In March 2008, customers made a complaint against the Sanlu group for their milk powder quality problem. The company took no responsible actions even though they realized that their milk powder was unqualified. Sanlu chose neither to inform consumers nor to stop sales and recall all toxic products. On June 28, 2008, the first child who had kidney stones symptom after drinking Sanlu milk powder was sent to the First Hospital of People's Liberation Army (PLA) in Lanzhou city. Then after

no more than two months, similar cases appeared in Gansu province, Shaanxi, Ningxia, Hunan, Hubei, Shandong, Anhui, Jiangxi, Jiangsu and other places. A government investigation indicated that the milk powder production line of Sanlu group had been contaminated with melamine. On August 1, 2008, Sanlu group found that many batches of their milk powder contained melamine material through inner multi-level inspection but they did not inform the government and the public. On September 9, 2008, the "*Lanzhou Morning Post*" reported that babies had kidney stones from drinking milk powder. At that point people's attention was drawn to the Sanlu group.

On 19:00 September 11, 2008, Cui Yanfeng from Sanlu media department responded that there was no problem with any of the products. However, Sanlu announced a recall of that statement just two hours later on the same day. The company confirmed that some batches of milk powder sold before August 6, 2008 was contaminated by melamine, which meant there was about 700 tons of poisoned milk powder on the market. On September 12, 2008, the Sanlu group stated that melamine was added to the milk by illegal dairy farmers to obtain more profit. On September 16, 2008, General Administration of Quality Supervision issued the inspection results of Sanlu, Yili, Mengniu, Yashili and 22 other infant milk powder production enterprises. 69 batches were found containing different quantities of melamine. Some liquid milk which had been tested also contained melamine. At 8:00, on September 21, 2008, 12,892 children were reported to have kidney stone condition and were sent to hospital for treatment. Among those children, 104 infants were in a serious condition and three died. On February

12, 2009, the Sanlu group was officially declared bankrupt.

The "Sanlu Milk Powder" incident directly changed Sanlu from a well-known enterprise to a bankrupt one, which reflects two problems in the implementation of CSR in China. One is the lack of integrity. The other is the lack of supervision by the government. During the Sanlu milk powder incident, the company did not actively solve the problem but delayed time. According to *Xinhua News Report*, in March 2008, the enterprises had already received complaints from customers about milk powder, but they chose to keep quiet instead of stopping sales or recalling all toxic products. Moreover, on August 1, 2008, the Sanlu group found their milk powder contained melamine material through multi-level inspection, but they did not inform the government or the public.

"The Sanlu milk powder incident has pushed the Sanlu group and the entire dairy industry onto dangerous ground. People have rejected dairy products, which makes dairy farmers reluctant to sell their cows at a low price. The milk industry is dark now" (Zhao Xia, 2008). CSR actions are more powerful than words in a crisis. Customers are more likely to make a decisive judgment of enterprises when facing a crisis. Therefore, against the background of CSR consciousness in China, it is necessary to establish the credibility of CSR. If the Sanlu incident had been immediately reported to the public and the government, positive measures could have been taken to reduce damage and the enterprise may have survived. In summary, two sides of the consequences have been addressed from the discussions above. One is that CSR requires companies

to comply with social contracts, which allows large scale corporations to control their inherent economic power. The other is that enterprises have an inevitable social responsibility in the developing process, such as product safety, environmental protection, fair employment and the undertaking of public welfare.

The government plays the role of protecting public interests. The government fulfills CSR by serving as a watch dog and supervising social behavior. Since the Sanlu milk powder incident happened, many products from well-known brands in the dairy industry have been identified as containing toxic substances. Zhong states that "Yili, Mengniu and other enterprises have been exempted from government's inspection of their products. Their products have always been regarded as the best and exempted from quality inspection. So when these enterprises try to increase profits, they don't check their products carefully" (Zhong DaJun, 2002, pp.35-36). This reflects the excessive protection of the local brand which causes these enterprises to pay no attention to self-checking and management, which shows its unawareness of social responsibility. Therefore, this may call for the need of the government to play a positive role in promoting CSR and may suggest that the government be careful in labeling "exempted from national quality control inspection" or "famous brand". Other evaluations of enterprises' products may be carried out more thoroughly in accordance with the relevant provisions. Monthly, quarterly or yearly inspections are needed and it is necessary to be responsible towards the general consumer by eventually enhancing and upgrading CSR awareness in China.

CHAPTER III: CSR DEVELOPMENT IN CHINA

3.1 The Guidance of CSR by the Chinese Academy of Social Sciences (CASS)

As an economic department of CASS, the CSR research center was established in August 2008. The CASS is a non-profitable academic research institution. The center annually publishes *The Blue Book of CSR,* which is designed to track the Chinese CSR theory and the latest events. Annually since 2011, CASS has issued *The White Report on China's CSR Research* featuring different characteristics of the CSR report in the developing progress. At the same time, the center actively promoted and issued the *Classification of Chinese CSR Report*, which was related to CSR reports of 150 different enterprises'. The center also hosted the "Cloud of Responsibility" (www.zerenyun.com) network platform with advanced technology to provide real-time data and a theoretical basis for the development of Chinese CSR.

The central government facilitated the CSR development in China by establishing the research center. Since 2008, we have witnessed a lot of CSR events every year, including floods in southern China, an earthquake in Wenchuan, Sanlu toxic milk powder and financial crisis that lead to public CSR awareness. At the conference of 2008 OPEC, President Hu Jintao claimed that enterprises should consciously establish the concept of global responsibility and take this concept into strategic management so that the unification of economic efficiency and social efficiency could be achieved. This is the most explicit

instruction made by Chinese central government ever. The CASS Official website demonstrated the research significances of the Chinese CSR study as researcher, impeller and observer, which were summarized in Table 1.

Table 1: Research Significances of Chinese CSR study

Researcher	Study Chinese CSR system theory, research and publish *The Chinese CSR Report Writing Guide* (CASS - CSR 3.0/1.0/2.0), organize and publish *"Chines Corporate Social Responsibility"* serious books, promote the formation and development of CSR theory system with Chinese characteristics.
Impeller	Provide government, social organizations and corporations with consulting character, open MBA course of CSR, carry out CSR training course and spread knowledge and practical experience of CSR theory; Organize and participate in discussions of various CSR activities, share the achievements of CSR research.
Observer	Publish *"CSR Blue Book"* annually, track the development of Chinese CSR theory and practice annually; Publish *"CSR White Book"* annually, records the stage characteristics of Chinese CSR report development; founder of (www.zerenyun.com) and related technology application.

Source:http://www.cass-csr.org/index.php?option=com_content&module=22&sortid=77&artid=90

Members of CASS also showed their opinions in "*The 2009 CSR Blue Book Conference*". Chen Jiagui (2009), economic division director, National People's Congress standing committee, the acting chairman of the presidium of the department of CASS, stated that "The center aimed to improve the level of CSR theory and practicing research. One of the important tasks is to track the latest progress of CSR theory and practice so when the center is established they have a plan and vision for preparing to publish an annual blue book of Chinese CSR. The book traces significant progress of CSR research and practice in all aspects, which has annually reported the China CSR development index".

The center has built up a set of comprehensive evaluation systems based on the reality of CSR development. The systems evaluate the development level of CSR in four aspects, which are liability management, market responsibility,

social responsibility and environmental responsibility. The research has been carried out in four steps. Firstly, the research object focuses on China's top 100 enterprises. Secondly, the center collected information about those enterprises from their CSR report, financial report, official website and other open channels. Thirdly, all collected data was classified into two standards; one is the obligation of disclosing the present situation, the other is the level of information disclosure of the social responsibility management. Finally, the center has annually carried on comprehensive research to form a CSR index of the top 100 Chinese enterprises.

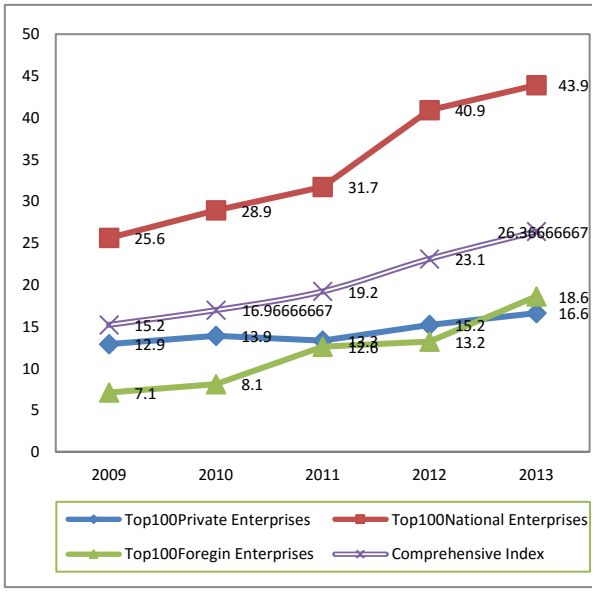
3.2 Overview of "The Blue Book of CSR"

"*The Blue Book of CSR 2013*" (P31) shows that China's CSR has rapidly developed since 2009. In 2010, two features are obvious to discuss, one is that state-owned enterprises have developed smoothly. The other is that foreign capital enterprises have undergone a great development. The research is based on China's top 100 series of CSR index by focusing on continuing liability management, market responsibility, social responsibility and environmental responsibility. The CSR index is one of the most significant achievements presented in "*The Blue Book of CSR 2013*". By using the CSR index, the establishment status of CSR management system can be evaluated and the level of social and environmental information disclosure can be presented. Three aspects are worth mentioning based on a past series published as *"The Blue Book of CSR"*. Charts are made according to data from "*The Blue Book of CSR 2013*"

(pp. 31-35).

Firstly, table 2 indicates the CSR index of the top 100 enterprises from 2009 to 2013. Since 2009, China's top 100 series CSR index has been growing quickly. In 2009, the China's CSR development index was 15.2. Most of the enterprises were observers. In 2012, the index rose to 23.1 and a wide range of enterprises were transformed from "observer" to "starter". By 2013, the index had risen to 26.4 and the average growth rate in five years was 18.4%. At the same time, the development index on CSR of the top 100 foreign capital enterprises was higher than the top 100 private enterprises in 2013 for the first time. The top 100 national enterprises performed better than both of the top 100 private enterprises and the top 100 foreign enterprises. Foreign enterprises performed better than private enterprises in 2013.

Table 2: Top 100 CSR Index TimeLine from 2009-2013



Source: Made by the author, based on *"The Blue Book of CSR 2013"* P32

Secondly, in national enterprises, the CSR development index continued to grow and was in the leading position while the state-owned financial enterprises index had grown slowly. In the last two years, the index of local state-owned enterprises increased rapidly. From the data in "*The Blue Book of CSR*

2013" (P34), in 2009, the central enterprises sustained a growth with 35.1 points, and reached 47.8 points in 2013 with an increase of 12.7 points, the average increase being 2.17. In 2009, the state-owned financial institutions of the state-owned enterprises were 38.3 points, but the social responsibility of state-owned financial index grew slowly to only 40.5 points until 2013, with an increase of 2.2 points and an average of 0.55 points. Other state-owned enterprises (mainly the local state-owned enterprises) had low starting points with only 10.5 points in 2009. After 2011, the growth index rose from 11.9 to 31.5.

Thirdly, this study collects social responsibility information from CSR reports, corporate annual reports, and official websites of the top 100 state-owned enterprises, the top 100 private enterprises and the top 100 international enterprises. The negative information is from People's Daily online, Xinhua net and other authoritative media related to government websites. The CSR information content is then analyzed and the quantitative is evaluated to be the initial CSR index. The score is adjusted with the liability awards, so enterprises that lack responsibility and innovation management programs will lose points. This sums up to calculate the final CSR index scores and rankings. The results are used to differentiate the characteristics in each stage of CSR development process of China. The study also refers to the international and the domestic CSR initiative and index system which makes China's CSR index complies with international standards and to comply with and to be in accordance with Chinese CSR practices. According to the score, enterprises can be divided

into five categories: excellence (80 points), the leader (60 to 80 points), the chaser (40 to 60 points), the starter (20 to 40 points) and the bystanders (20 points).

3.2 The Formulation and Implementation of CSR Policy by China's Central Government

Requiring enterprises to act by central government are an obvious characteristic in the process of implementing CSR in China. And the increasing number of CSR reports is the result of the government's promotion.

In the mid-1990s, China's *Corporate Law* was promulgated and established to fulfill the social responsibility for legal entity and to establish the legal status of the enterprise. Furthermore, the law for environmental protection, labor, and consumer rights and interests protection are the basis in fulfilling social responsibility. Some multinational enterprises began to assume social responsibility and made donations for poverty alleviation. Those projects include the Hope Project launched in 1989 and the China Charity Federation started in 1994.

With the rapid development of economic globalization, Chinese enterprises are facing more fierce competition. CSR is a challenge for Chinese enterprises, which have new requirements made on them through the supply chain by multinational companies. China has become an important center of global social re-

sponsibility movement. For example, more than 8,000 export processing enterprises have already received many kinds of social responsibility investigations from multinational corporations. Some companies receive more and better orders because of better performance, while some other enterprises were suspended or even their supplier's qualification was canceled due to poor performance.

In 2005, President Hu Jintao on the Third Plenary of the 16th Session explicitly proposed to "build a harmonious society" as the party's strategic task and a new blueprint for China social structure. This is the first time the state has supported the sustainable development of the CSR and explicitly put forward extensive policy (Xinhua News Agency, 2006).

The year 2006 brought in a new era for CSR development in China. In this year, three important CSR activities were carried out: Firstly, the amendment of *The Corporate Law of the People's Republic of China* that has been carried out formally since January 1, 2006, specifies the conditions for China's enterprises as "having to abide by the laws and its general principles regulate that enterprises should obey social morality and ethics, and carry social responsibility" (chapter 5) (Shi Jichun, etc., 2008; Lou JianBo, 2009). Secondly, in March, 2006, premier Wen Jiabao fully affirmed to the SGCC (State Grid Corporation of China) to firstly release a social responsibility report of central enterprises. Thirdly, in October 2006, the Party's Sixth Plenary of Sixteen Session carried out *Major Issue Decision about Constructing the Harmonious Society by the Central Committee of The Communist Party of China.* This

document clearly sets out to enhance the social responsibility of citizens, enterprises and organizations. At that moment, the argument of the enterprises was on how they should bear social responsibility. Since 2006, a lot of action plans of CSR have made certain progress at the national level (GTZ, 2007; China - Europa Forum, 2010; Wang Dan, 2010). In terms of perfecting the socialist market economy system, Wang Mengkui (2006, P12) pointed out that it was necessary to develop fairness and efficiency through the process by balancing speed and quality, group and personal interests, regional development, development between urban and rural areas and domestic and international development. All of these will be conducive to the establishment of a socialist harmonious society. So the goal of building a harmonious society is combined with CSR involving community development and the maintenance of the environment.

Among most of the measures taken by the government, CSR guidelines are the most important ones and involve encouraging enterprises to carry out self-checking and disclosure; paying attention to stakeholders; gaining environmental sustainable development; complying with the law; gaining development of charity activities. These CSR guidelines include the *CSR guide of Shenzhen Stock Exchange Listed Company* (Shenzhen Stock Exchange, 2006), *Guide for Environmental Information Disclosure of Shanghai Stock Exchange Listed Companies* (Shanghai Stock Exchange, 2008), and *The CSR Guidelines of Inherent Enterprises* which are published by the State-owned Assets Supervision and Administration Commission. The China Banking Regulatory Commission has issued guidelines for big Banks to obey the principles of the UN global compact core (The China

Banking Regulatory Commission, 2008). *The Party's Important Documents Compilation of All Previous National Congress of The Central Plenary Since Party's 11 Session of Third Session* (1997, P200) pointed out at the meeting, that China should establish the scientific concept of development, emphasize comprehensive, coordinated and sustainable development, adhere to being people-oriented and also emphasize people-oriented thoughts as the basic starting point to improve the socialist market economic system. The meeting emphasized developing and improving the socialist market economic system and that the developing steps should keep a slow and narrow the gap between urban and rural area, keep balancing the regional development, economic and social development, and the harmonious natural development.

Since 2007, the central and local government departments have issued a series of documents that require or encourage companies to release a sustainable development report. In December 2007, the State-owned Assets Supervision and Administration Commission issued *Guidelines for The Central Enterprises to Fulfill Social Responsibility*; as a guide for the central enterprises to fulfill their social responsibility, which caused a strong reaction among central enterprises. In detail, they are the guiding significances of the following four aspects, which help the further development and improvement of the socialist market economic system. The first is the development and the basic purpose of perfecting the socialist market economy system. The government should thoroughly and continuously improve the level of the people's material and cultural life and so meet the needs of the people. The second is to promote

enthusiasm, initiative and creativity of people in the socialist market economic system, helping people to have full scale vision of the socialist market economy mechanism. The third is to establish and improve the multi-level social security system. This is not only in accordance with development but also the inevitable requirement of perfecting the socialist market economy system, which is also following people-oriented thought. The fourth is to make sure that priority is given the superiority of the socialist system.

The socialist market economic system is supposed to give priority to the superiority of the socialist system and give full consideration to the interests of the majority of people in the whole society. About 20 central enterprises made positive responses and issued the enterprise with a sustainable development report in 2008. Meanwhile, the number of CSR reports has experienced rapid growth because some branch companies of multinational enterprises in China also started publishing CSR reports following the demands from the Chinese government. In addition, in 2007, the China Banking Regulatory Commission, the State Environmental Protection and the People's Bank of China introduced the "Green Finance Measures", requiring public, credit, insurance and tax refund departments to follow environmental standards (The People's Bank of China, 2007). All government departments reacted actively with the international non-governmental organizations and institutions to constantly promote the development and implementation of CSR. For example, the Ministry of Commerce has promoted international business partnerships, which initiates cooperation of CSR projects with Germany and the Swedish government.

In 2008, the cold rain and snow freeze disaster, the Wenchuan earthquake, the Milk powder melamine accidents and the subprime mortgage crisis by the U.S triggered the global financial crisis, greatly influenced the global economic and social development. But it also further promoted responsibility awareness and the development idea of the whole society. Enterprises began to be well aware of social responsibility as an obligation concept. President Hu Jintao promoted at the APEC 2008, that 'enterprises should take caution in the market operation with a safe, and responsible attitude, and fully consider a smooth running of the economy in pursuit of economic efficiency'. At the 2008 Summer Davos forum, China's premier Wen jiabao gave a message to entrepreneurs: "entrepreneurs should have a sense of morality. I hope that every entrepreneur, every enterprise keeps morality in their blood. The combination of production and business operation and morality can make a socialist need enterprise." Also in 2008, the new revision of the *Energy Conservation Law of The People's Republic of China* was formally implemented. Moreover, the Ministry of Commerce issued the *CSR guidelines of foreign enterprises investment (draft).* The China Banking Association issued the *China Banking 2007 Social Responsibility Report*. The China Textile Industry Association announced CSR standards in the same year. In summary, all these beneficial practices are well echoed by the learning practice of the scientific outlook on development and vigorously promote the research and practice of CSR in China. Specific representative policies are listed in Table 3:

Table 3: National CSR Policies in China

Department	Title	Date
SASAC (The state-owned assets supervision and administration commission of the state council)	SASAC issued The Guidance on Fulfilling Social Responsibility for Xiamen Municipal State-owned Enterprises	09 December, 2011
MIIT (The People's Republic of China ministry of industry and information technology)	MIIT Issued Implementation Plan on Establishing Food Enterprise Credit System	13 March, 2012
AQSIQ (General Administration of Quality Supervision, Inspection and Quarantine o of the People's Republic of China)	AQSIQ and SAC(Standardization Administration Of China) Jointly issued General Rules of Grading Enterprise Quality Credit	16 June, 2009
CSRC(China Securities Regulatory Commission)	CSRC help SSE (Shanghai Stock Exchange) issued Guidelines on Credit Construction for SMES(Small And Medium sized Enterprises Shut) in Shenzhen Stock Exchange	23 November, 2009
CBRC(China Banking Regulatory Commission)	CBRC issued the Opinions on Strengthening Social Responsibility of Banks and Financial Institutions	05 December, 2007

Source: Sino-Swedish Corporate Social Responsibility Website. http://csr2.mofcom.gov.cn/

3.3 The Formulation and Implementation of CSR Policies by China's Local Government

At the local level, local governments have made a lot of efforts to develop CSR. They formulated the CSR guidelines, implemented relevant laws, and took measures of encouragement and punishment for enterprises (Wang Dan, 2010; CASS, 2011). Main CSR policies promulgated by local governments in China are shown in table 4. The common items adopted for promoting the CSR by local governments were the introduction of tax incentives and the implementation of a green credit and a green finance program. Local governments also made efforts to raise awareness of CSR by actively conducting various CSR award projects. Projects combined with the actual local CSR guidelines were also implemented by local governments in Shanghai, Tianjin, Jiangsu, Zhejiang and Shandong (Wang Dan, 2010). For instance, Pudong District of Shanghai has developed a CSR audit

model, integrating more than 60 indexes for measuring the degree of contribution to stakeholders. Meanwhile, the members for operating the CSR system consist of government officials in charge and representatives of enterprises and civil society. It is established under the control of the Economic Commission in the District, in order to coordinate various CSR activities in this district and raise awareness of CSR and make the CSR audit system function (Wang Dan, 2010; the Xinhua news agency, 2007).

Table 4: Local CSR Policies in China

Location	Title	Date
Shandong	Weihai ETDZ Issued Trial Measures on the Establishment of Incentive and Restraint Mechanisms for Implementing Social Responsibility in Enterprises	16 January, 2010
	Yantai, Shandong Province Issued Opinions on Implementing CSR Evaluation System among Enterprises in Yantai Economic and Technological Development Zone (for trial)	March, 2008
Shanghai	Shanghai Issued Guidebook on CSR Reporting for Civilized Units in Shanghai (for trial)	February, 2012
	Shanghai Pudong New Area Issued Opinions on Promoting the Implementation of Social Responsibility among Enterprises in Pudong New Area	3 June, 2011
	Shanghai Pudong New Area Government Issued a Three-year Action Plan for Promoting the Establishment of CSR System in Pudong New Area(2011-2013)	June, 2011
	Shanghai Banking Regulatory Bureau Issued Guidelines on Corporate Social Responsibility for Shanghai Banking Financial Institutions	April, 2007
	Shanghai Pudong New Area Government Issued Guidelines of Pudong New Area on Corporate Social Responsibility	24 July, 2007
Guangdong	The People's Government of Guangdong Province Issued Guidance on Strengthening Human Care and Improving Working Environment	07 July, 2010
	Shenzhen Issued Opinions on Further Promoting the Implementation of Social Responsibility among Enterprises	09 May, 2007

Source: Sino-Swedish Corporate Social Responsibility Website. http://csr2.mofcom.gov.cn/

As seen from Table 4, local governments in China commonly promulgated local guidelines and facilitated the audit programs function. A few local governments sought help from international experts or state authorities such as CASS, but a lot of local governments collaborated with personnel of provincial or local

governments to issue their policies or build evolutional systems for enterprises' local audit programs. Most of these procedures on CSR matters have been carried out by regional governments, especially the so called evaluation system run by the office in charge of the CSR which has been set up under the direction of the local Party Committee or regional government. Also, those evaluation systems which are related to some trade union offices and local governments can easily get statistical data to analyze the indexes on CSR.

The CSR evaluation system is generally composed of multiple indexes with a score based on a matrix covering all relative stakeholders with weight. For example, by interviewing Shanghai Pudong CSR office (2015), it shows Shanghai Pudong's audit matrix (essential reference for other regional evaluation system) gives a basic standard score to companies that do not obey the laws of treating employees equally and paying taxes. However, a company can be disqualified instantly by just one serious act of violent behavior such as hiring child labor. Moreover, this system encourages firms with a bonus score who act upon international standards, such as ISO or SA standards. But no extra score can be earned from any amount of philanthropic activities.

Table 5 illustrates construction and implementation of policies in the Pudong District of Shanghai, YEDZ, and the Shenzhen City of Guangzhou Province. Different sections contain identical policies made by each local government. Advantages and disadvantages are also listed out from each region's local government. According to the report *"The Analysis of Local Government' CSR*

Policies in China", Pudong Distract of Shanghai, Yantai Economic Development Zone and Shenzhen city of Guangdong province are outstanding from all local CSR policy development regions. Shanghai, Yantai and Shenzhen have different regional characteristics and their unique development model and implementation of CSR can be reflected by their CSR reports.

Table5: Three Regions Comparison

Regions		Pudong District of Shanghai	YEDZ	Shenzhen City of Guangdong Province
Construction of Policy		• *CSR guidelines of Pudong District of Shanghai* (July 24, 2007) • *Action Outline for Three Years of the Pudong District of Shanghai to Establish CSR System (2007-2009)* (July 24, 2007)	• CSR working Group (2008) • *Opinions for Yantai Economic Development Zone CSR evaluation system implementation (Beta)* .(March 20, 2008)	• *Opinions for Enterprises Further Advance to Fulfill Social Responsibility.*(2008)
Summary of Conducting policy on CSR	Advantages	• The incentive, promotion of cooperation, and regulatory policy measures is relatively complete and effective.	• The first to launch Implementation Opinion Assessment of CSR Evaluation System in The Development Zone.	• Formulate scientific and reasonable policy preparation, expert argumentation, consult public opinion, policy.
	Disadvantages	• Lack of effective policies and measures to guide small and medium-sized enterprises to fulfill social responsibility • Lack of statistics on policy implementation results.	• Motivation, promotion, cooperation, supervision are all lacking in the system	• Government is blind to the important role of cooperative measures in the construction of CSR. • Local businessmen did not take into account in the design of framework for the enterprise to provide the social responsibility of training and related financial and professional support.

Source: Made by the author, based on *Overview of CSR Policy Development by Local Government in China* (2010, p107, p136, p150, p187, p239)

As selected from local CSR reports, policy, implementation and practice are three major introductory sections. Policy introduces capacity building, incentives, promotion, cooperation and regulatory measures. Implementation introduces advantages and disadvantages of the policy construction in those three regions. Practice introduces changes after implementation of CSR policy practice across income levels, the social responsibility standard enterprise quantity and other various aspects.

All those three local governments have had some achievements when practicing CSR. Achievements contain regulations of CSR based on central government and regional characteristics, increasing GDP and local financial interests. Among all three regions, the Yantai Economic Development Zone has seen huge progress in its policy establishment and economy condition

Firstly, Pudong District of Shanghai: After 20 years of development, the Pudong District of Shanghai GDP rose from 60 billion RMB in 1990 to 400.1 billion RMB in 2009, and the fiscal revenue increased from 1.1 billion RMB to 1356 billion RMB (the 20th anniversary special report of Pudong Development and Opening website, (http://www.pudong.gov.cn/website/html/shpd/pdkfkf20_subject/List/index.htm). As the window of domestic reform and opening up, by the end of 2008, Pudong District of Shanghai owned more than 260 corporations which are in the world top 500 companies, 115 regional headquarters of multinational corporations, 138 foreign research and development centers, 544 foreign state funded financial institutions, and nearly a hundred big domestic enterprises

and big group headquarters (Pudong district foreign investment association website). By the end of 2009, more than 500 enterprises had already completed their social responsibility evaluation. There were more than 120 enterprises establishing the social responsibility standard (Pudong District of Shanghai CSR office data). The tertiary industry GDP amounted to 226.449 billion RMB, which was the leading industry to promote the development of the economy. (http://www.pudong.gov.cn/website/html/shod/pdkfkf20_subject/List/index.html)

Secondly, Yantai Economic Development Zone: In 2008, the district had 11 indicators in the city's first social insurance business; the union formation rate and attendance of unions reached more than 90%. More than 100 enterprises implemented the wage negotiation system. Labor dispute complaint cases fall 30% every year. More than 40 enterprises passed the ISO14001 international environmental management system certification. In 2009, the main economic indicators of Yantai Economic Development Zone achieved double-digit growth and 1 state-level development zone average growth was 5%, with GDP of 67 billion RMB. Gross industrial output value reached 210 billion RMB, becoming the sixth state-level development zone output valued over 200 billion RMB; Industrial added value reached 52.2 billion RMB and the top five of the city increased the total of the GDP gross industrial output value to 23%. Industrial production, import and export, high and new technology industrial output value indicators such as total amount and increase ranked the first in the city. A total of 330 million RMB was used, which equals to a third of the city's expense. The total annual import and export is 22.7 billion RMB, an increase

of 3.9% which is higher than the national average of 17.8%, becoming one of a handful to maintain positive growth zone (www.YEDZ.gov.cn).

Thirdly, Shenzhen City of Guangdong Province: In 1980, Shenzhen became the first special economic zone in China. After 30 years of development, Shenzhen has become China's best economic benefit with the highest trade and the largest GDP per capital. In 2008, Shenzhen's gross domestic product (GDP) was 780.654 billion RMB, with an increase of 12.1% from 2007, the import and export total profits were 299.955 billion RMB, per capital GDP of 13,153 RMB (http://www.sz.gov.cn/cn/). Shenzhen pioneered the use of the "green GDP" index to do quality evaluation in the overall urban development. In the year 2006, Shenzhen local government completed *Shenzhen Should Urge Enterprises Perform Social Responsibility*. To further improve corporate social responsibility awareness, a good atmosphere of the social responsibility of supervision should be formed.

According to the previous analysis in this paper, CSR development in China has two outstanding features. One is that the CSR forms a part of Governmental Social Responsibility, and the other is that the central and local governments play the leading role to guide enterprises in CSR developing process. Some scholars argue that the Chinese CSR should be called GSR (government social responsibility) due to the above two features. However, the GSR in China means the government performs functions and takes responsibility of political, administrative, legal and moral requirements from citizens. The CSR emphasizes

enterprises' social responsibilities which also includes political, administrative, legal and moral requirements. In a broad sense, GSR and CSR in China have things in common. (*The Main Social Responsibility List is formulating correlated policy of YEDZ Management Committee in 2010*, pp.9-10). This book clearly points out that in the table, 1/5 of the total is accounted as the CSR part. CSR is discussed in the book mainly around economic construction and social responsibility. There are three points about the economic construction part of enterprise production scale, one point is about intellectual property rights, one point is about the brand strategy, one point mentioned the employment of social responsibility and there are four points about the environmental aspects.

CHAPTER IV: CASE STUDY: CSR DEVELOPMENT OF YEDZ

YEDZ is one of the first and most well developed economic development zones in China. According to the report "*The Analysis of Local Government' CSR Policies in China*", the development of YEDZ is based on the manufacturing industry. Most CSR policies and practices in YEDZ are on environmental protection and labor relations. YEDZ ranked first in the 14 series national development zones. It has currently developed a 59 square kilometers area with a 50 square kilometers constructed region. The population of YEDZ is 0.4 million. Since the beginning of YEDZ's development, more than 16800 different enterprises have registered for the CSR evolutional system. Among all the enterprises, with industrial businesses numbering more than 3000, foreign-invested enterprises number over 1300, and more than 70 enterprises are part of the 'Fortune Global 500 enterprises'. Imports and exports profits of YEDZ account for 3/5 of the entire Yantai city.

4.1 Overview of YEDZ

In October 1984, as approved by the State Council, YEDZ became one of the first batches of 14 development zones in China. From 36 countries and regions, many well-known enterprises including 24 enterprises which ranked among the World Top 500 invested in YEDZ. On the basis of registration, the foreign capital investment amounted to $1.717 billion in 2009. In the same year, the GDP of YEDZ reached 372.868 billion RMB, with an increase of 13.5% from previous

year. YEDZ ranks sixth in the nation-wide comprehensive evaluation on environment among 54 state-level development zones and ranks eighth in the comprehensive evaluation on economic strength. Also, YEDZ is the only city whose ranking in the comprehensive evaluation on economic strength kept rising over six consecutive years (from the secretary of the YEDZ management committee, Wang Xiuchen). YEDZ published *The YEDZ Assessment of CSR Evaluation System* which pioneered in the development zone the social responsibility appraisal system among 54 development zones in China in 2008. Also in the same year it obtained the certification of the ISO14000 on the environment management system and ISO9001 on the quality management system (www.YEDZ.gov.cn).

After years of development, machinery and manufacturing have become the two leading industries of YEDZ. Furthermore, the combination of industries such as information technology, cars, mobile phones, computers, ships, equipment manufacturing in YEDZ has changed the area into the main part of the local auto industry, electronic information industry and the equipment manufacturing industry. All advanced and revolutionary development has brought biological medicine, new materials, and three new photoelectric emerging industries to a local industry environment. The United Nations environment program named YEDZ as "China's demonstrated industrial environmental management area". YEDZ is also a national eco-industrial demonstration district, and the first national batch of circular economy pilot units.

4.2 Evolution of the CSR Policies

Yantai municipal government put the CSR strategy clearly through the ″Three Stages″.

The first stage began in 2008. The government focused on facilitating the social consciousness of CSR and built an operational mechanism and a basic framework for the CSR system. Simultaneously they set out the conditions of more than 100 million RMB of revenue from main businesses for enterprises to participate in this system. Moreover, the system has been gradually improved by summarizing experiences collected from the affiliated enterprises. The second stage began in 2009, forming a more mature system with very strong maneuverability standards. The new system assessed more than 300 enterprises, with guiding enterprises participating voluntarily in the system. The third stage began in 2010. The evaluation was implemented through the whole Development Zone, and the scope of inspection covered all of the enterprises. The previous system only evaluated the sales income of enterprises and the tax payable by them as economic indicators, while the new system is about economic development, energy conservation and emissions reduction, good faith and compliance, and retention of employment etc. The new system contains 8 categories and 33 sub indicators. This is the first feasible management system of CSR established specifically among 54 state-level Development Zones.

As the nation's first batch of state-level economic and technological development zones, YEDZ thoroughly implemented the scientific outlook on building and developing a harmonious society. Local governments guide and encourage

enterprises to carry out social responsibility for the overall goals. Also, they consciously take the lead in exploring the country to establish a CSR evaluation mechanism, effectively stimulating the enterprises' initiatives to fulfill social responsibility. A series of preliminary results have been achieved owing to the enthusiasm of government's CSR practices.

In 2008, the management committee of YEDZ tested a trial basis CSR evolutional system on 78 enterprises whose output value was over one hundred million RMB. The number of tested enterprises was increased to over 300 in 2009. The local government promoted the comprehensive performance of the political, economic, cultural and social four base sectors within 56 responsibilities. The implementation of CSR in YEDZ is to seek to maximize long-term rational corporate social behavior targets, so as to change the short-term disorder behavior. Because the shortage of current information resources constrains the expectation of CSR long-term behavior, society seeks social behavior like innovative actions in the form of contract standardization. The government aims to help enterprises to maintain and improve established internal policies and procedures, manage the relevant social business under the control of enterprises, promote enterprises to establish a continuous improvement strategy and the long-term management mechanism makes the enterprise's measures meet the demands of social development, and fit the long-term goal with the development of the society.

YEDZ shows that the government, the rural area and the community are three

corner stones for establishing a CSR evaluation system. The local government follows this concept in developing the whole area. As a result, the regional economic strength is increasing, main economic indicators achieved more than a 10%-30% increase annually. As for ecological environment maintenance, and the indexes of main environmental protection and energy saving of the area, they may meet the national standard of ecological industrial park. The social atmosphere of YEDZ is in a healthy and harmonious situation. The number of production safety accidents and death cases of the entire district has gone down in successive years; reporting complaint cases caused by labor disputes has been greatly reduced.

4.3 Interview with Director L of YEDZ Management Committee

This chapter is a summarized memo of interviewing with Director L who is the director of the CSR related department in the YEDZ management committee. He and I had a couple of conversations which related to the topic of CSR development in YEDZ. Most of the contents of the following paragraphs and chapters are collected from this memo.

In March 2016, the author had an interview with the director of the YEDZ management committee. Director L is in charge of social security and institutional development of CSR in YEDZ. The interview started with the development process of CSR in YEDZ, which includes evaluation system analysis and index setting methods. Director L highly confirmed the important role both local and national government have played in CSR practicing.

According to the explanation of Director L, all the above negative CSR issues reflect management problems in YEDZ management committee. All these problems were happening at a turning period of the national economic system. As the function of government at that time changed from merely providing relevant services to diversified functionality, the specific functional pieces of the government scattered to various government departments. The government has focused on problems like how to effectively serve local communities and residents. Practically speaking, they focused on how to effectively integrate law enforcement, environment, and corporate social problems such as employee benefits which had become important issues of the government's management model.

On considering the practice and implementation of CSR in YEDZ, Director L explained that one of the most important issues in the government management is how to balance law enforcement, the environment and other CSR problems, with the bottom line of the law and regulation at that time. Having considered all limitation at the period, the highest leadership of YEDZ proposed the complete requirements of regional enforcement. They advocated that the enforcement power of the law should be intersectional and appropriate. As an illustration, the corporation M has made a huge contribution to the regional economy in YEDZ. However, the company has many CSR issues such as environmental pollution and employee welfare complaints at the same time. It will take a long time for corporation M to review itself and carry out inside innovation without government guidance and instruction. The enforcement machinery feature of the government can help corporation M to renovate itself by directly shutting down

pollution sources or behaviors like the government's intervention to economy. With the leading role of local government, the regional CSR issues can be effectively controlled before things start getting worse with minimum economic loss.

When we mentioned about the key concept of CSR implementing in YEDZ, Director L summarized with one simple short sentence, 'common touch and down to earth.' Director L gave the explanation that common touch is the requirement and ability of government staff in their position of power or authority to talk to and understand ordinary people. Down to earth can be explained as the government focusing on practical matters of corporation reality during policy making and regulation establishment process. In detail, in 2004, the first CSR development year of YEDZ, the department of economy and industry together with the commercial departments spent a whole year studying how to promote CSR, and they specially focused on how to fully implement CSR practices in the enterprise. In the same year of 2004, the industrial and commercial bureau director W of Shandong province considered from the perspective of industry and commerce the first mission to practice its fair trade and enterprise credit rating. Director W said for the promotion of CSR in YEDZ we should establish a theoretical system which is down to earth, then, through the enforcement machinery feature of local governments promote corporations and help corporations accept the new management model.

For the content design of CSR system, Director L explained that the construction of CSR in YEDZ was carried out from the perspective of enterprise administration, and completely abided by the laws of that time. Moreover, the new CSR system in YEDZ also consisted of the elite part of national and regional law and regulations. These laws and regulations are collected as a package and then are directly applied into the operating systems of corporations. The local government of YEDZ established a bridge between corporations and local management committee, while the local government created an effective communication process. Since then, corporations have started gradually paying attention to employee retention and other CSR issues instead of seeking mere financial profits.

On considering the design of the CSR evaluation system, Director L expressed that the first thing is to confirm that the weights distribution should follow national policy guidance. For example, there are eight major index segments in the first edition of the CSR evaluation system. Each segment has an average weights distribution. After yearlong testing, the grade evaluation process was completed. The national government has clear requirements of one child policy, and also points out that the regional economic development is crucial to national economy. So the management committee fixed the weight proportion of economic indicators in the second year. Director L said the macroscopic framework and score of the system should stay the same. However, the weight ratio needs to be fine-tuned according to the national and local policy and district guidance. Director L mentioned especially that the economic development in

China experienced a turning point from 2012 to 2013. YEDZ adapted to national policy by adjusting the reward system. The management committee cancelled the individual selection section and material rewards, while at the same time the management committee insisted that enterprise management strategy should follow the rule that the awarding shall uphold the principle of combining spiritual rewards and material rewards with the focus on spiritual rewards. This is why the traditional reward 'peony award' has become the economy appraisal of enterprises in YEDZ, and a measurement for the size of the enterprise.

When interviewing on the topic of enterprise information disclosure transparency and why the CSR evaluation system does not have a punishment mechanism, Director L explained that all perfect establishment of standards and good CSR implementation at this time depends largely on original evaluation standards. Two leaders have made great contributions to the establishment of the original standards. They insist all practices should be based on reality, clear targets and vision and have good economic consequences.

Director L highly appreciated the contribution which two previous leaders made to YEDZ CSR development. Xiuchen Wang was the former secretary of the working committee in YEDZ. He said that the established simple economic indicators as the core indicator in the process of CSR evaluation system are the expression of the one-sided pursuit of economic interests. He summarized the problems in YEDZ to 'emphasize three issues and weaken three issues'. The emphasis is on strengthening preferential policies, the enterprise's internal

construction and on responsibility to the board of directors. The weakening applies to not paying too much attention to services and the district's contribution, to support society's difficulties and social responsibility. Tianren Wang was the former deputy secretary of the Shandong province industrial and commercial bureau, deputy director of Enterprise Credit and CSR Association in Shandong province. He was in charge of the study of the *CSR evaluation system in China*. Both secretaries emphasized the implementing criterion to be the priority consideration of CSR criteria and related policies. They suggested that these regulations which mark criterion and points of indicators should be strict and not at all elastic. If the corporation is qualified with evaluation standards, the system automatically scores the indicators. However, if the corporation is unqualified with evaluation standards, the system should lose points straight away. After the evaluation, each score item needs to separately pass to various functional departments and the head of department assigned to being responsible for the relevant evaluation results. Specific issues of responsibility are allotted to specific enterprises. These enterprises may need to be responsible for explaining and handling these specific issues.

According to Director L, Western, the CSR evaluation system has a punishment mechanism and the act of investigating into legal responsibility can be summarized as having the following reasons. First, CSR performance in the west is mostly evaluated by the enterprise itself. These evaluation processes are based

on business ethics demand and results in active movements of information disclosure. Usually, enterprises cooperate with third party agencies in summarizing evaluation results. However, all CSR related works are mostly under the charge of certain departments of local governments. Once CSR incidents happen in those countries, people and organizations pursuing legal responsibility can also be disguised as the demands of economic interests. The nature of the capitalist economic system and the social system largely determines CSR behaviors and strategies of relative organizations. As mentioned of China, the unique social system and one party political mechanism decides that local government has to take the responsibility of regional economic development and strengthen the construction of regional socialist spiritual civilization. On considering legal supervision responsibility, the local government needs to control the increasing administrative cost. So pursuing legal responsibilities should be carried out by law enforcement departments. Local government should pay more attention to propaganda and guidance of policy making. Corporations need to make more efforts in establishing internal CSR system.

To sum up, Director L emphasized that the core values of the CSR evaluation system is the enforcement characteristic of the local government. Local government in YEDZ has played a major role in CSR policy making and practicing. The local government has continually implemented “Top Leadership Project” since 2010. All in all, three key points directly determine the good CSR performance in YEDZ. First, the ambition and determination of head officers in the YEDZ management committee play a leading role on CSR development in YEDZ.

Secondly, both national and local policy making on CSR has created good development situation in the Yantai province. Thirdly, the implementation capacity of relative departments on each level is really impressive during the developing process, which helps CSR development in YEDZ go faster and smoother.

4.4 Difficulties in Existing of CSR Practice in YEDZ

4.4.1 Environment of CSR Development is not Optimistic

Objectively speaking, the imperfect parts within the socialist market economic system and the legal environment for the development of enterprises are those which cause low acceptance of the CSR evaluation system.

The CSR concept is originally from western corporations. CSR is a particular developmental stage of economic development. It is the requirements and expectations from society on enterprises based on the present code of ethics. The enterprises from developed countries also realized that they should shoulder more social responsibilities after developing to a certain extent.

Lacking a sustainable development strategy and compatible social responsibility culture, enterprises are exposed to the cultural environment which is a system of no responsibility. Guidance, practice and surveillance mechanism development of the government have just started in China, in a social environment in which enterprises and the public are not willing to perform CSR policy. On one hand, non-government organizations (NGO) which speak for

the enterprise stakeholder interests are not enough. On the other hand, the existing NGOs cannot fully function due to many reasons.

All of the issues mentioned above directly restrict China's enterprises to strengthen the construction of the social responsibility management. In the case of YEDZ, lots of enterprises are forced to accept CSR evaluation after just a few years of developing the process. For such a new challenge, enterprises need an adapting process. Entrepreneurs need to constantly deepen their understanding through practice. The enterprise can't complete its basic data statistics and collection system with a deep understanding of CSR.

4.4.2 Social Acceptance of CSR Evaluation System Needing Improvement

The CSR evaluation system will not be so readily accepted by some enterprises, especially small and medium-sized enterprises. Many small business owners misunderstand the evaluation system and most of them are passive to CSR activities.

Canonizations of CSR are misunderstood by a number of enterprises. These entrepreneurs have a lopsided view that CSR performance is equal to public charity activities. Moreover, they regard CSR performance as the business of large enterprises but not of small ones. They think that CSR practice entails additional investment and increased cost. The management of these

enterprises has been short-sighted about the influence of the CSR evaluation system on the enterprises' long-term interests. They stand at the opposite side of the moral and legal perspective instead of establishing a perfect internal social responsibility of a self-discipline mechanism. This is why they fail to perform well in target hitting activities.

The local government of YEDZ found some enterprises disregarded CSR in practice, in that more than 30 assessed enterprises scored 0 in indicators during the evaluation process of charitable donations, public welfare donations, supporting leading and encouraging the construction of rural communities. There are still some enterprises who fail to meet the basic standard. For these enterprises, each functional department of YEDZ will have to persuade them to thoroughly rectify their practices. From another angle, the reasons for carrying out social responsibility appraisal work and tasks are not only to encourage outstanding enterprises to do better and be a good example, but also to urge imperfect enterprises to increase their responsibility awareness and actions.

4.4.3 Different Evaluation System for Diverse Enterprises Require

All sorts of problems gradually emerge with an increased range of evaluation. Types of enterprise and industry category tend to be more comprehensive.

Different types of enterprises fall into unique developing stages. It is

difficult for a single appraisal system to scientifically integrate assessment index of enterprises in different industries. For example, high-tech enterprises do not have the same assessment index with enterprises engaged in manufacturing, construction and commerce. For instance, when the government asks for opinions from companies, some high and new technology enterprises emphasize improving the weights of technology innovation evaluation.

On the contrary, some labor-intensive enterprises suggest an increase in the index of harmonious labor relations. This is one of the most representative contradictions among diverse enterprises. Furthermore, as a guiding role of the government, certain assets investment should also be included in the evaluation index system for import and export. This is obviously unfair for enterprise with no foreign trade business and temporarily no plans to expand.

4.4.4 Limitation of CSR Practicing in Specific Areas

YEDZ, specifically, gradually improved its method in practicing the CSR process. In the beginning, the local government ran trial tests among 100 enterprises which have an operating income of over 100 million RMB. Then the local government gradually widened the assessment scope to involve more than 300 enterprises above the designated size of 100 million RMB. Eventually, the evaluation will cover all enterprises in the district.

However, industrial economy occupies the dominant position of YEDZ regional development due to the characteristics of the economic and technological development zone. Applicability of the evaluation system to the second industry especially manufacturing enterprises needs to be considered before promoting enterprises of the whole area.

A set of more mature and applicable ranges of the standard evaluation system has two main characteristics. One is the CSR index system which is built according to the characteristics of the social responsibility of the industry. The other one is the system which can merge and split key issues of social responsibility in similar degrees, in order to substantially improve the scientific index and the nature of the system.

However, when considered from a different angle, the vigorous development of CSR requires a lot of professional talents. It is hard to build up the reasonable and effective evaluation system with only a handful of workers in an area, a reluctantly built up evaluation system is hardly operable.

4.4.5 Better Standards for the Implementation Process

There are three features in the CSR evaluation system of YEDZ. First, each related department integrates and shares individual assessment of resources. Second, unified management strategy was taken on information collection, verification, and disclosure. Third, the government may need

to establish and improve the department of evaluation system and the information publishing platform. Since 2010, the local government has widened the evaluation scope to cover all enterprises in YEDZ. There are two challenges during the implementation process. One is the basic data statistics of enterprises, the other is reliability and perfection of the data collecting system. Some small enterprises have an imperfect statistics system, and their reports are non-professional. It is difficult to get true and complete data information from those enterprises' statistical departments. Behaviors like missing data and wrong subjective judgment of people have a serious effect on the credibility of the evaluation results.

As illustrated above, regional developments of CSR have a local character and some points need agreement of number to be additional information to explain the policies. However, YEDZ needs to strengthen the responsibility construction of CSR which includes the rural citizens, communities and the government. Moreover, there are disadvantages of conducting policy on CSR, especially when cooperation measures lack cooperation with professional institutions to provide enterprises with professional support for the construction of social responsibility.

4.5 Instructive and Motive Role of Yantai's Local Government

There are four measures for the local government of YEDZ has to take on CSR. All these active actions have taken powers from the government, industry and society. Also, these actions built a public service platform for the enterprise

to take social responsibilities.

4.5.1 Investigation Promoting Strategy

Since 2004, large-scale research activities have been carried out by the propaganda department, development and reform department, industrial and commercial department, and taxation department in YEDZ. All of those departments perform highly consistently to comply with the government leading role for promoting CSR practices. Based on previous experiences, YEDZ has tried to establish a CSR evaluation system and to promote a long-term CSR practicing mechanism.

On considering the content, three points should be mentioned. The first is that YEDZ can learn from existing international standards such as *SA8000 certification*. The second is taking advantage of national advanced theory and practice. For instance, the China National Textile and Apparel Council (CNTAC) established a set of social responsibility standards *Chinese Textile CSC9000T CSR Management System* in the industry. The third is emphasizing the responsibility of enterprises. On one hand, enterprises have a responsibility to maintain and strengthen public safety and social stability. Products of more than 3000 industrial companies are directly related to the interests of consumers, and the stability of more than 200,000 workers in the industry is directly related to the entire regional stability. On the other hand, enterprises should focus on the consistency of enterprise development and rural development. The development of YEDZ is based on

farmers' contribution of their own farmland property to industry development. Although the local government passed regulations to give financial compensation to farmers who offered farmland to enterprises, the unemployment problems of farmers will produce a negative influence on enterprises and regional development.

4.5.2 Supporting Measures to Promote

The YEDZ management committee has played a key role in the CSR concrete implementation process, and they take four promoting approaches during the process.

4.5.2.1 Clarification Evaluation Steps and Strict Assessment Qualification

The YEDZ management committee established the leading group and paid special attention to the implementation of CSR work. The leading group set up its office in the economic development bureau, responsible for the coordination and evaluation daily work in organization. There are four steps in the assessment process. Firstly, accumulate basic analyzing data. According to the new examination requirements of the evaluation system, all enterprises are responsible for recording their daily management routine. Then each department regularly reports to the relevant examination department. Secondly, complete and verify analyzing data. According to the enterprise's daily report, each assessment

department should follow each job's responsibility to complete and verify the enterprises' submission data. Thirdly, centralize evaluating and ranking. The office of the leading inspection group collects all data and evaluates it at the end of the year. The ranking of the enterprises is ordered from high to low. The final ranking position of enterprises is the main credentials for regional rewarding. Fourthly, integrate use of evaluation results. Enterprises whose scores rank at the frontline of regional evaluation will be commended through the whole development zone as "excellent enterprises to perform social responsibility". Enterprises scoring more than 90 points will be regarded as outstanding enterprises in performing social responsibility; enterprises scoring from 70 to 90 will be regarded as the qualified performers; enterprises scoring below 70 points are under the qualification line. These enterprises are required make changes to increase their score.

4.5.2.2 Perfect and Promote Implementation

4.5.2.2.1 Local government of YEDZ showed full support of building the new socialist countryside platform.

The government promoted the "industry nurturing agriculture concept", which brought considerable regional economic and social benefits. The government has mobilized more than 70 enterprises paired

with less developed villages for financial support. Also, the government has accumulatively invested two hundred million RMB to improve the production and living conditions of farmers.

4.5.2.2.2 Make Contributions to Society.

The local government has established an "annual spring donation" activity to help socially disadvantaged groups. This activity has run for more than 5 years, and its accumulated corporate donations are over 30 million RMB.

4.5.2.2.3 Platform of Social Organizations and Enterprise Autonomy Organization.

Trade unions, the youth league, the women's federation and the federation of industry have taken full advantage of systematic functions and industry resources to set up another important platform for CSR practice. The federation of industry played the leading role in the chamber of commerce. All these organizations set up a bailout fund of more than five million RMB at the grass-roots level and financially assisted more than 3200 poverty stricken people. The women's federation has implemented "Poverty Assistance" and the "Spring Bud Project", which guide enterprises to actively participate in, and successively aid more than 500 females.

4.5.2.2.4 Sustainable Development Platform.

YEDZ certified by the IS014001 environmental management system became the national demonstration zone of IS014000 in Shandong province. Also, YEDZ was named as the national eco-industrial demonstration park. All achievements of YEDZ have provided a comprehensive excellent platform for enterprises in the district. Through this platform, the number of enterprises who have been certified with the IS014001 international environmental management system has reached more than 70 in the district. Also, 55 enterprises have carried out the cleaner production auditing process, which is an advanced movement in the province.

4.5.3 Policy Incentives and Rewarding System

The government has set up "the best CSR implementation award" instead of "Tax payment award" or "profits of billions award" and other individual awards from the past. With this main CSR government award, what was in the past a gentle demand for CSR performance has become a strict constraint on enterprises. In the first year of the CSR award, all enterprises above the designated size in the district participated in the comprehensive evaluation. The evaluation rewarded Doushan Engineering Machinery, GE Dongyue and another 70 enterprises in total to share the "excellent enterprise to fulfill social responsibility award". Those rewarded enterprises are rewarded and recognized by society during a district grand meeting. The local government not only gives cars, gold and other physical rewards to each

enterprise, but also pays more attention to these enterprises from the aspect of personnel, funds, policy and service. Moreover, the local government will assist those enterprises in scientific industry planning and development. Enterprises with unqualified behaviors will be persuaded to leave the district. For instance, more than 30 registered projects in the district were canceled because of tax payment or environmental protection problems, and these enterprises were forced to leave the district.

4.5.4 Plans for Implementation

The local government aims to form a good CSR implementation atmosphere. The CSR evaluation system has gradually improved and is optimized by the district management committee. The management committee implements policy and comprehensive progress by promoting CSR theory, activating enterprise participation and enhancing social supervision. Specifically speaking, there are three stages to implement.

The first stage started in 2008 and finished in 2009. This is a one year pilot project. The project is mainly a comprehensive CSR evaluation of strong social atmosphere, forming a preliminary framework work mechanism. The trial basis evaluation was first tested among 100 enterprises with operating incomes of over 100 million RMB. The second stage is the whole year of 2009. This is the period of time to improve and complete the evaluation system. After the successful experiences of the pilot project in 2008, the evaluation system has gradually become more perfect and more

mature. The system has a very strong maneuverability of the evaluation indexes and standards. The inspection scope of the evaluation system has expanded to more than 300 enterprises. It is also necessary to guide enterprises which are below the evolutional standard to voluntarily participate in CSR actives. The third stage started in 2010. It is a CSR fully implemented stage. Evaluation work expanded to the whole enterprises in the district. The management committee changed the past incentive mechanism which focuses on the economic contribution. The social responsibility appraisal has become the most important part of all enterprise evaluation measurements.

4.6 YEDZ CSR Evaluation System

The first CSR evaluation in YEDZ started in 2008. This evaluation with a Chinese characteristic based itself on the principle of doing certain things and refraining from doing other things. Moreover, the local government emphasized Key issue management and clear priorities arrangement. The specific performance of local government can be summarized as political issues first and CSR evaluation results linked to social responsibility performance. (*YEDZ 2009～2014 Enterprises to Fulfill Social Responsibility Evaluation and Implementation Opinions*)

The CSR evaluation system in YEDZ is a regional CSR information disclosure system. It uses a composite index to rate CSR management status of companies

in YEDZ. The evaluation process which regulates enterprises has a responsibility to record daily management data, then report to the inspection department.

The first step of the evaluation process is a daily recording based on the evaluation index system. All data should be reported to the relevant department at a higher level. The next step is that each single appraisal department verifies the information supplement according to the enterprise report combined with job functions. The single appraisal department will verify different facts and add extra data. The inspection data is then formed and reported to a leading evaluation work group by each quarter. Also, mass media in the development zone needs to supervise negative activities of corporations and report to the leading evaluation work group. At the end of the year, the leading evaluation work group office summarizes all scores and lists from high to low. Enterprises scoring 90 points or more are outstanding in fulfilling social responsibility, enterprises scoring 70-90 are qualified to fulfill social responsibility, enterprises scoring below 70 points need to make changes to the present situation with the supervision of functional departments.

At the end of 2007, YEDZ established the eight main evaluation contents of CSR and 33 assessment rules. Through the different proportion design, the evaluation process reflects the role of the government in guiding enterprises, so as to realize the phase driven by activities to promote the transition of the phase system.

The first segment is the economic development responsibility. This segment

aims to assess the enterprise contribution to the social and economic situation and is responsible to the shareholders' equity in two aspects. The evaluation assesses the performance of the enterprise's economic responsibility. This segment also gives full consideration to the ability of enterprises in the basic performance of the new products and new technology innovation. Enterprises develop fast, contribute to the development zone's expanding economic scale, enhance the region's level of science and technology and improvements in the economic benefit contribution will pay great dividends.

The second segment is energy conservation and emissions reduction responsibility. A responsible enterprise should fully understand that its business activities influence the natural environment. The CSR evaluation contains conservation and emissions reduction responsibility of enterprises because the production and operation of enterprises inevitably produce certain effects on the regional environment. If it is not effectively controlled, the effect becomes more and more extensive and profound with the continuous development of the enterprise. There are two approaches to reduce conflicts between business activities and environmental protection. On the one hand, enterprises strictly abide by state laws and regulations, establish and improve the effective environmental management system, and take effective measures to reduce the negative effects on the environment caused by the enterprise management. On the other hand, enterprises should strengthen scientific and technological innovation, and actively promote energy-saving technology, persuade factories to adjust industrial structure, promote the transformation of the regional

economic development mode, keep the central government's instructional spirit, and promote the construction of ecological civilization.

The third is integrity of law-abiding responsibility. Assisting the poor is an important responsibility of the society. This responsibility is the important embodiment of civilization and the reflection of people-oriented thoughts. Enterprises should fully take advantage of capital to become good corporate citizens and actively help the poor. Enterprises should pay attention to personal development and actively establish a community of interests with agriculture, countryside and farmers at the same time. Moreover, enterprises should support the development of agriculture, rural areas and farmers. In this way, enterprises can strive for rural support in terms of land acquisition, development and construction. All enterprises need to promote the development zone in its economic and social harmonious social development.

The fourth is the responsibility for employees' welfare. From the humanity perspective, the rights of employees are the most important responsibility of enterprises. Enterprises can achieve social responsibility through improving the personal quality of staff. The index system was set up to tell enterprises that they should fully respect the worker's living and health rights, protect employees' legitimate rights and interests, increase production safety and accident awareness, and to develop harmonious labor relations in their activities.

The fifth is the civilization and philanthropic responsibility. The main

spirit of this responsibility index system embodies the civilization development and various social activities related to civilization. As a complicated system, enterprise civilization is involved in all political, economic and cultural activities. The enterprise civilization and social civilization have a mutually conditional, integrative and interactive developing process. Enterprises are a part of the whole society and make a huge contribution to the development of society. Enterprises relationship with Society is one of mutual interdependence. Enterprises can develop better and faster with a harmonious relationship between enterprise civilization and social development.

The sixth is birth control responsibility. The reason of birth control responsibility is an isolated evaluation index which can be explained in three steps. The first step is that the government used to take responsibility for birth control policy but only a few enterprises paid attention to it. The second step is that enterprises will pay more attention to this national policy and it will be internally transformed into a management principle after this policy is involved in the assessment. The third step is that employees will be able to understand national policy and take the initiative to follow central government guidance.

The seventh is stable and protection responsibilities. Social stability is one of the key elements in developing the economy and creating a harmonious society. Enterprises are the basis of stability and the main force to influence the whole society. This responsibility index is to strengthen the national

defensive ability, and pay special attention to the enterprise's internal security, so the normal order of production and operation can be achieved and the enterprise may remain stable against liability.

The eighth is organizational leadership responsibility. The outside business environment of enterprises has to rely on a social image created by the enterprise. The aim of setting this segment is to strengthen legal awareness and leadership of enterprises, and then take the responsibility of stakeholders to carry out business activities. A successful enterprise can promote business in accordance with the law, consciously regulate their behavior, and try to avoid a negative impact.

The calculation based on Economic Development Responsibility section in the appendix is shown in Table 6. Valuable assignment of CSR development index takes place in the following steps. First, the weight of Economic Development Responsibility is 0.515 which is based on the relative importance in the government's regulation. Second, the diversity of each secondary index score figures with total marks of 1000 multiplied by each sector's weight. Finally, Total industrial output value or Prime operating revenue (total score 90) =Total assessment (total score 55) + Increase assessment (35)

Table 6: The Index and Weight Distribution

First grade indexes	Weight	Numerical order	Secondary index	Score	Department
Economic Development Responsibility	0.515	1	Total industrial output value or Prime operating revenue	90	Development and Reform Commission , Economic and Information Bureau

		2	total export-import volume	70	commercial bureau
		3	technological innovation	70	Intellectual property office of science and technology
		4	tax payment	215	The bureau of finance, national and local taxation bureau
		5	fixed-asset investment	70	Development and Reform Commission , Economic and Information Bureau

Source: "*The YEDZ assessment of CSR evaluation system implementation opinions (Beta)*", YEDZ management committee, 2008

4.6.1 Computational Formula

First, CSR initial index score=$\sum_{j=1,2,3,4} A_j * W_j$ $A_j$is score, $W_j$is corresponding to weight. Second, The mixed operating enterprises CSR index final score=$\sum_{j=1\ldots k} B_j * I_j$ $B_j$is sensitive score, I_j is corresponding to weight. Third, Industrial CSR index final score=Initial score +Bonus score. Finally, the Bonus score explanation is shown in the following Table 7 and Table 8

Table 7 Social responsibility sensitivity

Corporate production	Benchmark	Bonus requirement (Each time plus)	Bonus score (plus till maximum)
≥50 亿元	50	10 亿元	1
1-50 亿元	30	1 亿元	0.4
1000 万-一亿元	21	1000 万	1
＜1000 万	21	Conversion based on practical situation	

Source: "*The YEDZ assessment of CSR evaluation system implementation opinions (Beta)*", YEDZ management committee, 2008

In the second formula, the final score is decided by the fine-tuning of social responsibility sensitivity. Social responsibility sensitivity is influenced by environmental sensitivity and customer sensitivity. Enter-

prises with high energy consumption and pollution will have high environment sensitivity. In addition, industry with direct contact with consumers has high sensitivity. For example, the business of the Sino-Steel corporation involves mining, wholesale trade and equipment manufacturing industry. These three industries do not have direct contact with consumers, so fine tuning is considered from the perspective of environmental sensitivity. The environmental sensitivity of the mining industry on the environment is the highest among them. And its weight reaches 50%; Machinery and equipment manufacturing environment sensitivity is high, whose weight reaches 30%; and wholesale establishments have less effect on the environment, the weight reaches 20%.

Table 8 Enterprises operating across two industries

Corporate condition	Benchmark	Bonus requirement	Bonus score
Higher than average	21	1% (Each time plus)	1 (plus till maximum)
Average	10	Conversion based on practical situation	
Lower than average	10	1% (Each time minus)	1(minus till 0)

Source: "*The YEDZ assessment of CSR evaluation system implementation opinions (Beta)*", YEDZ management committee, 2008

Industrial weight set is based on the industry's social responsibility sensitivity. Enterprises operating across two industries give weights in accordance with the principle of "6, 4", the higher sensitivity industry weight is 60%, the lower one is 40%. Enterprises operating across three industries give weights in accordance with the principle of "5, 3, and 2". The highest sensitivity industry with the weight reaches 50%, decreased by 30%, then 20%.

4.6.2 Grading Method

1) Verify the information supplement (Each functional appraisal department)

2) Form the inspection data

3) Grade specification

Score	Status	Corporation type
≥700	Qualified	Normal
≥564	Qualified	Trade, construction, real estate companies

4) Summary and order score from high to low at the end of year

4.6.3Weights Adjustment From 2009 To 2014

Table 9 Weights adjustment from 2009 to 2014

Name / Year	2009	2012	2013	2014
Economic Development Responsibility	0.34	0.515	Data same with the year of 2012	
Energy conservation and emissions reduction	0.18	0.135		
Integrity of law-abiding responsibility	0.1	0.07		
Employees welfare responsibility	0.15	0.115		
The civilization and philanthropic responsibility	0.13	0.095		
Birth control responsibility	0.04	0.03		
Stable and protection responsibilities	0.04	0.03		
Organizational leadership responsibility	0.02	0.01		

Source: "*The YEDZ assessment of CSR evaluation system implementation opinions (2009-2014)*", YEDZ management committee, 2015

In the year of 2009, the evaluation system isolated the weight calculation. Then in 2012, this isolated calculation part was deleted. From 2009 to 2014, different leading departments changed names or were replaced by other new departments, which correspond with the restructuring of the government from 2009 to 2012. Scores of each column changed with updated weights from 2012 to 2014.

4.7 Achievements of CSR Practice in YEDZ

In 2008, YEDZ organized the working group for CSR which was led by the Secretary of the CPC (Communist Party of China) Committee of the District. The group consists of personnel from the administrative departments concerning the economic development of local enterprises. In January 2010, YEDZ spent 10 million RMB to reward the advanced enterprises performing well in the sphere of CSR (CSR online reprint of "*YEDZ Rewarded Advanced CSR Practicing Enterprises*"). Since 2012, YEDZ has been carrying out the "Peony Prize" each year to reward the enterprises with a better performance in CSR. (http://www.YEDZ.gov.cn).

A list of "Peony Prize" 2012 was issued by YEDZ management committee. 14 enterprises were awarded the first class prize, 8 enterprises the second class prize, 9 enterprises the third class prize. And 33 individuals were awarded the outstanding personal prize. Shanghai GM Dongyue Base and Foxconn (Yantai) Science and Technology Industrial Park shared the special-class award of "2012 Outstanding Annual CSR Performance Enterprises". The top five enterprises ranked as the first class prize were (LG) Displayed (Yantai), China Longyuan Power Technology, LG (digital) Mobile Communication, Zhenghai Group, Yantai Xinhe Food. Yantai New Era Health ranked eighth. According to the prize list, the number of awarded enterprises was split half and half according to the ownership of foreign capital or domestic capital. According to the kinds of industry, all of awarded enterprises belonged to the manufacturing industry

such as Foxconn and LG, or the energy industry such as Longyuan Electric Power Technology. Moreover, individuals awarded as outstanding persons were also in head positions of the advanced enterprises with outstanding performances of CSR.

To sum up, in the years of 2013 and 2014, the "Peony Prize" canceled the listed enterprises part. The number of each prize has increased gradually. The number of first class prizes was the same as its number in 2012. In 2014, the number increased from one to fifteen. Seven companies won the second class prize, which were eight last year and increased three to ten in 2014. Numbers of third class prize companies increased to 13, which were nine in 2012 and 14 in 2014.The outstanding personal prize was awarded to 36 people, which were 33 in 2012 and 41 in 2014. Winners of the "Outstanding Annual CSR Performance Enterprises" are still the same from 2012 to 2014. In 2013,the top five of the first prize were LG digital (Yantai) co., LTD, LG display co., LTD (ranking one position down), Yantai Taihe new material co., LTD, Yantai Shengdi auto-mobile co., LTD, LG digital mobile (down two places) co., LTD. Yantai New era health co., LTD., was still ranked eighth. In 2014, the top five of the first prize were Yantai New era health co., LTD, Yantai Shengdi automobile co., LTD, LG digital mobile co., LTD.

CHAPTER V: CONCLUSION AND IMPLICATION

The forgoing discussion on the governments' function indicates that China's central and local governments took explicit initiatives in promoting CSR. Many regulations emphasize not only legal compliance, but also business ethic and practices, such as improving the quality of products, the employees' welfare, and providing a good service to customers.

However, enterprises' behavior of neglecting the CSR has been often seen in the market economy in China. Three major examples of incidents concerning the CSR are taken up in the former part of this paper. The cases of the poor treatment of employees in the coal industry and food safety problems in the milk industry are examined. All of those disgraceful practices damaged the interests and rights of employees and stakeholders.

This paper traced how Chinese governments introduced the CSR with adaptation to the Chinese market and pointed out that several main problems existed in the process of the development of Chinese CSR. Illegal behavior by many enterprises comes from an immature and not yet institutionalized market economy, where all enterprises are exposed to excessive and short-term competition. Therefore the way of supervising enterprises by the governments should be improved. Moreover, this paper suggests that governments have to establish a new mechanism which can stop the vicious cycle of enterprises' illegal behaviors.

According to *The Blue Book of CSR*, the development of CSR policies in China has strong characteristics in the leading role of governments. National governments and local governments are all involved as having a leading role in the making and implementing of CSR polices. For instance, the establishment of the CSR Faculty in the Chinese Academy of Social Sciences has been the cornerstone of promulgating CSR policies in China.

With regional advanced economic performance, the central government in Beijing decided to develop CSR in YEDZ as the first test case of the Development Zones in China. Then the management committee and local government of YEDZ formulated a correlated policy. Finally, the local CSR evaluation system was established through the legislation and implementation of policies for promoting the CSR by central government and local governments.

According to the discussion from Chapter two to Chapter Four, the problem of neglecting CSR in China's society is still not completely solved. So it could estimate that the development of China's CSR may take many years, this may call for the need to improve strategies for promoting CSR policies as soon as possible. Simultaneously, this may suggest that a better approach to regulate and implement CSR standards for enterprises is needed. Last but not least, a more adequate solution for all enterprises to develop CSR could be the people-oriented thought rather than chasing of money.

The originality of this paper is composed of the following three points.

Firstly, this paper examined the main social incidents concerning violating labor security and food security under the Chinese market economy and presented the necessity of promoting CSR in China.

Secondly, this paper traced the process of making policies through CSR and enforcing them by the central and local governments.

Thirdly, as a case study the practice of CSR policies in YEDZ was examined. My paper, “The Development of Corporate Social Responsibility (CSR) and the Role of Governments in China”［中国における企業の社会的責任（CSR）の発展と政府の役割］,has already published in *Hokkai Shoka Ronshu*, Vol.4, No.1, 2016 February.

For the further study, the next stage of this study should be followed by a full and detailed analysis of the implementation of CSR and its effects on enterprises, governments and society in YEDZ. For example, specific cases can be taken from diverse enterprises in the district. Tracing corporation performance on CSR back over a long time is especially needed. That step of research requires further opportunities for more interviews with the administrative personnel at the CSR departments of both corporations and governments in YEDZ. Furthermore, more international case studies on the practice of CSR by diverse corporations are required in the future in order to develop worldwide perspectives on CSR study.

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APPENDIX

A. Overview of the Evaluation Index

First grade indexes	Weight	Numerical order	Secondary index	Score	Department
Economic Development Responsibility	0.515	1	Total industrial output value or Prime operating revenue	90	Development and Reform Commission , Economic and Information Bureau
		4	tax payment	215	The bureau of finance, national and local taxation bureau
Energy conservation and emissions reduction	0.135	6	energy savings	30	Development and Reform Commission , Economic and Information Bureau
		9	Pollution control	30	City Urban Administrative and Law Enforcement Bureau
Integrity of law-abiding responsibility	0.07	12	Corporate law-abiding record	20	Central Political and Legal Affairs Commission
		13	Fair competition	20	Secretary for Trade and Industry
Employees welfare responsibility	0.115	18	Signed labor contracts, social insurance pay of workers, and the public accumulation fund for housing construction	20	Human resource social insurance secretary
		20	Production safety and accident management	20	Safety bureau
The civilization and philanthropic responsibility	0.095	23	Participation in the construction of spiritual civilization, etc.	30	Publicity department
Birth control responsibility	0.03	27	Implement national policy of family planning	30	Health and family planning commission
Stable and protection responsibilities	0.03	28	comprehensive treatment of social order	15	Public security
Organizational leadership responsibility	0.01	30	CSR internal management system	10	Evolutional office
Total	1			1000	

Source: *The Opinions by the Administrative Committee of YEDZ to Implement the System of Assessment and Evaluation on the CSR*, the Administrative Committee of YEDZ, 2008.

B. Abstract of YEDZ Field Investigation Design

Study Subject:

Yantai Economic and technological Development Zone Management Committee (Department in Charge of CSR Practice)

Purpose of Study：Field investigation of CSR practices situation and cases in YEDZ

Content of Investigation (YEDZ Management Committee)：

1) Policy making and practicing facts about CSR.
2) Illustrations of CSR practice in YEDZ, especially corporation cases.
3) What comprehensive approaches did the management committee take to implement CSR strategy in YEDZ?
4) What are the main departments involved in CSR practice? What is the responsibility of these departments?
5) What is the biggest difficulty which relevant departments encountered in the process of practice CSR? How did these departments solve the problem?
6) What kind of methods did relevant departments use to grade and evaluate local CSR performance?
7) Achievements of CSR practice in YEDZ, such as the rapid development of economy, the rise of living standard of local residents, and the good performance of local corporations.
8) What is the biggest change in the rewards and punishment mechanism in recent years?
9) As YEDZ has taken CSR practice for many years, what is the most outstanding

characteristic of CSR practice in YEDZ, which can be summarized and compared with other development zones?

10) The specific examples on the ideas of designing some CSR evaluation systems, evaluation methods in local governments and corporations.

11) In CSR practices, has YEDZ learned from advanced international experience in policies and practices? Do we have specific examples about the process?

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