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Chapter 5

Chinese Companies as "Takers" and "Makers" of Sustainable Development and Corporate Social Responsibility in China

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THE AWAKENING OF CHINA'S SUSTAINABILITY DISCOURSE

The concepts of sustainable development and CSR (Corporate Social Responsibility) have gained strongly in popularity with the Chinese government during the last decade. Since the beginning of the 11th five-year plan (2006–2010) under the leadership of president Hu Jintao and premier Wen Jiabao, it became clear to the CCP (Chinese Communist Party) that a vision of economic development which favors economic growth at all costs, such as during the Jiang Zemin era (1993–2003), is not for the benefit of the country in the long run. The social and environmental externalities of what is sometimes referred to as three decades of "breakneck economic growth" have not just evolved into a serious threat to human health but have also become a challenge to the economic and political stability of the country.

The promulgation of the concepts "Outlook on Scientific Development" (kexue fazhan guan), "Harmonious Society" (hexie shehui) and "Ecological Civilization" (shengtai wenming) marks a process of ideological transition that seeks to strike a balance between the concurring goals of economic growth, social equity and a cleaner environment. But this signaled not only a break with the more growth-centered era of Jiang Zemin and Li Peng, but also marks a step of bold yet inevitable political reform, considering that since the Tiananmen incident in 1989 and President Deng Xiao Ping's southern tours in 1992, the CCP's legitimacy to rule the country has been based mainly on its ability to create economic growth.

The socio-ecological corrective imperative of the Hu and Wen era was a turn into the right direction but it was just the very beginning. In the meantime,

pollution in China is still on the rise. After an initial dent in economic growth during the subprime crisis in the United States and in Europe, the situation worsened after 2008 when the Chinese government issued a centrally funded rescue package of 4 trillion RMB, aggravating the already persisting overproduction in several key industries, among them steel, chemicals, cement aluminum, wind power equipment and refining (European Chamber of Commerce 2009) and continuing to rely on the massive consumption of coal as the major source of energy. But during this time the Chinese economy also had to start dealing with processes of structural change and began to show first signs of saturation in form of a slower growth rate and difficulties for companies to recruit workers (mingong huang) in China's eastern coastal provinces, which has been the pinnacle of the country's industrial miracle. Together with industrial development, pollution also started to move from the eastern parts toward China's inner and western provinces.

During the 12th Chinese five-year plan (2011–2015) we see these trends continue. The current Chinese leadership under President Xi Jinping and prime minister Li Keqiang has followed the footsteps of its predecessors Hu Jintao and Wen Jiabao in endorsing and further developing a strong environmental agenda for the country. Aware of the weak prospects for recovering a growth rate of over 10%, Chinese government rhetoric shifted towards accepting the "New Normal State" (xin changtai), which promises an average growth rate of still 7.5%, but more social equity and environmental protection in turn. By claiming to focus more on the environmental and social aspects of economic development and promoting the idea of "harmonious society" and "inclusive growth" (baorongxing zengzhang), the Chinese government can claim the more sluggish economy is at least in part due to stricter and better-enforced environmental regulations.

As far as the overall sustainability agenda is concerned, the Chinese government tries to leverage its "top-level design" (dingceng sheji) to build appropriate institutions supporting China becoming an "Ecological Civilization."[1] Also the concept "Corporate Social Responsibility" plays an important role in this institutional architecture and has been instrumentalized widely by Chinese language media, government agencies and non-governmental actors, with the Chinese Academy of Social Science (CASS) spearheading official research about CSR (reporting) of Chinese companies since 2009.

CSR was first officially mentioned in China's new company law of 2006. Therein it was stated that "corporations in their business operations must abide by the law(s), regulations, social and business morality and good faith rules, must accept supervision by government and the public, and must undertake social responsibilities" (Company Law, 2006). Other official bodies followed suit: the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), which is in charge of supervising

Chinese state owned enterprises (SOEs), implemented its own CSR guidelines in December 2007, and the Ministry of Commerce (MOFCOM) drafted CSR guidelines for foreign invested enterprises in August 2008. According to a report by Syntao, a Chinese CSR consulting firm, 1722 Chinese companies issued CSR reports in 2012, a large increase from just one in 2006—the state owned enterprise State Grid (Marquis 2013a). By 2010, all SOEs in China's top 20 ranked Fortune companies, publish either a sustainable development report or a CSR report. (Fox 2011: 80) Syntao estimates that in 2012, 22.6% of central government-led enterprises issued CSR reports compared to only 9.4% of private enterprises (Marquis, 2013a). What is more, a survey of all 411 published Chinese CSR reports in the first quarter of 2013 shows that only 10% were from non-publicly traded companies (Syntao, 2013: 26). This underscores the top-down argument that CSR is to a large extent driven forward by either the Chinese government or the financial regulator. China's SOEs have more direct political pressure to fulfill official guidelines and are therefore more prone to do CSR reporting as a part of compliance. On the other hand, SOEs often have advantages over private enterprises in terms of political connectedness, soft-budget constraints and easier access to credit. In addition, many privately listed Chinese companies have jumped on the CSR bandwagon "mainly for windowdressing," a reason often mentioned to the author in interviews with Chinese entrepreneurs conducted in Zhejiang province in summer and fall 2014.

China Dialogue notes that China's top-down, governmentally driven approach to sustainability may have advantages when it comes to the rapid construction of a policy and regulatory framework, but its weakness is that the actual behavior of the companies does not necessarily get better as a result. The problem is a lack of supervision and high monitoring costs. Very telling in this regard are the cases of two Chinese national CSR champions who were lauded for their reporting, Baogang Steel and China National Petroleum Corporation (CNPC). Despite their impeccable official CSR record, these companies were shown to emit large amounts of heavy metals and chemicals, polluting air, soil and water, with devastating health effects on the surrounding local population. (Marquis, 2013b).

This shows that good CSR reporting and bad CSR are not contradictory, each of them has their purpose. Like a second generation entrepreneur running a small and medium-sized enterprise (SME) in the printing business in coastal Ningbo put it: "CSR, yes . . . we are doing it as well . . . my personal opinion is that it is all window dressing, we do it to show it to our clients."

While there is still no unanimous definition as to what exactly counts as CSR, its value has clearly been recognized by the different interest groups and made part of the mainstream rhetoric of government, business and civil society. However, every group endorses CSR for a different reason and is

prone to instrumentalizing the concept for its own agenda. The government uses CSR as a way to demand Chinese companies to contribute toward a "harmonious society," trying to dampen the disruptive effects that their business activity has on society and the environment. The official understanding of CSR in China can be very wide and comprises things like paying taxes and abiding by the law, making donations to social welfare organizations, meeting pollution guidelines, publishing CSR reports, phasing out inefficient production technologies, etc. For the Chinese government, another important reason for endorsing CSR is that the concept is a useful umbrella term, which is helpful for the alignment of conflicting interests within different factions of the party and society. The CCP uses CSR to strengthen its leadership and legitimacy by reserving its role as a mediator who strikes a balance among the country's different stakeholders and interest groups (Fox, 2011: 204). For Chinese corporations, on the other hand, CSR is mainly a form of window dressing (zuoxiu) and reaching out to the public with the aim of building up the strategic brand value of the company. Companies know very well what the society and the government expects from them, and therefore often react by taking a somewhat calculated stance on CSR. The problem with that, I argue, is that CSR, in the way it is presented by government and academia, is mostly a normative concept that is purely interest-driven (instead of purpose-driven) and imposed on companies from above (instead of arising intrinsically). Lamentably, in most research about CSR the subject of analysis is not the behavior of the company as such, but rather topics such as government policy and stakeholder pressure, CSR reporting or hypothetical win-win situations between CSR and corporate strategy in the name of company value maximization. The perspectives of the actual companies and entrepreneurs, the problems and restraints they face in implementing environmental responsibility within their business, are often included only on a cursory level. Interviews with practitioners suggest that the win-win constellations invoked by policymakers and the academic literature do often not apply.

What is good for the environment and public health is not necessarily good for business. And, as the next part suggests, the development of human civilization in general might already be enough of a problem for the environment, and not just in the West.

CHINA'S RELATIONSHIP WITH THE ENVIRONMENT IN HISTORICAL PERSPECTIVE

In the context of CSR and sustainability in China, it is interesting to show the debate about cultural influences on environmental destruction and the question of who to blame for the environmental catastrophe China and the world

have slipped into. According to Chinese discourses, it was the Western mode of capitalist production and modernization that has to take the sole blame for the world's environmental crisis. There is definitely truth in this observed link between economic prosperity and environmental crisis. Dennis Meadows, the author of *The Limits to Growth* (1972) even argues that the word "sustainable development" is already a contradiction in itself (DerStandard, 2012).

China as a country conscious of its several thousand years of civilization, like other developing countries, tried to "modernize" its economy by deliberate reform as a reaction to being confronted with an industrializing and expanding Europe. If it was not for the forceful integration of China into the world system by the means of "unequal treaties,"[2] China would have continued to live embedded in its traditional agrarian society and social order. Therefore, the Chinese narrative is about ancient China's long-lasting harmony between human civilization and the environment, which was only recently disturbed by China's contact with the capitalist West and the ensuing development imperative being imposed on China.

With regard to human-environment relations, it is often evoked not without some nostalgia, by Chinese and some Western scholars, that ancient China used to be an ecologically friendly civilization and that it was Western civilization that brought environmental destruction on our earth. It is true that only the globalization of the capitalist mode of production has made possible the unprecedented level of pollution and resource depletion humanity is facing in the twenty-first century. However, to argue that ancient civilizations in general and, China in particular, were the epitome of sustainability would also hit very far from historical facts. In contrast to Chinese versions heralding the harmony between humans and the environment in ancient China, Watts (2010), Elvin (2008) Shapiro (2001) and Roetz (1996; 1984) wrote very critical accounts that disparage China's history of environmental destruction. They show that China's long history of more than 3000 years of successful agricultural cultivation is closely linked to population growth and environmental destruction. Furthermore, the authors make the claim that, similar to Christianity and utilitarian theories in the West, nature has traditionally been viewed in China under its use value and not as something independent and worth protecting for the sake of itself. This contradiction was described by Heiner Roetz with the remark that "ancient China was as hostile toward forests as it was fond of individual trees." As a further example, Heiner Roetz notes the famous Yellow River, which got its name due to environmental degradation and the top soil erosion it caused and bears its name only since the middle of the first millennium. Also, the flooding in the northern Chinese plains that has caused the deaths of millions is not the result of unchangeable natural conditions but rather of the long-term consequences of massive environmental degradation (Roetz, 1996). *The Book of Songs* still testifies

of the existence of broad forest lands during the Western Zhou dynasty. The massive destruction of forests has not happened until the beginning of the Iron Age, toward the middle of the first millennium (Roetz, 1984, 86–102).

As far as the period of pre-reform communist China under Mao is concerned, Shapiro shows in her book *Mao's war against nature* (2001) that during the time of the chairman, which was renowned for its mega-projects aimed at "conquering nature" like in *The Great Leap Forward* (1958–1961), was devastating for forests and ecosystems. Even more than in capitalist economies, the Mao era was all about imposing the human will (the chairman's will) upon nature. Wu Xiaobo, one of China's most prolific authors on the history of Chinese entrepreneurs, describes in the last chapter of his book "The gains and losses of several generations of economic reform" (2013) how pollution was a complete anathema during this period. Pollution was always thought to be a by-product of the capitalist mode of production. It was not recognized as something which can occur in a communist country. Smoking chimneys were for a long time seen as the epitome of industrialization and thus development. Famous is in this context chairman Mao's quote that he likes (Beijing, to be) a modern city and hopes that "it is all chimneys when he looks down from Tiananmen" (Fenghuang, 2013).

Roetz argues that the idea of culture having primacy over the environment is deeply ingrained in Chinese civilization. Therefore, he (1996, 162) does not believe it to be likely that a real solution of the environmental dilemma will come out of China. He marks "what is missing in China are mostly the technological capabilities, not missing is a reckless preparedness to use them." In contrast to other Asian countries, Latin America and Africa, China's ecological devastation was not a result of Western corporations but mainly of Chinese cultural practices themselves (Roetz, 149–150). Even the philosophy of Daoism, is according to Roetz (1984), not empathical toward nature out of itself, but merely because human civilization has been ravaging nature to such a degree that the nostalgia toward nature found in Daoism was a reaction to it.

Jorgen Randers, on the other hand, thinks that the environmental dilemma is likely to be solved by China for the benefit of the world. "I predict it will be the Chinese who solve the global climate challenge—singlehandedly through a sequence of 5-year plans established with a clear long term vision. They are already well on the way. . ." (Randers, 2012b). In his book *2052*, he compares China's growth trajectory to that of other East Asian countries and points to the advantages of an authoritarian government in pushing for necessary top-down environmental reforms (Randers, 2012a: 27).

Jonathan Watts (2010, chapter 5), the *Guardian's* former China correspondent, disagrees with Randers' assessment about the efficiency of the Chinese bureaucracy, marking that

> for the environment, it contains the worst elements of both. At the top, the state lacks the authority to impose pollution regulations and wildlife conservation laws, while at the bottom citizens lack the democratic tools of a free press, independent courts, and elections to defend their land, air, and water. The gap in between is filled by local governments, township enterprises, migrant workers, and foreign corporations, many of which are focused on economic growth at the expense of all else. The result is neither red nor green; it is black or gray. Money is concentrated in this bulging middle belt, which is also the main source of corruption and pollution. With such weak regulation and political accountability, rubbish can be sent to Guangdong (China's southern coastal province vis-à-vis Hong Kong) in the name of nonhazardous recycling, but the end result is often toxic rubbish dumps that damage the health of local people.

Basically, we can conclude that the dichotomy between nature and human civilization is not something exclusive to capitalism and modernity. Also the Chinese civilization has a long history of environmental destruction; capitalism and new technologies have just made it much worse. However, it would be a mistake to reify culture into something detached from the individual, from time and history. Instead of trying to shift the blame between civilizations and ideologies it will be more helpful to turn our attention to the actual responses available to environmental pollution and ecological degradation.

RESPONSES TO CHINA'S ENVIRONMENTAL CRISIS AND CRITICAL REFLECTIONS ON CSR

Researchers are divided as to whether it is the government or civil society that should take the lead in acting against pollution. While the bulk of Chinese literature focuses on the leading role of the government in implementing the right regulatory mechanisms that safeguard the environment, most Western scholars emphasize the importance of independent civil society organizations such as NGOs, foundations or interest groups that can act on behalf of the public or their constituency so as to pressure for environmental legislation and supervision of polluting companies.

What these two approaches have in common, however, is that they explain the causes of CSR as something external to Chinese companies that has to be imposed either from the State in a top-down fashion or from society in a bottom-up fashion or from foreign companies from the outside in.[3] Almost never is CSR in China discussed as something that arises intrinsically from Chinese companies, with the exception that it is good for profit.

Looking at recent academic contributions about CSR in China, Tan-Mullins and Hofman (2014: 3) named Chinese political will and international

pressure as the main drivers of CSR. Elizabeth Economy uses the dimensions "top-down," "bottom-up" and "from the outside in" (Economy, 2013).

The possibility that Chinese entrepreneurs, by means other than "coercion" and "nudging," could be positive actors in the field of sustainability out of their own volition and personal purpose is not seriously conceived. The problem of the concept "CSR" in its dominant way of usage is the focus on interest-drivenness instead of purpose-drivenness. At the heart lies a flawed conception of economic actors, be they individuals or corporations, as "rational maximizers."

Among the below mentioned drivers of CSR in Table 5.1, I want to particularly emphasize the dimension "from the inside out," stressing that entrepreneurs and their companies can be thoughtful actors that ought to be taken serious in environmental protection through their actions. It is also a call for a more human-oriented, interpretive form of social science research which focuses on "understanding" (verstehen) entrepreneurs and "making sense of their lived experience" as the empirical foundation for writing about CSR and sustainability. Therefore, this approach tries to show CSR and the problems attached to its realization as they are perceived by the entrepreneurs and also shows sustainability as something that exists beyond the profit paradigm.

Table 5.1 provides an overview of the drivers of CSR and sustainability along with the key stakeholders and depicts if action is intrinsically or extrinsically propelled. In implementation, these subcategories are mutually non-exclusive and rather cross-fertilize each other.[4]

Table 5.1 Drivers of CSR, Actors and Motivation

Drivers of CSR and Sustainability in China	*Relevant Actors*	*Motivation Type for Entrepreneurs*
State: Top-down	Chinese Government	External
Ordoliberalist institutions: bottom-up	Civil society organizations, pollution victims, traditional and social media, stakeholders, government that creates and defends ordoliberal institutions	External
From the outside in	Foreign companies, foreign governments, foreign media,	External
Interests: branding, window-dressing, access to resources and social networks	Chinese Entrepreneurs	Intrinsic
Purpose: from the inside out	Chinese entrepreneurs	Intrinsic

Notes: Table 5.1 presents a little overview of the drivers of CSR and sustainability together with the relevant actor groups and shows whether action is intrinsically or extrinsically motivated. In practice, these categories are mutually non-exclusive but rather coexist and cross-fertilize each other.

Regardless of it being in China or the West, company behavior is usually explained to us by referring to the homo economicus and rational choice theory. This, however, leads to a reification of CSR into something that does not serve its originally intended purpose. It is prone to shift social responsibility from the realm of intrinsically motivated purposive behavior to the calculated and performative domain of CSR reporting and CSR as window dressing. In conventional CSR theory, neither the top-down government-led theory nor the bottom-up ordoliberal approaches see a significant role for companies other than rational profit maximizers. Companies are seen as the "takers" of government policy or civil society action, who are to be "nudged" toward socially and legally acceptable forms of behavior through a "carrots and sticks approach." The sticks are the formal rules like the law or bad publicity by the media that will in turn impact profits. The carrots part of the game is encapsulated in the win-win narrative that morally right company behavior will automatically lead to more profits, thereby linking corporate responsibility to the value strategy of a company (compare Freeman, 1984). This win-win narrative between a company's value and socially responsible behavior is the pre-analytic vision on which, unfortunately, a great deal of CSR literature and initiatives are built on. Another approach focuses on "international embeddedness," according to which the main driver of CSR in China comes "from the outside in," mainly through the management of supply chains by foreign companies. Accordingly, international pressure from other countries plus more sustainable management practices from foreign companies will create sufficient pressure on Chinese companies to emulate.

Pu Ngai (2005, taken from Unger, 2008: 84) observed

> when the Western companies that purchase their products from Chinese-based factories first pressed upon the supplier factories in the 1990s, the factory managers came under pressure to make the production lines safer and to comply with China's labor law in terms of wages and work hours.

One aspect which is scarce in the approaches outlined above are investigations into the actual lifeworld of entrepreneurs who are according to rational choice theory nothing more but "agents," instead of "actors." The pinnacle of conventional theory goes so far as to suggest that in order to survive companies don't have an other choice but to maximize profits, and therefore, this gives them a free pass for irresponsible behavior. The obvious result is that we look toward state, civil society or foreign companies as the only means of reining in pollution and creating the right framework to ensure what we judge as "fair" competition.

What I intend to do is to show that CSR in China is not only something external that is imposed on rational agents, be they individual entrepreneurs

or companies from the outside, but also that some Chinese companies are protagonists of sustainability and CSR, acting out of "intrinsical purposiveness," and not out of "interest-drivenness."[5] This bifurcation between purpose and interest will force us to engage more thoroughly with the notion of "entrepreneurs" and their institutional realities in China.

CHINESE ENTREPRENEURS AS TAKERS AND MAKERS OF SUSTAINABLE DEVELOPMENT AND CSR

The Chinese Entrepreneur

According to *Gabler Economics Dictionary* (Springer Gabler, 2015), the ideal type of an entrepreneur is a natural person, who in his/her quality of the owner "plans, establishes and/or independently and responsibly manages an enterprise, taking upon himself/herself personal or financial risk." Thomas Heberer, who wrote an early book about Chinese entrepreneurs, describes entrepreneurs as "*actors*" (2003: 92) echoing Joseph A. Schumpeter who identifies creativity, innovation and leadership as key qualities of entrepreneurs. The notion of the entrepreneur as an actor is different from the neoclassical theory that looks at individuals as agents. While agents are predetermined and can be modeled, entrepreneurs are creative innovators. Most importantly in my opinion, Schumpeter argues that "the entrepreneur has to defend himself/herself against the reproach of deviant social behavior" (Schumpeter, 1928; 1987: 149–151). I want to build on this characteristic, namely the definition of an entrepreneur as someone who "deviates from the socially accepted norm." This deviance is captured best, in my opinion, by the term *transgressing* and describes what I understand as the key quality of entrepreneurs in the widest sense.[6] Entrepreneurs as "*transgressing actors*" are different from the conception of passive, instrumentally rational, profit-maximizing automatons that spilled over from neoclassical economics into other areas of social science research, and which unfortunately has been dominant in CSR research so far. The problem with rational choice theory is its egocentric and materialistic connotations that banalize altruism as hidden self-interest and fatalistically see capital-accumulation and shareholder obedience as the final purpose of all economic activity. In contrast, Austrian-born American management guru Peter Drucker argued that a business is about *purpose* rather than profit. Purpose is something internal to the company and its managers, not something imposed from the outside. The problem with the CSR discourse of today is that many academics, politicians and practitioners have been so focused on viewing companies as profit-maximizing entities that they dismissed the most important reason for corporate responsible

behavior, namely the "subjective purpose." By doing so, they dismissed the key to understand and explain to what extent a business is prepared to assume social and environmental responsibility.

Coming back to the point on entrepreneurs as transgressing actors, as a precondition that there is something to transgress beyond, create and innovate, we have to appreciate that people do not exist in a vacuum, but are always embedded in a specific historical context. The history of Chinese entrepreneurs is of course firmly embedded in China's economic and political reform process. If there was no economic reform, there would have been no new class of Chinese entrepreneurs since the 1980s. As Chinese entrepreneur-scholar Wu Xiaobo trenchantly marked, "the Chinese managers before the 1980s could not really be referred to as entrepreneurs, as their biggest decision power was to fix the toilet."

Many of the first generation of Chinese private entrepreneurs were marginalized people who had nothing to lose, or people who were employed in the state sector and then "entered the ocean" (xiahai) and started their own business, leaving the safety of the "iron rice bowl." As to the classification of Chinese companies, private enterprises are referred to as *getihu* or *minying*, depending on company size, whereas managers in the public sector are referred to as *guoying* and *dajiti*, and *guanshang/guanying* refers to former officials who became the private owners of sold SOEs (compare Lin, 2006: 255 in Nonini, 2008: 160).

After Deng Xiaoping's southern tour in 1992 and the liberating message that it is virtuous to become rich, the next boost for the official recognition of entrepreneurs by the Chinese State came in 2002 through president Jiang Zemin's theory of the *three represents*. From that point on, Chinese entrepreneurs have been allowed to join the CCP. This represents an important turning point as it marks the full political rehabilitation of entrepreneurs as a class from the vestiges of Maoist class struggle.

A THEORETICAL ACCOUNT OF CSR IN CHINA

After the introductory account on entrepreneurs in the Chinese context, I want to turn to the theoretical aspects of CSR. Corporate social responsibility has become an increasingly popular topic of research about China. The *Journal of Current Chinese Affairs* has devoted a whole edition to CSR in China in December 2014. The edition had a lot of insights into both state-led and NGO-led activities. What is rarer to find in most published materials about our topic are phenomenological accounts of social responsibility, that is to say, intrinsic first-hand accounts on CSR in China from the perspective of Chinese managers or business owners that give insights into questions such as

what is the intrinsic purpose behind CSR activities? or *how do entrepreneurs perceive of certain difficult CSR situations?*

A simple example would be Luo Shaolin's research on the manufacturing sector in Guangdong, which is rich in accounts from his field study and relies on personal accounts of entrepreneurs to argue that tighter CSR standards would jeopardize China's advantage in the supply of cheap labor (Luo, 2010: 17):

> 85% of existing Chinese enterprises will become bankrupt once they are forced to adopt such standards. (Moreover,) Chinese firms' major advantage in cheap labor will disappear, and foreign investors will seek substitutes in other Asian countries such as Thailand and Vietnam. Consequently, the whole economy will face great challenges or even collapse. Furthermore, existing CSR (is purely) strategy-driven and market-oriented.

With regard to social responsibility, Anita Chan pointed to a similar dilemma in the realm of workers' rights, noting that "with local governments competing with each other to attract new industrial investment, there have been concerted efforts by local governments to sideline the local trade unions" (2015: 79).

Another dimension which is often missing in contributions about CSR in China is a rich description of the *institutional embeddedness* which facilitates action. In my opinion any attempt to explain CSR in general, but in the Chinese context in particular, will be futile if it does not take into account the *relative malleableness of formal institutions* and *personal networks as central nodal points for accessing resources.*

Distinctive notoriety deserves the relationship between local officials and entrepreneurs as one of mutual dependence and granting favors, of successive leveraging and yielding. Their relationship and network could be described as a "resource community," with their constant and ceremonial interactions serving the commonly identified purpose of appropriating, creating and disposing of (scarce) resources and complementing each other in their quest for purpose, money and power. Local officials need to rely on the know-how, wealth and job creation by entrepreneurs as the very life-blood of the local economy and the lever for their career promotion, whereas entrepreneurs rely on good connections with the cadres as a means of gaining access to commissions, land, tax exemptions and a safer business operating environment with more political certainty and a lesser chance of being expropriated.

These networks are sustained by regular ceremonial-like interactions and gift-exchanges. Granted favors to entrepreneurs can be rewarded through gifts that range from presumptuous meals, karaoke evenings, travel bookings to Phillip Patek watches, cars and even apartment studios.

We should not forget that these "communities" and the relations between corporations and the local government that embody them, have very serious implications for resource deployment and distribution, and thus for CSR and sustainable development. The way they impact the environment is a decisive factor in environmental pollution and sustainability.

There is quite some literature available on the mutual embeddedness between the entrepreneurial private sector and the state, as well as the many implications these networks have for accessing resources (Eaton & Kostka, 2014; Wu Xiaobo, 2013; Brodsgard, 2012; Dickson, 2007; Krug, 2004). The literature focuses mainly on the economic aspects of this "purpose communities" between entrepreneurs and officials. What can be distilled from the literature is the existence of "configurations of common interest and meaning" between entrepreneurs and local officials.

Su and He (2009) deserve a separate mention for our research, as they connect their research on corporate philanthropy with culture-specific theories about political connectedness. They were able to show that corporate philanthropy in China is closely linked to making political connections and to gaining access to scarce resources like bank loans, tax deductions, etc.

> (We) find the significant positive relationship between enterprise philanthropy donation and enterprise profitability, . . . simply put, Chinese private enterprises carried out philanthropy activities to better protect property rights and nurture political connections, which in turn, leads to better enterprise profitability. The result is even stronger in institutions weaker provinces.'

On a methodological level, I think it is important to see the state and the private sector not as monolithic entities and recognize that the identities between them are often blurred and do change over time. A good deal of private entrepreneurs used to be government officials before they *entered the ocean (xiahai)*, and managers of restructured state-owned enterprises also dispose of sufficient decision-power that they count as entrepreneurs, even though they have less financial risk. Brodsgard (2012) and Duckett (2001) describe the phenomenon of the political entrepreneur in China, which is by no means a new phenomenon. It has a long tradition, dating at least back to the *hongding shangren* or *guanshang* of nineteenth-century Qing dynasty. Political authority has been tied to distributional power in ancient China and so is it today.

A FIELDWORK ACCOUNT OF CSR IN CHINA

From July to November 2014 I had undertaken various fieldtrips to conduct interviews with Chinese entrepreneurs in Beijing, as well as Zhejiang and

Jiangsu province. The majority of my interview partners were from private companies in the manufacturing sector, mostly in chemical or paper industry, hazardous waste incineration, electrical appliances or the restaurant business.

From the perspective of Chinese entrepreneurs, the reality of the frequently-quoted win-win solutions between sustainability and profits is that environmental sustainability often comes together with real trade-offs, especially for Chinese SMEs, which often do not have the financial, technical and social resources to acquire environmental equipment and to comply with new regulations. There are two possible ways where this might lead to: first, the Chinese government might look at stricter top-down environmental regulations as a positive selection process that keeps the good companies and discards the bad ones (yousheng lietai). According to interviews with private businesses conducted in the coastal provinces Jiangsu and Zhejiang in summer 2014, entrepreneurs confirmed that there has been increased pressure from the regulators over the past years and that the environmental regulations are slowly beginning to be enforced. In Fuyang, a traditional center of the Chinese paper industry in coastal Zhejiang for example, government-led initiatives aimed at improving efficiency and environmental protection have reduced the number of Chinese private businesses from 400 to less than 50 during the last 7 years. Smaller companies would sell their business to bigger ones and the local government would support smaller businesses *dropping out or changing profession* (zhuanhang) with an additional subsidy (peitao zijin).

Zhejiang province, where Fuyang is located, is not just one of the most developed provinces economically, but also has comparatively strict environmental regulations and in recent years, its people have been known for not shying away from public protests if they spot a polluting factory in their neighborhood, such as the resistance against PX-factories (petrochemical factories) has shown. Compared to China as a whole, we see that both the official environmental regulations as well as the local enforcement by Chinese officials are highly dependent on the region, with environmental regulations on a general rule being the highest in the more developed and environmentally conscious eastern coastal provinces, and gradually decreasing in vigor throughout the Chinese west. The logical consequence is that there is a significant number Chinese companies in environmentally sensitive industry sectors that opt for simply circumventing stricter regulations by shifting their production lines into a less developed western province. There, investors are more than welcome in the hope that they change the economic fortunes of the local population.

This phenomenon of displacement of pollution into the hinterland was an emergent topic in the author's interviews with private entrepreneurs in

the paper industry, chemical industry and detergent industry in the cities of Hangzhou, Fuyang, Shaoxing and Zhenjiang. With environmental regulation on the rise in coastal Zhejiang and Sunan (the more developed southern part of Jiangsu province), many entrepreneurs shift their production lines to Subei (the less developed northern part of Jiangsu province) or the more western provinces such as Anhui, Guizhou, Hunan, and Henan.

As an official of the environmental protection bureau in Nanjing has argued at a conference in November 2014, "in order to curb our city's air pollution we are prepared to take strong steps, including the phasing out of outdated production technologies, having polluting companies move into the industrial park for more efficient monitoring, cutting down on overcapacity in certain industries and reducing the share of coal in the overall energy composition." However, when I was asking where many of the more polluting private companies moving out of the city were going, he was fair enough to confirm that it is not within his jurisdiction and insinuated that it is not unlikely for them to shift to a less regulated area. This disconnect or lack of coordination between the different jurisdictions and government entities was also an emergent topic in several interviews I conducted in summer and fall of 2014 in Jiangsu, Zhejiang and Beijing.

Mr. Li, for example, a private entrepreneur from Ningbo in the painting industry said that the problem is one of coordination between different organizations. "Many officials just don't think beyond the area that immediately affects them." There is a disconnect of available knowledge between government cadres, the industry and between different organizational entities, with sometimes overlapping jurisdiction about the environment.[7] The means to attack this disconnect is through the further integration of available but scattered information through better communication, for example by using smart technology. The Chinese government has made the "internalization" of China a top priority so it will be interesting to see what fruits the next years will bring in this regard.

Some of the most important initiatives about transparency in recent years, however, do not come from the government, but have been organized by civil society actors. One of the most prominent examples is environmental activist Ma Jun and his organization IPE. IPE has managed to devise a web application called *China Blue Sky App (Weilan)* (formerly *China Pollution Map)*, where real-time data of polluting companies in the user's vicinity can be screened. This is a considerable feat which would be the envy of regulators even in the European Union or United States. IPE mainly makes available data made public by the local bureaus of environmental protection but also by pollution whistle blowers and civil society. A lot of information is publicly available but it is very dispersed and difficult to get a hold of for a single person. What IPE is doing is to present it in a visible and coherent way.

It is a great initiative without any doubt. The problem however is that at the ground level not everything that is measurable will be measured and companies who do not want to be scrutinized can get ways out. A manager of a pollution measuring factory in Nanjing who is officially designated to be in charge of the installation of filter equipment for Chinese companies in Jiangsu and Zhejiang was telling the author: "our technologies are fine, this is not the problem, the real crux of the issue is with the management level (guanli cengmian). There are many tricks as to how to make sure that you are not caught as a polluter." Interviews with Chinese entrepreneurs have confirmed this phenomenon. One might be required by the government to use a filter equipment, but after having acquired it, one unexpectedly finds out that the operational costs are very expensive too, for which reason the device is simply not switched on. Another way is to discharge waste water not in the pipe where pollutants are measured but through a secret second pipe.

Local officials often collude with the entrepreneurs and turn a blind eye, as they know of the importance of those enterprises to the local economy or might regard it as a kind of trade of power for wealth. With the ongoing fight against corruption that President Xi Jinping has taken upon the party and himself, the latter of those options might have become more difficult.

Apart from the moral dispositions of officials to either being clean and honest (qingguan) or corrupt (tanguan,) we see that there are a host of "structural factors" and "constraints" that shape human behavior. First of all, there is strong competition among Chinese local government officials in order to attract investment from coastal provinces. The local government vies for scarce investments from Chinese and foreign entrepreneurs with tax benefits, cheap or free land and factory premises, etc.

As a rule of thumb, the more remote and less developed the region is, the more benefits an entrepreneur can expect from the government. Like an entrepreneur investing in factories in southern Dongguan put it "1st tier cities are difficult to deal with, it makes now much more sense to go to 2nd tier and 3rd tier cities. One feels that the government and the local economy really value your investment there and award often generous benefits in the form of land use, production facilities or tax exemptions." Unfortunately, lax enforcement of environmental regulations may also be such a competitive factor to attract investment.

When asked about the balance between the economy and the environment, a local cadre in Taijiang county in Guizhou, who is responsible for economic investments, told the author that their main focus is on developing the local economy, while not infringing the bottom-line of environmental protection (dixian). In other words, this means that pollution is okay as long as it does not lead to social protests that endanger social harmony (hexie), the

sacrosanct bottom-line. This could suggests that government efforts to curb environmental pollution might be more motivated by fear of social unrest than by the cause of environmental conservation itself.

Guizhou is one of China's least developed provinces, and it has a very beautiful but fragile environment. The responsible cadre I interviewed called it a "balancing act between development and environmental conservation." "We are trying to do what we can. . . . There are special regulations for polluting industries . . . there is just one county in the region where lead-battery producing is allowed by the government so as to limit the pollution."

Another dimension I want to comment on is that of cultural aspects of the interaction between entrepreneurs and officials. It might be difficult for honest cadres (qingguan) to survive amidst a culture of mutual favors and nepotism. A seasoned Beijing entrepreneur who is in the restaurant and bar business claimed "if you are not corrupt you will get pushed out of the group and the system (of mutual favor-granting between entrepreneurs and officials)." This is a clear example of adverse selection (nixiang xuanze), keeping the greedy officials (tanguan) and crowding out the clean ones (qingguan).

As to the relation of mutual favors he adds, "I know how to be good with them, if I was not on good terms with them (cadres), my restaurant would have been taken away already many years ago." With sources of income for local governments becoming increasingly tight after the 1994 tax reforms, officials have resorted to selling land use rights as a major form of income. Land use rights have become the key source of income for local governments. For a private entrepreneur, being politically connected can definitely help against arbitrary confiscation of land use rights in the name of "development." Also, Barbara Krug (2004) has devoted a good part of her research to social capital and the way it secures the longevity of a company or business. From that perspective it makes sense that many Chinese entrepreneurs spend so much time and money on common dinners, Karaoke evenings, etc. It is a process of bonding between them and the officials. The result is a social configuration of "entrepreneur and cadre" that negotiates a common understanding among the two for the appropriation, creation and use of scarce means of production. Their connection is embedded in a record of mutual giving and receiving, demanding and yielding.

After this account, which has been showing Chinese entrepreneurs as embedded in the context of state policy, I want to introduce in the next section three short case studies of entrepreneurs as the initiators of socially and environmentally responsible action that qualify very much for what I termed *purpose-driven, transgressing behavior* in a previous section of this chapter, and what for me constitutes the decisive characteristic of an entrepreneur.

CHINESE ENTREPRENEURS AS SHAPERS OF CSR

I want to present here a less well-known aspect of CSR in China, namely three cases of purpose-driven environmental responsibility by Chinese entrepreneurs. The first case is about *Alashan SEE,* China's first private anti-desertification initiative founded by a group of Chinese entrepreneurs and one of China's biggest private donor association for Chinese grassroots NGOs. The second case is the *Laoniu Foundation* and the third case the private company *Broad Group*. After the short introduction, Table 5.2 will give an overview about the different characteristics of those companies.

Alashan SEE Ecological Association

Alashan SEE was founded by about 100 Chinese, mostly private entrepreneurs, in 2004 as an organization with the aim of restoring the fragile grassland and fighting desertification in Inner Mongolia's Alashan desert. It combines sustainable business strategies to develop local communities with measures aimed at grassland conservation. Guiding principles in their mission are local participation and self-governance, and an inclusive approach to working with different stakeholder groups like government and academia. By 2015, membership has grown to between 300 and 400 entrepreneurs. The large and varied business expertise of their members, they claim, is their biggest asset in doing charity. Apart from their trademark project in Alashan, *Alashan SEE* also acts as a donor for Chinese environmental NGOs all over the country.

Table 5.2 Comparing Basic Characteristics of Cases of Purpose-Driven Chinese CSR

Name of Organization	*Founded by*	*Form of Organization*	*Purpose or CSR Mission*	*Alignment of Ownership and Management*
Alashan SEE	About 100 Chinese entrepreneurs in 2004, among them Song Jun and Ren Zhiqiang.	Public foundation since 2014, private foundation since 2008,	To conserve the grassland and fight desertification in Alashan province. To act as a donor for Chinese environmental NGOs	Strong
Laoniu Foundation	Niu Gensheng in 2004	Private Foundation	Philantropy in the areas of education and rural development	Strong
Broad Group (Yuanda)	Zhang Yue in 1992	Non-listed Company	Selling energy-efficient technologies, buildings, providing high wages for workers	Strong

Laoniu Foundation

The Laoniu Foundation was established in 2004 by the Niu Gensheng, the founder and former chairman of Mengniu Dairy company (founded in 1999), and his family, using all their shares and dividends in the company. It is a *family foundation* whose activities are mainly focused on funding education and creating economic opportunities for farmers in economically backward western China, training in the non-profit sector, environmental protection and disaster relief. Mr. Niu has pledged to give almost all his money to the Laoniu foundation after his death. Coming from a poor background himself, Niu Gensheng sees a very strong purpose in philanthropic giving and helping others.

The Broad Group (Yuanda Jituan)

Founded by Zhang Yue in 1992 together with his brother Zhang Jian, the company specializes in air conditioners and air purifiers and sustainable buildings. The brothers parted ways and Zhang Yue became chairman and CEO of the company. Different from the other two foundations, the Broad Group's environmental responsibility strategy is embedded in its business model. It has recognized ecological degradation caused by human activity as the biggest problem today and sees it as its mission as a company to provide technological solutions that can save mankind and improve lives. Mastermind Zhang Yue claims that Broad Group's corporate culture is modeled on the continental European *Rhine model*, which has a holistic approach to business, and not on the *Anglo-Saxon model*, where profits are at the center of business.

Relying on material from my fieldwork, the last two sections of this chapter are aimed at giving lively accounts of how Chinese entrepreneurs and their companies are both *takers* and *makers* of CSR and sustainable development in China. In the next section I have identified five emergent topics that deserve special attention when dealing with CSR in China and which highlight the trends and contradictions that are linked to this field: *voluntary giving versus paternalistic CSR, CSR as such versus quantitative measuring of CSR through reporting, SMEs versus SOEs, Corporate Governance and CSR and Environmental protection versus geographical displacement of pollution.*

EMERGENT TOPICS RELATED TO CSR IN CHINA

Voluntary Giving Versus Paternalistic CSR

Elizabeth Economy (2014) pointed out in her book *By all means necessary* that the main difference between CSR in China and the West is that CSR in

China is ordered top-down by the government, whereas in the West it is on a voluntary basis.

It is true that CSR in China does have a stronger paternalistic undercurrent due to the often complex relations between government cadres and business entrepreneurs, however viewed in the light that "CSR" has evolved into a form of mainstream, it is nothing that any big, publicly traded company in China or the West can just turn its back upon. This pervasiveness of the CSR discourse unfortunately makes CSR very prone to window dressing. In an interview with an entrepreneur from Ningbo, the author was told about the interviewee's experience with the provincial water treatment project *Wushui gongzhi,* an official project aimed at improving water quality in Zhejiang province: "I donated about 300,000 RMB for this project . . . one could of course refuse to donate . . . but you know that if you are not paying, the government will find one day to pay it back to you." We can see from this account, that the determining factor in this donation was indeed social pressure due to the entrepreneur wanting to be on good terms with the local government, and not voluntariness.

Apart from that, more and more companies do also recognize the strategic value of giving. Sun and He (2009) describe how a wave of corporate philanthropy was born in China as a consequence of the 2008 Wenchuan earthquake. It was a public disaster of such significant scale and with enough media-coverage so as to take in the whole nation. Besides the personal sympathy for the afflicted, the fact that so many other companies were giving, and the high expectations of the whole nation created a sheer irresistible incentive and bandwagon-effect for Chinese entrepreneurs to give. Shan et al. (2009) show in their research that philanthropic activity can do both having a brand-supporting effect and improving the firm's performance. Using Wenchuan earthquake donation data from Chinese A share firms showed that philanthropic donations can indeed tally with shareholder interests, which is an argument in favor of the strategy value of voluntary giving.

CSR as such Versus Quantitative Measuring of CSR Through Reporting

CSR reports are meant as point of reference to measure whether a company behaves ethically toward wider society. Writing a good CSR report is a skill and Chinese companies who can afford it and recognize the value of such a report spend between 20,000 and 30,000 Euros. Small companies will often not have the financial resources to get certified and spend such amounts. In China there is an ongoing discussion about finding the right standards for CSR reporting. In 2014 the Chinese CSR consulting company Syntao

has published new industry-sensitive standards of CSR reporting (see MQI 2014). A drawback to relying excessively on CSR reporting as a yardstick for a company's social responsibility is the tendency to pay attention predominant to *form*, rather than *content*. A company that does not publish reports might behave responsibly and sustain a large social functionality over employment, sourcing of inputs, excellent service or responsible supply chain management. On the other hand, CSR reporting, especially for large publicly traded companies, has also become the norm in China, sometimes diluting effects on CSR and sustainability. Most corporations look at CSR as something they have to fulfill and which could benefit them in terms of strategy. Chinese companies are no exception in this regard. With more institutionalization of sustainability, they will be more likely to comply with the law and major political directives, but as a result they might have fewer resources available to be innovative about their own sustainability initiatives. Chinese reporting initiatives like the Syntao indicators and the Chinese Academy of Social Science (CASS) indicators focus too much on quantitative reporting. It can increase information transparency for the sake of better control but is insufficient for understanding entrepreneurs' decisions.

In conclusion, enforcement of more stringent CSR standards and propagation of corporate culture will be conducive to a superficial "lege artis" level of CSR performance, but it will also create unforeseen problems, driving companies to be innovative about saving costs. Therefore, focusing on external projections of responsibility like CSR reporting and quantitatively measureable parameters alone can not be the solution.

In the end, we should be aware that relying on CSR reporting is no substitute for the initial effort of engaging Chinese entrepreneurs' actions and trying to make sense of their lifeworld, their motivations, values, purpose and constraints.

SMEs Versus SOEs

Another point critical for CSR in China are the structural differences between private companies and SOEs. Most privately owned companies are SMEs, most of which are owned and managed by the founding person of the company or are family businesses. Compared to the state sector, SMEs have to deal with greater difficulties to obtaining loans and a factor of political arbitrariness they can never efface completely. This underlines again the need of political connections to shield companies from this arbitrariness. Whereas entrepreneurs in coastal Zhejiang were claiming they don't have to deal a lot with the government, this political factor is stronger in China's less developed regions.

Regarding who is delivering better CSR, the SOEs and the private companies have different ways of doing it. Private companies often do charity in things they think they can contribute and be good at, unlike SOEs, who basically go along with government objectives (Dongmei, 2009).

Many scholars and practitioners do not agree with the CSR survey by the Chinese Academy of Social Science (CASS, 2009; 2014) pointing out that Chinese SOEs are more responsible than private companies. There has been, especially, in recent years a growing number of private entrepreneurs turning to philanthropy or setting up their own foundations. Examples are Alashan SEE Ecological Association, the Laoniu Foundation or the Xin Huadu foundation. A private interview with a foreign expert in the Chinese petrochemical industry also suggested that "as far as business operations are concerned Chinese private companies are more prone to invest into new equipment and pay more attention to safety than large SOEs."

Another contribution that does not cast a good light onto the social responsibility of China's state sector is the recent documentary by Chai Jing (2015), showing that a lot of the problems in China's energy structure are to be found in big SOEs and their vested interests. They might publish impeccable CSR reports, but at the same time hold back crucial investments into upgrading technology and efficiency.

We also see that the government tries to subordinate the private sector under the state sector in achieving national development goals. In recent years, this is exemplified by the dragon-head companies (longtou qiye), strategically important SOEs that occupy the center position in the commodity chain of a strategic industry, and the fact that the share of the public sector is increasing vis-à-vis the private sector (guojin mintui). Another aspect of the shift to top-down ordered CSR reporting in China is that it might further contribute to the crowding-out effect that big corporations and SOEs have on SMEs. This might further promote a form of adverse selection that favors big, resource-rich, politically well-connected, but not necessarily innovative companies that are more prone to see CSR as window dressing and a marketing fad instead of something that serves their purpose as such.

Corporate Governance and CSR

The relation between corporate governance type and CSR performance seems to be an immensely important but still underresearched phenomenon. Unfortunately, there is not enough space here to offer a rich analysis. My main argument is, however, that some Chinese companies in which there is alignment between *ownership* and the *management* of the company, like family

businesses, SMEs or first generation companies, exhibit a stronger attachment to purpose-driven environmental protection that is different in kind from what is understood as CSR in big SOEs or shareholding companies, where decision power and purpose of the enterprise have been more diluted by vested interests. This is a topic which definitely deserves deeper study.

Environmental Protection Versus Geographical Displacement of Pollution

With environmental protection and factor prices ramping up in China's eastern provinces, there is a worrying trend that polluting industries are transferred to less developed regions with laxer environmental regulation. In recent years, the industrial core of China's economy has been gradually shifting away from the coastal to the central and western provinces. As a result, the growth rates of Guangdong, Zhejiang and Jiangsu have been slowing, while industrial production has increasingly moved to Anhui, Gansu, Jiangxi, Hunan, Guizhou, etc., which are growing fast due to investments and industry transfers from other provinces. If not managed accordingly, this industry-driven economic growth will pose serious threats to the environment and public health, especially, as these provinces are at the receiving end of China's pollution-intensive industries such as the chemical and smelting industry and lead battery production.

The political scaffolding for this displacement of pollution is provided by China's *Western development program* (xibu dakaifa, 2001) and *China's going out policy* (zhongguo zouchuqu, 1999), both of which have received strong political impetus during the last decade. While the former shifts pollution into the Western parts of China, the latter adds the dimension of China realizing vast infrastructure projects abroad and the sourcing of raw materials mainly from markets in Africa, Latin America, Central Asia and South East Asia. These trends have strong implications for the geographical dimension of environmental pollution. Officially, the positive economic aspects of these developments are emphasized by government and the media. However, the danger is that as pollution shifts from the formally regulated or semi-regulated sector to the informal, it simply becomes less visible, but does not disappear. This is a phenomenon reminiscent of the window dressing inherent in CSR reporting outlined earlier in the chapter. Secondly, the industry transfer is likely to increase pollution due to poor equipment and less stringent environmental regulations in the host communities.

In the context of the shift to China's western provinces, the unintended ecological consequences might be extremely harsh. As pointed out by Renmin University's dean of the School of Environment and Natural Resources,

professor Ma Zhong (Xu, 2013), China's western provinces do not only have a very fragile ecological balance, but the wind and water cycles also go from the western parts to the east. Therefore, traditional pollution in the coastal provinces is comparatively less tragic. However, once China's industrial core has shifted to the west, air and water pollution will affect a bigger part of the country. China's large rivers originate in Western Qinghai province and wind through a large part of the country before meeting the sea. Therefore, industrial pollution in the western part of China will invariably have more dreadful effects on the environment as a whole.

CSR AND THE DEVELOPMENT IMPACT OF CHINESE COMPANIES ABROAD

Several aspects have been listed about poor social and environmental performance of Chinese companies outside of China. However, such as pointed out by Poulden (2013), being increasingly aware of their reputation, Chinese companies' standards are often more stringent abroad than they are at home and they are usually not as bad as their image.

In order to get a broader image of Chinese companies activities abroad, one has to differentiate between petty private entrepreneurs, who have left China as part of a natural process of economic migration, and the big, mostly SOEs that go abroad as part of a state-led resource strategy. Chinese petty entrepreneurship is a phenomenon that is largely independent from state-led economic policies, such as a case study by Xiao (2015) about Chinese entrepreneurs in Nigeria suggests. This is different in the strategically important extractive sector, where the key players are provincial SOEs, comprising about 88% of all Chinese firms investing abroad (Tan-Mullins, 2015: 29).

What is impressive is that both the big Chinese corporations but also petty businesses have become an economic force to perform a significant role in and reshape the landscape of international development, building new structures of economic cooperation and strategic cooptation. The Chinese government's initiatives have been bolstered recently by several multilateral institutional innovations like the call for a *New-Silk-Road Initiative and the 21st Century Maritime Silk Road* 2014, the *Asian Infrastructure Investment Bank (AIIB)* 2015, and the *New Development Bank (NDB)* 2014, formerly known as the BRICS Bank. Each of these initiatives is endowed with multi-billion-dollar investment sums. US political consultant Ian Bremmer (2015) referred to this development as a possible *Chinese Marshall Plan with a one-trillion-dollar budget.*

Of special interest to Europe is the Silk Road Initiative with a possible plan to further integrate the Greek harbor of Piraeus (since 2009 under the administration of the SOE *COSCO—China Ocean Shipping Group Company*) with Eastern Europe over a Chinese-government financed railway project of 110 billion Euro. (DerStandard, 2015) Already Wen Jiabao has described Eastern Europe as China's bridge into Europe. If this plan is really put into effect, it could contribute to a functioning modern infrastructure in Eastern Europe more than the European Union could anytime in the near future afford to do.

Recently, new infrastructure-investment projects have been mooted with Latin America, among them, the Trans-Amazonian Railway project, and President Xi Jinping vowed to invest $250 billion into the region (Renmin Wang, 2015: *The Telegraph*, 2015: Zhongguo Xinwen Wang, 2015).

But not all mega-projects are state-led. It is remarkable that the recent concession to build the Nicaragua canal, whose costs were estimated at $50 billion, was won by Chinese tycoon Wang Jing and his Hong Kong Nicaragua Canal Development Investment Co. (JHNK). If the canal is going to be built, the necessary know-how would still come mainly from Chinese state-owned-enterprises. It would be of interest to know more details about the networks and doings behind the project and the informal extent of involvement of the Chinese government.

China does of course follow personal interests in aligning its global investment strategy with the strategic access to natural resources, but it effectively builds at the same time the infrastructure in many Latin American, African, Central Asian, and in the near future, European countries. The deal at the center of this partnership is usually "infrastructure in exchange for resources." In addition to hospitals, schools, highways, airports, etc., China builds the whole infrastructure necessary for the sourcing and transport of natural resources. In return, China gets access to these much valued resources for its national economy.

As shown by the Chinese environmental NGO *Green Watershed* with the example of Chinese dam building projects in Burma, traditionally, Chinese companies thought that for doing business it would be enough to have good relations with the host government (Economy, 2013: 114). But in recent years there has come a growing awareness that it is important to engage the population and civil society organizations too. While still being relatively unexperienced on the international development arena, Chinese companies have a very steep learning curve and are, as a closer look will tell, not a worse partner than Western companies. Apart from the companies themselves, it is also the responsibility of the host country to put effective environmental regulations in place.

TOWARD A PURPOSE-ORIENTED APPROACH OF CSR AND SUSTAINABLE DEVELOPMENT

As an official of the Ministry of Environmental Protection (MEP) mentioned to me during a conversation, "the foreign media are often not fair to China regarding the state of our environment. Our pollution is also connected to foreign countries' consumption patterns . . . we know that (the state of) our environment is not good at the moment . . . but we are grappling with it and at least we are trying to do something and to improve the situation."

This reflects a common impression that China's efforts to curb pollution and improve the environment are often not seen and valued in the West. We should remember that Western Europe, the United States and Japan also took considerable time until environmental legislation had been adopted and well enforced. The developed countries trotted for a long time on the path "develop first, clean-up later." Due to China's sheer size, its own version of the "develop first, clean-up later" scenario creates unforeseen dimensions of both ecological distress and economic opportunities for the world. It will take time but, according to Jorgen Randers (2012a), the challenges China is facing are in principle not different from the development paths of other East Asian economies. We have still to see whether the "effects of scale" China has to deal with will play out as an advantage or a disadvantage to solving the global environmental crisis in the long run.

Regardless of whether the reader is optimistic or pessimistic concerning the future of China's environment, I want to stress that there are untapped resources in bottom-up environmental initiatives from Chinese entrepreneurs and to-be entrepreneurs, the purposiveness of whose actions has constantly been underestimated by both the Chinese and the international community. Recent developments in philanthropy in China and the emergence of new organizational structures like Chinese foundations and private associations that invest their own money to contribute to a cleaner environment attest to this point.

My central argument is that the best thing that society can do to nurture this process of *becoming-aware* is to do away with institutional arrangements that were created for the purpose of profit maximization, so that more time and resources will be available for purpose-driven engagements linked to environmental conservation and protection. This thought links up to Elinor Ostrom's theory about *Governing the Commons (1990)*, where she shows that self-organized institutional arrangements with community ownership are superior to both a top-down based government-led and an ordoliberal understanding of governance that focuses on property rights and free markets. Institutional economics and the Coase theorem taught us that all institutional arrangements have transaction costs. Knowledge

is the crucial factor in achieving results. And that is precisely where self-organized solutions are stronger than other forms of institutional arrangements, namely in their ability to facilitate *vertical and horizontal knowledge transfer*, integrating available though scattered environmental knowledge and deploying the most appropriate technological equipment and management practices.

The flow of information created by human interaction cannot be substituted by any institutional regulator in a preconceived way. Only if social responsibility is purpose-driven and intrinsically motivated will it make a real difference. Purpose is something internal to the company and its managers, not something imposed from the outside. Therefore, I propose to move toward a more human-based outlook on CSR that focuses on the phenomenological accounts of the actors, and their purpose-driven entrepreneurial initiatives, instead of the performativity of interest-drivenness and profit maximization. As a closing note, I want to quote a Chinese entrepreneur in the environmental technology field, who pronounced an opinion which was echoed by many of my interviewees, "government action works in the beginning to edify a basic regulatory framework, but its effect is limited . . . if we want to elicit positive change in the long run, it is the people and the entrepreneurs themselves who have to become aware of their environmental consciousness."

NOTES

1. Paying allegiance to the prominent Chinese principle of "seeking to establish a common ground while preserving differences" (qiutong cunyi) the Chinese government has chosen the term "Ecological Civilization" as its umbrella term for what people know as "sustainable development" in the West.

2. The most important of these "unequal treaties" were the treaties of Nanjing 1842 and Humen 1843 with Great Britain; Wangxia 1844 with the United States; Whampoa 1844 with France; Aigun 1858 with Russia; Tianjin 1858 with Great Britain, the United States, France and Russia; and Shimonoseki 1895 with Japan.

3. Whereas top-down refers to top-down action from the government, bottom-up implies an ordoliberalist understanding of CSR, where the state is the custodian of the law and Chinese companies are pressured by civil society, pollution victims and NGOs to adjust their behavior toward the socially and legally accepted norm.

4. The different approaches to CSR in Table 1 are ideal-type like figurations but they are not intended to be mutually exclusive and monocausal. A problem with conventional monocausal theories of change are that often there is one group perceived as the actor, whereas the other groups become agents. This agentization of people is convenient for prediction and formal analysis, as we can deploy a "ceteris paribus" assumptions. It is however also highly problematic as it does not fit the complexity and polycausality of the real world. An approach that is more suitable to complexity

and gives empirical evidence for the potential benefits of *self-organization* as opposed to top-down or ordoliberal approaches can be found in Elinor Ostrom's *Governing the Commons: The Evolution of Institutions for Collective Action (1990)*, which takes into account that any system is embedded in an institutional context, having a unique set of both advantages and transaction costs, that either both enable and restrict successful management of commonly-held resources.

5. The difference between interest and purpose is that *interest* belongs more to the objective, external, quantifiable and observable domain, whereas *purpose* belongs to the subjective and hermeneutic realm, coming from inside of the individual. It makes sense to extend the definition of an entrepreneur beyond business ventures and to include *political entrepreneurs*, *civil society entrepreneurs*, etc. Being an entrepreneur as somebody who "transgresses" is therefore tied more to personal quality rather than the belonging to a predefined métier or social group and also transgresses profit-seeking as the smallest common denominator, opening entrepreneurship to all kinds of purposively sense-making activities.

6. It is reported that even though the Chinese Ministry of Environmental Protection (MEP) has increased its powers in recent years and may soon not be the toothless tiger it was described in Chai Jing's documentary, it still has rival competencies with other ministries like the Ministry of Water Resources (MWR), the Ministry of Industry and Information Technology (MIIT) and the National Development and Reform Commission (NDRC), among others.

7. Nicaragua has until now no official diplomatic relations with the PRC (People's Republic of China), as it officially recognizes the ROC (Republic of China) on Taiwan. This, together with the high ecological risks that come associated with the construction of the Nicaragua canal, may explain why this project is preferably given to a private investor (at least officially), so as not to taint the government's reputation in case of a major environmental hiccup.

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