

## China's route to business responsibility

By Simon Zadek,  
Created 2005-11-30 00:00

A Tuesday evening in Shanghai: the city's skyline sports more towering cranes than anywhere else on the planet, making it appear a throwback to Steven Spielberg's *Jurassic Park*. Last night, 29 November 2005, was the opening reception of the United Nations Global Compact Summit in China [1] – a meeting of minds (and maybe a few hearts) of up to 800 Chinese and international government and business leaders, co-hosted by the UN and the Chinese government.

The event is replete with the usual entourage of intergovernmental and civil-society leaders from leading brand names like Amnesty International and the World Conservation Union [2], all the way through to the comparative minnows of the London-based think-tank AccountAbility [3].

### Also on China's society, environment and media in openDemocracy:

Andreas Lorenz, "China's environmental suicide: a government minister speaks" (April 2005 [3])

Agnes Chong, "Chinese civil society comes of age" (September 2005 [3])

Isabel Hilton, "China's freedom test" (September 2005 [3])

If you find this material valuable please consider supporting **openDemocracy by sending us a donation [3] so that we can continue our work for democratic dialogue**

The conference topic [4] is corporate responsibility - or less contentiously, the role of business in delivering on development objectives like those espoused in the Millennium Development Goals [5].

Some would say that the very term "corporate responsibility" is an oxymoron, even more emphatically in the case of modern China and its people. After all, westerners have watched with horror (and perhaps just a little, shameful "I told you so" *freudenschade*) the eighty-kilometre benzene slick that has threatened the citizens of Heilongjiang province as it courses [6] its way from a burning chemical plant towards the Russian border. We also know that Chinese workers are poorly treated as they put the finishing touches to our clothes and shoes [7], despite activists' best efforts to impose labour standards through pressure on global brands. These are just the tip of the iceberg of what some of us "know" and most of us assume.

But there is more going on at present in the minds (and, this time more certainly, the hearts) of both westerners and Chinese people about China's business and social development; much more on either side than a sort of cultural genetics that assumes the present state of affairs is just "the way things are". This is why so many people and organisations, inside and outside China, are struggling to advance the causes of human [8], civic and labour [9] rights, and of

environmental security. But how do these people and organisations see business: is it an object to be pressured, or a potential partner for collaboration in pushing for change?

In a Chinese context, organisations like Amnesty International [10] are likely to see business in the latter role; with, in their view, at least some western multinationals playing the role of honest broker (or perhaps even Trojan horse) in connecting and strengthening global civil society's [11] leverage over Chinese businesses and their work habits. Meanwhile, the Chinese government watches over this strange dance, not reacting with a reflex of horror as in the past, but cautiously engaging in entering a strategic though very indirect engagement.

The UN Global Compact Summit [12] in China is a sign of these changing times, that China is moving to the next stage in its economic development and role in the global economy. Going global is a hot trend for Chinese companies, as evidenced by high-profile globalisation moves such as the IBM-Lenovo [13] deal and the (albeit failed) CNOOC-Unocal takeover. Despite the CNOOC setback [14], "this trend will continue" says Jack Zhai, head of global corporate finance at Deutsche Bank in Beijing.

But some leading figures argue that Chinese firms are not yet ready to move up the global value chain. Michael J Cannon-Brookes, IBM's vice-president of business development in China says [15] that the formula that works at home "(has) to be thrown out when you go overseas. There's a great challenge in understanding business ethics, the way business is done differently overseas than in China".

### **The long march to responsibility**

Indeed, responsible business practices are becoming important drivers of national and regional economic competitiveness [16], particularly for the business communities of emerging economies. This is the conclusion of a new report by AccountAbility [17], *Responsible Competitiveness: Reshaping Global Markets through Responsible Business Practices*, launched today, 30 November 2005 at the Shanghai conference.

The report provides two new innovative country-level indexes, prepared by AccountAbility working in association with the leading Brazilian business school, *Fundação Dom Cabral*. The National Corporate Responsibility Index (NCRI) is the world's first attempt to measure the state of corporate responsibility [18] across eighty countries, drawing an available data on key factors including levels of corruption, businesses' adoption of environmental management, and the state of corporate governance.

The ranking of eighty countries across five continents is revealing. Nordic countries convincingly outperform the rest, with four out of the five (Norway being the exception) appearing in the top five and Finland scoring highest with 2.1 (out of a maximum of 3.0). South Africa is the highest-ranking emerging economy (excluding east-central Europe), followed quickly by Korea, Chile, Malaysia, Costa Rica and Thailand. Interestingly, China came in at sixty-sixth place in the NCRI, whereas India, in other respects seeing as lagging its nearby Asian competitor, ranks a far higher forty-third. Pakistan came out worst, with Bangladesh and Paraguay, Zimbabwe and also scoring particularly poorly. Many east-central European countries also scored surprisingly poorly.

**Simon Zadek is the chief executive of AccountAbility [19], the institute of social and ethical accountability. He is the author of The Civil Corporation: The New Economy of Corporate Citizenship [20], (Earthscan, 2001).**

Also by Simon Zadek in openDemocracy:

“From the magic mountain: the World Economic Forum” ([January 2004](#) [20])

“openDavos: Simon Zadek’s blog” ([February 2005](#) [20])

“Reinventing accountability for the 21st century” ([September 2005](#) [20])

The second index, the Responsible Competitiveness Index (RCI, first published in [2003](#) [21]), measures the impact of the relevant stage of corporate responsibility on national competitiveness. The RCI is essentially an extension to the [World Economic Forum's Growth Competitiveness Index](#) [22] (which defines competitiveness as the ability of a country to reach a sustained medium- or long-term growth via gradual improvements in productivity). In essence, the RCI adds the newly devised measure of the national state of corporate responsibility as one more variable to the World Economic Forum’s index, and then re-runs the figures to see if that variable is a statistically significant driver of competitiveness.

The results suggest that the state of responsible business practices may indeed be a driver of countries' competitiveness. Once again the Nordic countries head the [list](#) [23], suggesting that they are maintaining sustainable economic growth based on responsible business practices. More generally, Europe goes up the competitiveness ladder once corporate responsibility is taken into account, whilst several countries – including Japan, Jordan, and Uruguay - see significant “falls” in their relative competitiveness levels.

Going global means being more [responsible](#) [24]. We may just be on the cusp of an accountability revolution in Chinese business, or at least that part that needs to be credible in international markets as they seek to move up the chain towards the high-value-added opportunities that come with control of global brands. It may stick in the throats of many activists, but this simple [equation](#) [25] may do more to move the Chinese business community than decades of conventional campaigning. Unconventionally, activists may well be on the verge of a bonanza of opportunities to bring change in Chinese business practices.

---

**Source URL:**

[http://www.opendemocracy.net/democracy-china/china\\_business\\_3076.jsp](http://www.opendemocracy.net/democracy-china/china_business_3076.jsp)

**Links:**

[1] <http://www.gcchinasummit.org/> target=\_blank

[2] <http://www.iucn.org/en/about/> target=\_blank

[3] <http://www.accountability.org.uk/aboutus/default.asp> target=\_blank

[4] [http://news.xinhuanet.com/english/2005-11/30/content\\_3854435.htm](http://news.xinhuanet.com/english/2005-11/30/content_3854435.htm) target=\_blank

[5] <http://www.un.org/millenniumgoals/> target=\_blank

[6] [http://jamestown.org/edm/article.php?article\\_id=2370530](http://jamestown.org/edm/article.php?article_id=2370530) target=\_blank

[7] [http://www.chinalaborwatch.org/en/web/article.php?article\\_id=50272](http://www.chinalaborwatch.org/en/web/article.php?article_id=50272) target=\_blank

[8] <http://www.hrichina.org/public/index> target=\_blank

[9] <http://news.bbc.co.uk/2/hi/asia-pacific/4480306.stm> target=\_blank

[10] <http://www.amnestyusa.org/countries/china/index.do> target=\_blank

[11] <http://www.sagepub.co.uk/book.aspx?pid=107088> target=\_blank

[12] <http://www.un.org/Depts/ptd/global.htm> target=\_blank

[13] <http://today.reuters.com/business/newsArticle.aspx?type=technology&storyID=nSP208520> target=\_blank

[14] <http://www.atimes.com/atimes/China/GG02Ad04.html> target=\_blank

[15] [http://www.weforum.org/site/knowledgenavigator.nsf/Content/\\_S15198?open&event\\_id=1362&year\\_id=2005](http://www.weforum.org/site/knowledgenavigator.nsf/Content/_S15198?open&event_id=1362&year_id=2005) target=\_blank

[16] <http://www.msnbc.msn.com/id/10117466/site/newsweek/> target=\_blank

[17] <http://www.accountability.org.uk/news/default.asp?id=182> target=\_blank

- [18] <http://www.eldis.org/csr/> target=\_blank  
[19] <http://www.accountability.org.uk> target=\_blank  
[20] <http://shop.earthscan.co.uk/ProductDetails/mcs/productID/67/groupID/2/categoryID/5/v/>  
target=\_blank  
[21] <http://www.csrwire.com/article.cgi/2318.html> target=\_blank  
[22] [http://www.weforum.org/site/homepublic.nsf/Content/  
Global+Competitiveness+Programme%5CGlobal+Competitiveness+Report](http://www.weforum.org/site/homepublic.nsf/Content/Global+Competitiveness+Programme%5CGlobal+Competitiveness+Report) target=\_blank  
[23] <http://forum.maplecroft.com/loadmap?template=map&issueID=9> target=\_blank  
[24] [http://europa.eu.int/comm/employment\\_social/soc-dial/csr/SZadek.pdf](http://europa.eu.int/comm/employment_social/soc-dial/csr/SZadek.pdf) target=\_blank  
[25] <http://www.globalagendamagazine.com/2004/billparrett.asp> target=\_blank



This article is published by Simon Zadek, , and openDemocracy.net under a Creative Commons licence. You may republish it free of charge with attribution for non-commercial purposes following these guidelines. Additionally, you are permitted to make derivative works from this article, on condition that you release any resulting work under similar terms. If you teach at a university we ask that your department make a donation. Commercial media must contact us for permission and fees. Some articles on this site are published under different terms.