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**Corporate Social Responsibility in China: A Tool of Policy Implementation**

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**Abstract:** Corporate social responsibility (CSR) in China is a result of political, regulatory, and administrative pressures and civil society pressures. The Chinese Communist Party (CCP) plays a dominant role in deciding the content of CSR, while the other influences are rather limited. As a result, Chinese CSR has not only voluntary and explicit elements but also mandatory and implicit elements. On the one hand, companies can perform CSR in a way that aligns with their commercial interests. On the other, CSR is a response to the CCP’s political pressure, while corporate failure to satisfy the requirements can result in serious negative impacts on companies’ business. In China, CSR has moved far from its origins as a tool of reputation enhancement and assumed a *sui generis* meaning as a tool of policy implementation. CSR has been evolving towards legal requirements in other jurisdictions as well, such as the EU. However, in China, the main force behind CSR comes from the CCP, which wields legislative and administrative power to promote CSR in a way that aligns with its political interests.

**Keywords:** corporate social responsibility; China; the Chinese Communist Party; policy

**JEL Classification:** I38 – Government Policy; Provision and Effects of Welfare Programs; K22 – Corporation and Securities Law

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Corporate social responsibility (CSR) was a concept borrowed by China in the 1990s but has gradually generated an indigenous meaning that is different from its Western origins. This article argues that CSR in China is subject to the Chinese Communist Party’s (CCP) political influence. The activities that occur under the label of CSR do not occur simply to enhance a company’s public reputation; nor is it complying with *ex ante* formal regulation. Rather companies often carry them out in response to pressure from the CCP as it takes action to achieve its political agendas. Specifically, the CCP promotes CSR as a means to tackle governance challenges, such as development disparities, inequality, and environmental deterioration, and accomplish political goals, such as ‘Poverty Alleviation,’ ‘Rural Revitalisation,’ and ‘Common Prosperity.’ Depending on how specific the CCP’s objectives are, Chinese companies are left with varying degrees of discretion in determining what activities they should conduct in the name of CSR. When there is enough leeway, companies normally choose to conduct CSR activities in a way that aligns with their commercial interests.

Following Matten and Moon, many scholars classify CSR into implicit and explicit types. If a country’s regulations are the main forces propelling CSR activities, such as fair treatment of workers, environmental protection, and support of education, it is likely to be categorised as having an implicit CSR system which is part of a coordinated market economy. Continental European countries are often considered the archetypal examples (Matten and Moon 2008, pp. 409–414). By contrast, countries which are categorised as having an explicit CSR system rely more heavily on civil society’s reactions and corporate public reputation and images to steer companies towards more socially responsible activities. This approach often coincides with a liberal market economy, with countries such as the US and the UK being archetypal examples (Matten and Moon 2008, pp. 409–411). Scholars define explicit CSR in various ways, but most frame it in terms of a voluntary obligation going beyond the law (Dahlsrud 2008, p. 5).

This binary distinction, though, does not capture well the features of China’s system. In China, CSR activities are neither defined by regulation (as in the implicit system) nor the results of strategic decisions to enhance corporate reputation (as in
the explicit system). The content of Chinese companies’ CSR activities is determined through a complex combination of government pressure and social forces, often operating at the same time and in different ways even within the same company. In this process, the CCP plays a dominant role.

The Chinese party-state-government’s role in defining, promoting, and enforcing CSR has been highlighted by previous research (Li and Appiah-Konadu 2021, pp. 153–155; Jiang and Kim 2020, pp. 758–759; Yan 2020, p. 267; Ho 2013, pp. 381–382; Lin 2010, p. 99; Wong 2009, p. 131). However, existing research often only focuses on one perspective, be it regulation (Yan 2020; Lin 2010) or the role of government (Li and Appiah-Konadu 2021; Jiang and Kim 2020). This article argues that the content of CSR in China is determined through an ever-changing variety of combinations of political, regulatory, and administrative pressures against a backdrop of social forces. As such, it combines elements of both explicit and implicit CSR models, but also transcends that dichotomy. This article aims to reframe CSR with Chinese characteristics by tracing the forces that drive companies to act in ways that they, the public, and (especially) the CCP consider to be socially responsible.

China was the first jurisdiction to explicitly write mandatory CSR into corporate statutes (Hawes 2007, p. 820). Article 5 of *Chinese Company Law* states that “When conducting business operations, a company shall comply with the laws and administrative regulations, social morality, and business morality. It shall act in good faith, accept the supervision of the government and general public, and bear social responsibilities.” In fact, this only provides a general principle without either a definition or guidelines for CSR. Critics have argued that this provision is too abstract to be applied in practice (Luo 2007, p. 70).

However, as this article argues, this has not been the case in recent times. The CCP is powerful and has effectively pressured companies to carry out CSR activities through the exertion of executive and administrative power. Hence, as we will see below, the content and extent of Chinese companies’ CSR activities are influenced to a very significant degree by their relationships with the CCP and implemented through their interactions with administrative authorities. As the supreme authority in China, the CCP controls the Chinese government through personnel monopoly and institutional embeddedness (Zheng 2014, p. 5; Saich 2015, pp. 2–4; Chen 2016, p. 260). Specifically, the CCP selects leaders (generally they are all CCP members) of state

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1 India made it mandatory for companies above a certain scale to spend two percent of their average net profit for the past three years on CSR on 1 April 2014, see Sharma, K. (2016). Corporate social responsibility (CSR): An overview of the Indian perspective. *Indian Journal of Law & Public Policy*, 3(1), 1–17.

2 Here ‘supreme authority’ is more of a factual summary of the Chinese political system. The *Constitution of the People’s Republic of China* does not explicitly state that the CCP is the sole ruling party. There is no specific guidance on the inter-relationship between the CCP and the Chinese
and government institutions and establishes party cells at all governmental levels to lead and supervise state work. Therefore, the CCP effectively controls the operation of the state and the government through its pervasive membership network. It is fair to say that the lines between the CCP, the state, and the government are blurry, and their interests are largely consistent.

As a result, Chinese government policy mirrors the CCP’s policy. It should be stressed that the CCP is the initiator of and ultimate decision-maker for government policy. Therefore, party policy is the origin of and basic guideline for government policy. The CCP may put forward policies in the form of government policy and promote them through the legislature, the judiciary, and the administration, but behind all of them is the fundamental guidance of the party’s policy (Zheng 2014, pp. 5–6).3

Based on its political monopoly, the CCP can swing businesses’ fates by exerting influence on the legislature and administration such as tightening regulation or strengthening enforcement (Leahy et al. 2023). To survive in the Chinese context, companies often seek to cultivate good relationships with the authorities—including the CCP. Supporting CSR-related public policies is a good way to foster these good relationships. Conversely, failure to achieve CSR-related goals may incur unwanted regulatory burdens or sanctions. As a result, CSR and guanxi (political connections) have become mutually reinforcing, supported by regulation and administrative measures: a possibly unique combination of carrots and sticks. In this framing, CSR in China has features from both explicit and implicit approaches. It can be seen as voluntary and explicit, in the sense that it is not detailed by specific laws beyond the generic principle affirmed by Company Law, and that its content can be aligned with the interests of the company; but it can also be seen as mandatory and implicit, in the sense that it is mainly directed by the CCP’s requirements, and that failure to pursue the goals established by the CCP can have very serious repercussions on the company’s ability to continue its business without encountering serious administrative and bureaucratic impediments.

Whilst consumer pressures to engage in CSR also exist in China, they are rather limited. Ethical consumerism has been gradually emerging in China. With the improvement of people’s living standards and income levels, Chinese consumers’

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3 This is a result of the fact that the CCP is the sole ruling party in China. The Constitution of the People’s Republic of China implicitly grants the CCP the exclusive power to rule the country by stating that ‘The socialist system is the fundamental system of the People’s Republic of China. Leadership by the Chinese Communist Party is the defining feature of socialism with Chinese characteristics. It is prohibited for any organisation or individual to damage the socialist system’ in art. 1.
awareness of CSR has grown, and environmental protection is one of their main concerns. According to Ali Research’s *Report on China’s Green Consumers*, the number of ‘green consumers’ on Alibaba’s retail platform exceeded 65 million by the end of 2015, accounting for 16 percent of the platform’s active users: a number which increased 14-fold in four years (Ali Research 2016). However, CSR reports are generally ambiguous and hard to verify (Graafland and Zhang 2014, p. 41): a problem that occurs virtually everywhere around the world. As Ho (2013, p. 425) argues, ‘state promotion of CSR in the state-centric model is not a complement to, but to some extent a substitute for, voluntary firm activity, independent civil society efforts, or market demand.’ It is true that the party-state-government plays a central role in the promotion and implementation of CSR in China. However, this does not mean civil society plays no role in determining the content or scope of CSR. As our analysis will show, the interaction between government power and civil society is complex, nuanced, and mutually reinforcing.

Countries take different approaches to promoting CSR, and there are often political motivations, such as consolidating political power and solving social problems. CSR developments in Japan have been generally voluntary and non-legally binding. These developments were promoted partly by government policy, partly by peer pressure, which may impact reputation among suppliers, customers, and consumers, and, more recently, by pressure from financial market investors (Kozuka 2019, pp. 455–456, 459). Japanese corporate law does not impose a mandatory duty of CSR; the *Corporate Governance Code* and the *Stewardship Code* promote sustainability and stakeholder interests but adopt a ‘comply or explain’ approach, although the compliance rate is high (Kozuka 2019, pp. 454–457). The conventional awareness of CSR among Japanese businesses is believed to play a significant role: companies voluntarily share their benefits with communities and attach great importance to product quality to build the trust of customers and business partners (Suto and Takehara 2018, p. 2).

In India, CSR is mandated for companies above a certain size by the *Companies Act* (Sharma 2016, p. 10). Those companies have to spend two percent of their net profits on activities prescribed by law, including alleviating poverty, promoting education, reducing child mortality and improving maternal health, and pursuing environmental sustainability (Kaur 2019, p. 464). However, only 58 of the top 100 listed companies by market capitalisation fully spent two percent or more on CSR (Kaur 2019, p. 465). According to Kaur (2019), companies were not purely donating funds but could actually benefit from these CSR practices by enhancing brand value

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4 Thanks the editor and the anonymous reviewer 2 for suggesting this point.
5 The *Corporate Governance Code* was compiled in 2015 and revised in 2018 and 2021 respectively. The *Stewardship Code* was adopted in 2014 and revised in 2017 and 2020 respectively.
and expanding their customer bases. Despite the mandatory nature of CSR in India, there has been a shift from traditional philanthropic activities to corporate social responsibility: large companies are working on shared value projects for both community and business (Kaur 2019, p. 465).

CSR has also been gaining political and compulsory elements in other jurisdictions. For example, the EU has adopted various regulations to promote CSR in recent years, which leave CSR no longer voluntary.6 The EU also seeks to reinforce its political leadership over its member states and national corporate champions and promote its political agendas through CSR regulations.7

This article uses empirical data collected for the author’s PhD thesis.8 Altogether, 41 semi-structured and open-ended interviews with in-house lawyers, lawyers from law firms, and private entrepreneurs were conducted between 2020 and 2021.9 Interviewees were all anonymised according to ethical approval and data management requirements. Moreover, no interview was recorded to protect interviewees’ identities. Instead, the author took notes of the content of the interviews. Interviewees came from companies of all ownership types, including state-owned, privately held, and foreign-invested. Geographically, they are based in 11 provinces (municipalities/special administrative regions), covering most regions of China. In this article, the author directly cited seven interviewees.10 These include private entrepreneurs, lawyers practising in law firms, and in-house lawyers based in the northern, eastern, and western parts of China.

By drawing on original empirical fieldwork carried out in China, this article shows that a range of state and administrative powers is at the CCP’s disposal, enabling it to instrumentalise CSR as a means of pursuing its wider political aims. At the same time, a degree of consumer pressure for explicit CSR also exists in China. However, due to the development level of consumer markets and inadequate

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7 Thanks the editor for suggesting this point.

8 According to the consent of interviewees and the ethical approval granted by the University, the author can use the data for further research and publications beyond her thesis.

9 Specifically, 14 were in-house lawyers at SOEs, eight were inhouse lawyers at non-state companies, seven were private entrepreneurs, and the remaining 12 were lawyers from law firms.

10 The main arguments of this article are based on the author’s PhD thesis, which can be made available upon request.
information, its scale and scope are much more limited than party-driven CSR.\textsuperscript{11} On this basis, this article concludes that CSR in China has moved a long way from its origins as a voluntary tool of reputation enhancement towards becoming primarily a tool for achieving party policy and thus taking on \textit{sui generis} meaning and features in China.

The rest of this article is organised as follows. Section 2 traces the indigenisation and instrumentalisation of CSR in China, analysing the political forces behind it. Section 3 discusses how the CCP can influence Chinese companies to carry out measures of CSR, using a range of carrots and sticks, in order to further its political agendas. Section 4 presents a case study of ‘Common Prosperity’ to illustrate the CCP’s instrumentalisation of CSR in achieving its political goals. A short conclusion highlights that these developments have important implications for our understanding of different types of CSR and the specific context of corporate governance in China.

2 Indigenisation and Instrumentalisation of CSR in China

CSR is a concept which was first borrowed by China from the West in the 1990s. However, after three decades of local exploration, it has acquired indigenous meaning that is different from its original definition. Based on its political supremacy, the CCP has tactically turned CSR into a convenient instrument for policy implementation. Now, under the banner of CSR, the CCP can mobilise Chinese companies’ resources to achieve its political goals, backed by state and administrative power. This part will outline the CCP’s exploration of indigenising and instrumentalising CSR.

As a latecomer, China only began to pay attention to CSR in the 1990s (Chan 2013, p. 10). After the adoption of the reform and opening-up policy, Chinese firms gradually entered into the global economy. In the same period, the anti-sweatshop and environmental movements in the West pressured transnational companies to incorporate

\textsuperscript{11} Research has found that US firms conduct CSR activities for marketing concerns, and large investors and advocacy organisations also promote it; government factors play a smaller role. By contrast, in China, the government plays a central role in promoting CSR, with an aim to build and maintain a harmonious society. Outside investors have limited influence because of the high reliance on bank loans, weak protection of investors, and the market price’s inefficiency. See e.g., Bu, M., Rotchadl, S., & Bu, M. (2023). A comparative analysis of corporate social responsibility development in the USA and China. \textit{Critical Perspectives on International Business}, 19(1), 90–112; and Ho, V. H. (2015). Corporate social responsibility in China: Law & the business case for strategic CSR. \textit{South Carolina Journal of International Law and Business}, 12(1), 1–40.
social and environmental requirements into their global supply chains; as a result, those companies brought CSR principles into China (Wang and Juslin 2009, pp. 438–439; Lin 2020, pp. 580–581). Under pressure from international trading partners, Chinese exporting enterprises began to adopt standards, regulations, and codes of conduct concerning labour-rights protection, quality improvement, and environmental upgrading (Wang and Juslin 2009, pp. 438–439). Compliance of Chinese suppliers with trading partners’ international norms was increasingly assessed through internal and external auditing systems (Lin 2020, p. 581). It was found that foreign ownership and exports to developed countries significantly improved environmental compliance in Chinese companies (Christmann and Taylor 2001, pp. 452–453).

Initially, the attitude of the Chinese government and Chinese firms towards CSR was negative and passive (Lin 2006, pp. 331 & 356). The emphasis on CSR matters was often interpreted as protectionism on the part of developed countries and as imperialism designed to weaken the competitiveness of Chinese businesses (Lin 2020, p. 581). The absence of regulation in the CSR certification sector further reinforced Chinese exporters’ perception that CSR was nothing more than a marketing label (Lin 2020, p. 581). Finally, the fact that Chinese suppliers had no voice in formulating the rules or expectations associated with CSR further reinforced its negative image (Lin 2020, p. 581).

Besides pressure from international trading partners, international regulatory developments also had influence on Chinese CSR from the mid-2000s (Wong 2009, p. 137; Ho 2013, pp. 402–403). Chinese companies and organisations have been endorsing CSR initiatives developed by intergovernmental organisations, including the UN Global Compact, the UN Principles for Responsible Investment, and the International Finance Corporation’s Equator Principles (Ho 2013, pp. 402–403). Chinese stock exchanges began to encourage companies to adopt the Global Reporting Initiative’s reporting standards from 2006 (Ho 2013, pp. 403–404). Additionally, Chinese state agencies participated in high-level intergovernmental exchanges focused on sustainability and CSR (Ho 2013, p. 403).

However, the most important factor in CSR developments was the CCP’s endorsement (Wong 2009, p. 138). When the CCP got on board in the mid-2000s, the negative view of CSR began to fade away. This also marked the beginning of the CCP’s indigenisation and instrumentalisation of CSR. Inequality was becoming more alarming. The Gini Coefficient of China jumped from 0.3 in 1988 to 0.43 in 2007: a much more significant change than in other large developing countries, such as Brazil, where the figure decreased from 0.61 to 0.56 during the same period, and India, where the figure increased by 0.01 from 0.32 to 0.33 (Knight 2014, p. 2). Moreover, the development gap between the eastern and the western regions of China was becoming highly visible (Lam 2006, p. 50). To address the disparity caused
by rapid development, China’s president Hu Jintao proposed a policy to construct a ‘Harmonious Society’ in the early 2000s, which placed emphasis on greater equality (the previous paramount leader, Deng Xiaoping, was happy to ‘let some people get rich first’), with the commitment to pursue economic growth intact (Zhao 2012, pp. 168–169).

To achieve the top-level political goal, President Hu further proposed a related policy: the ‘Scientific Development Concept.’ It advocated putting people first and aimed to achieve ‘comprehensive, balanced, and sustainable’ development (Hu 2006). CSR formed part of the ‘Scientific Development Concept,’ the goal of which was to build a harmonious society (Wang and Juslin 2009, p. 439). That is to say, CSR was adopted as a convenient tool to tackle the potential social problems arising from unbalanced development among different regions and uneven distribution of the benefits of economic modernisation among different social groups. Ultimately, of course, this use of CSR as a tool of rebalancing and redistribution was intended to maintain and strengthen the legitimacy of the CCP. Scholars noted that, in this sense, CSR had become mandatory for all Chinese companies (Wang and Juslin 2009, p. 439).

The Chinese authorities initiated another round of CSR-driven development policies in 2006. This second round was also politically motivated, aiming to address social unrest. The CCP publicly reported that 87,000 protests had taken place in 2005 (Goldman 2012, p. 277), as compared to 74,000 in 2004, 58,000 in 2003, and about 10,000 in 1994 (French 2005). Reasons for these protests ranged from eviction and land seizures to industrial pollution, massive layoffs, and excessive fees or fines levied by local governments (Chan, Backstrom, and Mason 2014, p. 92; French 2005). In response to the popular discontent, Chinese leaders began to stress corporate moral and social responsibility, encouraging companies to adopt responsible and sustainable business strategies instead of purely focusing on short-term profits (Ho 2013, p. 399). Government bodies at all levels were instructed to strengthen CSR (Ho 2013, p. 399).

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12 Deng gradually rose to supreme power after Mao Zedong’s death in 1976 and remained as the paramount leader until his death. He led China through a series of far-reaching market-economy reforms.

13 The Scientific Development Concept means China has to change from over-reliance on a cheap labour force, funds and natural resources to well-educated workers and improvement of science and technology, a development mode that not only values quantity and speed but also high quality and energy-saving. The concept was raised by Hu when visiting Guangdong Province during the SARS crisis in 2003, when he asked people to pay attention to the harmonious development of economy and society, sustainable and all-round development. See the introduction provided by the CCP’s mouthpiece China Daily, available at https://www.chinadaily.com.cn/china/cpc2011/2010-09/08/content_12474310.htm.
To add more teeth to CSR, the CCP elevated it to national law level. As the first country to explicitly mandate CSR in company statutes (Hawes 2007, p. 820), the 2006 Company Law stipulates that:

When conducting business operations, a company shall comply with the laws and administrative regulations, social morality, and business morality. It shall act in good faith, accept the supervision of the government and general public, and bear social responsibilities.14

Scholars disagree about the legal implications of this provision. Some take it merely as a moral call, citing the lack of both specific guidance for conduct and sanctions for non-compliance (Chen 2009, p. 52). Others view it as compulsory, considering that it is a general principle of Company Law and should therefore be used to interpret all the other provisions (Liu 2007, p. 21). Yet another view argues that CSR includes both legal and ethical obligations: CSR is legally enforceable in terms of regulatory compliance, while the ethical dimension creates conditions for public-welfare motivated shareholders15 to pressure companies to fulfil CSR through existing mechanisms such as shareholders’ proposals and derivative suits (Lou 2008, pp. 38 & 42). However, the legal enforceability of this principle is not critical from the viewpoint of the CCP since it has a range of other levers to pressure Chinese firms to conduct CSR activities. These levers will be discussed in detail in the next Section.

After the amendment of Company Law, Chinese stock exchanges also issued guidelines to encourage listed companies to actively undertake social responsibilities and implement the ‘Scientific Development Concept.’ The Shenzhen Stock Exchange issued the Social Responsibility Instructions to Listed Companies16 in 2006. It encouraged companies to adopt sustainable strategies, respect business ethics, minimise environmental impacts, and help local communities; however, companies had discretion over whether to publish their CSR performance.17 The Shanghai Stock Exchange issued the Guidelines for Environmental Information Disclosure18 in 2008. It required companies to publish environment-related issues which might have significant influence on share prices, such as projects with major environmental impacts, administrative sanctions, and litigations concerning environmental issues; however, it left companies to decide whether to publish

14 Company Law 2006, art. 5.
15 It refers to non-profit shareholders, whose investment does not purely focus on profits but also looks into environmental and social influences.
16 Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies (深圳证券交易所上市公司社会责任指引), issued on and effective from 25 September 2006.
17 Ibid, art. 1, 3–5.
other environment-related information. To encourage compliance, the Shanghai Stock Exchange gave priority to companies that actively fulfilled social responsibility and disclosed CSR reports when selecting companies for the Corporate Governance Section of its index and simplified review processes for their temporary announcements.

In the opinion of this author, the 2008 Sichuan earthquake and the global financial crisis demonstrated the value of CSR in achieving policy goals to the CCP, further strengthening its determination to promote CSR. It was estimated that more than 80,000 people died and 3.9 million people lost their homes in the earthquake, for which the poor quality of buildings was an important factor (European Chamber 2008; Watts 2008; Wong 2008). To provide new houses for refugees, rebuild schools, and create one million job opportunities (for those who had lost their jobs), the Chinese government needed a one-trillion RMB ($147bn) fund (Watts 2008). The sum was equal to the entire economic output of Sichuan Province in 2007 and three times the amount Beijing spent on rebuilding the capital for hosting the Olympics (Watts 2008). Against this background, promoting CSR appeared not only a means to manage citizens’ anger about the bad housing quality but also a way to encourage corporate donations and aid, which were both aligned with the CCP’s political goals.

Although the direct impact on China of the financial crisis of 2007–2008 was much more limited than on the West, the consequent fall in global demand dragged the Chinese economy down because of China’s extremely high export dependency (Yu 2009). China’s GDP growth rate fell from the 2007 figure of 13 percent to 9 percent and 6.8 percent in the third and fourth quarters of 2008 respectively; in the first quarter of 2009, the growth rate fell further to 6.1 percent (Yu 2009). To stabilise the Chinese economy and society, President Hu advocated that ‘Nations should strengthen guidance and supervision and create a conducive environment for firms to voluntarily fulfil their social responsibilities by establishing and improving the legal framework’ (Hu 2008). In 2009, China’s prime minister, Wen Jiabao, publicly expressed that the lack of morality was a deeply rooted reason for the financial crisis and called on companies to perform CSR (Wen 2009).

19 Ibid, art. 2–4.
20 The Shanghai Stock Exchange Corporate Governance Index is an index compiled from stocks in the Shanghai Stock Exchange Corporate Governance sector as sample stocks. The purpose of launching the Corporate Governance Index is to encourage and promote listed companies to further improve corporate governance and enhance the overall quality of listed companies.
Although Chinese manufacturers were big players in global value chains, their influence on Chinese CSR was limited. CSR reports of multinational companies such as Apple and Chinese contractors such as Foxconn might look good, but independent organisations revealed that working conditions were still poor (Clarke and Boersma 2017, p. 122). One reason was that auditing and investigations were not independently conducted. Contractors were generally informed before inspections, and factory ‘owners’ often were prepared by training and coaching to trigger favourable responses from employees (Tan 2009, p. 184). Independent organisations reported that workers still faced problems such as working overtime, inadequate pay, and lack of health and safety measures (Clarke and Boersma 2017, p. 123).

There were at least two reasons why global value chains brought little change to Chinese CSR. First, social forces were weak in China. Apple products did not lose popularity among Chinese customers because of the labour problems in its contractors (Clarke and Boersma 2017, p. 125). Second, Chinese regulation on labour protection was inadequate because the Chinese government prioritised attracting foreign direct investment (Clarke and Boersma 2017, p. 124). This also resulted in transnational companies failing to uphold the social responsibility standards of their home countries in China (Tan 2009, pp. 185–186; Salazar, Wang, Rauniar, and Wang 2018, p. 10).

Under President Xi Jinping’s administration, the CCP has continued and strengthened the connection between party policy and CSR. President Xi proposed several high-profile policies, such as ‘Poverty Alleviation,’ ‘Rural Revitalisation,’ and ‘Common Prosperity,’ with CSR often being used to facilitate them. The ‘Hu-Wen administration’ was far from completing the job of narrowing the gap between the rich and the poor: the Gini coefficient of China increased to 0.73 in 2012, with the top one percent of households possessing more than one-third of the national net wealth, and the bottom 25 percent only holding one percent of total national wealth (Xie and Jin 2015, p. 209). By the end of 2012, almost 99 million Chinese remained in poverty, with an annual income lower than 2300 RMB (645.89 PPP USD). For reference, the global poverty line was 1.90 USD per day (6.77 PPP RMB) and 693.50 USD (2469.55 PPP RMB) per year. In 2012, Xi initiated the ambitious

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22 In 2012, the bottom half of the global population possessed barely 1% of total wealth, the richest 10% owned 86% of the world’s wealth, and with the top 1% alone accounting for 46% of global assets. See ‘Global Wealth Report 2012’, available at https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html.

23 This was the official poverty line defined by the Chinese government. Besides the income, these individuals might have agricultural produce or livestock to help with basic needs. T. Li, ‘How did China achieve this miracle? (这项奇迹，中国是怎么做到的?)’, Xinhua Net, 25th February 2021, http://www.xinhuanet.com/fortunepro/2021-02/25/c_1127137706.htm. Purchasing Power Parity (PPP)
goal of increasing this group’s income by 2020, which was officially called ‘Poverty Alleviation.’ As part of this campaign, the ‘10,000 Enterprises Assisting 10,000 Villages’ program was introduced in 2015 to promote targeted poverty alleviation. In 2016, Charity Law was adopted to encourage corporations to participate in poverty alleviation-related charitable activities. Meanwhile, the two regulated exchanges issued notices to require listed firms to disclose their contributions to poverty alleviation, such as investment plans, poverty alleviation strategies, and outcomes.24 According to the state media’s report, by the end of 2020, 127,000 private firms had participated in the ‘10,000 Enterprises Assisting 10,000 Villages’ program, with more than 110 billion RMB (about 16 billion USD) of investment and almost 17 billion RMB (about 2.4 billion USD) of donations (Xinhua Net 2021a). For reference, the private economy generated a total of 92 trillion RMB (13.3 trillion USD) tax revenues in 2020; that is, the investment amounted more than 0.1 percent of the annual tax revenues, and the donations amounted almost 0.02 percent of the annual tax revenues.25

Private companies have been mobilised to contribute to this campaign under the name of CSR. Gao Yunlong, vice chairman of the Chinese People’s Political Consultative Conference and chairman of the All-China Federation of Industry and Commerce, clearly pointed out the connection between party policy and CSR, by stating:

The “10,000 Enterprises Assisting 10,000 Villages” program is a patriotic action with far-reaching political significance. It has helped a large number of impoverished people get rid of poverty, united a group of private entrepreneurs who listen to the party and follow the party's lead … showed the party, the government, and the local people a positive image of private enterprises actively fulfilling their social responsibilities and helping the poor get rich and created a climate of opinion conducive to the healthy development of the private economy (our translation) (Xinhua Net 2021a).

between USD and RMB in 2012 is estimated according to the OECD (2023)’s purchasing power parities indicator.


25 The report did not provide the figure directly; the author calculated this out according to data available in the report. W. Wang, ‘Tax rate of private enterprises’ sales income dropped by nearly 10 percent year-on-year in last year: tax benefits help private enterprises develop (去年民营企业销售收入税负率同比下降近一成 —— 税费优惠助力民企发展)’, 13th October 2021, http://www.gov.cn/xinwen/2021-10/13/content_5642197.htm.
A more recent example of using CSR to advance party policies is the ‘Common Prosperity’ campaign. The policy aim is similar to ‘Poverty Alleviation’: to continuously develop the economy and pursue equality in a sustainable way. In August 2021, President Xi emphasised that ‘common prosperity is the essential requirement of socialism and an important feature of modernisation with Chinese characteristics’ (Xinhua Net 2021c). Researchers and analysts hold diverging views on the ‘Common Prosperity’ campaign. Some see it as the CCP’s new effort to solve the rising inequality in Chinese society and enhance its own popularity (Hass 2021; Roberts 2021). Others suggest that ‘Common Prosperity’ aims to tackle the socio-economic problems arising in China because of rapid development (Chang 2021; MERICS 2021). Despite this disagreement among analysts and researchers, what is certain is that under the political pressure of the CCP, private companies – especially tech giants – actively took part in the ‘Common Prosperity’ campaign by initiating investment, making donations, providing services, etc. in the name of giving something back to the society that nurtured them. Readers may wonder why Chinese companies actively respond to the CCP’s calls and contribute to CSR: the next Section will respond to this question.

3 CSR with Chinese Characteristics

As argued above, CSR may have first been brought to China by multinationals and foreign partners, but its meaning has gradually shifted in line with local conditions and as a result of its instrumentalisation by the CCP for policy implementation. CSR became stronger once the CCP started demanding it. Clearly, the CCP can be very effective in pressuring Chinese companies to undertake particular CSR activities, ultimately furthering its political aims.

3.1 Forces Behind CSR in China

CSR in China is quite unique. The main driving force is not social forces or legislative design, but political agendas, and its ultimate aim is achieving political goals. CSR is a key tool used by the CCP to cope with its governance challenges and achieve its political aims. As the supreme authority of China, the CCP can exert state and administrative powers to press companies to contribute to its policy goals in the name of CSR. Thus, CSR in China can be much tougher than in Western countries.
3.1.1 Background to the Chinese Political System

To better illustrate how the CCP leverages state and administrative power to advance CSR in China, the political system of China needs to be introduced (see Figure 1).

The CCP controls the state’s institutions. First, the CCP’s leader (the general secretary) concurrently acts as the president of the Chinese state. Both the elections of the CCP general secretary and the president of the Chinese state (the former takes place before the latter) are internal matters of the CCP. The result only becomes available to Chinese citizens when the CCP discloses it. Since the third-generation leader, Jiang Zemin, the general secretary of the CCP has always been the president of China. Second, the National People’s Congress (NPC), the highest authority of the Chinese state, is under the CCP’s control. Members of the Standing Committee of the NPC, which actually exerts the NPC’s power, are chosen by the CCP. The legislative power of the NPC is also controlled by the CCP. Proposals to draft new legislation or amend existing laws are generally made by the Politburo Standing Committee of the CCP (PSC), and drafts and amendments have to be approved by the PSC first. The NPC is often used by the CCP as an instrument to implement its policies and legitimise its control over the government. Third, the Chinese army has been under the control of the CCP since the founding of the People’s Republic of China, and it was later institutionalised by the Constitution and National Defence Law.

The CCP controls the central and local governments through party cadres assigned at all levels of governments. Firstly, the CCP has cells established in parallel with the administrative system. There is a party cell residing in every government branch, and it is the party cell that generally leads the government branch’s work. Secondly, the CCP appoints all government officials. Almost all government officials are party members, and it is mostly, if not always, a party member who acts as the head of government branches. The CCP has, through the Central Discipline and Inspection Committee and its local branches, a generally very effective system to control its members. This is a disciplinary system independent from the judicial system and unrestricted by national laws. They apply intra-party rules and standards when investigating and punishing party members. Extra-legal measures, such as shuanggui (solitary confinement of suspects for a prolonged duration), search and seizure, and

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freezing and confiscation of assets, are at their disposal, which make it extremely powerful and efficient (L. Li 2016, p. 468; Li 2020, p. 208; Sapio 2008, p. 21; Tian 2021, pp. 600–607). Thus, the CCP maintains effective control over the government through party cadres at all levels.

Overall, it is fair to say that the CCP is the supreme authority in China and has influence in every aspect of Chinese society (Li 2022, ch. 7). The CCP forms the government and represents the state. It is always and only the CCP that rules the country; the government or the state is just another instrument of the CCP (Dickson 2022). When looking at the relationship between the party-state-government and society, the boundary between the CCP, the state, and the government is narrow to the point of being almost non-existent (Zheng 2010, p. 123). Thus, interests of the CCP, the state, and the government are largely overlapping.

### 3.1.2 Integration of CSR into Chinese Law and Administration

Based on its control over the Chinese state and the Chinese government, the CCP can give CSR teeth. There are three main ways in which CSR is promoted. The first is directly by adding CSR requirements to laws and administrative regulations or indirectly by tightening regulation (Long and Yang 2016, p. 2). Next, the CCP can use fiscal and other economic incentives as carrots to encourage companies to engage in CSR initiatives (Ho 2013, p. 414). Thirdly, administrative sanctions and denying access to key resources can act as sticks to persuade companies to conduct CSR activities (Ho 2013, p. 412). Other jurisdictions may adopt similar measures.

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27 These extra-legal measures are used by the CCP’s intra-party disciplinary system, which is independent from the state judicial system. The CCP investigates and sanctions its members on its own initiative through its intra-party disciplinary system. It does not need approval or receive supervision from the state judicial system. After the intra-party procedures of investigation and punishment, the case will be transferred to the state judicial system.
instruments, but the existence of the CCP makes the Chinese system different. The rule of law is not fully developed in China, leaving the legislative, judicial, and administrative powers under the influence of the CCP. Companies in the West operate in a socio-economic environment protected by the rule of law. This implies that constraints on companies are submitted to due process. In contrast, Chinese companies often find it difficult to ignore or reject the CCP’s calls without incurring adverse impacts on their business, and they may not have autonomy in deciding the content of their CSR strategies when the CCP has a specific requirement for them.

### 3.1.2.1 Formulation of Laws and Regulations

Firstly, the CCP can promote its policy under the rubric of CSR by indirectly enacting laws and regulations. Besides Company Law and Charity Law mentioned above, there are many more regulations at lower levels. Various ministries and commissions have passed regulations promoting CSR. For example, the China Banking Regulatory Commission issued the *Opinions on Strengthening the Social Responsibility of Banking Institutions* in 2007 and the *Guidelines on the Corporate Social Responsibility of Banking Institutions of China* in 2009: the latter has some teeth by requiring submission of CSR reports to the China Banking Regulatory Commission. Specifically, it requires banking institutions to take responsibility for the education of consumers, establish credit systems, support the economic development of communities, participate in public welfare activities, protect and improve the environment, and so forth. The

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29 Guidelines on the Corporate Social Responsibility of Banking Institutions of China (中国银行业金融机构企业社会责任指引), issued on and effective from 12 January 2009.


31 Art. 11–12, 14–21, and 25 of Guidelines on the Corporate Social Responsibility of Banking Institutions of China. The EU’s Non-Financial Reporting Directive requires banking and insurance companies to disclose their business model, policies (including due diligence processes), outcomes, principal risks and risk management, and Key Performance Indicators relevant to the particular business, in four areas: environment, social and employee matters, respect for human rights, and anti-corruption and bribery.
The Ministry of Commerce and the State Environmental Protection Administration jointly issued the *Notice on Strengthening the Environmental Monitoring over Export Enterprises* in 2007, which authorises local commerce departments to suspend export business applications of companies that violate environmental protection-related regulations. Also, the China Insurance Regulatory Commission issued its *Guiding Opinions on the Fulfilment of Social Responsibilities* in 2015, which mandates CSR report disclosure and requires insurance companies to integrate business strategies with major state strategies, participate in the joint construction and sharing of public services, and adopt green development policies, etc.

In addition to writing CSR into laws and regulations, the CCP can also indirectly pressure companies to follow its policies under the tag of CSR by instructing the administration to tighten industry regulation. All businesses are subject to regulation, although its extent differs between sectors. The ultimate effect of strengthening regulation is to increase the CCP’s influence over companies. Therefore, increasing regulatory restrictions, or threatening to do so, can exert a powerful influence on corporate decisions regarding CSR-related issues. Alternatively, the CCP can also relax restrictions as ‘carrots’ to incentivise companies to participate in CSR and ultimately contribute to party policy. Empirical research has found that the pressure to engage in CSR activities is greater for companies in regulated industries (Long and Yang 2016, p. 2). In other words, companies that are subject to more administrative supervision are under greater pressure to conduct CSR activities. Therefore, tightening regulation is an indirect but effective way of promoting CSR.

### 3.1.2.2 Fiscal and Other Economic Incentives to Engage in CSR

Previous research has noticed that Chinese governments have been the main force promoting CSR in China, but it has not specified the mechanisms (Li and Appiah-Konadu 2021, pp. 153–155). This author argues that administrative power, such as approval, inspection, sanction, and subsidy allocation, is an efficient tool to promote party policies in the name of CSR. Generally, ministries and commissions at the central

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32 Notice of the Ministry of Commerce and the State Environmental Protection Administration on Strengthening the Environmental Monitoring over Export Enterprises (商务部、环保总局关于加强出口企业环境监管的通知), issued on and effective from 8 October 2007.
33 The EU is also foreshadowing introducing similar regulation.
35 The EU has similar regulations, such as the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Text with EEA relevance).
level focus more on macro-CSR design, though they may also engage in micro-level implementation of CSR policies, such as dealing with major state-owned enterprises (SOEs) or large private companies. Normally, there is much more interaction between the administration and companies at the local level.

The CCP views CSR as a useful tactical tool to achieve its political aims, so the central government supports and motivates local governments to promote CSR (Ho 2013, p. 419). Local cadres are also personally motivated to advocate CSR since sustainable development has become an increasingly important criterion of their evaluation; it means CSR development can be counted as a political achievement that may advance cadres’ careers (Ho 2013, p. 419). Besides, CSR programs can also help local governments to compete for high-tech or high-value-added investments (Ho 2013, p. 420), which can contribute significantly to local economies and thus provide further incentives for local cadres. On the other hand, if social unrest occurs in their jurisdictions, the upper-level authority will assume that it results from governance failure of local cadres, adding another layer of pressure to push for CSR (Chan and Gao 2008, pp. 7–8). Thus, we have witnessed some local governments, such as Hangzhou and Ningbo in Zhejiang province, formulating CSR policies to tackle local labour unrest and environmental issues (Ho 2013, p. 420).

Specifically, the way the CCP influences Chinese companies to conduct CSR activities through administrative power can be divided into carrots and sticks. Carrots include exemptions from inspection, accelerated approval processes, and easier access to important business resources. It is worth highlighting that these benefits, political connections, and CSR contributions are mutually reinforcing. Political connections give companies a better chance to obtain government-controlled resources, such as access to funding (loans, bonds, and equity), subsidies, government procurement contracts, and so forth (Feng, Johansson, and Zhang 2015; Ge et al. 2020; Tsai 2015; Wang 2015).36 As a way to pay back, companies are often required to contribute to CSR.37 Meanwhile, contributing to CSR is a good way to build political connections and reinforces pre-existing political connections (Lin et al. 2015, p. 329),38 which may ultimately bring benefits. Thus, our interviewees reported that companies

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37 Interviewee 5, Private entrepreneur, Tianjin, December 2020; Interviewee 6, Private entrepreneur, Zhejiang (Ningbo), December 2020.
with political connections have easier access to government-controlled resources and contribute more to CSR.\(^{39}\)

Some local governments grant regulatory waivers to companies that have kept a good record of compliance, exempting them from standard inspections and reporting obligations for a period of time (Ho 2013, p. 412). Cooperating with inspections incurs costs and may influence normal business operation, so enforcement waivers can act as an incentive for companies to conduct CSR activities.

Expedited issuing of permits is another benefit governments can use to motivate firms to adopt CSR policies (Ho 2013, p. 414). Although Chinese governments have attempted in recent years to regulate administrative power and facilitate the approval process by streamlining and publishing lists of the items that require administrative permits, the list is still very long. Take Chongqing Municipality as an example: 816 activities were subject to administrative permits at the time this article was written (May 2022), covering a wide range of matters, such as permission for construction, pollution discharge, technology imports and exports, pre-sale of commercial properties, fire protection, and pig slaughtering.\(^{40}\) Hence, a lot of businesses activities are subject to administrative clearance.

Moreover, the administration has discretion to decide whether and when to grant approval, which can be critical to businesses (Harding 2014, p. 145).\(^{41}\) The expedited issuance of permits can help firms improve financial efficiency and expand. For example, real estate developers need approval for pre-sale, allowing them to bring in cash from buyers and bid for new projects. Additionally, the Chinese authorities keep some business in a selected few (often politically connected) people’s hands by highly restricting market access, and this often results in oligopolies and huge profits (Lu 2017). Certain licences, such as the third-party payment licence,\(^ {42}\) are hard to obtain and issued to few. They can therefore bring huge competitive advantages to companies that hold them. WeChat Pay and Ali Pay were among the first to obtain such licences and have dominated the market ever since.\(^ {43}\) Thus, administrative approval is an effective means to influence Chinese companies’ participation in CSR activities.

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\(^{39}\) Interviewee 1, Lawyer, Chongqing, October 2020; Interviewee 3, Lawyer, Chongqing, November 2020; Interviewee 5, Private entrepreneur, Tianjin, December 2020; Interviewee 6, Private entrepreneur, Zhejiang (Ningbo), December 2020.

\(^{40}\) The list of administrative licensing items for Chongqing Municipality is available at http://www.cq.gov.cn/zwgk/zfxxgkml/gkmlqzqd/qzqd/.

\(^{41}\) Interviewee 3, Lawyer, Chongqing, November 2020.

\(^{42}\) Mobile payment and digital wallet services in China need to obtain such licences. Third-party payment operators allow users to make mobile payments and online transactions.

\(^{43}\) Ali Pay, operated by Ant Group, dominates China’s mobile payment market with a 56 percent share. See L. He, ‘China’s ‘unprecedented’ crackdown stunned private enterprise. One year on, it may
The Chinese government plays a very important role in resource allocation at national, provincial, and local levels. This enables it to make access to fiscal resources, including funding, government subsidies, tax benefits, as well as preferences in public procurement, conditional on an adequate level of CSR activity (Ho 2013, p. 414). Firstly, the CCP controls access to credit. Bank credit is the main source of external funding for Chinese business, making up approximately 59 percent of total funding (Bunny 2020). China’s banking industry is dominated by state-owned banks, which invariably follow local party authorities’ instructions to issue loans (Liu et al. 2018). The private sector contributes 60 percent of GDP (Shen and Li 2021), but SOEs receive over 85 percent of loans issued by state-owned commercial banks (Tsai 2015, p. 66). Hence, private companies face enormous challenges in accessing funding (Tsai 2015, p. 66). It is difficult for private companies to obtain credit unless they have collateral. However, collateral alone does not guarantee the bank’s approval, since banks often have loan quotas (Bowman, Hack, and Waring 2018, p. 3). In this context, endorsement from a local government can not only help secure a loan, it also makes the process smoother and may result in a lower interest rate (Long and Yang 2016, p. 2; Feng, Johansson, and Zhang 2015, p. 233). Scholars have revealed that Chinese companies can facilitate access to loans and lower the cost of debt capital through building political connections with the authorities by contributing to CSR (Su and He 2010, pp. 82–83; Yeh et al. 2020, p. 3).

Subsidies and tax expenditures work in a similar way. Politically connected companies often have a better chance to obtain these benefits (Feng, Johansson, and Zhang 2015, p. 221; Wang 2015, p. 102). Scholars found that private firms with politically connected directors on the board received around 16 percent higher subsidies over sales: that was 7.2 million RMB on average (Alonso, Palma, and Simon...

44 Interviewee 1, Lawyer, Chongqing, October 2020.
45 Interviewee 1, Lawyer, Chongqing, October 2020. Information regarding most loan quotas is not transparent, except for policy loans that are used to stimulate the economy (often targeted at specific sectors). Otherwise, it is mostly communicated confidentially between the Central Bank and commercial banks (state-owned dominated).
46 Interviewee 6, Private entrepreneur, Zhejiang (Ningbo), December 2020.
Yarza 2022, p. 1). By 2017, the anti-corruption campaign had not cured the problem, as companies with political connections received even more subsidies (Alonso, Palma, and Simon-Yarza 2022, p. 1). To reciprocate these advantages, politically connected companies may be asked to conduct CSR activities. On the other hand, companies that wish to obtain subsidies or tax expenditures may voluntarily contribute to CSR to show their goodwill to the authorities.

More interestingly, tax bureaus have considerable discretion in tax collection and inspection; that is, tax leniency. To put it simply, they can be lenient by turning a blind eye to taxable earnings management (a practice of using accounting techniques to influence earnings reported in tax statements) (Feng, Johansson, and Zhang 2015, p. 228; Wu et al. 2012, pp. 297–298). Empirical research has found that firms with better CSR performance (more CSR activities or higher CSR ratings) are subject to lower effective tax rates (Mao 2019, p. 61; Gulzar et al. 2018, p. 2). This is more pronounced in regions with weak institutions and low ‘marketisation’ (Lin, Cheng, and Zhang 2017, p. 305). In addition, researchers have also revealed that companies with higher CSR ratings are more likely to evade tax (Mao 2019, p. 64). Meanwhile, politically connected firms generally have better CSR performance (Zhang et al. 2022, pp. 6–7; Xu and Liu 2020, p. 685). Taking all the evidence together, we might argue that politically connected companies conduct more CSR activities but are subject to lower tax rates; this would imply that political connections, CSR performance, and tax leniency appear to be mutually reinforcing.

Public procurement can also help promote CSR. Ministries have passed two Notices to help prison enterprises and disabled-welfare enterprises secure contracts in public procurement bids. Accordingly, when evaluating bids, a discount rate will be applied to these enterprises’ quotes (this is a huge advantage because contracts are

48 Interviewee 5, Private entrepreneur, Tianjin, December 2020; Interviewee 6, Private entrepreneur, Zhejiang (Ningbo), December 2020.

49 The authors used the National Economic Research Institute index to measure quality of regional institutions, which investigated the existence of market intermediaries and professionalism in a local population, the level of economic development across regions, the extent of government interference and monitoring in local economies, the maturity of debt and commodity markets, the efficiency and effectiveness of regulatory oversight and legal enforcement, and the adequacy of intellectual property and consumer rights protection.

50 Notice of the Ministry of Finance, the Ministry of Civil Affairs, and the China Disabled Persons’ Federation on Government Procurement Policies to Promote Employment of Disabled Persons (财政部、民政部、中国残疾人联合会关于促进残疾人就业政府采购政策的通知), issued on 22 August 2017 and effective from 1 October 2017; Notice of the Ministry of Finance and the Ministry of Justice on Issues Concerning Government Procurement to Support the Development of Prison Enterprises (财政部、司法部关于政府采购支持监狱企业发展有关问题的通知), issued on and effective from 10 June 2014.

51 The EU also uses public procurement to promote CSR, see e.g., Directive 2014/24/EU on public procurement, Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors, and Directives 2014/23/EU on the award of concession contracts.
often selected according to the lowest bid price); that is, they will compete with other bidders on the basis of the discounted quotes, but the actual transaction price will not be impacted.\(^{52}\) This procurement procedure has been implemented in practice: many tender notices on central and local governments’ websites for public procurement have included this term. Besides benefits granted based on enterprise types, there are also benefits based on product types. For example, environmentally friendly products will be awarded extra-scores during the bid review process.\(^{53}\)

### 3.1.2.3 Sanction as a Threat to Promote CSR

The CCP can also use ‘sticks’ to promote CSR, which mainly include administrative sanctions and restricted access to government-controlled resources. Although the ‘carrots’ discussed above can act as incentives to promote CSR, another incentive may come from fear of sanction. Politically connected companies often have a better chance of obtaining ‘carrot’ benefits, so they may only be available to a limited number of companies. By contrast, sanction is a weapon applicable to every firm. Fiscal and other economic incentives may not help companies succeed, but sanctions can definitely hurt. Thus, both sanction and fear of sanction are effective tools for the CCP to promote its policies through CSR.

The main reason why administrative sanctions can act as a tool for CSR is that non-compliance is quite pervasive in China,\(^ {54}\) but law enforcement can be selective and flexible (Castelucci 2007, p. 59; Peerenboom 2002, p. 482). Companies may escape punishment or get a lighter sanction if they maintain a good relationship with the relevant administration (Fisman and Wang 2015, p. 1376).\(^ {55}\) By contrast, according to an interviewee, if a firm refuses to engage in CSR activities when approached by the authorities, the relevant administration might selectively sanction it.\(^ {56}\) Sanctions may not only result in direct financial burdens by fining or requesting ratification (during which, business will be suspended) but also damage the company’s reputation and negatively impact on future business. In extreme cases, supervisory

\(^{52}\) Notice of the Ministry of Finance, the Ministry of Civil Affairs, and the China Disabled Persons’ Federation on Government Procurement Policies to Promote Employment of Disabled Persons (财政部、民政部、中国残疾人联合会关于促进残疾人就业政府采购政策的通知), issued on 22 August 2017 and effective from 1 October 2017; Notice of the Ministry of Finance and the Ministry of Justice on Issues Concerning Government Procurement to Support the Development of Prison Enterprises (财政部、司法部关于政府采购支持监狱企业发展有关问题的通知), issued on and effective from 10 June 2014.

\(^{53}\) The author found this term included in public procurement bids, see http://www.ccgp.gov.cn/.

\(^{54}\) Interviewee 1, Lawyer, Chongqing, October 2020; Interviewee 3, Lawyer, Chongqing, November 2020; Interviewee 5, Private entrepreneur, Tianjin, December 2020; Interviewee 6, Private entrepreneur, Zhejiang (Ningbo), December 2020.

\(^ {55}\) Interviewee 3, Lawyer, Chongqing, November 2020.

\(^ {56}\) Interviewee 3, Lawyer, Chongqing, November 2020.
agencies can even revoke licences and force firms to close their business permanently. Therefore, administrative sanctions can act as a powerful tool to pressure Chinese companies into conducting CSR activities.

A case from the tax administration may illustrate the situation. It has become an unwritten rule for Chinese companies to use fake VAT invoices to lower tax burden (Li et al. 2021 p. 773). Since tax law implementation can be selective and flexible in China, adventurous businessmen may use their political connections to dodge punishment (Tang 2023; Cao et al. 2021). Even if companies do get caught, they may escape punishment or get a more lenient punishment through their political connections (Fisman and Wang 2015, p. 1376). In fact, when some companies have ongoing bad records of compliance, this situation puts them in a disadvantageous position to resist the party-state-government’s requests.

There is empirical evidence suggesting the effects of misconduct on CSR. One research found that firms used philanthropy to ‘greenwash’ their environmental misconduct, since those that adopted poor environmental practice had a significantly higher level of philanthropy (Du 2015, p. 357). Considering that it is often governments that organise philanthropic campaigns, corporate philanthropy may then be interpreted as the transactional payment for escaping administrative punishment.

Additionally, regulatory uncertainty and risks also create pressure on companies to conduct CSR activities. Scholars found that private companies took CSR as a means to strengthen their legitimacy and obtain protection from governments (Su and He 2010, p. 87). For example, the legal status of variable interest entity (VIE) structure is ambiguous in China. These entities may be used by Chinese companies to circumvent regulations on foreign investment in prohibited/restricted industries. As a countermeasure, VIE companies shoulder more social responsibility compared to their non-VIE counterparts, with a view to showing goodwill to governments and gaining protection (Hopkins, Lang, and Zhao 2018, p. 7). Specifically, they maintain a higher level of employment for social stability and are more likely to donate to natural-disaster relief, and their donations are larger (Hopkins, Lang, and Zhao 2018, p. 7).

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57 Interviewee 1, Lawyer, Chongqing, October 2020; Interviewee 3, Lawyer, Chongqing, November 2020.
59 Interviewee 5, Private entrepreneur, Tianjin, December 2020.
60 Chinese entrepreneurs use the VIE structure to circumvent regulations on foreign investment in prohibited/restricted industries. Specifically, the VIE is a Chinese company and conducts business in China. Foreign investors do not have shareholdings in the VIE but in the overseas listed company, which transfers funds to the VIE’s shareholders in China in the form of loans, and obtain profits of the VIE through a series of contracts. See, e.g., Hu, G., Lin, J., Wong, O., & Yu, M. (2019). Why have many U.S.-listed Chinese firms announced delisting recently? Global Finance Journal, 41, 13–31.
Direct penalties are not the only leverage in this context. Some local governments deny violators access to preferential benefits or subsidies (Ho 2013, p. 412). The party-state-government controls access to resources, such as funding, tax expenditures, subsidies, and business opportunities. However, all this can work in reverse. The party-state-government can use preferential access to these resources to incentivise companies to adopt CSR policies, closing the door to uncooperative companies as a punitive ‘stick.’

3.2 CSR as a Means of Currying Favour with the Authorities

We have discussed how the party-state-government can influence Chinese companies to conduct CSR activities. However, this is not the whole picture of Chinese CSR. Chinese companies also proactively use CSR as a means to build political connections with the authorities, so CSR in China is a result of efforts by both the authorities and companies. On the one hand, the CCP promotes CSR to maintain social stability and then consolidate its legitimacy. It also helps governments to fulfil governance goals in practical ways. For example, local governments have the responsibility to provide public services to citizens but sometimes face the problem of budget limits. They can pressure local companies to contribute to infrastructure, healthcare, education, etc. in the name of CSR (Sun, Zhu, and Wu 2014, p. 11).

On the other hand, Chinese companies adopt CSR as a way to gain favour with the authorities to help their businesses succeed. This is not only because governments play a decisive role in resource allocation in China, and administrative supervision and sanction can swing businesses’ fate, but also because charity campaigns, an important part of Chinese CSR, are largely led and organised by governments. For example, the Red Cross Society of China, the largest charity and social relief organisation in China, is headed by officials appointed by the government and directly under the leadership of government agencies (Long and Yang 2016, p. 2). Therefore, Chinese firms take participation in CSR such as disaster relief and poverty reduction as a means to cultivate reciprocal relationships with governments (Long and Yang 2016, p. 2).

Overall, to stand out from the competition and to survive regulatory uncertainty and risks, firms tend to build and maintain good relations with the authorities. Actively participating in CSR programs is one way to achieve this (Xu and Liu 2020, p. 685; Liu and Lee 2019, p. 633; Long and Yang 2016, p. 4; Lin et al. 2015, p. 343).62

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61 The Red Cross Society of China is a member of the International Committee of the Red Cross, but it operates independently from the International Red Cross.

62 Interviewee 5, Private entrepreneur, Tianjin, December 2020; Interviewee 6, Private entrepreneur, Zhejiang (Ningbo), December 2020.
One study found that government-related CSR activities, that is, cash or in-kind contributions to the government or its agencies, have a positive impact on companies’ financial performance, but such impact does not exist for other types of charitable contributions, such as natural disaster relief and community projects (Xun 2013, pp. 479–480). This evidence supports the notion that the development of Chinese CSR results from efforts made by both the party-state-government and Chinese companies.

There are two more features of Chinese CSR worth highlighting. First, SOEs have natural connections with governments and better access to resources, so non-state-owned enterprises are more likely to use CSR contributions to show goodwill to and build connections with governments (Xu and Liu 2020, p. 689; Lin et al. 2015, p. 329). Second, companies located in regions with lower development levels and weaker institutions are more likely to use CSR activities to establish good relations with the authorities (Zhang et al. 2022, p. 16; Xu and Liu 2020, p. 689; Long and Yang 2016, p. 2). In less economically and legally developed areas, social trust is low and corruption is high, making local governments’ endorsement and protection more significant (Li and Ma 2015, p. 363; Cai et al. 2011, p. 77).

More interestingly, scholars have demonstrated empirically that politically connected firms – including SOEs – conduct more CSR activities than their non-connected counterparts (Zhang et al. 2022, p. 16; Xu and Liu 2020, p. 685; Long and Yang 2016, p. 2), and the stronger the political connection is, the more efforts companies make to conduct CSR activities (Yi and Xu 2014, p. 11). Indeed, it can be argued that, rather than being a source of political connections, CSR is actually driven by existing relationships. Perhaps more plausibly, this could be a self-reinforcing process: To build and maintain political connections, firms may engage in CSR activities. Once a relationship has been established, firms will be under greater pressure to continue those activities since the authorities normally approach firms that already have connections first.63 Through fear of losing their hard-won connections, such firms are likely to invest more in CSR. Ultimately, this results in politically connected companies engaging in more CSR activities.

3.3 Summary

There are at least three types of CSR in China, based on content. The CCP’s specific policy aims, its political leverage, and the feasibility to issue specific directions vary on a case-by-case basis. This results in differences in how specific the CCP’s

63 Interviewee 5, Private entrepreneur, Tianjin, December 2020; Interviewee 6, Private entrepreneur, Zhejiang (Ningbo), December 2020.
requirements are and how much discretion is left to companies. The first and most straightforward type of CSR is philanthropy. The relevant authorities will approach private companies and entrepreneurs and ‘invite’ them to donate to charity initiatives, such as poverty alleviation, disaster relief, infrastructure construction, education, sports, etc.; it is very difficult for companies to turn down such invitations because they want to maintain good relations with the authorities to smooth ongoing business.\textsuperscript{64} As to which state departments would reach out to companies and where money goes to, it varies according to specific projects. Given that the authorities quasi-compulsorily require the donations and decide their purposes and that companies are basically giving money away without predictable benefits, this is essentially a type of indirect taxation. As a matter of fact, a large portion of donations come from the private sector rather than the state sector. In China, companies are the primary ‘voluntary’ donors, contributing 61.7 percent of all donations in 2019 (She and Jiao 2021, p. 49), and private companies donate more than SOEs (People.cn 2021b). However, the overall donation level is much lower than that in the US. Data suggests that private firms in China donated less than 0.5 percent of their total profits, whereas US companies donated one to two percent of pre-tax profits (Long and Yang 2016, p. 1).

The second type of CSR is connected to the CCP’s specific policy aims, and companies are required to carry out specific projects. The relevant authorities (which, again, vary depending on the specific project) give companies instructions on what they should achieve and leave them limited discretion. Companies have to bear the financial burdens of achieving these political aims, which also amount to an informal tax. CSR has been employed as a policy tool to encourage firms’ contributions to economic, social, and environmental agendas (Yan 2020, p. 293). Chinese businesses have been sharing increasing responsibility in implementing public policies (Tan-Mullins and Hofman 2014, p. 5). For example, companies are often required by Chinese governments to create job opportunities and alleviate the unemployment problem (Xu and Yang 2010, p. 330). Moreover, real estate companies may undertake projects in response to the local government’s call for urbanisation (Sun et al. 2014, p. 11) or acquire bankrupt developers’ unpromising half-finished projects to prevent social unrest.\textsuperscript{65}

\textsuperscript{64} Interviewee 5, Private entrepreneur, Tianjin, December 2020; Interviewee 6, Private entrepreneur, Zhejiang (Ningbo), December 2020.

\textsuperscript{65} Interviewee 7, Non-state company in-house lawyer, Chongqing, December 2020. Public-private partnership may also exist in the West when promoting government policy or solving systemic crises. Thanks the editor and the anonymous reviewer 2 for suggesting this point.
In the third type, demands for CSR also aim to further political aims, but companies enjoy more discretion in deciding the content of their CSR initiatives. It might be that the policy goal is broad, or the authorities find it hard to specify what CSR activities companies should carry out. In this case, companies can align their CSR activities with commercial interests, creating an interesting parallel with the enlightened self-interest at the heart of most Western accounts of the legitimate scope of explicit CSR. This type of CSR can bring genuine contributions to certain groups or even social welfare, in contrast with the ‘marketing-first’ approach to CSR under shareholder primacy in the Western world, which might not generate solid public good. Chinese tech companies’ support for ‘Common Prosperity’ is an example of this type of CSR and will be analysed later.

SOEs have an important role in CSR, but their relationship with the party-state-government is different from that of private companies. SOEs are virtually an extension of the party-state-government. All SOEs host party cells, and their leaders reshuffle among party institutions, governments, and SOEs. SOEs have a long history of taking social responsibility. Before the economic reforms that began in the 1980s, SOEs were like a community, providing cradle-to-grave welfare for employees and their dependents, including accommodation, healthcare, education, pension, etc. (Lin 2010, pp. 86–87).

The Chinese authorities have made great efforts to remove social-service responsibilities from SOEs. They commercialised housing from a welfare benefit to a commodity to release SOEs from the burden of providing public housing for employees; they conducted pension reform by establishing a variety of social-insurance schemes to remove the financial burden on SOEs of paying pensions to retirees; and they established the national health insurance system to release SOEs from medical care responsibility (Gu 2001, pp. 139–147). However, SOEs have to help maintain social stability; thus, they are sensitive to employees and other stakeholders’ interests according to the authorities’ preferences (Yan 2017, p. 193). Additionally, judiciary practice also emphasises that SOEs should undertake more social responsibility given their high reputation and great social impact (Lin 2020, pp. 591–592). The Chinese authorities mainly steer SOEs to contribute to CSR through shareholdings and decision-making, which is different from the dynamic between the authorities and private companies.

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4 A Case Study of CSR as a Political Instrument: The Common Prosperity Campaign of 2021

We discussed above how the development of CSR in China has been mainly driven by political pressure. The party-state uses political leverage to incentivise or pressure companies to contribute to its policy goals in the name of CSR, whilst companies accede to demands for CSR with the aim of building political connections that can be leveraged in the future. In this part, we conduct a case study on the ‘Common Prosperity’ campaign to illustrate how these mechanisms work in the real world.

‘Common Prosperity’ is not a brand-new concept, but President Xi’s reemphasis has given it much greater priority. It was first mentioned by Mao Zedong in the 1950s and repeated by Deng Xiaoping in the 1980s, but the two adopted very different approaches to achieving this goal. Xi Jinping proposed ‘Common Prosperity’ again in 2021. A summary of the three leaders’ interpretation of ‘Common Prosperity’ is provided in Table 1. The meeting minutes released on 18th August 2021 declared that the Party ‘will encourage high-income groups and enterprises to give more back to society,’ following which, tech giants quickly pledged to make big

<table>
<thead>
<tr>
<th>Leader</th>
<th>Interpretation</th>
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<tbody>
<tr>
<td>Mao Zedong</td>
<td>Mao first raised the concept of ‘Common Prosperity’ in 1953 and defined it as gradually and completely lifting farmers out of poverty and helping them achieve a life of common prosperity. In Mao’s view, only by establishing public ownership can polarisation be prevented. Thus, handicrafts, industry, and commerce were nationalised by 1956, and farming was organised into communes by 1958 (Zhu and Wang 2023, pp. 66–67).</td>
</tr>
<tr>
<td>Deng Xiaoping</td>
<td>Deng reiterated ‘Common Prosperity’ during the reform and opening-up period. Deng believed that to ultimately achieve ‘Common Prosperity,’ it was essential to liberate and develop productive forces. The prime objective of ‘Common Prosperity’ is to meet the most basic living needs of people; that is, adequate food and clothing. To stimulate the enthusiasm of people to get rich and develop productivity, Deng proposed to let some areas and people get rich first so that they could help those who lagged behind (Zhang and Zhou 2023, p. 61).</td>
</tr>
<tr>
<td>Xi Jinping</td>
<td>According to Xi, ‘Common Prosperity’ is for everyone; it means the prosperity of both material and spiritual lives of people; it is not the prosperity of a few people, nor is it uniform egalitarianism. The specific aims of ‘Common Prosperity’ are to gradually narrow the gap between residents’ income and actual consumption levels by the end of 2025, to equalise the basic public services by 2035, and to narrow the gap between residents’ income and actual consumption levels to a reasonable range by 2050 (Xi 2021).</td>
</tr>
</tbody>
</table>
contributions (Y. He 2021). If we turn the clock back several months, we find that it was not just the announcement of ‘Common Prosperity’ that drove tech firms to make these commitments. Before that, tech companies had already been through some tough times. The CCP launched a series of sanctions against tech firms and tightened various aspects of regulation that could substantially impact their businesses. It was the combination of these changes with the prospect of further sanctions and restrictions that prompted tech giants’ quick response to ‘Common Prosperity.’

The CCP views the clampdown on tech companies as part of its ‘Common Prosperity’ campaign (Yao 2021). It claims that oligopolistic abuse of their dominant market position will hinder competition, impede innovation from smaller market players, and harm consumer interests (Li and Cai 2021). Therefore, in order to achieve ‘Common Prosperity,’ it has to improve anti-trust regulations and limit the disorderly expansion of ‘capital’ (Li and Cai 2021). Nevertheless, it should be stressed that it was mainly the consumer technology sector that was hit, whilst strategically important sectors, such as semiconductors and aeronautics, were unaffected (Liu and Leslie 2022).

In late 2020, the CCP initiated a round of crackdowns on tech giants which wiped off one trillion USD in market capitalisation in 14 months (S. Zhang 2021). Many leading companies received sanctions for various reasons (L. He 2021). The first to be hit was Ant Group, a financial service company affiliated with Alibaba. Its 37 billion USD IPO (the largest in history) was suspended by Chinese regulators just days before the scheduled launch after its founder, Jack Ma, made critical comments about the Chinese financial regulatory system (McMorrow and Lockett 2020). Several months later, following a lengthy investigation, Alibaba was fined a record high 2.8 billion USD, around four percent of its 2019 domestic revenues, for abusing its dominant market position (Murdoch and Stanway 2021). Ant Group was ordered to restructure by spinning off its business to different entities and was subject to tougher regulatory supervision (BBC News 2021). Another tech giant, Tencent, paid a total of 1.4 million USD in fines in 2021 for abusing its monopolistic position (Global Times 2022). Byte Dance was also fined for antitrust violation and spreading obscene and pornographic videos (CE.CN (中国经济网) 2021; Wang 2021b). JD.com received punishment for deceptive pricing (The State Administration for Market Regulation 2020).

Besides administrative sanctions, the party-state also tightened regulations on various aspects of internet companies’ businesses. Specifically, for micro-lending, the Central Bank significantly raised the minimum capital requirement for online

68 In the original text, the Chinese word is capital, which mainly refers to big corporations and private entrepreneurs.
lending (Yiu 2021), which could affect Ant Group's lending operations (Chen et al. 2021, pp. 36–38). For anti-monopoly, the amendments to Anti-monopoly Law explicitly added restrictions on monopoly based on data, algorithm, or technical advantages, tightened regulation on concentrations of undertakings, and increased penalties for antitrust violations;69 the Anti-Monopoly Committee of the State Council issued the Guidelines for Anti-monopoly in the Field of Platform Economy70 to tackle monopolistic behaviours and promote fair competition: a measure clearly targeted at leading tech companies (Cadell and Goh 2021). For data security, the newly passed Data Security Law71 and Personal Information Protection Law72 regulate collection, storage, and use of data; the new Measures for Cybersecurity Review73 jointly issued by 13 ministries and commissions require online platform operators that store more than one million users' personal information to apply for review before listing abroad. For labour issues, the People's Supreme Court condemned the ‘996’ work culture (working from 9 a.m. to 9 p.m. six days a week) as a serious violation of labour protection rules, which had been pervasive in Chinese tech companies (Disis 2021). For companies in the gaming industry, such as Tencent, the cap of three hours per week for kids was a big blow to their business (L. He 2021).

After this plethora of sanctions and tightening of regulations, tech firms rushed to make commitments following the announcement of the ‘Common Prosperity’ policy. Alibaba and Tencent led the way, each promising to invest 100 billion RMB (15.5 billion USD) over five years (Goh 2021). Both companies publicly attributed their success to the country's overall economic development and expressed their commitment to pay back to the society that nurtured them (Alibaba 2021b; People.cn 2021a). Their investment plans clearly fall within the scope of CSR and are in line with policy goals of ‘Common Prosperity,’ covering assistance to underdeveloped regions and low-income groups, improvement of labour welfare, provision of education and vocational training, strengthening social services and guarantees for vulnerable groups, donations for healthcare, and investments in environmental protection (Alibaba 2021b; People.cn 2021a). This appears to be a vivid example of how the CCP can use

69 Anti-Monopoly Law (2022 Revision), issued on 24 June 2022 and effective from 1 August 2022.
70 Guidelines of the Anti-monopoly Commission of the State Council for Anti-monopoly in the Field of Platform Economy (国务院反垄断委员会关于平台经济领域的反垄断指南), issued on and effective from 7 February 2021.
71 Data Security Law, issued on 10 June 2021 and effective from 1 September 2021.
72 Personal Information Protection Law, issued on 20 August 2021 and effective from 1 November 2021.
73 Measures for Cybersecurity Review (网络安全审查办法), art. 7, issued on 28 December 2021 and effective from 15 February 2022.
its political influence to pressure Chinese companies to fulfil its political objectives through CSR.

Daniel Zhang, chairman and CEO of Alibaba, highlighted the political implications of Alibaba’s decision. He stated that ‘as the beneficiaries of Chinese society’s progress and economic development, we firmly believe that Alibaba will only prosper if the country is booming, and the society is thriving. We are willing to contribute to the realisation of common prosperity through high-quality development’ (Alibaba 2021b). To carry out the program, Alibaba specially set up a team headed by Daniel Zhang himself: a clear signal of the great importance Alibaba attached to the project (Alibaba 2021b).

Alibaba has planned 10 actions for its mutual prosperity program, all being aligned with the CCP’s publicly stated ‘Common Prosperity’ goals (Alibaba 2021b). Alibaba did not explicitly link each of its actions with ‘Common Prosperity’ goals, but a close look at them suggests the links (see Table 2 for a summary). Specifically, the increase of investments in science and technology to support digital construction in underdeveloped areas and the promotion of the equalisation of digital life between urban and rural areas aim to ‘improve the balance, coordination, and inclusiveness of development’ (Xi 2021). Supporting micro-, small-, and medium-sized enterprises to grow and enter overseas markets, youth entrepreneurial support programs, provision of diversified vocational-skills training, and improvement of welfare for flexible workforces attempt to ‘expand the middle-income group’ (Xi 2021). Boosting agricultural industrialisation ‘promotes common prosperity of farmers and rural areas’ (Xi 2021). Narrowing the gap in digital services between different groups, improving services for vulnerable groups, and supporting the improvement of

<table>
<thead>
<tr>
<th>Alibaba’s mutual prosperity program</th>
<th>‘Common Prosperity’ Goals</th>
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<tbody>
<tr>
<td>Increase of investments in science and technology to support digital construction in underdeveloped areas, promotion of the equalisation of digital life between urban and rural areas</td>
<td>Improve the balance, coordination, and inclusiveness of development</td>
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<tr>
<td>Support micro-, small-, and medium-sized enterprises to grow and enter overseas markets, youth entrepreneurial support programs, provision of diversified vocational-skills training, improvement of welfare for flexible workforces</td>
<td>Expand the middle-income group</td>
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<tr>
<td>Boost agricultural industrialisation</td>
<td>Promote common prosperity of farmers and rural areas</td>
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<tr>
<td>Narrow the gap in digital services between different groups, improve services for vulnerable groups, support the improvement of medical services at the grassroots level</td>
<td>Equalisation of basic public services</td>
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<tr>
<td>20 billion RMB common prosperity development fund</td>
<td>Alleviate inequality</td>
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</tbody>
</table>
medical services at the grassroots level strive to achieve ‘equalisation of basic public services’ (Xi 2021). In this context, the 20 billion RMB common prosperity development fund works like a redistribution instrument which takes resources from high-income earners to alleviate inequality (Xi 2021).

The CCP left some discretion to tech companies in implementing ‘Common Prosperity’ programs. Alibaba has managed to make the investments in line with its own business strategies (Xiang 2021; J. Zhang 2021). This creates a parallel with the enlightened self-interest at the heart of most Western accounts of the legitimate scope of the CSR. For instance, the proposed centralised procurement centres of agricultural produce can tap into Alibaba’s e-commerce platforms Taobao and T-mall; Ali Health (a medical and health service platform under Alibaba Group) can help the establishment of healthcare centres in rural regions; its travel service, Fliggy, can attract more tourists to villages the firm pledges to help (Xiang 2021; J. Zhang 2021). In other words, the 100 billion RMB will not be purely given away; Alibaba’s own business may also be boosted through its program participation.

Tencent also pledged its 100 billion RMB plan on the day after Xi Jinping announced the ‘Common Prosperity’ campaign. Tencent’s founder, Pony Ma, made a similar statement to that of Daniel Zhang to demonstrate the firm’s ‘correct’ political attitude. He expressed that ‘the more a company grows, the deeper and the more stable it needs to lay its roots in creating social value. Tencent will consistently respond to the needs of the country and the times, and will co-exist and prosper with the ever-developing society’ (F. Wang 2021). Tencent also made public statements to express its support for ‘Common Prosperity’: as a Chinese technology company that has grown up in the tide of reform and opening up, Tencent has been constantly thinking about how to use its technology and digital capabilities to help social development so that it can better give back to society (People.cn 2021a).

For ‘Common Prosperity,’ Tencent’s overall aim is to provide continuous assistance to people’s livelihoods through deeply integrating its digital and technological capabilities (People.cn 2021a). Its program will cover areas from rural revitalisation to increasing low-income groups’ earnings, improving the grassroots medical system, and balancing the development of education in different areas (People.cn 2021a). Specifically, the first 50 billion RMB will be invested in basic science, education innovation, carbon neutrality, FEW (food, energy, and water), elderly care technology, public-welfare digitalisation, etc. The remaining 50 billion RMB will be used to increase low-income groups’ earnings, improve medical assistance, promote rural economic efficiency, subsidise universal education, and so forth (People.cn 2021a).

In similar way to Alibaba, Tencent’s common prosperity projects are not detached from its own business interests. To achieve its stated goals, Tencent can use its all-in-one app, WeChat, to provide remote medical services, online education and training to rural residents, attract tourists to rural areas, promote the sale of
agricultural produce via live broadcast and video streaming, and handle payments, given that WeChat’s monthly active users had reached 1.26 billion by the end of the third quarter of 2021 (Wen 2022). As a result, WeChat will be further embedded into Chinese citizens’ life, and Tencent’s dominant market position will be further strengthened (Xiang 2021).

Besides Alibaba and Tencent, many other tech giants also joined forces to support ‘Common Prosperity,’ but all these initiatives were somehow connected to their own businesses. Pinduoduo launched a 10 billion RMB ‘agriculture initiative’ dedicated to researching farming technology and food security (Matsuda and Kawate 2021). However, it should be stressed that farm produce sales have been its focus since the founding of the platform (Yu 2021). JD.com’s ‘C.E.O.’ has been awarded as the best ‘Common Prosperity’ case; the program attempts to reduce costs and increase efficiency of small- and medium-sized enterprises by building a ‘customer-centric’ customer-to-manufacturer industry chain (Jiang 2022). By early 2022, JD.com had covered 70 percent of China’s industrial chains and witnessed a significant transaction growth on its platform (Sina 2022). Moreover, Douyin established a ‘Fu Yu project (富域计划),’ which aimed to help the rural population sell their agricultural produce and handicrafts via its live broadcast and video streaming services. However, it should not be forgotten that e-commerce is also a major part of Douyin’s business, so introducing these products onto its platform can generate more revenue. Table 3 summarises all these corporate strategies and how they are aligned with the CCP’s ‘Common Prosperity’ program and related goals.

Some analysts say that 100 billion RMB is not a small amount of money even for giants such as Alibaba and Tencent, but it is far from being a material financial hit (Sohu 2021). Alibaba’s 2020 net profits were approximately 140 billion (Alibaba 2021a), and Tencent’s 2020 net profits were about 160 billion (Tencent 2021). That is to say, they have promised to invest roughly one-third of their 2020 net profits to promote ‘Common Prosperity’ over a five-year period. Pinduoduo lost almost 3 billion RMB in 2020 but pledged 10 billion RMB investment in ‘Common Prosperity’ (Xinhua Net 2021b). It does show how seriously Chinese companies take the CCP’s political goals, how powerful the CCP can be when determined to implement its policies, and how easily CSR can be used by the CCP to achieve its political objectives.

In summary, the CCP can put a lot of pressure on Chinese companies by manoeuvring regulatory power. Tencent lost more than 60 billion USD in market value capitalisation because of the regulatory crackdown on the gaming industry (Liu 2021). During the first eight months of 2021, Tencent lost 126 billion USD, and Alibaba lost nearly 208 billion USD in market value under the regulatory pressure

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74 ‘C.E.O.’ is the name of the program; it does not mean ‘chief executive officer’ here.
75 In Chinese, it literally means ‘to enrich an area.’
Table 3: Common prosperity projects of tech giants.

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
<th>Contributions to common prosperity</th>
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<tbody>
<tr>
<td>Alibaba</td>
<td>A multinational tech company whose businesses cover e-commerce, retail, local consumer services, financial services, artificial intelligence, digital media and entertainment, logistics, cloud computing services, etc. It is one of the largest retailers and e-commerce companies, artificial intelligence companies, capital firms, and investment corporations in the world. Its businesses operate in China, the US, Russia, Brazil, Spain, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, etc.</td>
<td>100 billion RMB investment over five years to increase investments in science and technology to support digital construction in underdeveloped areas, promote the equalisation of digital life between urban and rural areas, support micro-, small-, and medium-sized enterprises to grow and enter overseas markets, provide youth entrepreneurial support programs, provide diversified vocational skills training, improve welfare of flexible workforces, boost agricultural industrialisation, narrow the gap in digital services between different groups, improve services for vulnerable groups, support improvement of medical services at the grassroots level, and provide a 20 billion RMB common prosperity development fund</td>
</tr>
<tr>
<td>Tencent</td>
<td>Its businesses cover communication and social services, video games, cloud computing, advertising, FinTech, etc. It is one of the highest-grossing multimedia companies in the world based on revenue and the world’s largest company in the video game industry based on its investments. Besides China, it operates businesses in the US, Hong Kong, Malaysia, Japan, Singapore, South Korea, Norway, Canada, Poland, Sweden, etc.</td>
<td>100 billion RMB investment over five years in research on basic science, educational innovation, carbon neutrality, FEW (food, energy, and water), elderly care technology, and digitalisation of public welfare and support for increasing low-income groups’ earnings, improvement of medical assistance, promotion of rural economic efficiency, and subsidising universal education</td>
</tr>
<tr>
<td>Pinduoduo</td>
<td>Its main business is online retail in China with a focus on agricultural produce. It is one of China’s most popular shopping platforms. Its sister company, Temu, operates businesses in the US, France, Italy, Germany, Ireland, Netherlands, Spain, the UK, etc.</td>
<td>10 billion RMB ‘agriculture initiative’ for research on farming technology and food security</td>
</tr>
<tr>
<td>JD.com</td>
<td>It is China’s largest online retailer and biggest overall retailer. Its businesses include e-commerce, logistics, technology, artificial intelligence, AR/VR technology. Besides China, it also conducts businesses in Russia, Vietnam, France, the UK, etc.</td>
<td>‘C.E.O.’ to reduce costs and increase efficiency of small- and medium-sized enterprises by building a ‘customer-centric’ customer-to-manufacturer industry chain</td>
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imposed by the CCP (Motowaki 2021). The subsequent generous common prosperity programs reflect the companies’ great efforts to curry favour with the authorities by responding to policy calls through CSR.

5 Concluding Remarks

CSR in China is primarily driven by political pressures from the CCP, backed by regulatory and administrative power, with civil society playing a much more limited role than in the West. Chinese CSR reports do not usually provide sufficient information; instead, they tend to be vague descriptions of CSR initiatives (China Europe International Business School 2018, pp. 99–100; Graafland and Zhang 2014, p. 41). This poor-quality reporting suggests that many Chinese companies conduct explicit CSR activities in a superficial way (Graafland and Zhang 2014, p. 41), and it also reflects the weak engagement by consumers and civil society. However, once the CCP starts to exert pressure on companies to conduct CSR, the whole picture changes. As the supreme authority of China, the CCP has a variety of sticks and carrots at its disposal as it seeks to promote its political objectives, enabling it to pressure Chinese companies to make contributions through CSR. In this sense, CSR becomes compulsory for all Chinese firms, even though its content is not determined by law, but through the interaction of the CCP, companies, and social forces.

Basically, the specificity of CCP’s political goals determines how much leeway is left to Chinese companies in terms of the content of their CSR activities. So, CSR in China can be company-driven if the CCP only has a quite generic vision. In this case, companies can simultaneously contribute to the CCP’s policy goals whilst pursuing their own business interests, coming closer to Western-style explicit CSR. Indeed, it may be even more effective than Western CSR, since the threat of political

<table>
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<tr>
<th>Company</th>
<th>Description</th>
<th>Contributions to common prosperity</th>
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<tbody>
<tr>
<td>Douyin</td>
<td>It is one of the most popular short-form video-hosting services in China, owned by Byte Dance. It also offers online retail, which is mutually beneficial to its livestreaming and video sharing services. Its sister overseas platform, TikTok, operates in the US, the UK, the UAE, Indonesia, Brazil, Mexico, Russia, Vietnam, the Philippines, Thailand, Turkey, Saudi Arabia, etc.</td>
<td>‘Fu Yu project’ (富域计划) to help the rural population sell their agricultural products and handicrafts via its live broadcast and video streaming services</td>
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</tbody>
</table>
intervention will ensure that companies’ contributions are genuine and material. Moreover, CSR in China may also be driven by political will when the CCP approaches companies with specific requirements. In this case, CSR becomes like an informal or indirect tax which companies choose to pay rather than suffer serious impediments or disruption to their businesses.

In summary, CSR appears to be enacted in China in a complex connection between political power and corporate activities. A mixture of transactional and coercive pressures is put in place in this connection. Then, the question arises: why does the CCP achieve policy goals by demanding CSR rather than through taxation and spending, i.e. fiscal policy? One possible explanation is that CSR provides more flexibility for the CCP than taxation and spending. Although the CCP controls both the institutions of the state and the government, it is much slower and more complicated to change tax rates and implement revised spending plans. By contrast, party policies can be adjusted more easily and quickly through the intra-party system, and companies can be compelled to respond quickly to CCP demands.

Additionally, if the CCP improves people’s welfare under the tag of party policies, Chinese people will associate the improvement directly with the CCP and credit it accordingly. As the sole ruling party, the CCP constantly needs political achievements to assert and maintain its legitimacy. Hence, guiding CSR by party policies can strengthen the CCP’s reputation, increase its popularity, and ultimately stabilise its ruling status. This reminds us that we must always consider the centrality of the CCP when we try to understand the Chinese corporate governance system. Behind the influences by regulation, soft law, and social forces, the ultimate force is the CCP’s influence on corporate governance in China.

Appendix 1: List of Interviewees Mentioned in this Article

<table>
<thead>
<tr>
<th>Number</th>
<th>Role</th>
<th>Location</th>
<th>Interview date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lawyer</td>
<td>Chongqing</td>
<td>October 2020</td>
</tr>
<tr>
<td>2</td>
<td>State-owned enterprise in-house lawyer</td>
<td>Shanghai</td>
<td>October 2020</td>
</tr>
<tr>
<td>3</td>
<td>Lawyer</td>
<td>Chongqing</td>
<td>November 2020</td>
</tr>
<tr>
<td>4</td>
<td>State-owned enterprise in-house lawyer</td>
<td>Chongqing</td>
<td>November 2020</td>
</tr>
<tr>
<td>5</td>
<td>Private entrepreneur</td>
<td>Tianjin</td>
<td>December 2020</td>
</tr>
<tr>
<td>6</td>
<td>Private entrepreneur</td>
<td>Zhejiang (Ningbo)</td>
<td>December 2020</td>
</tr>
<tr>
<td>7</td>
<td>Non-state company in-house lawyer</td>
<td>Chongqing</td>
<td>December 2020</td>
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</table>
References


