

# **China-OECD Multi-stakeholder Symposium on “Government Approaches to Encouraging Responsible Business Conduct**

## **Report of Working Group 2 Discussion**

### **DISCUSSION 1 - MAIN OBJECTIVES OF ENCOURAGING RBC**

1. Participants saw the discussion in Paris as only the first step in developing a process of dialogue with China on responsible business conduct. We appreciated the interventions of the Chinese participants in the Group but the discussion crucially lacked the voice of several important Chinese constituents who for understandable reasons were not present at the seminar. We therefore urge the organizers to move forward with the program of work on RBC and look forward to a further discussion being held in China with all of the relevant actors present.
2. Responsible Business Conduct should be seen as a means to an end, not an end in itself. The common objective that we all share is ensuring Sustainable Development in China and beyond; this includes the three pillars of Sustainable Development – the economic development necessary to move out of poverty; the need for environmental sustainability; and the social sustainability by creating decent work and fair distribution. These goals have also been recognized in the Chinese government’s own notions of balanced development.
3. It was recognized that there was considerable disagreement and lack of clarity over definitions of Corporate Social Responsibility and RBC. For the purposes of our discussion we used Responsible Business Conduct as a compromise concept that includes both compliance with law and voluntary action going beyond compliance. It was clear that there is a need for a more common understanding of the role of guidelines in the Chinese context. Many in the Group (though not all) saw the OECD MNE Guidelines as providing a benchmark allowing discussion of specific problems.
4. It was said that several assertions in the background OECD document required more substantiation through inclusion of the results of existing empirical research and recommended that the OECD carry out further work in this direction.
5. With regard to the reported benefits of CSR, in addition to those set out in paragraph 51 of the OECD document the Group noted that RBC could help clarify the respective roles of the State and companies in the “socialist market economy”. It could help reduce corruption, help build up civil society institutions including unions, and bring about a closer alignment of interest of companies and local communities. It was also recognized as covering the role of OECD companies investing in China and what society expected of these firms and brands in a situation where legal implementation might be weak.
6. With Chinese corporations appearing as major new investors internationally it could also help develop a common understanding of what doing business internationally requires in terms of societal expectations and obtaining a “license to operate”. This was seen as particularly urgent in areas of mineral extraction, and infrastructure work, where some corporations were seen to be competing on different standards compared to others.

## DISCUSSION 2 - HOW ENTERPRISES CAN ENSURE RESPONSIBLE BEHAVIOUR

1. Agreed international norms and standards play an important role as a benchmark for Responsible Business Conduct. Whilst many initiatives are underway it was felt that multiplication of standards also presented a risk of confusion as to what was expected of companies. Many members of the Group felt that despite frustration with enforcement, the OECD MNE Guidelines were useful as an agreed benchmark of governmental expectations for business conduct, together with their unique implementation system. However two of the civil society representatives felt that failure by some NCPs to treat cases had called into question the credibility of the instrument from their point of view.
2. Transparency and non-financial reporting and disclosure of information were seen as important in several respects: pre-establishment disclosure of the likely impact of investments on local communities; supply chain issues; sourcing etc.
3. A particular example was given in the area of pollution emission disclosure – where some Chinese companies were in advance of some major foreign investors – it was felt that the sectoral approach to emissions being discussed in the G8 process could advance responsible conduct in key emitting sectors.
4. For RBC to be improved it was essential to strengthen civil society organisations as whistleblowers and stakeholders in corporate conduct in China. Particular attention was drawn to the role of trade unions as worker representatives capable of ensuring compliance with labour laws and worker rights.
5. Progress was still needed to achieve greater enforcement of laws and application of the Labour Code in China and the recent changes in labour legislation reinforced the need to ensure that responsible conduct contributed to this end.

## DISCUSSION 3 - GOVERNMENT ROLE IN ENCOURAGING RBC

1. There is a state duty to protect the human rights of its citizens including freedom of association and trade union rights. The Chinese government is moving ahead and has now ratified 5 out of 9 UN Human Rights Covenants.
2. For RBC to be effective there is a need for a well-functioning legal system that is accessible to its citizens.
3. We exchanged information on some of the many bilateral programmes that exist with China in areas that include human rights and RBC. There is a need to learn of the strengths and weaknesses of different approaches – but some were leading to promising outcomes and it was felt necessary to now bring together and coordinate this experience. A priority should be exchange between key actors inside and outside China:- business, civil society and trade unions.
4. A key priority is the need to allow and develop civil society through independent organizations, not under State influence, that can challenge conduct. Capacity building is essential at a decentralized level. Examples were given in resolving disputes over land at the

community level, disputes caused by environmental pollution and labour disputes in workplaces. Processes need to be developed in all these areas that can handle the conflict that is inevitable in a market economy.

5. Good practice experience in RBC conduct could be developed through a web portal – and information was given on at least one international project underway.

6. The government has a particularly important role to ensure RBC through, for example: transparency in state-owned enterprises; through transparency of its development aid; and its conditions for public procurement. The government needs to ensure enforcement of its laws at all levels, for example through effective labour inspectorates. These were all areas where the State could lead by example. The moves to encourage transparency as a part of RBC for financial investors were also noted.

7. A more coordinated government approach to RBC between government departments would also be welcome.