

Chapter 4

China's Mandate and Readiness for Social Development

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The impressive economic growth of the past 40 years in China has altered not only the perception of China but also its role and place in the global economic system. This chapter reviews the *second revolution* that China is currently committed to achieve — social development, including eradication of extreme poverty — through the launch of the 13th Five-Year Plan that set China's policy priorities and development strategy for 2016-2020.

The 2030 Development Agenda

Social Development is about enhancing equality of social opportunities and reducing or eliminating discriminatory practices (Sen, 2000). In order to achieve social development, it is essential to enhance individual capabilities through investment in education, health and social welfare. Social development is about improving the well-being of every individual in society, so that they can reach their full potential and reap

the benefits from the opportunities offered by the communities and society.

According to the World Bank, social development needs to “put people first” in the development processes. Poverty is more than simply being stuck with low income — it is also about vulnerability, exclusion, unaccountable institutions, powerlessness, and exposure to violence. Thus, “social development is about promoting social inclusion of the poor and vulnerable by empowering people, building cohesive and resilient societies, and by making institutions accessible and accountable to citizens” (World Bank Group, 2017).

The 2030 Agenda for Sustainable Development seeks to strengthen the social, economic and environmental dimensions of the society. It requires a more holistic, coherent and integrated approach at the national, regional and global levels. Within social sectors, the following goals have been adopted: poverty eradication strategies, policies to promote employment and decent work and social inclusion, policies to enhance access to quality education, basic healthcare, safe drinking water, sanitation, group-specific policies — youth, older persons, persons with disabilities, and indigenous peoples. Existing institutions and institutional mechanisms that are designated to foster social development will have to adjust or expand the scope of work so as to accommodate the new mandates arising from implementing the Social Development Goals (SDGs) (UNESCO, 2016).

Most SDG Goals have a social dimension related to equitable access to different services that could enhance human development (Appendix 1 lists all 17 SDGs). In September 2015, Xi Jinping, President of China, attended the United Nations Sustainable Development Summit and joined other leaders in endorsing the 2030 Agenda for Sustainable Development, providing guidance for the national development of member states and offering international development cooperation over the next 15 years (UNDESA, 2016). In China’s 2017 Progress Report on Implementation of the 2030 Agenda for Sustainable Development, the following statements were made: “The

Chinese government attaches great importance to implementing the 2030 Agenda, integrating it into the 13th Five-Year Plan for Economic and Social Development (hereinafter referred to as the 13th Five-Year Plan) and other mid- and long-term development strategies. At the 2015 Global Poverty Reduction and Development Forum held in October 2015, President Xi Jinping announced that in the five years to come, China would lift all the 70 million-plus people living under its current poverty line out of poverty. This marked an important step in China's efforts to implement the 2030 Agenda" (Ministry of Foreign Affairs of the People's Republic of China, 2017).

Landscape of Social Development Issues

Poverty and education are consequential for social inclusion and well-being.

Poverty

The goal of the Chinese government is to achieve a moderately prosperous society in all respects by 2020, focusing on improving social welfare of its population in addition to achieving quality growth. Some of the essential ingredients of achieving social inclusion and equity are a further reduction in economic inequality, improvement of minimum social protection and equal access to quality education.

China has so far managed to continuously reduce the number of individuals living in poverty (measured by living at or under US \$1.00 per day). The World Bank attributes this reduction in poverty to the continuous economic growth, above 6%, annually since 2010. T h i s growth is illustrated in Figure 1. The Gini Coefficient for rural and urban income inequality has also declined. From 2008 to 2015, the Gini Coefficient decreased from 0.491 to 0.462 (World Bank, 2017). Nonetheless, the problem of income inequality is still a significant issue.

Both local and national factors affect poverty. For example,

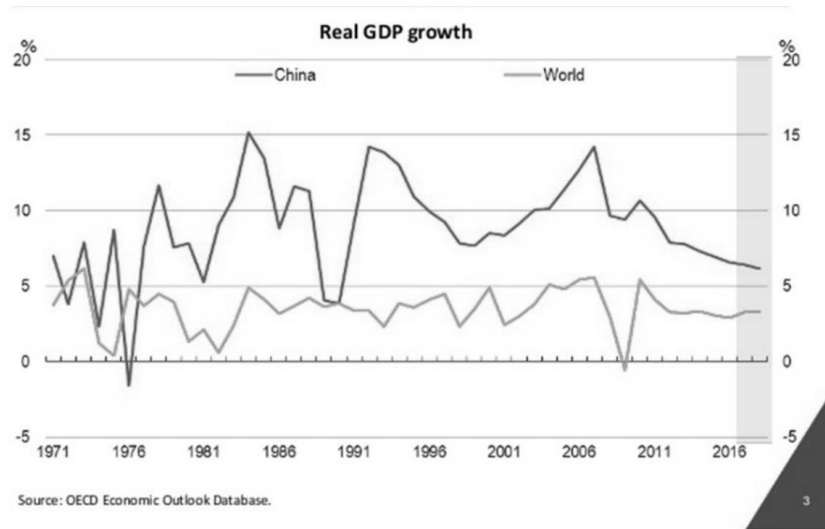


Figure 1. Economic Growth of China from 1971-2016

(Source: OECD Economic Outlook Database)

remoteness and low population density make it challenging for individuals living in impoverished areas to access the services and infrastructure they need. The economic gap between coastal and inland parts of China is just as important — if not more so — than the urban/rural divide. Key factors which help achieve moderate prosperity for all and invigorate rural economy are better jobs and local entrepreneurial engagements. These are some of the measures that the Chinese government is pursuing in its 13th Five-Year Plan.

Figures 2 and 3 illustrate income disparity and GDP by province, revealing a stark contrast between the metropolitan areas and regions — essentially indicating a two-tier society. During the post-1978 reform period, China dramatically reduced large-scale poverty through specific government reform policies and rapid economic growth. Figure 4 illustrates the significant difference between major metropolitan areas like Shanghai and Beijing and more rural regions such as Xizang and Gansa.



Figure 2. Income Distribution of China by Provinces in 2011 (Note: Most of the Provinces on the east coast have above average income, while those in the middle and far west are below average; Source: Mapping China's Income Inequality: M. Schiavenz, *The Atlantic*, 2013)

During the last few decades, China has managed to reduce poverty by more than fifty-percent, thus contributing to the attainment of the Millennium Development Goals of reducing half of the poverty rate. Using the World Bank's \$1 per day income measure, the number of poor is estimated to have dropped from about 490 million to 88 million over the same period, a decline from 49 percent in 1981 to 6.9 percent in 2002. China's large-scale poverty reduction has been achieved mainly through rapid economic growth. The success of its poverty reduction strategy is particularly exemplary in rural China, where poverty rate has dropped from 98% of the rural population to about 8% in 2015, according to the National Bureau of Statistics, China (see Figure 5).

Despite this impressive achievement, the poverty affected populations in rural areas continue to fall further behind, exasperating the rich-poor disparity effect. Therefore, any effort in reducing poverty needs to address the rural poverty ever more urgently because economic opportunities and public services in rural areas are also lagging. The

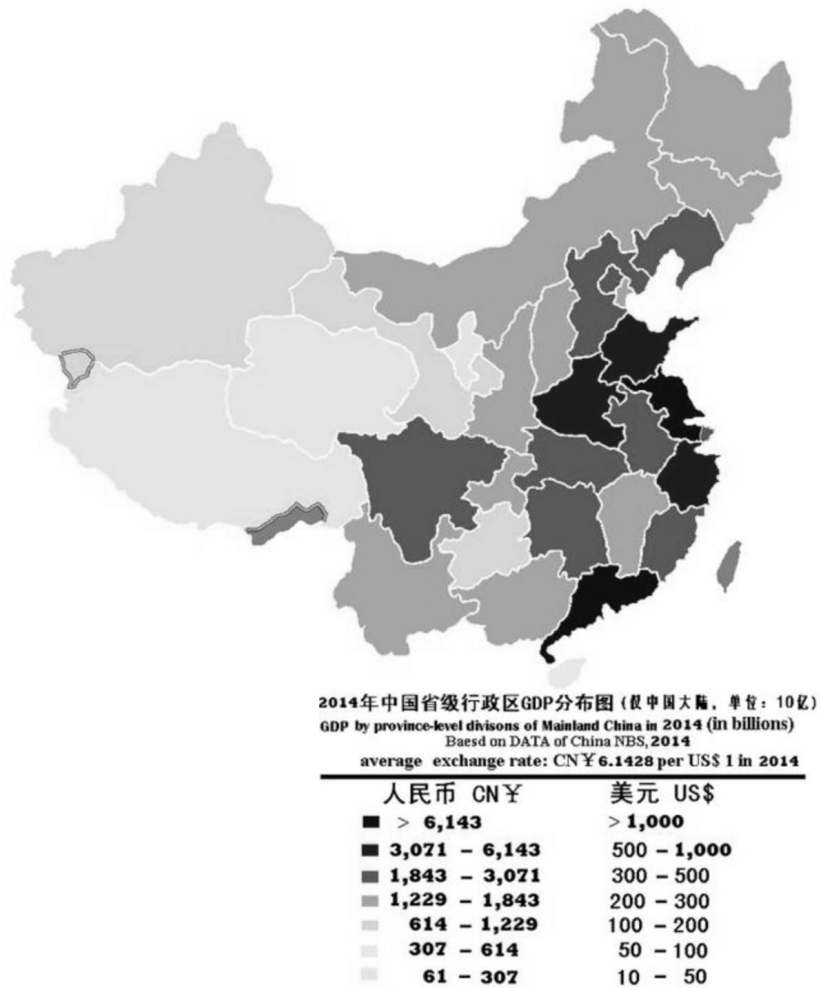


Figure 3. GDP Distribution in China (Note: The darker the area, the higher the GDP; Source: Byzh: User: CNS Wikipedia-based on China National Bureau of Statistics figures)

urban and rural dichotomy has also directly led to a continued migration flows and a worsening of social conditions in the rural areas. A root cause of this deterioration is the lack of proper education that would support entrepreneurial spirit, innovation and greater employability in

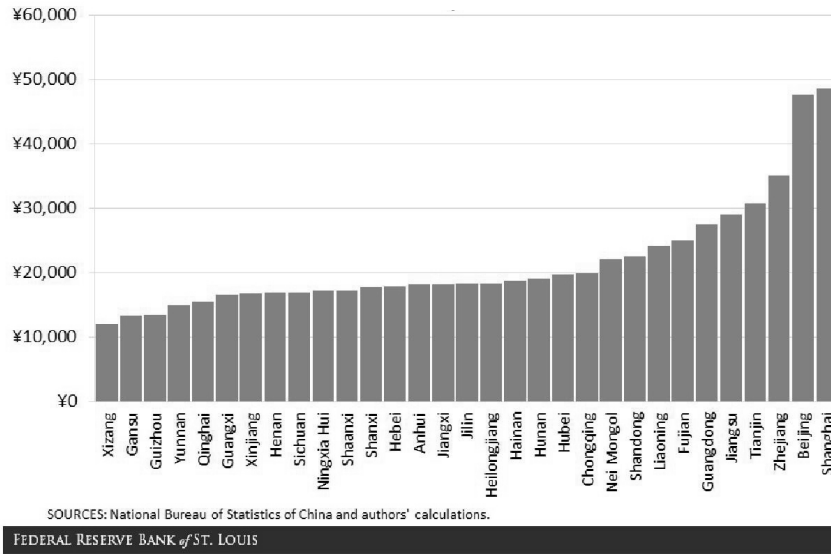


Figure 4. China's Household Disposable Income, Real 2015 Per Capita Yuan

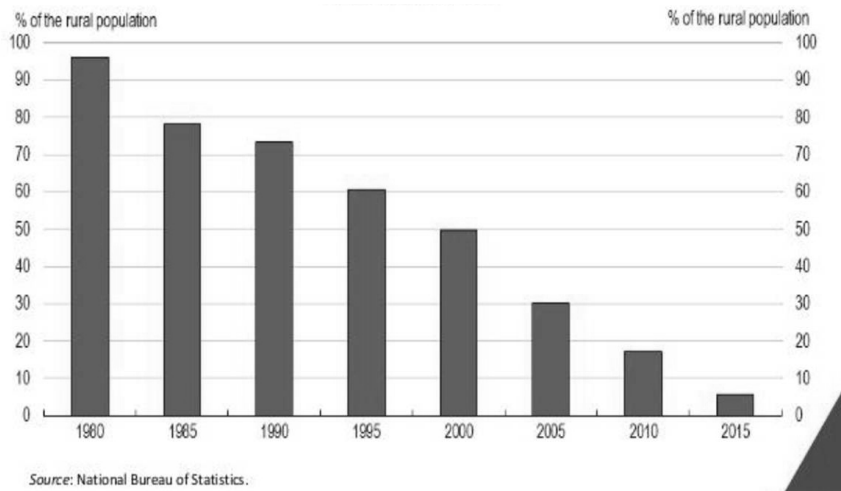


Figure 5. Rural Poverty Rate in China

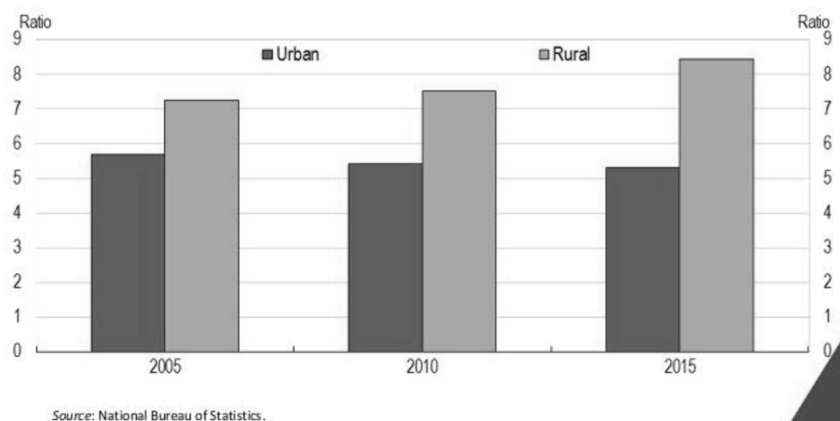


Figure 6. Disposable Income of the Top 20% Over the Bottom 20% of the Income Distribution

a modern economy. That disparity in access to education directly impacts disposable income and the gap has worsened (see Figure 6).

Education

Poverty has two dimensions: income poverty and human poverty (Zhang, 1993). In 2011, the China Development Research Foundation, a major policy think tank based in Beijing, advocated a new phase for poverty eradication in China. The Foundation proposed an alternative strategy by eradicating poverty starting from the roots which emphasized the inadequate enabling environment in mostly rural and remote regions, including malnutrition of the infants and young child. This strategic recommendation included a human capital strategy that directs poverty alleviation efforts toward human capital investment, particularly in education and improvement of health in rural populations with infants and young children as development targets. This strategy was meant to mitigate the severe imbalance of the human development that affected the productivity of various backward regions in China.

高等教育学校（机构）学生数 Number of Students in Higher Education Institutions

	毕(结) 业生数 Graduates	位
研究生 Postgraduates	563938	
博士 Doctor's Degrees	55011	
硕士 Master's Degrees	508927	
普通本专科 Undergraduates in Regular HEIs	7041800	
本科 Normal Courses	3743680	
专科 Short-cycle Courses	3298120	
成人本专科 Undergraduates in Adult HEIs	2444650	
本科 Normal Courses	1021846	
专科 Short-cycle Courses	1422804	
网络本专科生 Web-based Undergraduates	1874787	
本科 Normal Courses	700906	
专科 Short-cycle Courses	1173881	
在职人员攻读硕士学位 Master's Degree Programs for On-the-job Personnel		
自考助学班 Class run by Non-government HEIs for Students Preparing for Self-directed State-administered Examinations	81890	
普通预科生 College-preparatory Class		
研究生课程进修班 Postgraduate Courses	20009	
进修及培训 In-service Training	8526875	
留学生 Foreign Students	109894	

Figure 7. Number of Students in Higher Education Institutions in China in 2016 (Source: Ministry of Education, China)

Since the start of the reform in 1979, the Chinese government continued to increase its national budget for education provision. However, due to the low start of the educational stock in terms of physical infrastructure, qualified teachers, teaching materials and tested curricula, China experienced an on-going strategic tension in its policy choices of human capital investment. On one hand, it needed to eliminate illiteracy of the population in hundreds of millions as soon as possible. On the other hand, China needed to reorient and educate generations of future managers and public administrators to meet the transformative objectives of the reform.

For this purpose, innovative delivery modalities were used to reduce illiteracy quickly by applying distance learning through the use of radio and TV (so-called Broadcasting University) and structured program learning through individual self-study on a mass scale. This national effort achieved spectacular results by 2015, as the adult literacy rate increased from 65.51% in 1982 to 96.36% in 2015, out of a population of more than 1.4 billion. Graduates of tertiary education institutions also grew to 11,925,169 in 2017, which represents more than 35% of the age cohorts according to the statistics of the Ministry of Education. Enrollment rate at the pre-primary level also reached 83.7% in 2016, 100.85% in primary education, 95.03% in secondary education and 48.44% in tertiary education (UNESCO, 2018). Figure 7 illustrates the formidable number of enrollees in higher education.

The dramatic increase in literacy in China directly relates to the efficacy of numerous political, economic and educational policies. In 1982, compulsory education was written into the Chinese constitution, which requires a nine-year compulsory education funded by the government. As shown in Figure 8, there was a large gender gap in literacy rate in China as of 1982. Though this gap still existed in 2010, it was narrowed down to 5.7 percent, starting from 28 percent in 1982. Since 1990, the national education policy has been focused on females, especially from poor and/or minority families. Over the past years, China has achieved gender parity in primary schooling.

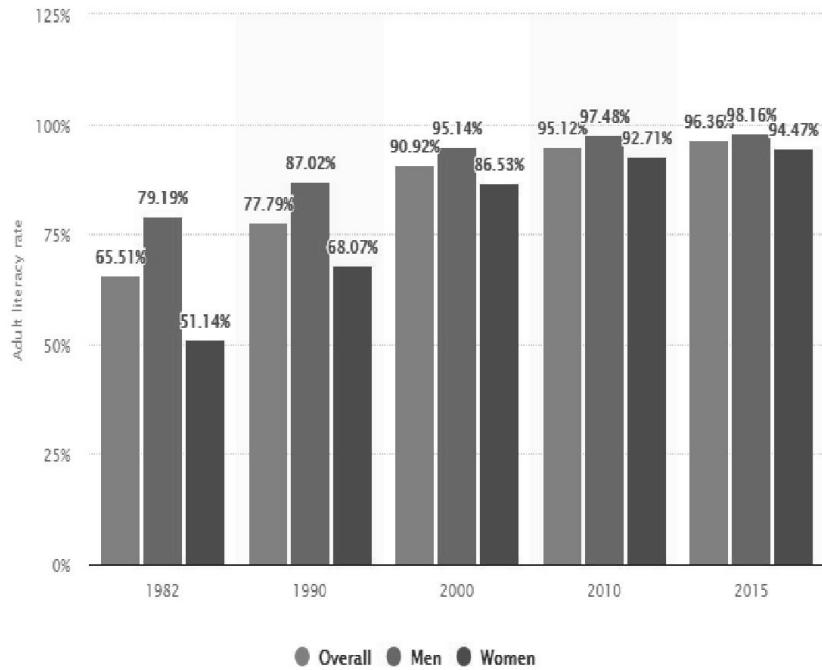


Figure 8. Adult Literacy Rate in China (Source: Statista, 2018)

While quantitative objectives are achieved, qualitative aspects of educational development still remain problematic. Regional literacy disparities in China should not be overlooked. Regions with a strong economic background tend to display illiteracy rates below national average. In contrast, economically underdeveloped regions have a higher population percentage of people who cannot read or write. Tibet for instance, a region where 92 percent of the population belongs to an ethnic minority, showed the highest illiteracy rate nationwide, with 41.12 percent in 2016 (Statista, 2016).

Advances in educational attainment were not only achieved in the

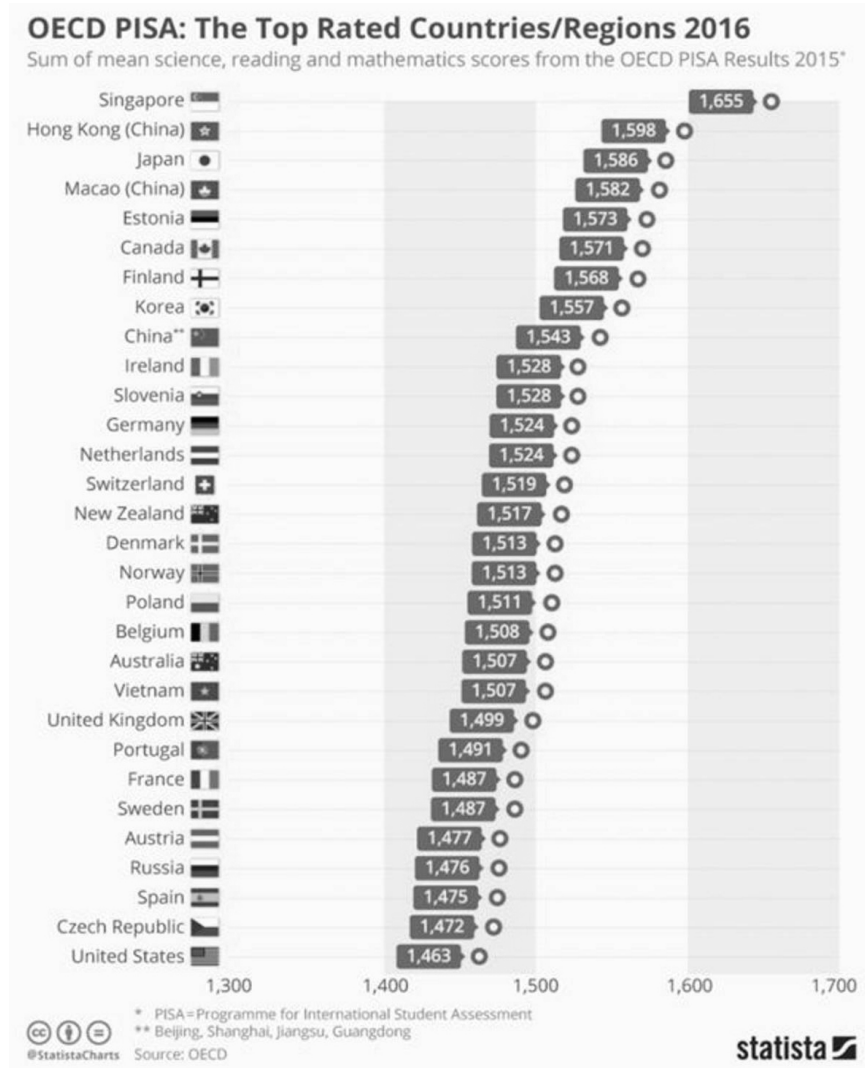


Figure 9. Mean Science, Reading and Math Scores, 2015

number of students enrolled but also in terms of schooling outcomes; however, social disparity persists. Students from the affluent coastal cities and provinces, such as Beijing, Shanghai, Jiangsu and Guangdong, are high performers in the global PISA (Programme for International Student Assessment) ranking and even ahead of countries like Germany,

Student performance is highly influenced by socioeconomic factors

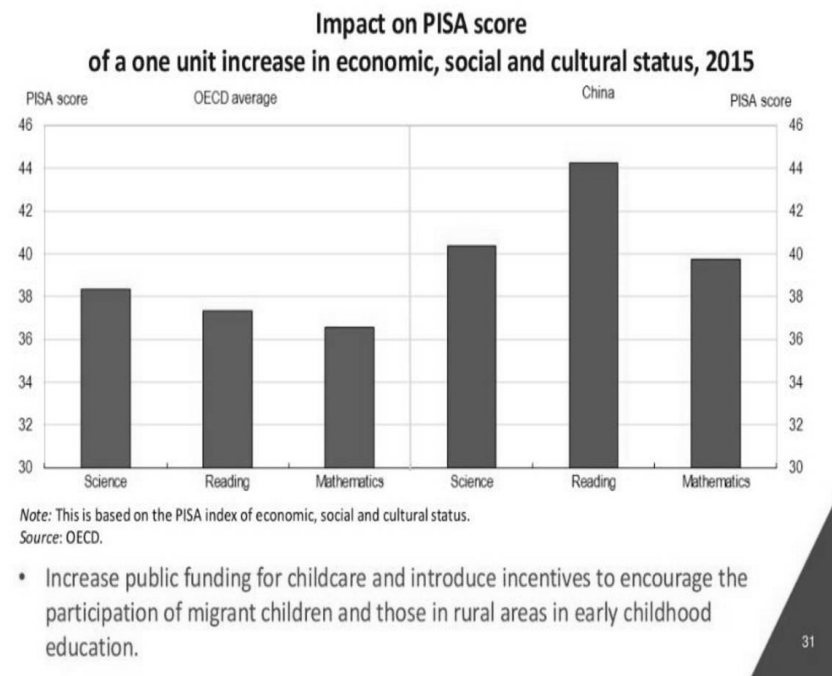


Figure 10. Student Performance as a Consequence of Socioeconomic Factors (Source: OECD, PISA, 2015)

Switzerland, and USA. Figure 9 illustrates worldwide rankings by nation.

No comparative data is publicly available to compare the educational achievements of other regions of the country. However, existing indirect data show that an increase of public funding for childcare and introduction of incentives to encourage participation of migrant children and those in rural areas in early childhood education had a significant positive learning impact. In other words, the socioeconomic factors of students that affect access to early childcare

and pre-schooling have a determining effect on the children's ability to read, write, count and perform well in science. Figure 10 illustrates the impact even a slight improvement on economic, social and cultural status can make. These educational resources are not necessarily guaranteed nor available in most of the rural areas of China, where regular schooling with sustainable, acceptable quality is not always available.

Teachers at primary schools remain in short supply, especially in the rural and remote regions of China where students are dispersed. This makes it impossible to have a full class at different levels. Often these students are grouped together and taught by supplementary or voluntary teachers who might not possess a full teaching qualification. The turnover rate of teachers is generally high in these places, despite government policies to incentivise the teachers to stay. After earning enough credits for a placement in the cities, qualified teachers often return to them, thus resulting in a chronic shortage of competent teachers in the countryside. Families with financial means migrate to the townships, small cities or larger cities for schooling and access to quality education purposes. These families will pay extra fees to enroll their children. Most often the mother will accompany the child to the towns and cities; grandparents are left behind in the villages to tend to farming and taking care of family homes. This schooling-related migration has social and health implications for the elderly in the rural areas as well. The Chinese government has built caring facilities (also known as Jin Lao Yuan) in the cities and rural areas to provide shelter and long-term care to the vulnerable old age group. Yet, there are many cases shown in a recent survey by the authors that many of the elderly refuse to move into these social institutions, particularly when the parents have migrant children working in the cities.

There are other issues that affect schooling of children of rural origin. Distance and disparity of households necessitate boarding from the Grade 3 onward. Although the government provides subsidies to help alleviate the financial burden, many of the small towns do not have

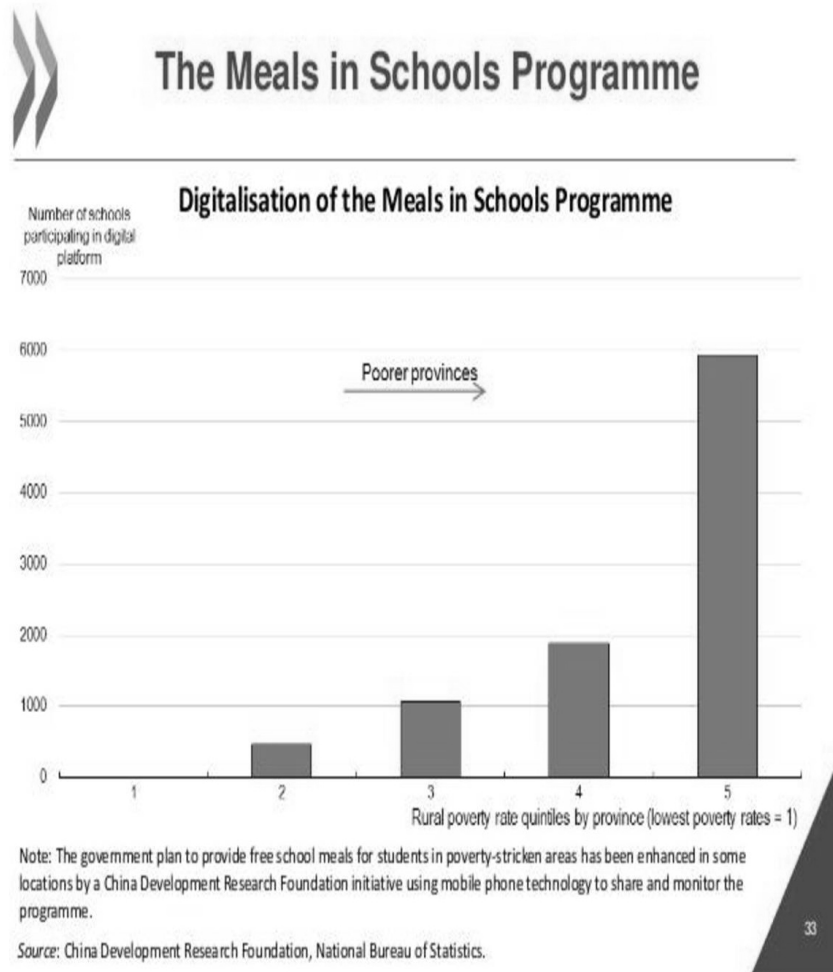


Figure 11. Number of Students Participating in Digital Meals Platform

the necessary infrastructure to provide a school lunch or a cafeteria. Young students will bring rice to school that will be cooked at the school facility and eat dry or preserved dishes brought back from home over the weekend. While efforts are made to provide universal school meals for students, the China Development Research Foundation initiated a mobile platform to monitor school meal programmes of the poorest regions.

Figure 11 illustrates the severity of this challenge.

The 13th Five-Year Plan and Its Poverty Eradication Mandate

China has reached a historical juncture because it re-directed its development trajectory to a path that leads to social equity and moderate prosperity through inclusive and green growth. This political ambition was reaffirmed during the 19th Communist Party Congress that was held in March 2018. This vision of “achieving moderate prosperity” is not only highlighted in the speech given by President Xi, it has already been outlined in China’s 13th Five-Year Plan as well (2016-2020).

Concretely, China’s 13th 5-year plan outlined the steps of building a moderately prosperous society and adapting to an ever-changing world. As an integral part of the 13th plan, Part XIII, “The Fight against Poverty,” set out poverty reduction strategies requiring targeted individual household measures to ensure attainment of this development objective by 2020. The goal is to ensure that the rural poor can meet their basic needs, achieve self-sufficiency and have the opportunity of social-economic mobility. This plan is intended to lift approximately 70 million of the registered poor out of poverty (Chow, 2018). Many measures of this plan will provide impoverished individuals with targeted tools to move upwards in society.

Part XIII of the 13th Five-Year Plan states that China will “develop businesses based on local strengths, find alternative employment, relocate, claim subsidies for ecosystem conservation, and gain access to educational and training programs, medical insurance, and assistance for medical treatment” as basis for poverty eradication (Central Committee of the Communist Party, 2013). This program plans on ensuring the attainment of wealth creation for all by formulating strict and well-defined procedures as well as implementing transparent standards and procedures. Some of the current goals of the five-year plan are:

- Strengthening the ability of poor areas to tap into their developmental potential.
- Ensure per-capita disposable incomes of farmers will increase at a higher rate than the national average.
- Upgrading power grids in poor rural areas.
- Creating transportation to help the poor connect to other areas.
- Improving water conservancy facilities in poor areas.
- Implementing broadband internet in up to 90% of rural impoverished areas.
- Investing in replacing direct relief and aid with work instead.
- Supporting construction of small and medium public benefit infrastructure.

President Xi Jinping has set an ambitious development agenda to launch his second term in office and ensuring the years that follow according to the newly adopted Chinese Constitution. His recent speeches at the 19th Party Congress (18 October 2017) and then in March 2018 at the 13th National Political Consultative, reaffirmed his commitment and political objective in eradicating poverty by 2020. He urged party cadres to redouble their effort in precisely targeted intervention in order to lift the millions of poor people out of poverty. A total number of 800,000 strong are currently executing this historical task.

Private Sector Initiatives

Corporations can be at the forefront of poverty eradication by implementing strategies in the developing world that could aid the countries' efforts to achieve the Sustainable Development Goals. According to the United Nations Industrial Development Organization (UNIDO, 2018), Corporate Social Responsibility (CSR) provides an opportunity for companies to achieve the *Triple-Bottom-Line*, economic,

environmental and social imperatives.

Many MNCs and other corporations have embarked on a journey to fulfil their CSR (UNIDO, 2018). Companies like Twinning, PWC and Alibaba Group have established programs that align themselves with the Chinese government goal of poverty eradication. Senior Director for Poverty and Equity GP of the World Bank Carolina Sanchez points out that “growth is important, but it must be inclusive. The benefits of overall growth simply cannot be captured by a privileged few if we expect to see progress and prosperity in the world.

To fuel that growth and build a healthy, educated, engaged society, countries must invest in quality education, in health, in good infrastructure, sanitation, and water for everyone. Without these things, the potential of millions is left on the sidelines, permanently curbed due to preventable barriers. . .progress is not the responsibility of the government alone- private sector partners, citizens, and local communities have an important role to play in developing solutions and spurring action on poverty reduction and equal opportunity” (Sanchez, 2017).

Path 1: Corporate Social Responsibility

CSR in China today has undergone decades of change since it was first introduced. After Deng Xiaoping announced the Open Door Policy in 1978, MNCs began to perceive China as the new factory of the world due to its favorable government policies, the abundance of cheap labor, and lack of stringent environmental standards. In the 1990s, MNCs brought along their CSR practices with them, mostly focusing on supply chain management and labor conditions. In response to these new influences, the Chinese government enacted several laws that put CSR on course for further popularization, such as the Environmental Protection Law (1989), Trade Union Law (1992), Consumer Protection Law (1993) and Labour Law (1994) (Bu et al, 2013).

The year 2000 marks when China joined the WTO and international standards began to be applied to companies operating in

China. MNCs, as well as Chinese-owned companies, started to face increasing pressure to conduct CSR. The public called for a movement toward more open and transparent reporting practices by enterprises. Based on a 2006 survey by AC Nielsen, more than half of Chinese consumers prefer to purchase goods and services from companies that actively engage in charitable activities (Tian, 2016).

The pressure to pursue CSR came from both within and outside of China. Externally, Chinese companies with global ambitions sought legitimacy by incorporating improved sustainability practices, largely at the request of western-based MNCs and foreign governments. Internally, formerly state-owned enterprises needed to build their social legitimacy by more transparent reporting on various activities. In response to these demands, various foreign MNCs in China have publicly declared their commitment to CSR. In 2007, more than 1,400 foreign MNCs in China published "A Written Proposal for Fulfilling Social Responsibilities."

China has increasingly exerted pressure on foreign MNCs to conduct CSR activities, with the goal of developing stronger, more institutionalized, and regular CSR practices. Many enterprises operating in China are required by SASAC to issue a CSR Report. Likewise, the Shenzhen Stock Exchange and the Shanghai Stock Exchange require about two-thirds of listed companies to disclose social responsibility (Interview with Liu, Baocheng, 2013). To further entrench CSR practices in China, many CSR awards were also established to incentivize businesses.

Comparatively, the advantage of foreign MNCs gradually faded away. Some leading brands, including KFC, Shell, Walmart and Unilever, were blamed for applying lower standards to customer service in China. Furthermore, along with the ascendant trend of exposed negative environmental and labor incidents related to foreign MNCs, suspicions and mistrust arose over their double standards in China and other countries with regard to all CSR issues.

More recently, some foreign MNCs have paid greater attention to environment, health and safety (EHS) issues, making improvements

through their supply chains and improved CSR training. For instance, GE is working together with other companies which include Walmart, Honeywell, Citibank and SABIC Innovative Plastics to support a new EHS Academy in China’s Guangdong province.

Furthermore, some foreign MNCs have established philanthropic programs involving environmental protection, community improvement, education enhancement and agricultural development. Others are imposing SA 8000 Standard on their suppliers in China. SA8000 is used to certify working conditions and social compliance in factories and organizations in line with labor provisions contained within the universal Declaration of Human Rights and the ILO Conventions (ILO, 1998). The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (2017) is the latest iteration of such effort in promoting higher labor standards practiced by the MNCs.

Besides providing CSR training to their staff, foreign MNEs also set up philanthropic programs to support education, health and other worthwhile activities. Table 1 summarizes some of the philanthropic activities conducted by the foreign MNCs in China.

Examples of business partnering can also be found. Twining has facilitated business development that may eventually lead to the goal of eradicating poverty by 2020. It is creating opportunities for individuals living in the rural area to work directly with its supply chain. Twining provides training and education programs that show the links between nature, tea production, economy and society (Lu & Tong, 2016). PWC partnered with several charity foundations and initiatives to fund programs for underprivileged children and ethnic minorities. They established programs such as the “Log-off, Restart and Recycle” to minimize their e-waste by donating computers to underprivileged children in rural China (PWC CSR report, 2017).

Challenges for Foreign MNCs Doing CSR in China

Some of the challenges include:

Table 1. Examples of the MNCs Philanthropic Activities in China

Community Improvement	The residents in the Mt. Everest area suffer from inhospitable climate and geographic conditions. DuPont China provides them with a group of innovative energy-saving buildings.
Poverty Alleviation	Amway has been sponsoring the 'New Year Charity Concert' during the spring festival since 2004, aimed at raising funds for poor and handicapped children and other vulnerable groups.
Environment Protection	Walmart launched a series of science popularization activities in 2010.
Education Enhancement	In June 2010, Mercedes Benz and China Youth Development Foundation jointly established the Future Star Fund with initial funding of 30 million RMB, for the purpose of fostering musical education for students in the Hope School system.
Post-Disaster Reconstruction	To improve the nutrition and health conditions of children in the earthquake-stricken areas of western China after May 2008, the China Foundation for Poverty Alleviation, the World Food Program and Yum (China) initiated a "One Yuan to show you care" program. Over 15,000 children in Sichuan and over 22,200 children in Yunnan benefited from nutritious meals.

- *Differences in CSR standards applied by the Chinese subsidiary compared to those in developed countries of the same foreign MNCs.* Some MNCs including KFC, Shell, Walmart and Unilever, have been widely denounced for using a lower customer service standard in China. Consumers have also pointed out inconsistencies in environmental and labor conditions of MNCs, which tarnish the reputation of these international brands.

- *Many MNCs in China lack a strategic, long-term and value-based system of CSR.* Professor Liu Baocheng observed that “the majority of CSR behaviors are impulsive, or subject to major events (such as disaster relief), or the implementation of executive will, in short, they lack strategic planning.”
- *Lack of transparency and capability in conducting CSR activities.* Professor Liu also observed that CSR reports tend to lack credibility because they are not written by unbiased third parties. They also lack sufficient monitoring of CSR activities.

CSR Trends

CSR will continue to be in the spotlight in China and foreign MNCs doing businesses in China should be mindful of the importance of these practices. According to a study conducted jointly by the Embassy of Sweden in Beijing and CSR Asia, the major cities (Beijing, Shanghai and Guangzhou) and the Eastern and Southern China regions are the areas where CSR is the most developed in terms of knowledge and performance among companies.

According to the same study, environmental protection and labor conditions are viewed as the most pressing and urgent CSR issues in China for the next decade, followed by transparency, anti-corruption and ethical behavior of businesses. Evolving business context in this regard will definitely increase the transactional costs as happened in the advanced economy decades ago. The allure of China originates from its substantial and affluent middle class. When more Chinese persons move up the economic ladder, MNCs and investors can forego China in pursuit of other low labor costs countries without being penalized by not directly participating in the Chinese economy.

Path 2: PPPs (Public Private Partnerships)

The value of PPPs for social development has long been recognized in China, especially after the year 2014, when the

Communist Party of China declared its support for PPPs through publishing circulars, regulations, declarations and debates (Thieriot & Dominquez, 2015).

According to General Secretary Xi Jinping, “The Chinese nation is inclusive and tolerant to diversity, keeps learning good things of others in the long history and transforms such good things into things of our own, thereby forming national features of our own. Since the 1980s, Britain, Canada, Australia and other developed countries have been applying PPP into public utility fields such as infrastructures, so PPP has become mature in such countries; PPP has expanded from initial economic infrastructures to social and government fields. In developed countries, PPP has played an active role in the government increasing, improving and optimizing the supply of public products and services, enhancing the efficiency of financial funds, facilitating market access, pushing forwarding market unification and so on. It is very important to scientifically, regularly and efficiently boost the PPP work in China, and learn and use for reference of the mature experience of developed countries” (China Public Private Partnership Center, 2015).

As a result of government support, PPPs flourished in China. Most of them are in the energy, water and transportation sectors (IISD, 2015). The Shajiao B power plant in Shenzhen, which came into operation in 1988, is a build-operate-transfer project that is usually considered to be the first PPP (Wu, 2013).

PPPs have been developing in China since the late 1980s. The Third Plenum of the 18th Communist Party of China in 2013 emphasized the decisive role that market forces should play in the Chinese economy (Davis, 2013, and Huang, 2013). The Party's actions in 2014 confirmed this direction, particularly as it relates to PPPs, resulting in many associated circulars, regulations, declarations and debates. Figure 12 represents major legislation concerning PPPs in China.

Currently, there is no centralized monitoring of PPP projects in China. However, the World Bank does provide the Private Participation

DATE	ISSUING BODY AND TITLE	REF.
May 18, 2014	National Development and Reform Commission (NDRC), <i>Notice to encourage private capital to invest in first infrastructure projects</i>	NDRC, 2014c
September 21, 2014	State Council, <i>Opinions of the State Council on strengthening the management of local government debt</i>	State Council, 2014c
September 23, 2014	MOF, <i>Notice on questions relating to expanding the use of PPPs</i>	MOF, 2014c
November 16, 2014	State Council, <i>Guiding opinions on the innovative investment mechanism and encouraging social investment in key sectors</i>	State Council, 2014a
November 29, 2014	MOF, <i>Guide on operation of public-private partnership projects (interim)</i>	MOF, 2014a
December 2, 2014	NDRC, <i>Guidelines on development of public-private partnership projects</i>	NDRC, 2014a
2015?	NDRC, State Council: infrastructure and public project franchise law	

Figure 12. Major PPP Legislation and Regulations in China (Source: International Institute for Sustainable Development, 2015, p. 3)

in Infrastructure Databases, documenting any projects where public and private companies partner up, but records are limited to Infrastructural projects (World Bank, 2017).

Figure 13 illustrates the major projects; Figure 14 the number and total investments in China. Participation in PPP deals in China might not

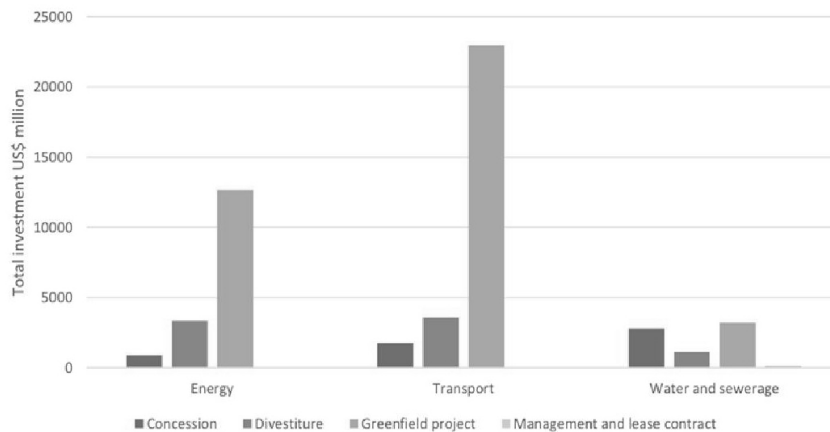


Figure 13. Type of PPPs in Different Sectors, 2004-2013 (Source: World Bank, 2014, in IISD, 2015)

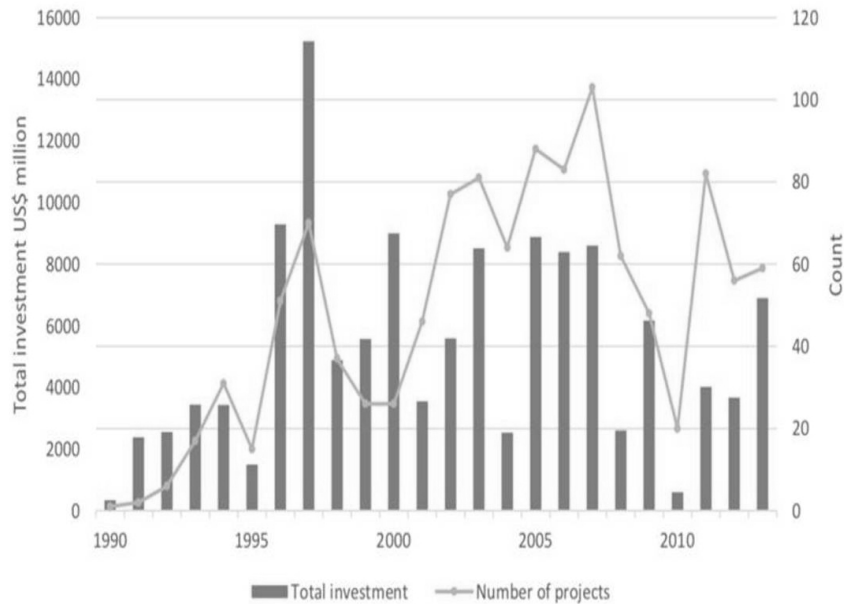


Figure 14. Number of Projects and Total Investment in China
 (Source: World Bank, 2014, in IISD, 2015)

be as straightforward as one might expect. According to analysts at Fitch Ratings Ltd., Bank of America Corp. and Oxford Economics Ltd., the majority of partners in PPP projects have turned out to be state-owned enterprises (Bloomberg, 2017). The upshot of this arrangement is that while debt pressure will be relieved for local governments, it will just end up on the books of another arm of the state. For a foreign MNC entering such investment scheme, one might need to consider the following:

Political Risks: Policy risk was considered as the biggest risk for foreign enterprises wanting to invest in China whether in PPP or other modes. Li (2004) argued that many private companies experience an implementation lag caused by the lack of coordination between the central and the local governments.

Protectionism: Most PPPs in China are undertaken by Chinese-owned companies, including state-owned companies. The government could impose barriers to foreign companies to protect local businesses.

Conclusion and Recommendations

In the context of China’s declared goal of reaching moderate prosperity by 2049, there is an expectation that enterprises engage in social activities or deliver positive social impact. This public expectation holds true for both Chinese and foreign MNCs. The private sector is expected to share their business acumen, financial resources and technological know-how to assist rural China and the poor to step out of poverty.

Active participation in philanthropic endeavors or corporate social responsibility programs would be useful in promoting the brand of a foreign MNC. Yet, active partnering to form or create upward supply chains by linking farming or rural communities and cooperatives with higher value-added tasks would be very much appreciated. Such partnerships would also strengthen the business integration and corporate citizenship of the foreign investor in China.

Expanding the business mandate to include social and environmental considerations would mean interfacing with multiple non-traditional stakeholders and business partners. It is recommended for foreign MNCs to develop novel corporate competencies and function — Business Diplomacy — to deal with this new operational context in China. Business diplomacy supports foreign MNCs in moving from “business as usual” to “business with ethics” (Saner & Yiu, 2016). Through the interaction with non-business stakeholders, business diplomats also identify creative ways of complying with the wishes of local hosts for social engagement, but also in spotting opportunities and needs for socioeconomic innovations and in creating both tangible and intangible long-term values for the foreign MNCs.

Appendix 1. A table of UN Sustainable Development Goals (SDGs) 2030

1. End poverty in all its forms everywhere;
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture;
3. Ensure healthy lives and promote well-being for all at all ages;
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
5. Achieve gender equality and empower all women and girls;
6. Ensure availability and sustainable management of water and sanitation for all;
7. Ensure access to affordable, reliable, sustainable and modern energy for all;
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;
10. Reduce inequality within and among countries;
11. Make cities and human settlements inclusive, safe, resilient and sustainable;
12. Ensure sustainable consumption and production patterns;
13. Take urgent action to combat climate change and its impacts;
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development;
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels;
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Appendix 2. Number of School, Educational Personnel and Full-time Teachers by Type and Levels (Source: Ministry of Education, 2018, authors’ compilation)

	Schools	Educational Personnel	Full-time Teachers
Pre-school Education Institutions	239,812	3,817,830	223,2067
Regular Primary Schools	177,633	5,537,298	5,789,145
Adult Primary Schools	11,802	23,249	12,399
Regular Junior Secondary Schools	36,471	2,770,381	2,514,419
Vocational Junior Secondary Schools	16	492	461
Adult Junior Secondary Schools	569	2,779	2198
Secondary Vocational Education	10,893	1,086,100	839,589
Senior Secondary Schools	13,818	2,595,259	1,735,980

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The Savvy INVESTOR'S GUIDE

for

Doing Business in CHINA

Gary Bonvillian
Editor

THE SAVVY INVESTOR'S GUIDE FOR DOING BUSINESS IN CHINA BONVILLIAN MB

The goal of this book is to help people — especially investors, business executives and college students in America and other Western countries — learn about, invest and do business in the People's Republic of China. Although other books and publications have offered good advice on this subject, none are as comprehensive, nor do they benefit from the extensive knowledge provided by the expert team of seasoned writers and scholars assembled here, all of whom have worked in China.

No nation in recent history has gained political and economic power at the rate of China. A serious investor or businessman must take into account the extraordinary transformation of this ancient society and how its business practices function both in public and behind the scenes. ...

A mistake outsiders commonly make is to think of the Chinese people in simplistic terms. China's historically isolationist policies have contributed to this misconception. But the Chinese are anything but simple. Seasoned investors with international experience understand the complexity of China and how easily one can falter without access to knowledge about its government, people and culture. This book is designed to help investors obtain that knowledge.

—From the Introduction, by Gary Bonvillian

Dr. Gary Bonvillian is a consultant for an international education group in the People's Republic of China. He taught business courses at five different universities and in his last position served as President of Thomas University in Thomasville, Georgia.

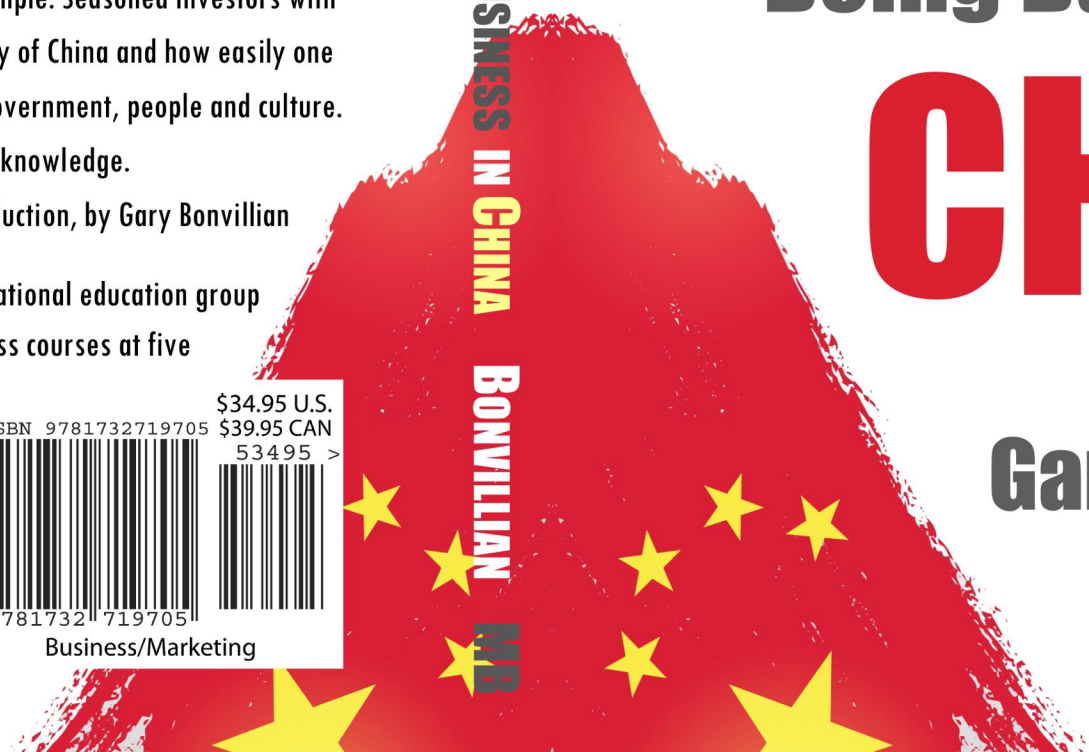
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Dedication

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