EXECUTIVE SUMMARY

“Time for action: Business & human rights in Greater China”

including mainland China, Hong Kong & Taiwan

August 2014

Press release and full briefing available here

China has almost a fifth of the world’s population. Its economy is the second largest in the World, with GDP growing at more than 7% annually. China’s rapid economic growth, driven by government and business, has helped to lift 500 million people out of poverty in three decades. China is one of the few countries to have met all the millennium development goals established in 2000: a major contribution to the human rights of its people in terms of right to a livelihood and education among others. Yet, this has been accompanied by the widespread neglect of other fundamental human rights such as labour rights and freedom of expression; as well as pollution on a massive scale, which puts citizens' health and sometimes their lives at risk.

There are many reasons why the time for action on business and human rights in Greater China is now:

1. the large-scale activism of workers to push for better conditions, and protests over environmental impacts and displacement associated with industrial projects;
2. a growing awareness among business that operating responsibly can help prevent and limit unrest and preserve reputation;
3. governments (both national & local) concerned by growing inequality, environmental damage, and public disquiet; and
4. the strong frameworks that are now available for companies and governments that want to do the right thing, including the UN Guiding Principles on Business and Human Rights, which the Chinese government has endorsed.
Substantial progress in embedding human rights in business in Greater China will promote and support growth with equality in the region, as well as creating more trusted and sustainable companies.

**Company responses to human rights concerns**

As our work highlighting examples of companies’ positive and negative human rights impacts in Greater China and the rest of the world shows, major abuses are occurring on a daily basis. At Business & Human Rights Resource Centre, we invite companies to respond to concerns raised by civil society about their conduct, before linking to the concerns from our website. This briefing analyses 223 such approaches: 127 to companies headquartered in Greater China (“GC firms”), either regarding human rights issues within the region, or in their operations overseas; and 96 to companies headquartered outside Greater China (“non-GC firms”), regarding alleged abuses by them or their suppliers within the region.

Greater China firms are clearly coming under increasing scrutiny from civil society organizations for their human rights impacts. The number of approaches we make to GC firms regarding specific human rights allegations has almost quadrupled since 2005.\(^1\)

The response rate from non-GC firms is 77%, whereas that from GC firms is 50%. Despite the lower response rate, when firms headquartered in Greater China do respond, they are more likely to do so in detail, directly addressing each specific allegation point-by-point (52%), than non-Greater China firms (38%).

The fact that half of the GC firms we approach do see the need to respond publicly to civil society concerns about their human rights conduct, and tend to give more detailed responses than firms headquartered outside the region, should be seen as an important indication of willingness on the part of many GC companies to address human rights concerns publicly. Among GC companies, private companies are more likely to respond (56%) than state-owned companies (40%). While a response by a company does not always lead to action, it does indicate the company’s willingness to engage publicly with concerns raised by human rights advocates, and provides a public statement that the company can be held to.

**Alleged abuses inside Greater China**

The most frequently raised concerns within the region to which we have sought company responses relate to workers’ rights (68% of the cases for which we seek a company response – including from GC firms and multinationals operating in or sourcing from the country).

260 million workers in China have migrated from their rural homes to cities for work – where the common labour violations of excessive working hours, dangerous workplaces and a failure to pay living wages are compounded by the stress of living far from home, and sometimes their children. Without being able to join independent trade unions, workers face massive hurdles to improve their situation, although as the briefing highlights, their innovative attempts to do so are increasing rapidly. The high proportion of the cases we cover that relate to labour rights is also an indication of the work of vibrant labour groups that report on these issues.

Twenty percent of our approaches to companies operating in or sourcing from Greater China are for responses to allegations relating to pollution, affecting health. Recent years have seen a surge in protests against the environmental impacts of industrial projects, at times successfully changing or blocking them. The briefing also features campaigns by environmental NGOs against harmful water pollution by electronics companies’ suppliers – and the ways in which some firms have been quicker to address this issue than others.

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2. We made 21 of these approaches to GC firms in 2005-7, compared to 79 approaches in 2011-13.
A third major business and human rights issue we feature in the briefing is the complicity of internet and technology companies from outside and within Greater China in government censorship and surveillance efforts online. Additionally, the briefing discusses widespread forced displacement for factories, infrastructure projects and property developments, as well as food safety scandals.

**Alleged abuses by Chinese companies abroad**

In addition to business and human rights impacts within China, this briefing addresses the human rights impacts of Greater China-headquartered companies overseas. Among the 127 responses that we have sought from GC companies, more than half were regarding allegations that took place overseas (71 approaches). The cases reflect the broad reach of Chinese investment overseas – by the end of 2011 for example, 18,000 Chinese-invested companies operated in 177 countries. Among our approaches to GC firms overseas, the countries in which the abuses most frequently occurred were Myanmar (Burma) (24%), Cambodia (9%), India (9%) and Democratic Republic of Congo (6%), though others spanned the globe. The predominant issues in these cases are security issues and conflict zones, workers’ rights, and displacement. While many countries with high levels of Chinese investment welcome China’s no-meddling approach to internal affairs and its rapid infrastructure development, local community protests against GC firms’ operations has led, for example, China’s prime minister Li Keqiang to call on Chinese companies to “shoulder due responsibility” for local communities and the environment, on his recent visit to Africa.

**Initiatives underway**

Many GC companies are realizing that acting responsibly reduces the risk of social protest and protects reputation, at home and overseas. In 2013, the Global Business Initiative along with local and international partners hosted a business executive’s meeting and practitioner’s roundtable on human rights. As Prof Liang Xiaohui, Chief Researcher, China National Textile and Apparel Council, and Lecturer in Business and Human Rights at Peking University Law School said at that meeting:

“As Chinese companies become more international, the voice of stakeholders like NGOs is becoming stronger. As a result, Chinese companies are incorporating human rights into their management systems. Even within China they cannot avoid this topic. International conventions are being translated into Chinese law and the enforcement of these laws is becoming more stringent. Chinese companies must comply, either voluntarily or involuntarily. This is why Chinese enterprises have a strong drive to respect human rights.”

For its part, the Chinese government has begun to actively encourage responsible practices by Chinese firms. For example it has issued “Guidelines to the State-owned Enterprises on Fulfilling Corporate Social Responsibilities" and set up a corresponding social responsibility steering committee. The China Banking Regulatory Commission has formulated the Green Credit Guidelines to encourage banking institutions to focus on green credits and fend off environmental and social risks. Environmental laws, labour contract laws, land administration laws have also been amended to better protect people’s rights – although many NGOs question the extent that they will be enforced.

The Chinese Government has also endorsed the UN Guiding Principles on Business and Human Rights. Yet strikingly, none of the responses that we have received from GC companies or non-

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GC companies operating in the region refer to the UNGPs. At the 2013 UN Forum on Business and Human Rights in Geneva, around 1500 people attended but the participation from China was noticeably very low, especially given China’s economic influence on the global stage.

A call for action

Now is a critical time for China to embrace the “business and human rights” agenda. The briefing concludes with a set of recommendations for business and government. For companies, the briefing calls on them to adopt a clear public human rights policy; conduct a thorough impact assessment for their operations whether within China or overseas; implement management processes on human rights; report publicly on their progress; engage with critics; and remedy abuses.

It calls on the Chinese government to develop a national action plan on business and human rights; strengthen the legal framework for victims of human rights abuses by companies to seek and secure redress; enforce existing laws in the areas of labour rights and environmental protection; and strengthen the human rights guidance for Chinese firms operating at home and overseas.

As our briefing demonstrates, there is an enormous gap between recognized standards on business and human rights, such as the UN Guiding Principles – and the actual practices of companies operating in Greater China. Action is needed now to close that gap. Doing so is in the interest of companies themselves, and is essential for the wellbeing of workers and communities who are affected by their activities.