

## **Yin and yang: Striving for sustainable harmony in China**

**By Wayne Visser**

### **Waking dragon of the East**

I first visited China in 2008, where I presented at the China Europe International Business School (CEIBS) conference on Responsible Competitiveness, in Shanghai. I was also a judge for the Innovate China International MBA competition. My initial impressions were that – contrary to popular belief – in the medium to long term, China may very well set an example for other countries and companies in terms of sustainability and responsibility.

A clue to my optimism came from something that William Valentino, CSR Director for Bayer in China, said to me: 'Above all else, China prizes stability. And stability, in turn, can only be maintained under conditions of social upliftment and environmental improvement.' Despite labour conditions remaining a concern, human rights abuses are starting to become the exception rather than the rule, and I believe China's sustained economic boom is doing far more social good than harm.

Reconciling its new-found addiction to growth with environmental constraints, however, may prove its most difficult challenge yet. Elizabeth Economy, author of *The River Runs Black*, has studied China's environmental challenges in depth and believes the crisis they face is deep and intractable. The facts she cited when I interviewed her for *The Top 50 Sustainability Books*, were sobering, to say the least. She told me China has 20 of the world's 30 most polluted cities in terms of its air quality. Seven hundred and fifty thousand people die prematurely every year in China because of respiratory diseases related to air pollution.

Water is another major challenge. China has only 25% of the world's average per capita availability of water. Something like almost 30% of the water that runs through China's seven major river systems and tributaries is unfit even for agriculture or industry, much less any form of drinking or fishing. Between five and ten cities will completely run out of water by 2050. China is roughly one-quarter desert, and the desert is advancing somewhere between 1,300 and 1,900 square miles per year. Furthermore, 10% of China's agricultural land is contaminated with heavy metals and other contaminants.

People like Amory Lovins, founder of the Rocky Mountain Institute, is more optimistic. He told me that China is the only country that's cut its energy intensity over 5% a year for a quarter of a century. They are the world leader in distributed renewable sources of power and is the only country that has energy efficiency as its top development priority. To be sure, implementation is at an early stage. But, Lovins said, China has better leaders than we do, are more highly motivated and work harder. 'For all these reasons, I think we can rely on China to lead the world out of the climate mess.'

William McDonough, co-author of *Cradle to Cradle*, shares these sentiments. He told me that while 'they're not going to become an eco-paradise overnight', nevertheless, 'at the senior level, they've recognised the idea of closing cycles as being a critical part of any long-term plan'. The only difference is that they call it the 'circular economy', rather than C2C. McDonough believes this will be driven by necessity rather than virtue.

## Two years is a long time in China

I returned to China in June 2010, as part of my CSR quest world tour, where I delivered a seminar at the Peking University campus in Beijing, and gave a talk in Shanghai to Women In Sustainability Action (WISA). It was interesting to observe how things had changed in the two years since I had last visited. As my Chinese colleagues kept reminding me, in China two years is a long time. Despite being awash with CSR conferences and the rapid uptake sustainability reporting, most large companies were, as far as I could tell, still stuck in a philanthropic, project-based mode of CSR.

However, the drivers for sustainable business seemed to have shifted. Whereas before, Western pressure mainly drove the process through the supply chain, now the two main advocates seem to be the Chinese government and the workers themselves. Apart from CSR management, China is investing heavily in the market opportunities provided by sustainable business issues, especially clean technology. This explosive growth was brought home to me when, at the WISA event where I was speaking, I got talking to a supplier of wind turbines to Europe. His chief complaint was that he couldn't keep up with the demand. He was turning customers away because there was already 12 months of orders in the pipeline.

There are many other positive signs. China's decision to subsidize the factory expansions of its solar companies helped cut the cost of panels in half since 2010. According to the 2012 Ernst & Young ranking of country attractiveness for renewable energy investments, China leads the world, ahead of the US and Germany. China - the world's biggest carbon emitter - is now piloting carbon trading schemes, which may lead to a national Chinese emissions trading scheme in 2015, and even a cap for 2016-2020. China's fish farming, which accounts for 62% of the world's aquaculture, has a lower ecological footprint than production in the West. And China aims to develop one billion square metres of new green building floor area by 2015, a fourteen-fold increase on 2012.

We are also increasingly seeing social and environmental entrepreneurship coming out of China, like the inspiring story of Wang Chuanfu, founder of BYD, which is today one of the biggest manufacturers of electric cars. Another is Zhang Yin, the founder and director of Nine Dragons Paper, a recycling company that buys scrap paper from the US, imports it into China, and turns it mainly into cardboard for use in boxes to export Chinese goods. In 2006, she topped the list of the richest people in China and by 2010 her \$4.6bn fortune placed her ahead of the likes of Oprah Winfrey and JK Rowling.

Based on all these trends, I believe that if China can continue to evolve a more holistic understanding of sustainable business - beyond philanthropic CSR and built on the platform of the government's policy of 'harmonious society' - China may continue to surprise the West.

## Article reference

Visser, W. (2013) Yin and yang: Striving for sustainable harmony in China, *Wayne Visser Blog Series*, 31 July 2013.

## Source

*Part 7 of 13 in Wayne Visser's Searching for Sustainable Business blog series for CSRwire*

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**Part of the WAYNE VISSER BLOG BRIEFING Series**

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