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STATE'S ROLES IN ENGAGING FOREIGN INVESTORS IN CORPORATE SOCIAL RESPONSIBILITY: A CASE STUDY OF MYANMAR

Xiaowen Zhang¹, Zitong Li², Wanda Siu³, Yuewen Wang⁴

Abstract

This research examines the Myanmar civilian government's changing roles in shaping Chinese companies' corporate social responsibility (CSR) behaviors between 2011 and 2020. Based on empirical evidence gathered from surveys and interviews, it reveals two findings. First, Myanmar's democratic transition and economic reform since March 2011 has intensified competition among foreign investors and emboldened social scrutiny over foreign investment, which has clarified the Myanmar government's roles in promoting sustainable investment. Second, the Myanmar government has engaged Chinese investors in CSR by enforcing mandatory rules in foreign investment regulations and creating an environment for stakeholders' scrutiny over corporate behavior. The "hard" and "soft" incentives have motivated Chinese companies to adopt CSR to develop "competitive edge" among foreign investors and respond to public scrutiny (Porter and Kramer, 2007). The Myanmar government has assumed four roles to engage foreign investors in CSR: mandating role to embed CSR as a prerequisite for approving foreign investment, endorsing role to embrace an international CSR agenda and best practices, as well as facilitating role and partnering role in Chinese companies' CSR implementation.

Keywords: Corporate social responsibility, Myanmar, China, state, foreign investment

¹ Xiaowen Zhang is the Director of the Sustainable Enterprises for Earth and Development Institute (SEED) of Phoenix Satellite TV (xiaowen.zhang@odyssey-dragon.com).

² Zitong Li is a researcher at the Sustainable Enterprises for Earth and Development Institute (SEED) of Phoenix Satellite TV (zitong.li@odyssey-dragon.com).

³ Wanda Siu is the Research Director of the Sustainable Enterprises for Earth and Development Institute (SEED) of Phoenix Satellite TV (wanda.s@odyssey-dragon.com).

⁴ Yuewen Wang is a Master of Public Administration candidate at Cornell University (yw637@cornell.edu).

1. Introduction

As one of the military government's vital strategic economic partners, China has been Myanmar's largest investor, accounting for 26% of the cumulative foreign investment inflow between 1988 and 2011 (DICA, 2021). However, Myanmar's democratic transition of 2011 has created political, economic, and social transformations that provided new implications for Chinese investors. Politically, the regime change has created uncertainties in the Sino-Myanmar relationship, urging China to recalibrate its diplomatic policy towards and economic partnership with Myanmar. Economically, China's deteriorating standing in Myanmar, compounded by the stagnation or delay of several politicized Chinese state-backed development projects, have undermined China's position as the dominant investor in Myanmar. Moreover, with Myanmar's economic reforms, improving relations with the West and the lifting of most sanctions, Chinese investors – who was a dominant source of Myanmar's foreign investment under the military regime – strategic competition to win influence over Naypyidaw as other foreign interlocutors have increased significantly. The OECD investors returned to Myanmar with capital and higher operational standards such as the *OECD Guidelines for Multinational Enterprises* and the *Extractive Industries Transparency Initiative*, effectively raising the “bar” for investors' sustainable behavior. Socially, public discontent towards Chinese investors surged, concentrating on their ‘unsustainable and irresponsible’ behavior. Especially after the suspension of the Myitsone dam project in 2011, labor strikes and protests against environmental hazards brought by Chinese-backed infrastructure-building projects had increased international scrutiny and criticism of Chinese investments, which further threatened the viability of strategic oil and gas pipeline projects. These two factors have urged the Myanmar government to scrutinize foreign investment in response to the OECD investors and the public's requirements on sustainable investment. The government has endorsed and localized international CSR-related standards such as *ISO 14000*, *ISO 26000*, the *OECD Guidelines for Multinational Enterprises* in investment regulations, and made CSR an explicit prerequisite in the investment approval procedure (Mark and Zhang, 2017). In 2018, the U Thein Sein administration has laid out a development roadmap in the *Myanmar Sustainable Development Plan (MSDP) (2018–2030)*, which aligned actions for economic and societal development with the United Nations Sustainable Development Goals (UN SDGs).

Meanwhile, Chinese companies have launched CSR campaigns to change tarnished corporate image as 'irresponsible investors', as perceived by the Burmese public, and improved relations with the local communities to restore investment in Myanmar (Sun, 2012). These actions were initially guided by public and private CSR initiatives in China, such as 'soft' requirements in investment laws and industry-level code of conduct, but not directly supervised by the Chinese government regarding the compliance with these requirements (Lin, 2010; Freeman, 2017). As such, with more stringent and clearer CSR regulations, the Myanmar government has become a vital stakeholder that engaged Chinese investors in CSR and shaped their sustainable behavior.

Considering these progresses, this research seeks to address two questions:

(1) What are the impacts of diversified foreign investment on the Myanmar government's CSR policymaking since the economic reform in 2011? What are the government's roles in promoting corporate social responsibility among foreign investors?

(2) At different stages of investment, how does the Myanmar government's influence Chinese investors' corporate social responsibility behavior?

2. Analysis

2.1 Impact of diversified foreign investment on the Myanmar government's CSR roles

2.1.1 Theoretical framework

Corporate social responsibility (CSR) is defined as corporate efforts beyond the direct requirements and market and law to balance stakeholders' pressure, scrutiny, or interests with the profit-making pursuit (Visser, 2011). Among the various interpretations, the neo-Keynesian school adopts a multi-stakeholder approach defining corporate social responsibility, recognizing the role of government, investors, customers, employees, business partners, local communities, and others in shaping companies' CSR behavior. The state could promote and regulate CSR practices to ameliorate the negative impact created by unfettered corporate behavior, market failure or the companies' inadequate awareness of social responsibility.

Researchers have put forward different schemes to classify the state's role in CSR. In the debate surrounding whether CSR should

be compulsory or voluntary, the predominant view regards CSR policies as the most viable through soft regulations guiding companies' voluntary behavior (Joseph, 2003; Zappal, 2003; Albareda et al., 2004; Lepoutre et al., 2004; Bell, 2005). The perspectives on governmental roles in CSR began to diversify as the debate shifts towards the coexistence of state legislation and corporations' voluntary involvement. Most current perspectives emphasize the government's collaborations with corporations, the civil society, and other different stakeholders with blurred boundaries in the responsibilities across agents (Albareda et al., 2008). For example, Singhal (2014) suggests that governments can legislate, foster, partner with and support businesses and endorse best practice to promote CSR. Other potential governmental roles include promoting CSR agenda, identifying priorities, raising awareness, creating incentives, building capacities, and mobilizing resources from cross-sectoral cooperation for CSR. Although current literature has shed light on governments' changing roles in CSR in developed countries (Steurer, 2010; Albareda et al., 2008), they have not adequately covered Southeast Asian countries where economic open-up has initiated local CSR 'ecosystem', which encompassed dialogue, regulations, and cooperative projects, in the past decade. Given the far-reaching implications of Myanmar's economic liberalization for the country's investment landscape and its dynamic relationship with Chinese investors, Myanmar provides a paradigm for studying the influence of market competition on the government's roles in CSR, and how these changing roles have shaped foreign investors' involvement in CSR.

A systematic identification and classification of governmental roles is needed to delineate the state-business interactions in CSR. This research adopts the framework developed by Fox et al. (2002) to group the Myanmar government's roles into four categories: mandating, facilitating, partnering, and endorsing, which corresponds to compulsory and voluntary CSR practices (See Table 1).

Table 1: Classification of Government's Roles in CSR

Government's Role in CSR	Area of CSR	Example	Enforceability
Mandating	CSR regulation: policymaking/ agenda-setting	Government adopts a legislative role to define minimum standards for business performance embedded within the legal framework.	Compulsory
Endorsing		Government embraces the CSR agenda through policy documents, management practices, direct recognition of the corporate efforts through award schemes and public procurement.	Voluntary
Facilitating	CSR implementation	Government acts as participants, convenors, or facilitators in partnership with multiple stakeholders in tackling social and environmental problems.	
Partnering		Government enables or incentivizes companies and key actors to engage to drive social and environmental improvements.	

Source: Fox et al. (2002), pp.3-5.

2.1.2 Research methods

(1) Desktop research

The research team has reviewed websites of different Burmese government departments and/or ministries to chronicle CSR-related policies and illustrate the organizational structure of CSR regulation in Myanmar.

(2) Focus group discussion

In October 2020, the research team conducted an online focus group discussion (FGD) with six Burmese stakeholders to explore their

perceptions of the local government’s role in CSR. Stratified sampling was employed to divide CSR-related agency stakeholders into four groups: local government, professional CSR service provider, international non-governmental organizations (NGO), and local non-governmental organizations. Representatives were randomly selected subjectively for accessibility and availability. A detailed list of questions is attached in Appendix 2.

Table 2: Summary of FGD participants

Affiliation of the Participant	Stakeholder Group
Directorate of Investment and Company Administration	Local government
Pact Myanmar	International NGO
Myanmar Environmental Assessment Association	Professional service provider
Myanmar Extractive Industries Transparency Initiative	International NGO
Myanmar Center for Responsible Business	Local NGO
Ministry of Natural Resources and Environmental Conservation	Local government

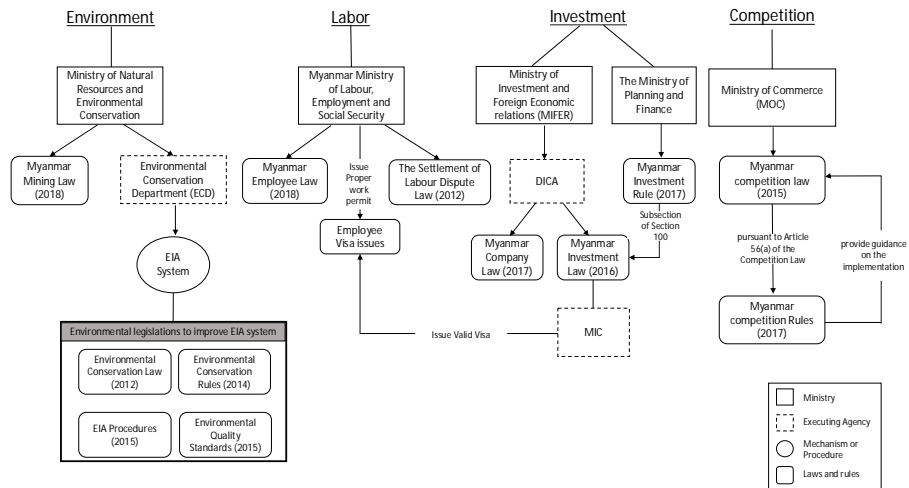
2.1.3 Key findings

(1) Mandating role: CSR regulation framework and policies

Since 2011, diversified foreign investment and rising social scrutiny over foreign investors have driven the government to integrate responsible business into its sustainable development process. Specifically, the government has taken the following steps: 1) Accelerated CSR-related policymaking and clarified CSR-related requirements in economic, social, and environmental policies for foreign investors; 2) Localized international CSR standards and policies to align the domestic CSR agenda with international discourse and create an investment-enabling environment. A government-led environmental and social management framework has emerged to guide and supervise investors’ environmental and social impacts; and 3) Institutionalized CSR regulation by consolidating the responsibilities of policymaking, implementation,

and inspection for compliance under the corresponding ministries or departments (See Figure 1).

Figure 1: Organizational structure of Myanmar's CSR regulation system (As of March 2021)



Source: illustrated based on information retrieved from Myanmar's government ministries/ departments websites.

Nevertheless, the civilian government has not set up a dedicated legislative or regulatory authority to regulate, guide, or inspect investors' CSR practices. As shown in Figure 1, instead, each relevant department legislates, enforces, and monitors CSR-related economic, environment and labor issues within its scope of administration with different policy instruments (See Table 3). Recent regulations have specified a clearer role of government bodies in CSR governance and supervision. For example, the *Industrial Zone Law (2020)* stipulates that the Regional Committee¹ will systematically govern business activities, review corporate social responsibility, and reduce environmental and social hazards in domestic industrial zones. Despite the progresses in legislation and institutions building, the current CSR regulation system is subject to

¹ Regional Committee is the committee established to form, manage, and supervise regional Industrial Zones in Regions, States and the Union Territory. It is the enforcer and inspectorate of corporate responsibility in Industrial Zones.

scattered responsibilities and insufficient inter-departmental coordination and consultation (Aung, 2017), which resulted in varying CSR requirements across regions/ states and along different levels of governments, ineffective enforcement of CSR policies, and unclear scope of each department's administrative responsibilities. In the FGD, the DICA representative suggested that "the MIC was unable to monitor how CSR will be implemented, to what extent, and in which form."

Table 3: Myanmar's CSR-related policies (2011-2020)

Name	Year	Issuing entity(-ies)	Target	Type	CSR-related Theme/ Content
Stage: Market Entry					
Myanmar Investment Law ¹	2016	DICA	All investors* in Myanmar	Domestic law with binding requirements	Provides CSR guidelines for foreign direct investment
Myanmar Company Law ²	2017	DICA	All companies* operating in Myanmar	Domestic law with binding requirements	
Stage: Operation					
<i>Economy-related CSR</i>					
Myanmar Competition Law ³	2015	Ministry of Commerce	All companies* operating in Myanmar	Domestic law with binding requirements	Prohibits unfair competition conduct and prevents acts that injure public interests
Inclusive	201	DaNa	All	Guidance/	Promotes

¹ https://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/myanmar_investment_law_official_translation_3-1-2017.pdf

² <https://www.myanmar-law-library.org/law-library/legal-news-and-agenda/myanmar-companies-law-english-and-burmese-version-from-dica.html>

³ <https://mmcc.gov.mm/service/legislation/>

Business in Myanmar An Agenda to Catalyze Social Impact ¹	8	Facility, DICA, DISI, UK Aid	companies* operating in Myanmar	policy recommendation	inclusive business through incorporating strategic CSR
Industrial Zone Law ²	2020	Pyidaungsu Hluttaw (national bicameral legislature of Myanmar)	All companies* operating in industrial zones	Domestic law with binding requirements	Sets up Regional Committee to review and promote CSR in domestic industrial zones
<i>Society-related CSR</i>					
The Settlement of Labor Dispute Law ³	2012	Pyidaungsu Hluttaw	All companies* operating in Myanmar	Domestic law with binding requirements	Sets up government bodies to settle labor disputes
<i>Environment-related CSR</i>					
Environmental Conservation Law ⁴	2012	Pyidaungsu Hluttaw	All companies* operating in Myanmar	Domestic law with binding requirements	Mandates investors to set up environmental management

¹ https://www.dica.gov.mm/sites/dica.gov.mm/files/news-files/inclusive_business_in_myanmar.pdf

² <https://myanmar-law-library.org/law-library/laws-and-regulations/laws/myanmar-laws-1988-until-now/national-league-for-democracy-2016/myanmar-laws-2020/pyidaungsu-hluttaw-law-no-07-2020-burmese.html>

³ <https://myanmar-law-library.org/law-library/laws-and-regulations/laws/myanmar-laws-1988-until-now/union-solidarity-and-development-party-laws-2012-2016/myanmar-laws-2012/pyidaungsu-hluttaw-law-no-5-2012-labour-disputes-settlement-act-burmese.html>

⁴ <https://www.myanmar-law-library.org/law-library/laws-and-regulations/laws/myanmar-laws-1988-until-now/union-solidarity-and-development-party-laws-2012-2016/myanmar-laws-2012/pyidaungsu-hluttaw-law-no-9-2012-environmental-conservation-law-english.html>

					nt systems to control waste and pollution
Myanmar Environmental Impact Assessment (EIA) procedure ¹	2015	Ministry of Environmental Conservation and Forestry	All companies* operating in Myanmar	Domestic law with binding requirements	Stipulates the EIA procedure for projects with likely environmental impacts
Mines Law ²	2018	Ministry of Environmental Conservation and Forestry	All mineral investors	Domestic law with binding requirements	Sets out criteria for permit applications, the duties of permit holders, and rules related to mine closure, safety, labor, accidents, inspection and environmental protection.

* Including domestic and foreign investors and companies.

Source: organized based on policies retrieved from Myanmar's government ministries/ departments websites and archive.

Economy-related CSR

The Ministry of Investment and Foreign Economic Relations (MIFER) implements the state investment policy and manages the attraction of foreign investments. As the *Foreign Investment Law* stipulates a

¹ <https://www.myanmar-responsiblebusiness.org/pdf/2015-06-Myanmar-EIA-Procedures.pdf>

² <https://www.charltonsmyanmar.com/legal/law-updates/2018/14/myanmars-ministry-of-mines-issues-regulations-implementing-the-2015-mines-rules-and-commences-solution.pdf>

new approval process with the MIC, the Myanmar Investment Commission (MIC) under the Directorate of Investment and Company Administration (DICA) approves investment with requirements set out in the *Myanmar Company Law* (2017) and *Myanmar Investment Law* (2016). According to the DICA representative in the FGD, the MIC demanded investors to submit a CSR plan as a part of the application for investment approval and encourages them to allocate 2% to 5% of the companies' annual profit on CSR.

Environment-related CSR

The Ministry of Natural Resources and Environmental Conservation (MNREC) regulates environmental CSR issues with multiple policy instruments. It introduced the *Environment Conservation Law* in 2012, which set guiding principles for integrating environmental conservation in the sustainable development process and for setting requirements for regulatory approval in the *Environment Conservation Rules* (2014), the *Myanmar Environmental Impact Assessment (EIA) Procedures* (2015), and the *Environmental Quality Standards* (2015). These policies, stressing adequate management of environmental risks throughout the project cycle, require investors submit an Initial Environmental Examination, Environmental Impact Assessment (EIA), and/or Environmental Management Plan (EMP) to apply for operation license. The Environmental Conservation Department (ECD) under the MNREC defines project screening criteria, reviews IEE and IEA reports, and approves projects pursuant to the requirements set in the policies. These requirements scrutinize investors' CSR in sectors with high environmental risks. For example, the *Myanmar Mines Law* (2018) sets procedural requirements for investors in the application of mining-related permits, which prioritizes environmental consideration in mining-related operations. Investors are required to submit the assessment results after undergoing the Initial Environmental Examination (IEE), Environmental Impact Assessment (EIA), and the Environmental Management Plan (EMP) to apply for and renew permits. In addition, they must submit the Production Permit evidence that it has negotiated with local communities and obtained their agreement on the CSR plans. Implementation of these plans is inspected by a decentralized system, where regional and/or local authorities will decide whether a mining project has damaged the environment or failed to conduct CSR planned. In addition, the new Law stressed environmental impact mitigation and mine closure, which states that

permit holders are responsible for environmental conservation expenses. Permit holders should set-up an environmental conservation fund with the amount of contribution to be based on the relevant Environmental Management Plans, and other mines closure fund at the state-owned Myanmar Economic Bank (Myanmar Centre for Responsible Business, 2018).

Besides the policy requirements, large-scale construction and extractive projects are also subject to CSR requirements in industry-specific code of conduct. For example, in the negotiations on reopening the suspended Letpadaung copper mine project, the Myanmar government required Wanbao Myanmar, the Chinese project developer, to allocate \$2 million annually to ensure international standards of environmental protection and 2% of its net profit for CSR activities in areas around the mine (Sun, 2013).

Society-related CSR

The MIC has made social impact assessment (SIA) a criterion for approving investments in some sectors. For example, *The Environmental and Social Impact Assessment Guidelines for Hydropower Projects in Myanmar* requires all investors to assess their impact on the environment (air, soil, climate, biodiversity, and others) and the society (gender, labor, health, community resettlement, culture, and others). Additionally, the Ministry of Labor, Employment, and Social Security (MLESS) enforces labor laws and regulates labor issues at all levels of corporate operation. It established the *Settlement of Labor Dispute Law* in 2012 and the *Myanmar Employment Law* in 2018, which mandates companies to protect labor rights.

(2) Endorsing international CSR standards

Driven by its commitment to sustainable development in 2013, the Myanmar government has embraced international responsible investment policies such as ISO 14000, ISO 26000, the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact (UNGC), and the Extractive Industries Transparency Initiative (EITI). The government has incorporated the responsible investment requirements in these international guidelines in domestic CSR policymaking. According to the DICA representative, the MIC aligns with internationally recognized principles such as the *OECD Guidelines for Multinational Enterprises*, United Nations Sustainable Development Goals, The

Ten Principles of the United Nations Global Compact, the International Labor Organization's (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy in setting CSR requirements. Additionally, the government has engaged a diversified portfolio of stakeholders, including international organizations, industry associations and the civil society, in setting the domestic CSR agenda, planning CSR policies, and localizing international best practices. For example, the OECD and the Myanmar government launched the OECD Investment Policy Review and held meetings to promote responsible business conduct and awareness. In collaboration with non-governmental organizations such as the Union of Myanmar Federation of Chamber of Commerce and Industries (UMFCCI), the government has actively promoted dialogues on domestic and regional CSR issues. For example, DICA, ASEAN CSR Network and UMFCCI held the "The ASEAN Corporate Social Responsibility Fellowship: Myanmar Forum" in July 2017.

2.2 Impact of the Myanmar government on Chinese companies' CSR behavior

2.2.1 Theoretical framework

As shown in Table 4, Visser's model (2011) was employed to determine the stage of Chinese companies' CSR behavior. Each stage CSR corresponds to the "Ages" of Greed, Philanthropy, Marketing, Management, and Responsibility. Specifically, companies adopt different CSR strategies to achieve different objectives:

Defensive CSR aims to fend off accusations, penalties, and other regulatory punishments. This type of CSR tends to be limited as it only protects shareholder value.

Charitable CSR supports various environmental and social causes by sharing profits with the local society through donations and sponsorships.

Promotional CSR aims to enhance the brand's image and reputation, which is often considered a public relations management tool.

Strategic CSR integrates CSR into the company's core business, often through aligning CSR agenda-setting, management, and implementation with social and environmental codes.

Systemic CSR interacts with the macro level society and ecosystems by innovating business models and responsibly manage economic, social, and environmental issues to achieve optimal outcomes for the society.

Table 4: The Stages of CSR

Economic Age	Stage of CSR	Modus Operandi	Key Enabler	Target Stakeholders
Greed	Defensive	Ad hoc interventions	Investments	Shareholders, government, and employees
Philanthropy	Charitable	Charitable program	Projects	Communities
Marketing	Promotional	Public relations	Media	General public
Management	Strategic	Management systems	Codes	Shareholders & NGOs/CSOs
Responsibility	Systemic	Business models	Product	Regulators and customers

Source: Visser (2011), *The Age of Responsibility*, pp.18.

2.2.2 Research methods

(1) Survey

The research team conducted an online survey on Chinese companies' CSR behavior in Myanmar. The survey was randomly distributed to Chinese companies. The questionnaire consists of 16 questions on the Chinese companies' CSR governance and strategies and their perception of stakeholders and operational risks in Myanmar. The questionnaire was distributed through an online survey platform and the Myanmar Chinese Community between October and November 2020 and received 97 valid responses from randomly selected Chinese companies.

(2) Interview

Between October and November 2020, the research team conducted six online interviews with Chinese companies operating in Myanmar to understand their CSR management and implementation (See Appendix 3 for detailed questions). The interviewees were selected stratified sampling method. The interview results constitute case studies that exemplify the influence of the Myanmar government's evolving roles on CSR behavior.

Table 5: Characteristics of corporate interviewees

Company Code	Industry	Year of Market Entry	Type of Local Company	Type of Parent Company	Position of Interviewee
A	ICT	2011	Local subsidiary	Private	CSR & Public Relations Manager
B	Power	2010	Joint Venture with the Ministry of Electricity and Energy and a private company	State-owned	CSR & Public Relations Manager
C	Power	1990	Joint Venture with the Ministry of Electricity and Energy	State-owned	General Manager
D	Garment	2012	Private	Private	Director
E	Garment	2014	Private	Private	Manager

2.2.3 Key findings

(1) CSR mandates: the impact of compulsory CSR rules

The survey response and FGD result indicate that Chinese companies' involvement in CSR has been primarily government driven. 67% (65 out of 97) of the respondents considered the Myanmar government, trade or investment agencies the pivotal stakeholders, followed by their Chinese counterparts (62%, 61 out of 97) (see Figure 2). The FGD participants and interviewed company representatives also validated the government stakeholders' effective mandating role in engaging Chinese investors in CSR. All interviewed companies reported that they had strictly complied with the compulsory CSR requirements set by the Myanmar government during the market entry phase and in daily operations.

Figure 2: Key stakeholders driving Chinese companies' CSR implementation (multiple choice)
 (Unit: number of companies)



However, two factors have undermined the efficacy of Myanmar's CSR regulation, thereby jeopardizing Chinese companies' motivation to engage in CSR. First, the fragmented CSR regulation system has created discrepancies in the definition of CSR and whether certain practices can be qualified as CSR across regions and among government, evaluation agencies, NGOs, and companies. For example, the FGD participants have disagreed over whether philanthropic activities (such as donations) and internal CSR (such as employee training programs) can be classified as CSR. Specifically, the representative of National Coordinator of Myanmar Extractive Industries Transparency Initiative (MEITI) believed that offering sponsorship for underprivileged local children, donations for natural disaster relief and employee-oriented programs such as on-the-job training and family support could not be classified as CSR, although such practices have been widely adopted by Chinese companies. These discrepancies have led to conflicting terms in governmental guidance and evaluation on CSR that discouraged companies from CSR. Second, although Chinese companies tend to resort to the local government when facing operational crises, many perceived the government as incapable of effectively resolve crises and settle disputes. The survey shows that disputes are major concern facing Chinese companies. 29% (28 of 97) of the respondents have encountered economic, environmental, or social disputes over the past three years, and over 60% of these companies (17 of 28) have sought assistance with dispute settlement from the Myanmar government, followed by Chinese business associations (14 of 28). However, in the interview, two garment

companies indicated that, in their experience, the local government had not effectively helped them resolve labor disputes and strikes.

(2) CSR partnership and facilitation: the case of a private Chinese ICT company

Company A is the Myanmar subsidiary of a global provider of information and communications technology (ICT) infrastructure and smart devices. With a strong relationship with the Myanmar government, the company has actively involved government agencies and public institutions in its CSR programs. The company's CSR agenda was guided by the parent group's four strategies for sustainability: Digital Inclusion, Security and Trustworthiness, Environmental Protection, and Healthy and Harmonious Ecosystem. These goals aim to contribute to the UN SDGs and align with the Myanmar Sustainable Development Plan. Thus, Company A's CSR programs were systematically planned, SDGs-driven, and technology-enabled.

Company A has set up a specialized CSR department to localize these CSR goals in accordance with the local policy agenda and stakeholders' needs and integrate with its technology and products. Existing CSR programs focused on promoting technology cooperation and education, improving community health, and providing digital services to public institutions. For example:

ICT education: Incubating local ICT talents is the priority of Company A's CSR programs. The CSR department has collaborated with the Myanmar Ministry of Education, universities, and enterprises to build a "talent supply chain" that covered learning, certification, and employment to promote the ICT sector's development. In 2013, Company A launched its ICT Academy, a school-enterprise cooperation project that involved higher education institutions. In 2015, the company carried out the Huawei Authorized Information and Network Academy (HAINA) program to offer ICT scholarships to students and select the best-performing ICT students to join a two-week study trip in China. In 2018, Company A signed a Memorandum of Understanding (MoU) with the Rectors' Committee with the support of the Ministry of Education. The MoU specified a three-year ICT Talent Development Program and six areas of cooperation, including establishing ICT Diploma Course System, sponsoring "Seeds for the Future", establishing the Huawei Authorized Information and Network Academy, awarding the ICT Talent Scholarship to excellent university students, providing support

for ICT related scientific research, and organizing digital literacy activities such as Youth Open Day at the company's Customer Solution Innovation & Integration Center. In 2019, The Federation of Myanmar Engineering Societies and Company A signed an MoU for cooperation in ICT sector, which focused on the implementation of Cloud technology, e-learning, certification programs and internship programs (Xinhua, 2019).

Public health: Company A introduced the "CARE Myanmar" program in 2016, which aimed to improve the living standards in rural communities by improving access to healthcare, food, livelihoods, water, sanitation, and hygiene in rural communities.

Public service digitalization: Company A has co-developed an artificial intelligence technology for computed tomography scanners with the *Phaunggyi* Hospital operated by the Yangon Region Government. It also created the "SAW SAW SHAR" mobile application and video conferencing system for the local government to improve its administrative efficiency.

Since Company A has integrated CSR into its core business, aligned CSR agenda-setting, management, and implementation with global and local social and environmental sustainability policies, it can be characterized as engaging in *Strategic CSR*.

(3) CSR partnership and facilitation: cases of two Sino-Myanmar hydropower joint ventures

Company B and C, both are joint ventures between a Chinese state-owned energy group and the Ministry of Electricity and Energy of Myanmar, have focused CSR environmental management and the relocated communities due to the environmental consequences and land acquisition-triggered community risks involved in hydropower projects. Despite these similarities, they differed in the approach to engaging local stakeholders in CSR agenda-setting, management, and implementation.

Company B emphasized engaging local government officials, NGOs, community representatives, and the public in CSR planning, and ensured adequate disclosure of project information to these stakeholders. The Company has centered its CSR around energy supply, community protection, and development. In terms of the first pillar, the Company's Chipwi Nge hydropower plant, the largest power plant in the Kachin State, has generated an annual power that accounts for 69% of the total power supply in Kachin, reaching 200

villages with 30 thousand residents around Myitkyina. As for community development, Company B has prioritized environmental protection to mitigate the water and noise pollution that the hydropower plant might cause. It has also initiated several community livelihood CSR programs to improve the living standard of about 4,000 relocated residents in Kachin State through health and education programs. Besides providing financial or nonfinancial support to improve public health and education within the relocated villages, The Company has also embarked on long-term community capacity building programs such as improving the livelihood of 414 relocated households through skills training, upgraded infrastructure, and business development programs that incubate small village businesses.

In comparison, the MOEE, as a government shareholder of Company C, has a deeper involvement in guiding setting the company's CSR agenda and guiding the implementation of CSR programs. While the Company's parent company in China has set an overarching CSR policy, its Myanmar subsidiary has a high degree of decision-making autonomy to localize CSR planning in accordance with Myanmar's policies and local stakeholders' requests. According to Company C's General Manager, in the annual board of directors meeting or a general meeting, the responsible directors would discuss and decide CSR planning and implementation schemes with business partners, the Ministry of Electricity and Energy (MOEE), and NGOs. Upon market entry, the company has submitted a CSR plan to the Myanmar Investment Committee (MIC) which detailed the CSR activities, estimated impacts and a commitment to allocate 1 to 1.5 % of net profit as the CSR budget. With annual funding from the parent company and additional financial support from the MOEE, the company has allocated around USD 3,000 annually on CSR activities.

Company C's approach to community-based CSR differed from Company B's by focusing on employment localization, environmental management and green energy, and education:

Employment localization: local employees currently account for 35% of the company's total employees in Myanmar and the proportion has been increasing annually.

Environmental management: Another important pillar of Company C's CSR is improving the environment and livelihood of communities around the power plant. To achieve these objectives, Company C

has turned the project site into a “garden factory” by managing wastes and restoring vegetation, as well as upgraded public infrastructure such as drainage system and roads in nearby villages. It also held “Open Day” events to invite villagers to visit the power plant.

Education: since entering Myanmar in 2018, Company C has worked with the Myanmar Ministry of Education to provide an annual scholarship of 3,000 USD for a middle school near the *Tharkayta* Township. Company C discussed the selection criteria and implementation scheme with the government partner every year and then donated scholarship funds (around USD 1,500) and stationary (around USD 1,500) to targeted schools determined by government officials. Company C’s CSR Director also reported that the company planned to focus CSR programs promoting economic development and improving living standards in the local community to foster mutual benefits.

Despite the differences in CSR management, themes, and implementation schemes, Company B and C have both engaged in *Charitable* and *Strategic* CSR to comply with the CSR requirements, respond to the government stakeholders’ requests, and avoid the environmental and community risks involved in hydropower development and village relocation.

Supply-chain driven CSR compliance: case of two private Chinese garment factories

Company D and E, both private garment companies, have formed a stark comparison with the other three companies in their perception, management and implementation of CSR. As both companies had previous experience of receiving minimal government support to cope with labor disputes and strikes, they perceived the local government as an “incapable problem-solver” and, therefore, a less important motivation for them to practice CSR beyond compliance with baseline laws and regulations. Given the labor-intensive, client-oriented nature of the garment industry, both companies view employees and the apparel brand clients in the “end market” as critical stakeholders in CSR. Company E has followed the supply chain standards imposed by its client, a European apparel brand. As part of the supply chain management, the brand has established systematic and stringent requirements for the suppliers’ socially responsible products and regularly sends third parties to their

factories to conduct random inspections on their compliance and CSR performance.

Consequently, Company D and E have focused on internal CSR activities for employees, such as providing training, fair compensation, and adequate occupational safety measures to workers abide by labor regulations and the supply chain standards. In addition, both companies have made voluntary donations upon local government or community's requests to communities and disaster-stricken areas. Therefore, it was evident that the government's failure in incentivizing CSR has jeopardized the small companies' motivations to adopt more systematically planned, sophisticated CSR. Alternatively, the companies chose to engage in *Defensive CSR* by complying with local regulations and supply chain standards to prevent penalties, labor disputes, public backlash, and in *Charitable CSR* by making ad hoc, loosely managed donations.

Table 6: Classification of interviewed companies' CSR activities

Company Code	Industry	Main CSR Initiatives	Government's role(s) in CSR	Stage(s) of CSR	Prioritized stakeholder(s)
A	Information, Communication and Technology (ICT)	Talent development for youths in ICT field & Care Myanmar for social contribution	Mandating, Partnering	Charitable Strategic	Public agencies
B	Power	Socio-economic development programs for people in the relocated villages	Mandating, Facilitating, Partnering	Charitable, Strategic	Community

C	Power	Infrastructure development, Support for education, and poor people; donation to monasteries	Mandating, Facilitating, Partnering	Charitable, Strategic	Community
D	Garment	Compliance with rules and regulations set by partner organizations	Mandating	Defensive, Charitable	Employee
E	Garment	Compliance with rules and regulations set by partner organizations	Mandating	Defensive	Supply chain

3. Conclusion

With a focus on Chinese investors in Myanmar, this study has addressed the research questions in Section 1 with the following findings:

First, Myanmar's democratic transition has emboldened competitive foreign investment and public participation in social governance. The diversified foreign investment, especially the return of OECD investors has brought higher responsible investment and CSR standards to Myanmar, pressuring the Myanmar government to legalize, guide, and monitor foreign investors' CSR behaviors. To promote CSR nationwide, the Myanmar government has adopted mandating, endorsing, facilitating, and partnering roles to engage Chinese and other countries' investors in CSR planning and implementation. Specifically, the Myanmar government's

strengthened roles in CSR have driven Chinese investors to engage in CSR proactively with diversified CSR strategies.

Second, the government's various roles have produced different impacts on Chinese companies' CSR behavior at different stages of investment. At the market entry stage, the MIC has adopted the mandating role to make CSR and impact assessment prerequisites of granting investment approval, which effectively enforced CSR among foreign investors. However, the state's influence over Chinese companies' CSR practices tend to diminish after the market entry stage due to two deficiencies in Myanmar's CSR regulation system:

(1) The absence of explicit, compulsory CSR-related terms in business operations and the government's inability to provide effective guidance on CSR implementation. Most legally binding terms that directly affect companies' motivation to operate in a sustainable manner concentrate on the environmental aspects, such as the requirements for undertaking Environmental Impact Assessment in the mining permit application and renewal process.

(2) The Myanmar government's inability to effectively guide and monitor CSR implementation. Based on literature review, FGD and interview results, this research finds that the inadequate inter-governmental coordination on CSR, misalignments in national and regional governments' CSR agendas, discrepancies in stakeholders' definition and "standard practice" of CSR, and the government's failure to provide clear, industry-specific CSR guidelines have undermined the Myanmar government's role in CSR. Consequently, the government has primarily adopted the "softer" facilitating and partnering roles in Chinese investors' CSR activities in their daily operations.

The comparative case studies on Chinese companies' CSR practices reveals that the state's influence varies across state-owned enterprises/ Sino-Myanmar joint ventures, in which Myanmar government is a vital shareholder, and private companies, in which the Myanmar government is a critical but not the decisive stakeholder. Our analysis shows that, among the interviewed companies, that state-owned enterprises and joint ventures with local ministries have planned and managed CSR initiatives directly under the supervision and guidance of the government. Compared to the private companies, their CSR strategies aligned more closely with local communities' needs and the policy agenda.

For private companies, the state's influence on CSR seem to differ by the sizes of company and industries. With a global presence, systemically planned CSR programs, and strong government relations in Myanmar, the ICT company has practiced Strategic CSR by integrating CSR into its business strategies, research and development, technologies, and products. The company has collaborated with local organizations to carry out projects that promote sustainable development in Myanmar, such as providing digital services to government agencies to enhance administrative efficiency, fostering young ICT professionals, and incubating technologies locally.

By contrast, the Myanmar government's inadequate capacity in guiding, monitoring, and facilitating CSR has weakened the small-sized garment companies' motivations perform CSR beyond compliance with baseline regulations. In the interview, the representatives have pointed out three views on CSR shared by garment SMEs in Myanmar:

(1) They considered the government's ability to settle disputes a crucial motivation for them to engage in CSR, as they view CSR as essentially a government relations-building strategy. However, many garment companies have experienced frequent labor disputes and public relations crises and had not received adequate support from the government in crisis management and remediation. Therefore, they were disincentivized to engage in CSR beyond complying with baseline regulations to solicit support from Myanmar's 'weak government'. They believed that CSR should voluntary, and any legally enforced CSR would be "ungrounded moral obligations shirked by a weak state and falsely imposed on businesses".

(2) They did not consider the Myanmar government a critical stakeholder in CSR. Instead, their CSR activities are primarily driven by supply chain standards.

The findings provide three implications for the Myanmar government and Chinese companies:

(1) Given that most Chinese companies consider the government a critical stakeholder of CSR implementation, the Myanmar government should further strengthen CSR legislation, improve inter-departmental coordination of CSR regulations, and lead the alignment of defining and guiding CSR among stakeholders.

(2) Chinese companies should transition from a government-oriented CSR implementation model towards one that engages multiple

stakeholders. To do so, they need to understand the perspectives of non-government stakeholders, especially their expectations and concerns, and take different stakeholders' requirements into account when planning CSR activities.

(3) Chinese companies should adopt and benchmark their current practices with international CSR standards, especially those endorsed by the Myanmar government) and benchmark with the best practices of OECD investors in Myanmar.

It should be noted that the findings subject to the following limitations:

(1) The research studies the interactions between economic reforms, the government's roles, and corporate behavior after the democratic transitions in 2011, which excludes the economic reform policies and CSR policies under the military government that might have laid the foundations for the subsequent development of CSR regulation.

(2) The research findings may be biased since the empirical data was collected from companies from four sectors and stakeholders from government agencies and NGOs.

Further studies are needed to address the following issues:

(1) This research has not examined the impact of regime type on the evolution of CSR regulations in Myanmar. Since this research focus on the impact of economic liberalization on the government's role in CSR between 2011 and 2020, it excludes the assessment of Myanmar CSR regulations under the military government, last from 1962 to 2011 and resumed in 2021. Further studies on the military government's approach to CSR regulation and its influence on Chinese companies will complement current research findings.

(2) Further research that incorporates industry-specific factors, such as industry-level code of conduct, typical risks shaping companies' motivations and approach to CSR, into the scope of study would help explore the relationship between the company's sector and its CSR practices, which would contribute to reaching more precise conclusions.

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Appendix 1: Chinese Foreign Direct Investment in Myanmar (1988-2020)

Year	Amount of Chinese FDI (Million US dollar)	Amount of Total FDI (Million US dollar)	Percentage of Chinese FDI in Total FDI
1988-2011	9596.8	36049	26.6%
2011-2012	4345.7	4644.5	93.6%
2012-2013	231.8	1419.5	16.3%
2013-2014	56.2	4103.9	1.4%
2014-2015	511.4	8010.5	6.4%
2015-2016	3323.9	9486.1	35.0%
2016-2017	482.6	6649.8	7.3%
2017-2018	1395.2	5718.1	24.4%
2018-2019	634.6	4158.5	15.3%
2019-2020	553.3	5525.97	10.0%

Appendix 2: Question List for Focus Group Discussion - Stakeholders in Myanmar

What is the first thing that comes to mind when you hear the word “Corporate Social Responsibility”? In your opinion, what is CSR?

How do you think of Myanmar’s current situation in setting guidelines, rules and regulations for doing CSR by firms in Myanmar?

Is there any law enforced or going to be enforced requiring firms to do CSR in Myanmar?

Is there any law favoring the companies being responsible?

Is there any punishment for irresponsible business in Myanmar?

In your opinion, how do you think of Chinese firms in fulfilling their economic responsibility?

Are Chinese firms complying with laws and regulations?

What is your perception on Chinese firms’ ethical behavior in Myanmar?

Do you think Chinese firms are doing social contributions to the society in Myanmar? Are they responding to local needs?

What kind of CSR activities are mostly done by Chinese firms in your experience? (donation, facilitating infrastructure construction, support corporate management, quality of natural environment, environmental conservation, general well-being of the society, provide training to local community, well-being of employees, measures against discrimination, suppliers and customers, disaster relief programs).

How do you think of Chinese firms’ motivation for doing CSR in Myanmar?

Do they usually take into account of the role of stakeholders as the first priority in setting CSR strategies? (INGOs, Government, Corporate leaders, professional service providers, NGOs, community)

Do they usually follow the guidelines of the local authorities, industry specific policies, regulations, labor policies, public health policies and so on?

Do they usually take great concern in consumers, sources of capital, value chain, and business models for the operation of your business?

Do they used to follow specific CSR standard such as SDGs, ISO, UN Global Compact?

How do Chinese firms CSR activities impact Myanmar? (to promote the formation and development of local strategy CSR policies, influence Chinese companies’ globalization and localization strategies)

As a stakeholder, what do you expect firms to do to the society?
In your opinion, what are the significant differences between CSR practices by Chinese firms and MNCs from other countries?
What do you want to suggest to improve in CSR performances of Chinese firms?

Before closing the FGD, participants will be given the chance of expressing if there was anything they would like to add, giving them the opportunity to deal with issues that they have thought about, or think are important but have not been dealt with during the FGD session.

Appendix 3: Interview Questions for Chinese Companies

Background information:

Do you have CSR department and CSR manager/officer?

Do you have specific CSR policies in your organization?

Is there any budget allocation for CSR annually?

What kind of CSR activities do you usually do? (how, with whom, which areas, for whom)

Motivation for doing CSR by Chinese firms in Myanmar

The role of stakeholders? (customers, suppliers, government, associations, etc.) CSR standards such as SDG, ISO, UN Global Compact, ESG framework? Company's value system?

How do your companies' CSR activities impact host country? (e.g. create economic/ social/ environmental impact on employees, customers, suppliers and others; improve corporate governance, promote industry development or sustainable development)

Is there any mechanism for measuring impact of CSR by your company?

Does your company issue any CSR report regularly to the public? If yes, how do you release?

What are the challenges that your company is facing in implementing CSR activities?

What is the role of government (host and home countries)?

What is the general impression of stakeholders of doing CSR activities by Chinese firms?

Do you have any mechanism to collect their perception?

Before closing the FGD, participants will be given the chance of expressing if there was anything they would like to add, giving them the opportunity to deal with issues that they have thought about, or think are important but have not been dealt with during the FGD session.