

Reflections



Rise of Interest Groups and Community Activism

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Rise of Interest and Community Groups

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A series of demonstrations and protests by local communities against the activities of business and decisions of local governments has been a feature of the past year. *Reflections* looks at the rapid evolution of NGOs and civil society and how the Party and government are striving to manage and shape these changes.

The Chinese Communist Party (CCP) and the Ministry of Civil Affairs (MCA) have embarked on an ambitious program to transform and enhance civil society and NGOs. The impact of these changes on business will be profound. The existing ways of doing business and licenses to operate will be called into question.

Four Business Take-Aways

1. Compliance is not enough. Traditional forms of relationships (guanxi) with local governments and key ministries remain necessary but are increasingly not sufficient for ongoing licenses to operate, particularly related to plants and facilities in the eastern provinces.

2. External relations and stakeholder engagement needs to be broadened and deepened to include:

- ministries, agencies and local governments that previously would be considered ancillary to business operations, and
- local community groups and NGOs important to priority facilities and plants,

with proactive reputation and trust building programs, encompassing “risk communications,” where necessary.

3. Consultation processes with local government and communities should be established to adapt to greater community scrutiny of business operations and of decisions for new plants or major changes to facilities. The alternative is to risk pre-emptive government decisions forced by informal activist groups or NGOs, and often incited by competitive interest groups.

4. Build more alliances with local NGOs.

Growth of local NGOs is increasing and encouraged by governments. Companies need to reassess existing NGO relationships, which presently tend to focus on foreign NGOs, to reflect these trends. Effective community outreach programs and alliances with Chinese NGOs and community groups will be challenging, but probably have greater return on investment for building reputation and lowering the risk profiles of companies with facilities and operations in China.



Not in MY backyard, you won't !

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Lessons from growing community activism

Driven by competing interest groups and facilitated by social media.

Rise of community & interest groups

Common to all these case studies (see sidebar) were the pivotal roles of formal and informal groups that acted as catalysts or platforms for organizing and expressing dissent. These incidents highlight the emerging power of local NGOs and their capability for efficient action in response to core local issues impacting welfare and justice.

At Wukan, the villagers organised themselves around community groups including the Women's Representative Federation Committee, the Communist Youth League (CYL) and a council of representatives comprised of 13 elected leaders. A number among the leadership of the protests were CCP and CYL members. Significantly, the protest leadership stressed trust in the central government and the Guangdong provincial leaders while disowning the policies of the village and county councils.

For Bohai Gulf, the interest groups clustered around the affected fishing, aquaculture and tourism industries. Fishing cooperatives such as the Laoting Aquaculture Association in Shandong were active in raising awareness of the environmental and economic effects of the spill and found alliance and voice with government environmental institutes, local and provincial governments.

NGOs "with Chinese characteristics"

Notable was the profile given by the official media to Chinese environmental NGOs. Eleven NGOs, such as Friends of Nature, published a joint open letter to ConocoPhillips and CNOOC calling for transparency, an apology, remediation and changes to existing policies. Throughout the months of this issue their views and commentary were well reported.

In comparison, there was an absence of any role or profile for international environmental NGOs, especially activist, campaigning groups.

Competing interest groups

In Shifang and Qidong, interest groups also appeared to be active. In Qidong, the lobby centered on the fishing port of nearby Lu Si seemed particularly active in moulding the messaging, creating the campaign collaterals and energising the protesters.



Changing community attitudes

With rising prosperity, environmentalism is increasing as communities look to redress the degradation of the past and improve public health and quality of life.

Especially in the eastern provinces, the quick pace of economic churn towards services and consumption has fostered growing instances of the NIMBY ("Not-In-My-Backyard") syndrome, with intolerance or bias against traditional heavy and manufacturing industries.

With economic maturity, there is more complexity of competing economic players and interest groups. To this mix must be added undercurrents of nationalism, a pervasive suspicion of corruption and a compensation culture for dispute settlement.

Concurrently, traditional mechanisms for redress via petitioning are exposed as inadequate safety-valves. The upshot is lack of trust between communities and their local governments, with business operators potentially caught in the middle.

High profile community actions:

Bohai Gulf Oil Spills

June - September 2011

Oil leaks from ConocoPhillips and CNOOC drilling platforms impact tourism, fishing and aquaculture industries in Hebei, Shandong, Tianjin and Liaoning.

Wukan, Guangdong

September - December 2011

Barricades erected against "illegal appropriation" of farmland to property developer Country Road. Resolved only by intervention of provincial government.

Shifang, Sichuan

June - July 2012

Two days of street protests at ground-breaking ceremony for USD 1.6 billion Sichuan Hongda copper molybdenum plant over fears of damage to environmental and public health. Ended with Shifang government announcing permanent halt to project.

Qidong, Jiangsu

July 2012

Violent protests with storming of government offices and cars overturned. A waste water pipeline project linked to the OJI paper mill, the largest Japanese investment in China at USD 1.9 billion, is "permanently suspended."



There is more to it than a few Weibo micro-blog posts and viral text messages

Government is not monolithic

Government in China is often considered to be highly centralized with a single agenda running through all levels of government from Beijing to the villages. Where divergences occur they are resolved internally within the government or Party.

The last 12 months exposed that ministries and agencies within the government can have differing priorities and objectives, akin to the U.S. interagency process, and that the government is prepared to co-opt external partners to achieve policy objectives.

For the Bohai Gulf case, the State Oceanic Administration (SOA) came under criticism for delaying the public announcement of the spill by a month and, as a regulator, was perceived by the media as too close to ConocoPhillips

and CNOOC.

Seven ministries pushed for forthright action and compensation and were included in the central government investigation team. The provincial governments, particularly Shandong, disputed the levels of fines proposed by the SOA. Shandong sought application of its environment law that allows fines up to RMB 200 million, compared to the Marine Environment Protection Law used by SOA that caps fines at RMB 200,000.

Whistle blowers

Retired government officials played significant roles as whistle blowers, especially in the cases of Qidong and Wukan, exposing non-transparent decision-making or malfeasance.

Media

The national media line has been essen-

"Innovative Social Management" of NGOs and Foundations

The Ministry of Civil Affairs has conducted a number of experiments to reform civil society organizations (CSO) as a means of promoting the CCP's "innovative social management."

Recent changes focus on lowering the barriers to registration and fundraising, capacity building for greater professionalism and enhancing and standardizing oversight and management.

Key milestones include:

Jul 2009 - Shenzhen allows CSOs to register locally and without the "dual management" requirement for sponsorship by a professional supervisory agency.

Dec 2009 - Yunnan provincial regulations for international NGOs allow easier registration but with greater oversight of projects and partnerships. Reactions from international NGOs are mixed, fearing more intrusion.

Jan 2010 - Jiangsu introduces regulations on foundations and charities.

Nov 2011 - Guangdong ends necessity of supervisory agency and decentralizes registration of CSOs to township and subdistrict levels of government. Promotes competition among trade associations and encourages government purchasing of CSO services.

Mar 2012 - Guangdong relaxes fundraising restrictions in order to promote an open welfare market with greater competition between public interest groups. Shanghai announces a similar experiment.

July 2012 - Beijing and Nanjing separately announce measures that ease registration for CSOs. Guangdong takes intermediate steps to legalize labor NGOs.

Concurrently, there is a trend towards standardizing government management of CSOs in the name of capacity building and raising professional standards.

There has also been a move towards greater use of public audits following a series of high profile scandals. Trends to greater oversight are viewed with ambivalence by many international and grassroots NGOs.

tially sympathetic to the protestors. They were critical of local governments' errors, including the breakdown of trust leading to open dissent, their inability to resolve the issues peacefully and for placing large investments at risk.

Impetus for reform

For Wukan, the troubles prompted reform, a part of what is now referred to as "the Guangdong model." The incumbent head of the village council of 40 years was replaced along with his entire committee. Prosecutions are pending.

The previous council was replaced by one constituted by protest leaders who had the trust of the community. The new committee was endorsed by rounds of local elections that concluded in August 2012.

Following Qidong there was media debate that these series of incidents had exposed inadequacies of engaging citizens and effective public participation in local policy making. The prompt "permanent suspension" of multibillion investments should not "depend on the whim of either (pressured) local leaders or angry protestors."

Conclusions

The government is intent on implementing "innovative social management" to promote CSOs that are effectively managed.

Such CSOs can play an integral role in reforming local governments to ensure greater transparency and accountability and serve as bulwarks against corruption.



About Us

North Head is a strategic communications and public affairs consultancy with a clear China focus. It specializes in partnering with multinational companies operating in this dynamic but challenging market, and supporting Chinese companies extending their reach globally. To receive future issues of *China Reflections*, please send an email to info@northheadcomms.com

Check our redesigned website for tracking trade: www.asiatradewatch.com

Any ongoing bias towards local NGOs potentially puts into question the future roles of international NGOs in China. Developmental and social NGOs are easily accommodated. Activist and issue-based international NGOs are more susceptible to interference.

"Policies concerning broad public interest cannot be decided only by officials. Public participation needs to be implemented, and not just for show. Once decisions made through this process are met with mass protests, they cannot be immediately cancelled by officials either."
-Global Times editorial
July 30, 2012

Presently it is estimated that over 2,000 international NGOs operate in China; however, only three percent are registered and have legal status.

Much like China's online environment—where a vibrant social media operates largely as a huge intranet with very limited international intrusion—a similar scenario could play out in the NGO sphere with limited roles for international NGOs in China.

Business faces more uncertainty with the growth of interest groups and local NGOs. This will heighten risk profiles for the operations of many companies in China unless resources are allocated for effective community outreach.

Community Outreach and Risk Communications

Risk communications is "an exchange of information among interested parties in a community about the magnitude, significance or control of risk." (U.S. EPA)

Typically, industry and government perceive risk differently than the residents of the communities in which they operate.

In 2009, the State Council announced that, "For all new projects ...Potential environmental and health risks to the general public must be identified and communicated through means of a public consultation and a public hearing."

China's Environment Protection Law is being amended by the NPC to provide for administrative punishments for officials who do not release relevant information to the public.

As business-community-government relationships evolve, companies will be reassessing their stakeholder outreach and risk communications management.

North Head's **CommunityConnect** is a tool for implementing effective community engagement, and we have experience across China and the region.