



A Study on Chinese Enterprises' Strategies to Address Environmental, Social, and Governance (ESG) Challenges under the WTO Framework: Based on the Specificity of the Chinese Market and the Adaptability of WTO Rules

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ABSTRACT

This study aims to examine the ESG challenges faced by Chinese enterprises within the context of the World Trade Organization (WTO). The research uses a systematic literature review to investigate how Chinese firms are integrating ESG strategies that align with both international standards and local policies. The findings highlight key challenges, including regulatory complexity, policy inconsistencies, and difficulties in balancing global ESG expectations with regional economic and cultural contexts. At the same time, Chinese enterprises have adopted innovative approaches such as customized environmental practices, proactive stakeholder engagement, and policy-driven sustainability initiatives to enhance compliance with WTO guidelines. While, regulatory frameworks provide both challenges and opportunities, government policies and economic incentives play a crucial role in facilitating ESG adoption. Additionally, the adaptability of ESG strategies is evident in how companies integrate sustainability into China's unique economic structures and evolving policy landscape. These insights provide practical policy and corporate guidance for advancing compliance with ESG and contribute to institutional theory by showing how both formal regulations and cultural influences shape sustainable corporate behavior.

Keywords: ESG Challenges, WTO Framework, Chinese Enterprise Strategies, Adaptability, Regulatory Framework.

INTRODUCTION

Background of the Research

Environmental, Social, and Governance (ESG) principles have emerged as a transformative force in global trade, compelling companies to take more responsible and sustainable practices. The advent of climate change, social equity and governance transparency as pressing global issues have translated to ESG considerations moving away from a corporate trend to a fundamental part of economic activity globally. However, the World Trade Organization (WTO) plays an important part as far as the unfolding of ESG in international trade into global practice, being a leader in defining ways of corporate behavior and market dynamics (Litvinenko, Bowbrick, Naumov, & Zaitseva, 2022). The WTO provides the framework for a trade environment that promotes fair labor practices and environmental stewardship by promoting regulatory frameworks (Habbard, 2023). As a fundamental response to this growing interdependence between economic growth and social and environmental well-being, this alignment between trade policies and ESG imperatives is significant.

Several global trade agreements contain environmental and labor provisions, each of which makes use of WTO principles to establish the effectiveness of ESG compliance. Meanwhile, the Agreement on Technical Barriers to Trade (TBT) encourages environmental labeling while the Trade and Environmental Sustainability

Structured Discussions (TESSD) contribute toward the international collaboration on sustainability (Igbinenikaro & Adewusi, 2024). While these policies are effective, their effects can differ across different economic and political contexts. Countries can have to balance trade liberalization with sustainability objectives.

As China became a part of the World Trade Organization (WTO) it became a pivotal moment that changed the regulatory picture and the prevailing trade practices of China. To make this integration happen, China forged a commitment to scale up its domestic policies to remove barriers and improve the transparency and openness of its markets. However, the unique regulatory environment in China—state-driven economic policies and complex governance structures—creates challenges in fully aligning with WTO principles (Pearson, 2007). China's economic model and WTO obligations have played out reciprocally, forcing Chinese enterprises to navigate between their state priorities and international trade regulations.

However, compliance with WTO rules has made Chinese firms more environmentally sustainable. Rapid industrial growth has been mitigated to some extent by the encouragement of policies to combat environmental degradation given by the influence of the WTO on environmental governance (Jahiel, 2007). China's integration also involves lessons for reconciling concern for global trade standards with economic ambitions, which is a multifaceted process involving corporate behavior and regulatory compliance (Ghafoor, Khan, & Abbasi, 2022).

Problem Statement

ESG practices are adopted globally for trade due to increased globalization and the WTO has set standards for ESG in trading systems to enhance business sustainability. However, Chinese firms experience unique issues in their ability to conform to the above standards due to the peculiarity of the China setting in terms of regulatory, economic, and cultural factors. This study aims to fill a gap in the existing literature on how Chinese firms may utilize their ESG strategies to address WTO standards and influence domestic agendas and conditions for promoting sustainable managerial conduct in China (H. Shen, H. Lin, W. Han, & H. Wu, 2023; Pearson, 2007; Jahiel, 2007).

Research Objectives

1. To investigate the strategic approach adopted by Chinese enterprises in aligning their ESG practices with the principles and requirements of the WTO framework.
2. To identify the existing regulatory barriers and potential opportunities of Chinese enterprises in enhancing the WTO-consistent ESG practice using the systematic literature review study with a focus on qualitative emphasis.
3. To explore the effectiveness and adaptability of ESG strategies employed by Chinese enterprises within the specificity of the Chinese market given cultural, economic, and policy effects.

Significance of the Study

This research finds significant importance as it provides a holistic perspective on how Chinese firms operate and manage Environmental, Social, and Governance (ESG) targets in the WTO legal framework. While filling a significant research gap, it examines the sometimes reinforcing or conflicting relationship between international trade regulation and sustainable business models as the world economy becomes more globalized and integrated. Additionally, this study sheds light on the Chinese firms' strategic choices in balancing WTO compliance within the national policy imperatives. The findings have implications for theoretical progress in international trade and sustainability and provide informed evidence-based recommendations for policymakers and leading corporate executives in matters of sustainable economic development in line with international standards.

LITERATURE REVIEW

WTO Regulations and ESG

The three primary agreements serving as the backbone of global trade governance make up the World Trade Organization (WTO). General Agreement on Tariffs and Trade (GATT) started in 1947 and then became the core part of the WTO in 1995 – it is an agreement to reduce tariffs (and trade barriers) on goods so that goods are traded freely. The General Agreement on Trade in Services (GATS) seeks to achieve a level playing field for service providers across the world and is the governing authority on international trade in services. Additionally, the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement stipulates rules for the protection and enforcement of intellectual property rights, balancing the incentives for innovation with the demand for global access to technology and medicines (World Trade Organization, 2023).

The academic community has extensively debated the evolution and impact of WTO agreements. Hoekman

and Mavroidis (2015) highlight that central to the WTO's legal framework has been the development of international trade rules and dispute resolution that provide an organized method for international commerce. However, Tisdell (2001) looks into the tangled relationship between globalization and sustainability under WTO agreements, using particularly the Environmental Kuznets Curve theory that proclaims that economic development may eventually favor environmental improvement. He stresses that if environmental rules accompany trade liberalization, policies in the WTO may stimulate sustainable practices. Collectively, these insights show how the WTO works in its dual role of aggregating trade and promoting sustainable economic development.

ESG Practices Compliance in the Context of International Trade

Environmental, Social, and Governance (ESG) components are the cornerstone of sustainable business practices and are instrumental in determining how firms run and report on their activities. According to Kocmanová and Dočekalová (2012), resource management, pollution control, carbon emissions reduction, and obedience to environmental regulations are environmental factors. These factors are essential to lessen a company's green footprint and play a role in global environmental objectives. It also includes social components such as labor rights, workplace diversity, community engagement, and ethical supply chain management, which focus on employees' and communities' well-being. Corporate governance is related to the ethics of the corporation, board composition, executive accountability, and the transparent decision-making of the firms which requires maintaining the corporate integrity and complying with the regulations (Kocmanova, Nemecek, & Docekalova, 2012). Together, all these ESG dimensions constitute an integrated framework of corporate sustainability and responsibility of the business.

The World Trade Organization (WTO) is central to building sustainable trade by incorporating environmental and social considerations into its trade policies. The WTO framework also allows countries to harmonize their trade practices with environmental regulations and global sustainability goals. For example, trade liberalization under WTO agreements can provide a cheap exchange of environmentally friendly technologies and foster international cooperation in environmental standards (X. P. Xu, 2000). Yet empirical research has found that trade can both positively and negatively impact environmental outcomes, a debate that continues to be over the WTO's ability to balance trade liberalization with environmental protection (Teplova, Sokolova, Gubareva, & Sukhikh, 2022). The WTO acknowledges the importance of social equity in global trade and is for fair labor practices, and initiatives aiming at the alignment with the objectives of sustainable development in general.

ESG Adaptability and Effectiveness in the Context of the Chinese Market

ESG principles implementation in China has become increasingly popular over recent years, due to the need to comply with regulatory requirements as well as to attend to corporate sustainability. In recent years, Chinese companies have been integrating ESG frameworks into the frameworks of their business strategies to comply with national objectives such as socially equitable carbon neutrality. H. Shen, H. Lin, W. Han, and H. Wu's (2023) research finds that ESG practices are largely the result of the Chinese government strategies incentivizing environmental stewardship and social responsibility. Furthermore, reporting on ESG and the usage of global criteria for corporate governance have increased, suggesting a shift toward transparency and accountability (X. Y. Xu, 2024).

The non-monotonic nature of ESG practices in China is shaped by the unique mix of cultural, economic, and policy dynamics. Corporate approaches to social responsibility reflect the idea of "Chinese red culture" that inclines collectivism, social harmony, and a sense of loyalty to the state. According to J. Shen, D. Wu, and J. Wang (2024), these cultural values push companies to offer social welfare initiatives that fit within the national development goals. Due to the rapid growth of China's market, balancing the economic needs of industrial expansion with environmental preservation has become necessary. Continued efforts by companies to commit to an economic imperative of sustainable growth in combination with governmental regulations have forced them to adopt innovative solutions (L. Wu, Zhai, & Lv, 2024).

However, policy factors also play a huge role in advancing the ESG agenda. As a result, the Chinese government has imposed strict regulations and has offered economic inducements to encourage corporate environmentally responsive behavior. X. Y. Xu (2024) argues that policy measures like emissions targets and green finance measures require business enterprises to embed environmental and governance practices into their business activities. However, there are challenges, including inconsistent regulatory enforcement and varying levels of corporate commitment to ESG principles, which may impede widespread adoption.

Challenges in Aligning ESG Practices with WTO Framework in China

Several challenges continue to arise from regulatory inconsistencies, enforcement gaps, and conflicting policy objectives regarding the alignment of China's ESG policies with WTO principles. According to Petersmann (2022),

China's state-driven model of economic growth makes compliance with WTO rules more difficult as government subsidies and policy intervention often conflict with the free market norm of sustainability. Likewise, Yeoh (2022) points out that China's ESG emphasis, compared with the ESG framework globally, is heavily regulated in a manner inconsistent with WTO-compliant market-based ESG frameworks.

In contrast, Bi and Ishak (2024) find that ESG standardization remains inconsistent in China with some industries choosing voluntary disclosures and some under rigid government mandates. The divergence, however, impedes the uniform use of WTO sustainability standards, which makes it difficult for Chinese enterprises to adhere to those standards in the global markets. Together, all of these studies point to the need for China to enhance its ESG policies to balance its domestic policy goals with international trade obligations under WTO rules.

Theoretical Framework

Institutional Theory studies how formal and informal institutional pressures (i.e., laws, norms, cultural expectations) impact organizations. To be legitimate and effective, organizations must stay in line with these institutional forces (Amenta & Ramsey, 2010). W. Richard Scott identifies three key pillars: the regulative pillar (laws and regulations), the normative pillar (social norms), and the cognitive pillar (shared beliefs). Together, these pillars constitute organizational behavior and often result in isomorphism, wherein organizations tend to adopt the same type of practices in response to institutional pressures (Scott, 2005; Horodnic, 2018).

This study then employs Institutional Theory to explain how Chinese firms respond to the WTO regulatory environment. This is where the regulative pillar is particularly important because WTO rules contain important obligations that must be met. Global trade standards require Chinese firms to adopt ESG measures not only in response to legal requirements but also to qualify for acceptance in the international market. This framework will be applied to describe the forces emanating from WTO rules on Chinese firms and how they influence their management of ESG risks and opportunities.

Moreover, the two pillars i.e., normative and cognitive from the Institutional Theory will also help explain the role of social expectations and cultural norms in China. As China has its own unique governance and economic system, these factors can either facilitate or hinder the adoption of WTO-compliant ESG practices. The study will use Institutional Theory to discern how enterprises strategically position their ESG initiatives vis á vis both international obligation and domestic institutional norms to secure legitimacy and sustainability.

The conceptual framework is shown in Figure 1 below.

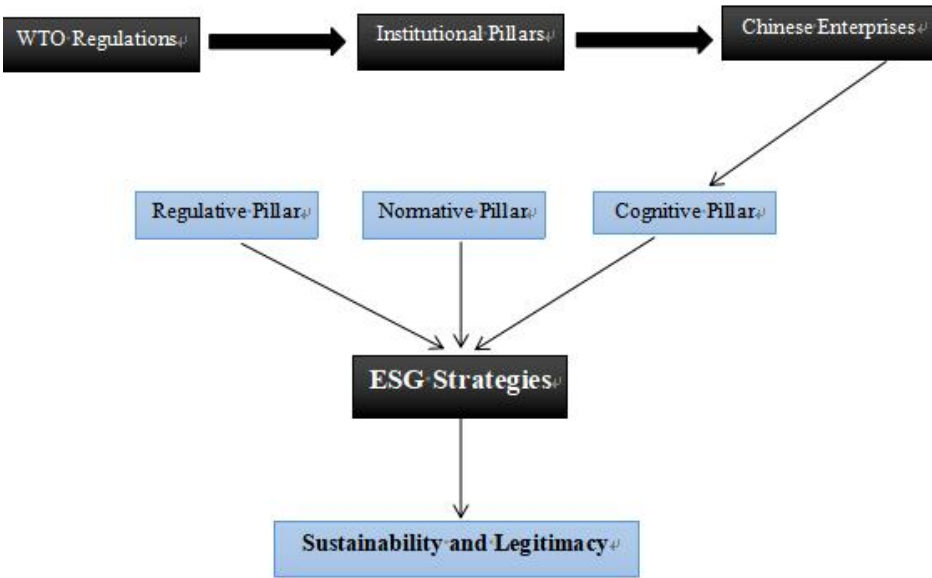


Figure 1. Conceptual Framework of Application of Institutional Theory on Chinese Enterprises

Literature Gap

While there is a lot of research regarding the ESG practices of Western firms, there is very little literature regarding the ESG of Chinese enterprises concerning WTO requirements. Existing studies tend to neglect the regulatory and cultural specificities of the Chinese market with regard to how firms adjust to international ESG standards (Hoekman & Mavroidis, 2015; Habbard, 2023). This study bridges this gap by investigating the

strategies Chinese firms follow under WTO obligations and generating valuable ESG insights for the emerging sector in transitional economies.

METHODOLOGY

Research Method and Design

The research method used in this study is a systematic literature review method to answer the research question related to the strategic approaches adopted by Chinese enterprises in aligning their ESG practices with the principles of the WTO framework and the regulatory challenges faced by them in integrating WTO-aligned ESG practices. SLR method is selected to provide the synthesis of literature which is highly objective according to the topic of focus (Ammirato, Felicetti, Rogano, Linzalone, & Corvello, 2022). The qualitative research method suits this study on Chinese enterprises' strategies to address Environmental, Social, and Governance (ESG) challenges under the WTO framework because qualitative study provides deep insight into the topic of focus by looking into different and multiple dimensions and perspectives (Lima & Newell-McLymont, 2011). Therefore, the systematic literature review method involves inclusion and exclusion criteria and the assessment of the quality of the data collected. Due to the structural complexity of the ESG integration in the WTO context, the qualitative SLR approach allows for pattern, trend, and gap identification in the existing research, and provides valuable lessons on the evolving policy and corporate landscape of China.

Using this approach, the study guarantees rigor, transparency, and systematic selection criteria, and thus the findings are replicable and reliable. The research meets the specified inclusion and exclusion criteria in order to avoid bias and increase the credibility of the study.

Data Collection Method

Searching Techniques

Keywords: Keyword research is one of the techniques used in searching the relevant literature according to the themes. The keywords such as "ESG compliance" "Chinese enterprises" "Regulatory challenges" etc., were used. Likewise, the synonyms and relevant terms were also used to search the relevant literature.

Database: The research targets several databases such as JSTOR, WOS, Google Scholar, WOS, Research Gate to collect the data because these databases contain a large amount of peer-reviewed articles in the relevant field.

Boolean Operators

More advanced techniques are used for the search which include Boolean operators (AND, OR, NOT). This has narrowed down the research by retrieving only those papers or studies that contain specific keywords related to the issue. For example, for theme 1, the Boolean operator string is as follows:

("ESG strategies" OR "environmental, social, governance") AND ("Chinese enterprises" OR "Chinese companies") AND ("WTO compliance" OR "international trade regulations")

("corporate sustainability" OR "sustainability practices") AND ("China" AND "WTO standards")

Inclusion and Exclusion Criteria

To systemize the literature further, the inclusion and exclusion criteria are as follows in Table 1.

Table 1. Inclusion and Exclusion Criteria

Criteria	Inclusion	Exclusion
Publication	All the articles were published from 2018 onwards to ensure recent and relevant insights.	Articles published before 2018 to avoid outdated information
Research type	Peer-reviewed articles and empirical studies	Non-empirical studies, editorial, and opinion articles
Language	Articles written in English	Articles written in languages other than English
Focus	Studies focusing on Chinese enterprise strategies to address ESG challenges under the WTO framework	Studies focusing on enterprise strategies to address ESG challenges under the WTO framework in countries other than China.

This solid inclusion-exclusion criterion is applied to the study, ensuring data reliability and reducing researcher bias.

Selection of Papers through PRISMA Framework

32 articles were included in the initial selection. These papers are further screened based on the inclusion and exclusion criteria to refine the list of papers. Abstracts and full-text have been read and re-read to ensure that the selected papers meet the objectives of this study. After this examination, a total of 21 papers were used in the analysis. Thus, purposive sampling guarantees that only those studies give a clear picture of the Chinese enterprise strategies to address ESG challenges under WTO frameworks. The visual representation of the PRISMA framework is shown in Figure 2.

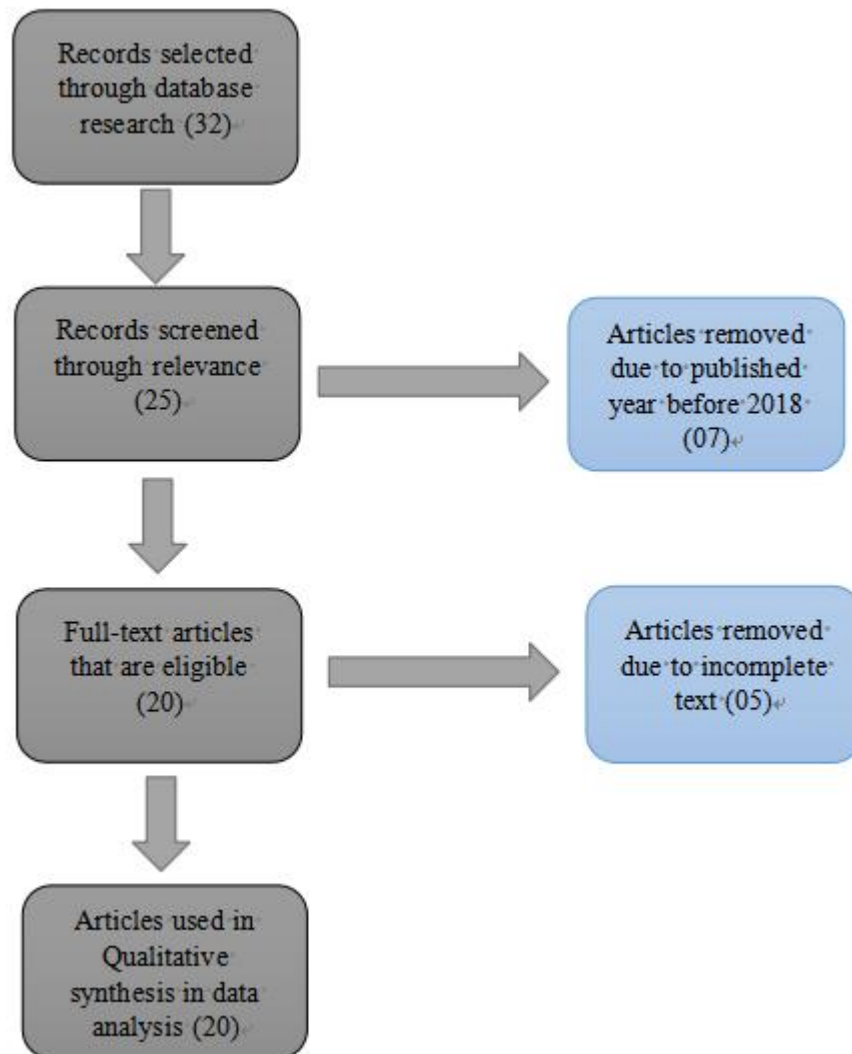


Figure 2. PRISMA Framework

Data Analysis Method

Thematic analysis is used in this study to analyze the data. The steps included are as follows in Table 2.

Table 2. Thematic Analysis Process

Steps	Description
Familiarization	It includes reading and re-reading all the collected dates.
Initial codes	After familiarization, several codes are generated based on the context of the data such as "ESG strategies" "sustainability practices" and "international trade regulations".
Initial themes	Codes are then grouped to develop the broader themes.
Reviewing themes	Themes are reviewed to ensure that they are not distracted from the original research focus and objectives.

Steps	Description
Defining and Naming themes	The focus of the data collected includes defining and naming themes according to the context of the content of the articles selected.
Producing the Report	Utilize these themes in data analysis and discussion.

Ethical Considerations

This study adheres to strict ethical guidelines to ensure integrity, transparency, and accountability in research. The systematic literature review (SLR) method involves selecting and analyzing existing academic work, requiring careful consideration of copyright and intellectual property rights. Only publicly available and ethically approved literature is included, and appropriate credit is given to original authors through proper citation practices.

DATA ANALYSIS

This chapter presents a systematic examination of the data gathered in the study in tabular form and the implication of each research question. The themes included in the data analysis and their descriptions are provided in [Table 3](#) below.

Table 3. Themes for the Data Analysis

Themes	Description
Strategic Approaches to ESG Compliance	This theme explores the different strategies adopted by Chinese enterprises to align their ESG practices with WTO rules. It covers areas such as corporate environmental responsibility, social impact initiatives, and governance reforms to ensure global trade compliance.
Regulatory Challenges and Opportunities	This theme focuses on the challenges and opportunities of Chinese firms in adopting ESG policies under the framework of WTO regulation. It also analyses how domestic and international policies and legislation affect the corporation and the problems that arise in a bid to ensure compliance.
Adaptability and Effectiveness of ESG Strategies	This theme evaluates to what extent the ESG strategies are suitable for China due to its unique economic, cultural, and policy environment. It entails assessing the success of these strategies as well as the manner in which cultural and economic factors, as well as policy, shape ESG practices.

Theme 1: Strategic Approaches to ESG Compliance

[Table 4](#) contains the core elements of each paper and provides a structured overview of their aims and objectives, methodology, data analysis and conclusion related to approaches adopted by Chinese enterprises to ESG compliance.

The following [Table 4](#) presents the core elements of each paper and offers a brief systematic overview of their purpose and objectives, methodology, data analysis, and conclusion to the strategic approaches to ESG compliance.

Table 4. SLR for Strategic Approaches to ESG Compliance

Study	Objective	Methodology	Data Analysis Results	Conclusion
Morris (2023)	To explore the potential for Chinese firms to adhere to global ESG standards in developing countries.	Qualitative analysis using case studies and discussion papers on Chinese firms in developing regions.	Identified challenges and opportunities for Chinese firms in ESG compliance in developing countries, emphasizing policy and cultural barriers.	Chinese firms have the potential to align with global ESG standards, but achieving this requires navigating complex regulatory and cultural landscapes.
K. Chen (2024)	To analyze strategies for integrating ESG into a large-scale Chinese high-tech	Case study research method with in-depth analysis of a high-tech manufacturing firm,	Found that integrating ESG requires tailored approaches, involving employee training,	Effective ESG integration in large organizations depends on strategic planning and alignment

Study	Objective	Methodology	Data Analysis Results	Conclusion
	manufacturing enterprise.	using interviews and organizational reports.	stakeholder engagement, and technology investment.	with organizational goals.
Z. Liu, R. Zhang, Qiu, & Jiang (2022)	To investigate the role of stakeholder goals compatibility and resource dependence in ESG disclosure strategies.	Quantitative analysis based on stakeholder theory, using survey data from Chinese firms and regression analysis.	Established that stakeholder goals compatibility and resource dependence significantly influence ESG disclosure strategies.	Stakeholder engagement and resource alignment are crucial for effective ESG disclosure and performance.
David, J. Wang, Angel, & Luo (2023)	To assess the impact of environmental commitments on innovation within China's corporate ESG governance.	A mixed-method approach combining qualitative interviews and quantitative analysis of ESG performance metrics.	Demonstrated a positive correlation between environmental commitments and corporate innovation in ESG governance.	Environmental initiatives drive innovation, enhancing corporate competitiveness while supporting sustainability.
Y. Jiang , H. Ni, X. Guo, & Y. Ni (2023)	To examine the integration of ESG practices with natural resources management in SMEs under China's double-carbon target.	Case study and empirical analysis using sustainability reports and interviews from SMEs.	Revealed that SMEs face unique challenges in ESG integration but benefit from strategic natural resource management under carbon targets.	SMEs must adopt integrated ESG and resource management practices to achieve economic and environmental sustainability.
Bai, Shang, & Y. Huang (2024)	To evaluate the influence of corporate culture on ESG performance in Chinese firms.	Empirical study using data from corporate surveys and regression models to analyze cultural impacts.	Showed that corporate culture strongly affects ESG performance, with leadership commitment being a key factor.	Corporate culture is a critical determinant of ESG performance, necessitating internal reforms and leadership commitment.
Z. Chen , J. Yang, P. Li, & Sindakis (2024)	To understand the impact of executive policy cognition on ESG performance in China's A-Share listed companies.	Quantitative research with a focus on policy cognition, using econometric models on A-Share listed company data.	Highlighted that executive policy cognition plays a critical role in shaping ESG performance, particularly in governance and sustainability initiatives.	Executive policy cognition significantly influences ESG outcomes, suggesting that informed leadership is essential for effective governance.

Results suggest that Chinese enterprises employ various mechanisms to integrate ESG into WTO principles. Policy adjustments and stakeholder engagement remain a challenge for regulatory adaptation (Morris, 2023; Chen, 2024). Environmental commitments lead to corporate innovation (David et al., 2023), while large firms are using customized ESG strategies such as employee training and governance reforms (David et al., 2023). Stakeholder alignment also strengthens ESG disclosure and provides transparency and sustainability (Liu et al., 2022).

Theme 2: Regulatory Challenges and Opportunities

The following Table 5 presents the core elements of each paper and offers a brief systematic overview of their purpose and objectives, methodology, data analysis, and conclusion to the regulatory challenges and opportunities.

Table 5. SLR for Regulatory Challenges and Opportunities in ESG Compliance

Study	Objective	Methodology	Data Analysis Results	Conclusion
Y. Yan (2024)	To analyze Tesla's ESG landscape and provide strategic recommendations for sustainable growth,	SWOT analysis and strategic review using secondary data from industry reports and regulatory frameworks.	Identified key regulatory opportunities and threats for Tesla in the ESG domain, emphasizing strategic alignment with	Strategic ESG practices must account for regulatory landscapes, leveraging opportunities while mitigating

Study	Objective	Methodology	Data Analysis Results	Conclusion
	highlighting regulatory challenges and opportunities.		global policies.	compliance risks.
L. Wu, Lamb, & Y. Liu (2024)	To investigate the impact of semi-mandatory non-financial disclosure requirements on ESG performance in Chinese listed companies.	Empirical analysis using data from Chinese listed firms, employing econometric models to measure ESG performance impacts.	Found that semi-mandatory disclosure requirements improve ESG performance, but the impact varies by industry and firm size.	Non-financial disclosure regulations are effective, but policymakers need to customize requirements to maximize ESG benefits.
Su & W. Shen (2023)	To examine environmental protection provisions in international investment agreements, focusing on global trends and Chinese practices.	Legal analysis and comparative review of international investment agreements, with a focus on environmental provisions.	Revealed that Chinese practices in environmental investment agreements are increasingly aligning with global trends, though gaps remain.	International agreements are advancing ESG practices, but harmonization with global standards is still needed in Chinese policies.
Z. Xu, W. Huang, & C. Y. Zhang (2024)	To explore how the US-China trade war influences ESG strategies and international competition for Chinese enterprises.	Case study approach analyzing the effects of geopolitical tensions on ESG practices, using qualitative and quantitative data.	Demonstrated that the US-China trade war pressures firms to adopt competitive ESG strategies, enhancing or hindering sustainability efforts.	ESG strategies are crucial in navigating geopolitical tensions, with regulatory incentives and challenges shaping corporate decisions.
Cheng & Y. Su (2024)	To analyze the relationship between Chinese corporate Outward Foreign Direct Investment (OFDI) and ESG considerations, under regulatory frameworks.	Quantitative study using regression analysis on OFDI data and ESG metrics, considering regulatory influences.	Showed that regulatory frameworks positively influence the integration of ESG in Chinese OFDI projects, with varying regional effects.	Effective ESG integration in OFDI requires careful consideration of international and domestic regulations to ensure sustainability.
Y. D. Zhang, Y. T. Zhang & Z. Sun (2023)	To assess the impact of carbon emission trading policies on the ESG performance of Chinese enterprises.	Quantitative research using data from carbon emission trading markets, applying econometric models to assess ESG outcomes.	Indicated that carbon emission trading policies significantly enhance ESG performance, particularly in carbon-intensive industries.	Carbon trading policies are beneficial for ESG, but additional support mechanisms are needed for broader industry adoption.
Y. He, X. Zhao, & H. Zhang (2023)	To evaluate the effect of environmental protection tax law on firm ESG performance, using evidence from Chinese stock markets.	Econometric analysis using firm-level data from Chinese stock markets to evaluate the impact of environmental taxes on ESG.	Concluded that the environmental protection tax law leads to improved ESG practices, but firms with higher tax burdens face challenges.	Environmental taxes drive better ESG outcomes, yet firms must optimize compliance strategies to manage financial impacts.

Integrating ESG under WTO regulations causes difficulties in compliance and various policy inconsistencies for Chinese firms (Wu et al. 2024). Though carrying semi-mandatory ESG disclosures increases transparency, the enforcement differs from one industry to another. Although China's emerging ESG policies are converging with global frameworks, there still appear to be regulatory gaps (K. Su & W. Shen, 2023). The carbon trading policies can be taken as effective incentives to improve compliance in the high sector of emission in the industry (Y. D. Zhang, Y. T. Zhang, & Z. Sun, 2023). Yet, Chinese internationally operating enterprises face ESG integration

challenges because of global regulatory differences (Y. Yan, 2024).

Theme 3: Adaptability and Effectiveness of ESG Strategies

The following Table 6 presents the core elements of each paper and offers a brief systematic overview of their purpose and objectives, methodology, data analysis, and conclusion to the adaptability and effectiveness of ESG strategies.

Table 6. SLR for Adaptability and Effectiveness of ESG Strategies

Study	Objective	Methodology	Data Analysis Results	Conclusion
Lumempouw (2024)	To propose an integrated framework for sustainable practices in global trade, focusing on inclusivity and resilience.	Conceptual analysis using case studies and theoretical modeling to highlight sustainable trade practices.	Identified key principles for inclusive trade systems, highlighting the role of policy frameworks in driving sustainability.	Effective global trade sustainability requires integrating inclusive frameworks with adaptive policy mechanisms.
Qin, Harrison, & L. Chen (2019)	To develop a framework for corporate environmental responsibility specific to the Chinese context.	Framework development through qualitative analysis and case studies of Chinese enterprises.	Found that a tailored environmental responsibility framework improves compliance and aligns with local cultural norms.	Environmental responsibility frameworks must consider cultural and regulatory contexts to be effective in China.
Chandan & Das (2017)	To examine the evolution of sustainable corporate identity among Chinese firms.	Longitudinal analysis using historical data and case studies to map corporate identity evolution.	Revealed that corporate identity evolves as firms internalize sustainability and face global pressures.	Sustainable corporate identities are shaped by both internal practices and external global influences.
Tan (2009)	To analyze how institutional structures influence firm social performance, especially for multinational corporations in transitional economies.	Empirical research using data from multinational corporations in China, applying regression models to evaluate social performance.	Showed that institutional structures significantly affect social performance, with regulatory environments playing a crucial role.	Institutional structures are vital in shaping social performance, and firms must adapt to regulatory challenges in transitional economies.
Maalouf (2024)	To investigate the effectiveness of emerging sustainability laws in driving corporate environmental responsibility.	Legal analysis of emerging environmental laws, combined with case studies of corporate practices.	Demonstrated that emerging laws positively influence corporate behavior but require robust enforcement mechanisms.	Emerging laws are essential for promoting environmental responsibility, but ongoing monitoring is necessary for long-term success.
Z. Yan, Q. Cheng, M. Huang, Q. Lin, & W. Lin (2022)	To evaluate the impact of government environmental regulations on corporate ESG performance in China.	Quantitative study using data from natural resource accountability audits and econometric analysis of ESG outcomes.	Indicated that government audits enhance ESG performance, especially in natural resource management sectors.	Government regulations, particularly audits, are crucial in enhancing corporate ESG performance and driving accountability and improvement.

The effectiveness of ESG strategies varies significantly in China depending on their adaptability to regulatory, cultural, and economic factors (Qin, Harrison, & L. Chen, 2019). ESG frameworks are customized enhancing compliance and corporate sustainability developing under global pressures (Chandan & Das, 2017). ESG performance is also strengthened by government-led audits and regulatory enforcement reinforces corporate

sustainability (Y. Yan et al., 2022). Sustainability is supported by collaboration between industry and regulators and ESG approaches are more successful in China's unique market environment (Lumempouw, 2024).

DISCUSSION

Strategic Approaches to ESG Compliance

The analysis of SLR studies on strategic approaches to ESG compliance highlights the complex and varied aspects of ESG compliance and the performance of Chinese enterprises. It informs key insights that both external factors, including regulatory frameworks and stakeholder pressures, and internal factors, like corporate culture and executive cognition, are critical to the advancement of ESG outcomes. Furthermore, ESG goals are enabled by innovative practices and digital transformation, and adaptation of these elements needs to be in place to accommodate a diversified corporate structure and industry.

Morris (2023) draws on the challenges and opportunities of Chinese firms in developing countries as they align with global ESG standards to make sense of the influence of external regulations. Similarly, Y. Yan et al. (2022), examine the impact of domestic environmental regulation in China through using natural resource accountability audits. However, government-led audits turn out to be effective in upgrading ESG performance by forcing firms to report their environmental impact, as they found. On the one hand, Morris recommends that national regulation with strong internal governance is a viable instrument for driving ESG improvements, while, Yan et al. argue in favor of flexibility to external standards. These results indicate the importance of both external and internal regulatory frameworks for maintaining proper compliance with ESG for Chinese companies.

K. Chen (2024) suggests that internal strategic planning is critical for integrating ESG practices in large-scale Chinese enterprises and discusses the importance of employee training and allocation of resources. In contrast, Bukari, Agyemang, and Bawuah (2024) investigate how ESG performance serves as a moderating variable to corporate governance, affecting firm value in developing countries. They conclude that strong ESG performance can improve the effectiveness of corporate governance, in turn resulting in meaningful improvements in firm value. Although Chen points to direct organizational adjustments, Bukari et al. emphasize ESG as underpinning broader governance and corporate value. Altogether, these findings indicate that combining ESG with corporate governance increases both internal practice and external perception and value.

Z. Liu et al. (2022) argue that the alignment of stakeholders and resource dependencies is crucial to effective ESG disclosure by Chinese enterprises. These findings align with F. He, H. Du, and B. Yu (2022) built on their previous work to introduce another layer of causality: the role that corporate ESG performance plays in reducing managerial misconduct risk. Their findings imply that while the explicit transparency required to fulfill ESG performance prevents certain types of managerial misconduct, firms with higher ESG performance are less likely to have these incidents of managerial misconduct. Comparing the two studies shows that while Z. Liu et al. address external stakeholders' role in urging ESG disclosure, F. He et al. show that the internal strong ESG practice also serves to restrain the misconduct. Collectively, these studies provide evidence that resource dependency and transparency promote responsible corporate behavior in both negative and positive ways.

According to David et al. (2023), environmental commitments enhance innovation, since firms with strong environmental governance are more likely to deploy innovation. This is supported by H. Shen et al. (2023), who demonstrate that Chinese ESG-oriented companies often innovate to meet environmental commitments in their governance structure. The two studies emphasize the positive relationship between environmental commitments and innovation; though, David et al. approach the overarching governance aspects, and H. Shen et al. delve into the specific innovations that arise as a result of ESG commitments. In this comparison, it appears that environmental commitments are not just instrumental in generating innovation but also reinforcing corporate governance frameworks by motivating companies to produce sustainable solutions.

In their work, Y. Jiang et al. (2023) explore the integration of ESG practices into natural resource management in Chinese SMEs, finding that smaller enterprises encounter specific regulatory and resource-specific issues. In contrast, Ng, Leung, T. W. Yu, Cho, and Wut (2023) explore the disparities in ESG reporting of emerging Chinese enterprises in global financial hubs. However, their research reveals that although some firms excel in ESG reporting, disparities are experienced because of disparate resource access and differing regulatory expectations. In conclusion, these studies point out that the ESG performance of SMEs is also limited by resource capability coupled with strong support from location and regulation. Both findings underscore the imperative for tailored ESG frameworks that take into account differences in firm size and location.

Bai et al. (2024) show how corporate culture can enhance or inhibit ESG performance and investigate how a supportive culture results in alignment and compliance with ESG statements. In a technological approach, S.

Wang and Esperança (2023) study how digital transformation improves market and ESG performance, especially in SMEs. According to ESG goals, they find that digital tools improve transparency, accountability, and decision-making. Similar to Bai et al, Wang and Esperança show that digital transformation can make institutions of ESG practices through their supporting infrastructure. The studies together indicate that a supportive corporate culture, coupled with digital tools, can maximize ESG outcomes in large firms and SMEs.

Z. Chen et al. (2024) investigate the role of executive policy cognition on ESG outcomes and find that informed leaders align more closely with ESG standards. Drawing on the interactions between an executive's commitment to environmental sustainability, i.e., executive green cognition, and ESG performance, Cao and L. Luo (2024) offer a nuanced perspective. Z. Chen et al. focus on being regulatory, whereas Cao and L. Luo highlight a green conscientious mindset. Collectively, these studies suggest that a broad regulatory understanding and dedicated personal environmental value are necessary for the best ESG outcomes, and that multidimensional executive cognition is central to the shaping of sustainable corporate practices.

The discussion addresses the study's objective and concludes that Chinese firms have to comply with ESG in the context of both external regulatory frameworks and internal governance mechanisms, indicating that multiple channels are needed in ESG compliance to promote sustainable corporate behavior.

Practical and Theoretical Implications

Examining these findings from a practical viewpoint, one may infer that Chinese enterprises should pay extra attention to both cultural alignment and technological advancement when embedding ESG practices. Equipped with digital tools, a supportive corporate culture can institutionalize accountability and transparency. Thus, these insights enrich the institutional theory by identifying the role of top management's commitment to supporting the external regulatory pressures for ESG adoption. This alignment implies that regulative, normative, and cognitive pillars of institutional theory are the most relevant to explain how firms may strategically engage with the global and local ESG norms for a sustainable future.

Regulatory Challenges and Opportunities

Based on the findings from the systematic literature review, it was found that Chinese enterprises face several regulatory issues and opportunities in aligning ESG practices with WTO principles. The cause of these challenges lies in the inconsistency of enforcement of ESG protocols, geopolitical factors that influence the mandate to comply, and financial limitations in employing sustainability initiatives. Yet, government-led ESG disclosure standards, carbon trading policies, and global trade factors that encourage sustainable practices present opportunities. This section gives a precise breakdown of these regulatory challenges and opportunities, with a comparative analysis of other previous studies.

The opportunities and challenges of Chinese SMEs in the context of the WTO are reviewed by Y. Yan (2024) concerning the impacts of globalization on Chinese SMEs' ESG performance. This perspective is enriched by Peredy, Chaudhuri, and S. Li (2024) focusing on the environmental and social governance practices of Chinese SMEs, since these enterprises may be under-resourced to fully comply with ESG regulations. While Y. Yan stresses the impact of WTO regulatory pressures, Peredy et al. localize the issue to SMEs' internal management problems including resource shortage to fulfill the necessary expectations. Together, these two studies highlight the requirements for ESG-oriented policies tailored to the specific limitations of SMEs, especially when the regulatory environment is complex like that in the WTO.

L. Wu et al. (2024) examine how semi-mandatory ESG disclosure requirements affect the ESG performance of Chinese firms. Besides, Q. Xue, H. Wang, X. Ji, and J. Wei (2023) add a complementary perspective to study their impacts on corporate ESG performance mainly through local government centralization reforms that optimize local ESG practice to adhere to national ESG standards. However, both studies identify that government mandates are important, either directly or through decentralization reforms, in supporting ESG. Q. Xue et al. show the structural influence of government centralization on corporate behavior, while L. Wu et al. focus on disclosure regulatory frameworks. Based upon these findings a combination of disclosure mandates accompanied by centralized regulatory support can effectively increase ESG performance.

K. Su and W. Shen (2023) explore global trends towards environmental protection in international investment agreements and China's regulatory responses. Similarly, Q. Yang (2023) considers a related theme by studying the impact of ESG information disclosure laws in China on listed companies and assessing its cost-benefit implications. While Yang concentrates at the micro level to understand how China's ESG policies translate into specific costs and benefits for individual firms, K. Su and W. Shen focus on the broader international pressures and obligations that drive China's ESG policies. Therefore, these studies highlight the challenges of reconciling international obligations with domestic regulatory frameworks, and that a cost-benefit perspective may enable firms to provide ESG disclosure consistent with a company's core mission without undue compliance

burdens.

In Y. Xu et al. (2024), the authors investigate how geopolitical tensions, especially from the US-China trade war, affect ESG strategies among Chinese companies. To further develop this concept, Dotzauer, Biber-Freudenberger, and Dietz (2024) analyze the increasing use of sustainability provisions in International Investment Agreements and how the absence of geopolitical context is the reason for this. Both the studies under review reveal the significance of international relations for shaping and implementing ESG practices. Y. Xu et al. are concerned with direct actions taken by corporations relating to geopolitical tensions; Dotzau et al. are concerned with the influence of geopolitical tensions on corporate ESG policies through investment contracts. They reveal how the global political environment either supports or hinders the functioning of ESG strategies within Chinese companies.

In the papers by Cheng and Y. Su (2024), the ESG issues of Chinese firms going global and the corresponding host country pressures are discussed and reviewed. Similarly, Bohnett et al. (2022) also focus on a similar area within the Belt and Road Initiative to analyze the conservation and biodiversity obligations of Chinese overseas subsidiaries. Both studies reveal that there are considerable ESG expectations of Chinese firms in terms of both legal and regulatory compliance in foreign jurisdictions. Cheng and Y. Su also address the issues of the general OFDI projects, whereas Bohnett et al. concentrate on the environmental implications of the infrastructure projects. In analyzing the differences between Chinese and foreign companies' ESG strategies during participation in the Belt and Road Initiative, it is possible to conclude that Chinese companies should customize their strategies according to the environmental and social expectations of the host countries.

Y. D. Zhang et al. (2023) have also argued that the carbon trading policies influence ESG performance, as well as other regulatory measures such as the cap and trade systems increase the levels of compliance in the sectors with high emission levels. Similarly, Y. Zhang and Mohammad (2022) extend the literature by examining the relationship between CSR and ESG performance and the impact of ownership structure in Chinese firms. The two studies indicate that there is a positive relationship between regulatory and structural incentives and ESG practices. Similar to the previous theme, Y. D. Zhang et al. stress market-based regulations, and corporate governance structures while Y. Zhang and Mohammad stress corporate governance structures. Together, the market-based incentives can be used in conjunction with other reforms in the internal governance of firms to deliver significant improvements in the ESG performance of Chinese firms.

Y. He et al. (2023) show that corporate ESG performance is better when firms are subject to environmental protection tax laws, as it is likely to foster more sustainable practices. This is complemented by H. Yu and T. Su (2024) who explore how ESG performance affects corporate solvency, specifically its financial resilience. Both studies show how regulatory and financial incentives can encourage the adoption of sustainable practices. While H. Yu and T. Su concentrate on the financial benefits of ESG compliance, Y. He et al. consider regulatory pressures. Considering this, the policy analysis suggests that in combination, tax policies and solvency benefits, together constitute strong incentives for firms to increase their ESG performance.

The study shows that Chinese enterprises confront the regulatory challenge of inconsistent ESG enforcement across regions, geopolitical trade pressures, and financial constraints, particularly in SMEs (L. Wu et al., 2024; Y. Xu et al., 2024; Y. D. Zhang et al., 2023). As a result of these factors, compliance becomes uncertain, which hinders firms from fully integrating ESG practices. As such, government-led ESG disclosure policies, carbon trading incentives, and alignment with global investment agreements create significant opportunities for improving compliance as well as enhancing transparency and gaining access to the international market (Dotzauer et al, 2024; L. Wu et al, 2024). The second objective of the study supports these findings, as China has to adjust its ESG policies related to its financial support mechanisms for SMEs and adjust the regulatory system accordingly to its WTO rules to enhance sustainable corporate growth and global competitiveness.

Practical and Institutional Theory Implications

Using a practical lens, these findings imply that policymakers should contemplate combining direct regulations and market-based incentives to encourage ESG integration, particularly among firms with international operations or who are financially constrained. Besides, the firms need to marshal internal governance mechanisms and stakeholder engagement to line up with both local and global standards. These insights are theoretically consistent with institutional theory's regulative and normative pillars, supporting the importance of formal regulations as well as the effect of international norms on corporate behavior. The alignment of this suggests that ESG practices in China are dictated by a mixture of regulatory enforcement and emerging cultural norms, calling for adaptable strategies for sustainable development.

Adaptability and Effectiveness of ESG Strategies

The analysis gives insights into the fact that the applicability and the outcomes of ESG strategies in Chinese

enterprises depend on three main factors, namely compliance, culture, and preparedness. Altogether, these papers suggest that effective ESG policies contribute to firm performance, financial market robustness, and organization responsiveness to national and global challenges. Effective ESG practices at the company level together with firm-level resilience are positive for financial market systems.

In the study conducted by Y. Qin et al. (2019), the authors focus on the importance of the ESG frameworks suitable for the Chinese environment and its peculiarities. In comparison, K. Wang et al. (2023) seek to deepen the understanding of the relationship between CE and corporate resilience in ESG investments. Similarly, Y. Qin et al., focus on the cultural aspect of ESG practices, while K. Wang et al., focus on the efficient utilization of resources to create resilience within the framework of ESG. Altogether, these findings underscore that a proper flexible ESG strategy requires cultural and legal harmony and proper allocation of resources for adaptability and sustainability.

According to Chandan and Das (2016), the evolving corporate identity of firms in China towards sustainability accordingly enhances their ESG adaptability. This perspective is supported by Dong and Yue (2024) who examines ESG performance and its effect on financial stability, ESG firms being more stable to the market as a whole. Chandan and Das discuss the evolution of the corporate identity toward ESG values; Dong and Yue analyses the stabilizing effects of the ESG identity in the financial markets. This comparison implies that a firm's sustainable corporate identity not only strengthens its resilience but also promotes broader financial stability which reinforces the adaptability of ESG strategies in highly volatile market conditions.

According to Tan (2009) robust institutional structures are conducive to improving the social performance of multinational corporations (MNCs) in transitional economies such as China. Gao and Geng (2024) extend these findings by obtaining evidence on how ESG investing contributes to corporations' resilience during the COVID-19 pandemic, where corporations with stronger ESG practices are more resilient under crises. Gao and Geng find that institutions of ESG practices facilitate resilience in the face of crisis, which matches Tan's focus on institutional frameworks for social performance. This comparison implies that an institutionalized ESG framework is indispensable for building resilience, thereby allowing firms to be responsive to unexpected global disruptions.

Maalouf (2024) assesses how emerging sustainability laws affect corporate responsibility and concludes that regulatory enforcement strengthens ESG practices. M. Liu, T. Guo, W. Ping, and L. Luo (2023) complement these findings by showing that ESG investments provide financial market stability and that companies using ESG-focused investments are less volatile. Both studies reinforce the necessity of both regulatory support and financial stability, as discussed by Maalouf in terms of the regulatory aspect, while M. Liu et al. consider the financial effects of ESG investments. Collectively they argue that corporations and markets are both resilient when aided by a stable regulatory environment and consistent ESG investments.

Y. Yan et al. (2022) show the influence of government environmental regulations on corporate ESG performance and examine how compliance-driven ESG practices create resilience. Z. Liu and X. Xu (2023) enrich this analysis by looking at how cultural distance affects the profitability and adaptability of Chinese MNEs with strong ESG commitments. Y. Yan et al. discuss domestic regulatory pressure, while Xu and Liu emphasize cultural adaptability in the multinational context. Altogether, it is concluded that ESG strategies are most impactful when they include both the regulation and cultural factors, which enable to improve the resilience and profitability of ESG when the approach is tailored to domestic and international environments.

These findings are consistent with the third study's objective of investigating the effectiveness and adaptability of ESG strategies in China. The findings highlight the need to reconcile regulatory enforcement with corporate incentives in driving ESG innovation in China. In addition, technological developments can assist firms in accomplishing easier integration of ESG, especially for smaller businesses with compliance challenges. The study concludes the successful ESG pathway in China is a hybrid approach incorporating government oversight, financial incentives, and corporate-driven sustainability efforts all working together, as long-term compliance and competitiveness.

Practical and Institutional Theory Implications

From a practical perspective, these findings suggest that Chinese policymakers should encourage ESG approaches that are based on both regulation and resilience. This analysis provides theoretical implications for Institutional Theory's regulative, normative, and cognitive pillars showing that responsive ESG strategies should be consistent with formal legislation, cultural norms, and market requirements. This integration implies highlighting the importance of flexible ESG frameworks, especially in transitional economies where firms can be helped to find their way in the face of challenging legal and social environments for sustainable development.

CONCLUSION

This research aims to provide a deep understanding of how Chinese enterprises have been navigating the WTO's challenge to ESG in the context of the country's strategy. This paper looks into Chinese enterprises' strategic ESG approach through the lens of the WTO under the constraints posed by regulatory and legal challenges, and the effectiveness of the ESG strategies within China's economic and policy landscape. These findings imply that Chinese firms employ regulatory compliance, stakeholder engagement, as well as digital transformation to safeguard ESG practices with WTO standards. But it faces challenges of inconsistent enforcement, geopolitical trade pressures, and in particular financial constraints—such as for SMEs.

To overcome these barriers, enterprises adopt specialized ESG strategies, such as government-imposed disclosure practices, carbon trading incentives, as well a combination of ESG with corporate governance, which matters. Furthermore, the use of digital transformation tools like AI-enabled sustainability reporting helps firms gain more transparency and long-term ESG success. However, China's state-driven ESG model is vastly different from market-driven approaches in Western economics, and compliance is generally a response to external trade pressure rather than a voluntary corporate commitment.

Overall, the research highlights that the ESG adoption in China is a dynamic process, which is driven by policy changes, economic incentives, and globally driven expectations of trade. In the future, China should further refine regulatory enforcement, offer financial ESG support for SMEs, and parallelize ESG policies with WTO standards to improve not only domestic but also international trade competitiveness with respect to sustainability.

Limitations and Future Research

This study focuses on how Chinese enterprises pursue ESG strategies based on WTO principles, however, there are some limitations to this study's methodology and scope. The research relies on a systematic literature review and is thus limited to the first-hand corporate views on ESG compliance. Future studies can include data from interviews or surveys with business leaders and policymakers to have a better picture of ESG implementation challenges. Second, this study is limited to China and cannot be compared to the other WTO member states. Future research can take a cross-national comparative perspective by looking into the differences in the regulatory framework of ESG compliance under WTO guidelines.

However, this research does not assess the long-term consequences of WTO-driven ESG policies for corporate sustainability. A longitudinal study could determine how policy changes, compliance trends, and trade pressures impact ESG adoption. Lastly, future studies will need to analyze how these Chinese firms adjust to incoming WTO ESG mandates and whether or not China's state-led ESG model fits within global trade requirements. Investigating the role of WTO negotiation and trade agreements in the standardization of ESG would also be useful in understanding the interplay between global trade policies and corporate social sustainability.

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