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Business Responsibility
for Sustainable Development

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Geneva 2000: The Next Step in Social Development, 26–30 June 2000, combines the United Nations General Assembly Special Session on the Implementation of the World Summit for Social Development, and the Geneva 2000 Forum. Under the title "World Summit for Social Development and Beyond: Achieving Social Development for All in a Globalizing World", the Special Session of the General Assembly is being held to review efforts to implement commitments made at the Social Summit in Copenhagen in 1995. The Geneva 2000 Forum is intended to be a platform for a wide range of actors to share experiences on innovative social and economic development policies and activities.

In preparation for Geneva 2000, UNRISD is undertaking a wide-ranging inquiry into five areas of policy and institutional reform that are central to creating an enabling environment for social progress. These include initiatives related to financing social development; democratization and public sector reform; mainstreaming gender in public policy; strengthening the role of civil society; and promoting "people-centred" sustainable development. Selected papers from each thematic area are published in this series of Occasional Papers, and all papers are being synthesized in a special UNRISD report for Geneva 2000.

Contents

Acknowledgements

Acronyms

BCSD	Business Council for Sustainable Development
BP	British Petroleum
BUSCO	Business Association for the World Social Summit
CBS	Copenhagen Business School
CEPAA	Council on Economic Priorities Accreditation Agency
CERES	Coalition for Environmentally Responsible Economies
CIIR	Catholic Institute for International Relations
EMAS	Eco-Management and Audit Scheme
EMS	environmental management system
EU	European Union
EUROBAN	European Banana Network
FAO	Food and Agriculture Organization of the United Nations
FASE	Federação de Orgãos para Assistência Social e Educacional
FSC	Forest Stewardship Council
GDP	gross domestic product
GSDF	Global Sustainable Development Facility
IBASE	Instituto Brazileiro de Análises Sociais e Econômicas
ICC	International Chamber of Commerce
ICFTU	International Confederation of Free Trade Unions
IFAT	International Federation for Alternative Trade
IFBWW	International Federation of Building and Wood Workers
IIED	International Institute for Environment and Development
ILO	International Labour Organization
IMF	International Monetary Fund
IR2	International Relations/Industrial Relations
ISO	International Organization for Standardization
IUF	International Union of Food and Agricultural Workers
MSC	Marine Stewardship Council
NAFTA	North American Free Trade Agreement
NEF	New Economics Foundation
NGO	non-governmental organization
OIT	Organisation Internationale du Travail / Organización Internacional de Trabajo
ONG	organisation non gouvernementale / organización no gubernamental
ONU	Organisation des Nations Unies
SGS	Société Générale de Surveillance
SITRAP	Sindicato de Trabajadores de Plantaciones Agrícolas
TNC	transnational corporation
ToBI	Taskforce on Business and Industry
TRAC	Transnational Resource and Action Center
UNA	Universidad Nacional (Costa Rica)
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNCTC	United Nations Centre on Transnational Corporations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNRISD	United Nations Research Institute for Social Development
VI	voluntary initiative

WBCSD	World Business Council for Sustainable Development
WCED	World Commission on Environment and Development
WHO	World Health Organization
WICE	World Industry Council for the Environment
WRI	World Resources Institute
WWF	World Wide Fund for Nature

Summary/Résumé/Resumen

Summary

Development agencies and actors concerned with promoting sustainable development have been joined in recent years by another player — big business. Increasing adherence on the part of senior managers to concepts like corporate citizenship or corporate social responsibility suggests that this sector of business is beginning to recast its relationship with both the environment and its multiple stakeholders. This evolving situation stands in sharp contrast to the scenario of the past when big business was seen to be insensitive to the needs of certain stakeholders and responsible for much of the environmental degradation of the planet.

This paper assesses the reality behind the claims of some sectors of business that an increasing number of large firms are adopting policies and practices conducive to the promotion of sustainable development, particularly in developing countries. After describing various institutional developments that have occurred in the 1990s and that appear to be promoting corporate social and environmental responsibility, the paper assesses the current state of play, highlighting in particular the incipient and piecemeal nature of change. It goes on to examine whether there are forces or an enabling environment in place that might permit a scaling up of initiatives associated with corporate responsibility. Some of the more powerful forces that drive corporate responsibility are identified. The question of why some sectors of business are changing reveals an answer that has less to do with a new-found ethical concern among corporate executives for the environmental and social condition of the planet, than with economic, political and structural factors. These include so-called "win-win" opportunities, the possibility of enhancing competitive advantage, "reputation management", pressure group and consumer politics, regulation or the threat of regulation, and changes in the way production and marketing are being organized globally.

While such "drivers" may encourage corporations to be more responsive to environmental and social concerns, it is argued that the process of change is likely to remain fairly fragmented, spread unevenly in terms of companies, countries and sectors, and, from the perspective of sustainable development, fraught with contradictions. What amounts to a fairly minimalist and uneven agenda is not simply a reflection of the fact that the process of change is of recent origin; it also derives from the way in which companies choose to respond to the economic, political and structural drivers of change—responses that often involve imagery, public relations and relatively minor adjustments in management systems and practices, as opposed to significant changes in the social and environmental impact of a company's activities.

The final section of the paper reflects on how trends associated with corporate environmental and social responsibility might be both scaled up and "deepened", so that business can make a more meaningful contribution to sustainable development. It begins by considering whether the dominant approach that is currently in vogue—centred on the promotion of "voluntary

initiatives" and "partnerships"—is likely to be effective. While there are important benefits that can derive from such institutional arrangements, there may also be a considerable downside that is often overlooked. The success of many voluntary initiatives requires a certain institutional setting—for example, basic laws related to disclosure and freedom of information, watchdog institutions and strong civil society movements. Such conditions may be weak or absent in many countries. Furthermore, certain initiatives, such as codes of conduct and certification systems, have often been designed by Northern actors, be they governments, NGOs or corporate interests. Southern governments and NGOs are often marginalized in the decision-making processes that affect them. Too often, voluntary initiatives are held up as substitutes for government regulation when in fact various forms of legislation and state sanctions are often what motivated such initiatives in the first place and are crucial for their success.

Despite the obvious appeal of the pragmatic and co-operative features of "partnerships", involving, for example, business and United Nations agencies or NGOs, serious questions are raised about their impact. Of particular concern are issues related to the weak criteria often used by United Nations and other organizations to select corporate partners, the way in which more critical voices are silenced as NGOs and United Nations agencies get closer to business, and the problem of "institutional capture" as business comes to exercise influence over decision-making processes associated with the public sphere.

Perhaps the most significant concern with some forms of voluntary initiatives and partnerships is that they may serve to weaken key drivers of corporate responsibility—namely government regulation, collective bargaining and certain forms of civil society activism. If one examines the history of corporate environmental and social responsibility, and some of the major reforms of corporate policies and practices, one or a combination of these factors has been crucial.

The paper ends with a call for "rethinking regulation and partnerships". There is potentially an important role for certain forms of "co-regulation". These may involve, for example, so-called "negotiated agreements" between government and business, and "civil regulation", where NGOs, consumers and trade unions have considerable influence in determining the standards and norms shaping business relations with society and the environment. Key to the success of co-regulation are not only the "soft" features of dialogue and compromise, but also the "hard" ones of government sanctions; laws related to disclosure and freedom of information, freedom of association and collective bargaining; and various forms of civil society protest.

To avoid the ongoing proliferation of weak codes of conduct and certification and reporting systems, it is important that there be some degree of harmonization and adherence to higher standards. This implies a greater role for international codes and frameworks, which use as benchmarks internationally agreed standards contained or implied in such documents as Agenda 21 and ILO and human rights conventions. There should also be a greater role for "independent verification" of codes of conduct, environmental management systems and UN-business partnerships. Greater attention needs

to be paid, however, to the status or legitimacy of the verifiers. Rethinking partnerships involves not only addressing the concerns raised above, but also recognizing the need to build a stronger civil society movement for change by strengthening links between environmentalists, consumer groups, social-interest NGOs and trade unions.

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Résumé

Ces dernières années, un nouveau protagoniste a rejoint les organismes de développement et les acteurs soucieux de promouvoir un développement durable : ce sont les grandes entreprises. De plus en plus, les cadres supérieurs adhèrent à des notions telles que celles d'entreprises citoyennes ou de responsabilité sociale des entreprises, ce qui laisse à penser que ce secteur commercial commence à repenser ses relations à la fois avec l'environnement et avec ses multiples parties prenantes. Cette évolution tranche carrément avec le scénario passé dans lequel les grandes entreprises étaient insensibles aux besoins de certaines parties prenantes et en grande partie responsables de la dégradation de l'environnement planétaire.

L'auteur essaie d'établir quelle est la part de vérité dans les affirmations de certains secteurs commerciaux qui prétendent que les grandes sociétés sont de plus en plus nombreuses à adopter des politiques et des pratiques propres à encourager un développement durable, en particulier dans les pays en développement. Après avoir décrit diverses évolutions institutionnelles qui se sont produites dans les années 90 et semblent favoriser une responsabilisation sociale et environnementale des entreprises, l'auteur évalue la situation actuelle en soulignant en particulier la nouveauté du changement et son caractère ponctuel. Il se demande ensuite s'il existe des forces ou un milieu favorables à une multiplication des initiatives imputables à cette responsabilisation des entreprises et en recense les moteurs les plus puissants. Lorsqu'on cherche pourquoi certains secteurs commerciaux changent, on découvre que le changement tient moins à un nouveau souci éthique des cadres pour l'état environnemental et social de la planète qu'à des facteurs économiques, politiques et structurels : la perspective de gagner sur tous les tableaux, la possibilité de pousser plus loin son avantage sur la concurrence, la "gestion de la réputation", la politique des groupes de pression et des consommateurs, la réglementation ou la peur de la réglementation et la nouvelle donne dans l'organisation mondiale de la production et de la commercialisation.

S'il est possible que de tels moteurs encouragent les sociétés commerciales à être plus réceptives aux préoccupations écologiques et sociales, l'auteur fait valoir que le changement risque de rester assez ponctuel, inégal selon les entreprises, les pays et les secteurs et, du point de vue du développement durable, plein de contradictions. Si les changements à l'ordre du jour sont, somme toute, assez minimalistes et inégaux, ce n'est pas seulement parce qu'ils sont d'origine récente; cela tient aussi à la manière dont les sociétés choisissent de répondre aux facteurs économiques, politiques et structurels qui les poussent au changement—réponses qui font souvent intervenir l'image et les

relations publiques et consistent davantage à apporter des modifications mineures à des systèmes et à des pratiques de gestion qu'à changer radicalement l'incidence de leurs activités sur l'environnement et la société.

Le dernière section de l'étude est une réflexion sur la façon dont on pourrait à la fois accentuer et approfondir la tendance des entreprises à mieux assumer leurs responsabilités sociales et environnementales pour les amener à contribuer davantage au développement durable. L'auteur commence par se demander si l'approche dominante actuellement en vogue, axée sur la promotion des initiatives "spontanées" (ou initiatives "volontaires") et des "partenariats", a des chances d'être efficace. Si ces arrangements institutionnels peuvent avoir d'importants avantages, ils ont aussi un revers qui passe souvent inaperçu. Pour réussir, bon nombre d'initiatives spontanées ont en effet besoin d'un certain cadre institutionnel, par exemple de lois fondamentales relatives à la divulgation et à la liberté de l'information, d'institutions de surveillance et de mouvements puissants dans la société civile. Or, dans beaucoup de pays, ces conditions ne sont pas forcément réunies. De plus, certaines initiatives, telles que les codes de conduite et les systèmes de certificat, ont souvent été conçues par des acteurs du Nord, que ce soient des gouvernements, des ONG ou des intérêts commerciaux. Les gouvernements et les ONG du Sud sont souvent marginalisés dans la prise des décisions les concernant. Les initiatives spontanées sont trop souvent présentées comme le substitut de réglementations publiques alors qu'elles sont en fait motivées avant tout par divers textes de loi et sanctions de l'Etat, qui sont d'une importance cruciale pour leur succès.

Malgré l'attrait évident exercé par les aspects pragmatiques des partenariats, par exemple entre entreprises et institutions des Nations Unies ou ONG, et la coopération qu'ils évoquent, de sérieuses questions se posent quant à leur impact. Sont particulièrement préoccupantes les questions touchant à la faiblesse des critères dont se servent souvent les Nations Unies et d'autres organisations pour choisir leurs partenaires commerciaux, la façon dont ONG et institutions des Nations Unies font taire les critiques les plus véhémentes lorsqu'elles se rapprochent des entreprises, et le problème des entreprises qui en viennent à influencer excessivement la prise des décisions touchant à l'intérêt public.

Ce qui est peut-être le plus inquiétant à propos de certaines formes d'initiative spontanée et de partenariat, c'est qu'elles peuvent servir à affaiblir de puissants moteurs de responsabilisation, comme la réglementation par le gouvernement, les négociations collectives et certaines formes de militantisme de la société civile. Si l'on se penche sur l'histoire des entreprises, on s'aperçoit que leur éveil aux responsabilités environnementales et sociales et certaines grandes réformes de leurs politiques et pratiques sont dus pour une large part à un ou à plusieurs de ces moteurs.

L'étude se termine par une invitation "à repenser réglementation et partenariats". Certaines formes de "coréglementation" pourraient jouer un rôle majeur. Il peut s'agir, par exemple, d'"accords négociés" entre le gouvernement et les entreprises, et d'une "réglementation civile" dans laquelle ONG, consommateurs et syndicats jouiraient d'une influence considérable et contribueraient à l'établissement des règles et des normes régissant les relations

des entreprises avec la société et l'environnement. Le succès de cette "coréglementation" dépend non seulement du dialogue et du compromis, qu'on pourrait qualifier de caractéristiques "douces", mais aussi de caractéristiques "dures" telles que les sanctions gouvernementales, les lois relatives à la divulgation et à la liberté de l'information, à la liberté d'association et aux négociations collectives, et divers modes de contestation de la société civile.

Pour éviter que ne continuent à proliférer des codes de conduite sans grande substance et des systèmes déficients de certificat et d'établissement de rapports, il est important qu'il y ait une certaine harmonisation et une adhésion à des normes plus rigoureuses. Cela suppose une plus large place accordée aux codes et cadres internationaux prenant pour références les normes universellement acceptées, énoncées explicitement ou implicitement dans des documents tels que Action 21, les conventions de l'OIT et les instruments relatifs aux droits de l'homme. Il faudrait aussi attacher plus d'importance à une "vérification indépendante" des codes de conduite, des systèmes de gestion de l'environnement et des partenariats ONU-entreprises. Il faut être cependant plus attentif au crédit ou à la légitimité des vérificateurs. Repenser les partenariats, c'est non seulement répondre aux préoccupations exprimées plus haut mais aussi reconnaître la nécessité de construire dans la société civile une véritable force vive du changement en resserrant les liens entre écologistes, organisations de consommateurs, ONG à vocation sociale et syndicats.

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Resumen

En los últimos años, otra figura se ha unido a las agencias y actores ocupados en promover el desarrollo sostenible: los grandes consorcios empresariales. El apego creciente de sus directivos a conceptos como ciudadanía empresarial o responsabilidad social de las grandes empresas, sugiere que este sector de los negocios está comenzando a reestructurar sus relaciones con el medio ambiente al igual que con la multiplicidad de los interesados que se afectan por la actividad empresarial. Esta situación evolutiva contrasta en forma marcada con la que había anteriormente, cuando se consideraba que los grandes consorcios empresariales eran culpables de una gran parte del deterioro ecológico del planeta e insensibles ante las necesidades de determinado tipo de interesados.

En este documento se ponen en tela de juicio las afirmaciones de algunos sectores empresariales en cuanto a que un número creciente de grandes compañías están adoptando políticas y prácticas conducentes a la promoción del desarrollo sostenible, especialmente en los países en desarrollo. Después de describir diversos casos de desarrollo institucional de los años 90, en los que pareciera haberse promovido la responsabilidad empresarial a favor del medio ambiente y de lo social, en el documento se pondera la situación actual, destacando en particular la naturaleza incipiente y parcial del cambio. Se prosigue examinando la posibilidad de que haya fuerzas o condiciones adecuadas que permitan escalonar iniciativas relacionadas con la responsabilidad empresarial, y se identifican algunos de los factores motrices

más importantes que están impulsándola. La razón por la cual algunos sectores del mundo de los negocios están cambiando, tiene menos que ver con la preocupación ética recién adoptada por algunos ejecutivos empresariales en lo tocante al medio ambiente y a la condición social del planeta, que con factores económicos, políticos y estructurales. Dichos factores son: las llamadas oportunidades para "que todos ganen", la posibilidad de tener mayor ventaja en la competencia con las demás empresas, la "gestión de una imagen favorable", el poder de los grupos de presión y de los consumidores, la regulación o la amenaza de regulación, y los cambios en la forma como la producción y la comercialización están siendo organizadas a nivel mundial.

Esos factores que impulsan cambios pueden alentar a las corporaciones para que sean más responsables ante las preocupaciones ambientales y sociales. Sin embargo, se considera que probablemente ese proceso de cambio seguirá siendo bastante fragmentado, propagado de modo poco uniforme desde el punto de vista de empresas, países y sectores y, desde la perspectiva del desarrollo sostenible, sumamente contradictorio. Esta agenda bastante reducida y dispar, no refleja tan sólo el hecho de que el proceso de cambio sea de origen reciente; refleja también la forma como las compañías deciden responder a los impulsos de cambio económico, político y estructural. Son respuestas que a menudo implican proyección de la imagen empresarial, relaciones públicas y ajustes relativamente menores en los sistemas y prácticas de gestión en vez de cambiar significativamente las repercusiones sociales y ecológicas de las actividades de las empresas.

En la última sección del documento se reflexiona sobre la forma de impulsar "a fondo" y progresivamente, las tendencias relacionadas con la responsabilidad de los empresarios en torno al medio ambiente y lo social, a fin de que puedan contribuir de manera más significativa al desarrollo sostenible. Se comienza preguntando si el enfoque dominante, actualmente en boga, centrado en la promoción de "iniciativas voluntarias" y "asociaciones", pudiera ser eficaz. Si bien, de dichos arreglos institucionales pueden derivarse beneficios importantes, puede haber también una desventaja considerable que frecuentemente se ignora. Para que muchas de las iniciativas voluntarias tengan éxito, se requiere de un cierto marco institucional, por ejemplo, leyes básicas relacionadas con la libertad de información y de divulgación, instituciones fiscalizadoras y pujanza de la sociedad civil. Puede ser que esas condiciones no estén presentes en muchos países. Además, ciertas iniciativas, tales como códigos de conducta y sistemas de certificación, a menudo han sido diseñadas por actores del Norte, ya sean gobiernos, ONGs o intereses empresariales. Es muy común que se margine a gobiernos y ONGs del Sur de los procesos de toma de decisiones que les afectan. Con demasiada frecuencia se pretende que las iniciativas voluntarias substituyan a la reglamentación gubernamental cuando, de hecho y en muchos casos, las diversas formas estatales de legislación y de sanción constituyen lo que motivó de partida tales iniciativas, y son cruciales para su éxito.

Pese al atractivo obvio de las "asociaciones" por sus características de pragmatismo y cooperación que, por ejemplo, involucran a las empresas junto con las agencias de las Naciones Unidas o con las ONGs, surgen varias interrogantes sobre sus repercusiones. Lo que más preocupa son los problemas relacionados con los criterios demasiado flexibles que a menudo utilizan las

Naciones Unidas y otras organizaciones para escoger a sus socios empresariales; la forma como se acalla a las voces más críticas en tanto que ONGs y agencias de las Naciones Unidas se acercan más al mundo de los negocios, así como el problema del "cautiverio institucional" a medida que las empresas influyen en los procesos de adopción de decisiones pertenecientes a la esfera pública.

Tal vez la mayor preocupación en cuanto a algunas formas de iniciativas voluntarias y de asociación, es que pueden debilitar los factores claves que impulsan el sentido de responsabilidad empresarial, a saber: reglamentación gubernamental, negociación colectiva y ciertas formas de activismo de la sociedad civil. Si se examina la historia de la responsabilidad empresarial en torno al medio ambiente y lo social, así como algunas de las reformas principales de las políticas y prácticas empresariales, se advierte que uno de los factores mencionados o una combinación de los mismos han sido cruciales.

El documento termina pidiendo "un replanteamiento de la reglamentación y de la asociación". Ciertas formas de "regulación conjunta" tienen la posibilidad de jugar un papel importante en esas consideraciones, por ejemplo: los llamados "acuerdos negociados" entre gobierno y empresas, y la "regulación civil", en la cual las ONGs, los consumidores y los sindicatos influyen considerablemente en la determinación de estándares y normas que moldean las relaciones de las empresas con la sociedad y con el medio ambiente. La clave del éxito de la regulación conjunta no radica solamente en los aspectos "leves" como el diálogo y el compromiso, sino también en los "duros" como las sanciones gubernamentales; en las leyes relativas a la libertad de información y de su divulgación; en la libertad de asociación y negociación colectiva; junto con diversas formas de protesta de la sociedad civil.

A fin de evitar la proliferación de códigos de conducta y sistemas leves de certificación y de rendición de cuentas es importante que haya algún grado de armonización y de adhesión a normas superiores. Ello implica que deben tomarse más en cuenta los códigos y marcos de referencia internacionales, los cuales toman como puntos de referencia las normas acordadas internacionalmente, normas contenidas o implícitas en documentos tales como Agenda 21, las convenciones sobre derechos humanos y las de la OIT. Debería tener también un papel más destacado la "verificación autónoma" de los códigos de conducta, de los sistemas de gestión ambiental de las empresas y de la asociación Naciones Unidas-sector empresarial. Empero, se requiere dar mayor atención a la condición social y de legitimidad de los verificadores. Replantear las asociaciones en general no sólo implica atender las preocupaciones mencionadas anteriormente, sino también reconocer la necesidad de forjar una movilización más fuerte de la sociedad civil para el cambio, fortaleciendo los vínculos entre ecologistas, grupos de consumidores, ONGs con intereses sociales y sindicatos.

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Introduction

Historically, much of big business has pursued investment, production and marketing strategies that have resulted directly in extensive waste and degradation of natural resources or encouraged consumption patterns that do the same. Logging and mining enterprises, pulp and paper mills, agribusiness, oil, chemical, cement, iron and steel companies, as well as many other enterprises and industries, have degraded or destroyed large areas of tropical forests, marine and coastal resources, freshwater sources, agricultural land and the urban environment, as well as global climate and the ozone layer. Not only has the environment often been ignored, but so too have the concerns of various *stakeholders*:[1] for example, workers who must endure poor conditions and pay, indigenous peoples whose livelihoods and cultures have been threatened by corporate activities, community residents affected by pollution and waste, and consumers' health and nutrition levels.

By focusing narrowly on objectives such as market share and profitability, much of big business, then, has disregarded environmental and social aspects, which are central to the concept of sustainable development.[2] Given their size and global reach, transnational corporations (TNCs) have often been singled out, rightly or wrongly, as major culprits of unsustainable development. Today, this sector comprises approximately 60,000 parent firms with over half a million foreign affiliates, which in 1997 accounted for one third of world exports (UNCTAD, 1998; 1999). The economic power of the largest TNCs is indicated in Box 1 where we see that the revenues of just five corporations are more than double the combined GDP of the poorest 100 countries.

Now, at the end of the millennium, there are signs that some corporations are on the verge of recasting their relationship to both the environment and their stakeholders. Many companies, business associations, governments and international organizations are adopting a discourse and policies that suggest that corporations can simultaneously make profits and be good citizens. There appears to be a growing recognition that the increasing freedom enjoyed by business during the era of the so-called Washington Consensus[3] needs to be complemented by increased responsibility (UNRISD, 1995). In some countries, processes and policies associated with globalization and neo-liberal reform have weakened the regulatory capacity of certain state institutions. Similarly, at the international level, various attempts to influence TNC practices through *codes of conduct* have been abandoned.

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[1] See Box 2 for definitions and debates related to various terms used in this paper. On first use these appear in italics.

[2] To define "sustainable development", the Brundtland Commission referred to "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987). This, of course, is a tall order, which suggests that sustainable development should be viewed more as a process than a goal. Another formulation might be a process that minimizes the contradictions between economic growth, environmental protection and social well-being (Utting, 1993).

[3] The term refers to the common approach towards the debt crisis adopted by Washington-based institutions such as the World Bank, the IMF and the US government in the late 1980s—an approach that emphasized the need for structural reforms in developing countries associated with more open economies, privatization of state-owned enterprises, deregulation and the down-sizing of the state.

Box 1: Corporate Power
Corporate revenues and gross domestic product
Selected companies and countries*

Global rank	Company *(country)*	Revenue *($ billions, 1998)*	Country ** *(approximate GDP equivalent)*
1	General Motors (USA)	161.3	Denmark/Thailand
10	Toyota (Japan)	99.7	Portugal/Malaysia
20	Nissho Iwai (Japan)	67.7	New Zealand
30	AT&T (USA)	53.5	Czech Republic
40	Mobil (USA)	47.6	Algeria
50	Sears Roebuck (USA)	41.3	Bangladesh
60	NEC (Japan)	37.2	United Arab Emirates
70	Suez Lyonnaise des Eaux (France)	34.8	Romania
80	HypoVereinsbank (Germany)	31.8	Morocco
90	Tomen (Japan)	30.9	Kuwait
100	Motorola (USA)	29.4	Kuwait
150	Walt Disney (USA)	22.9	Belarus
200	Japan Postal Service (Japan)	18.8	Tunisia
250	Albertson's (USA)	16.0	Sri Lanka
300	Taisei (Japan)	13.8	Lebanon
350	Goodyear Tire & Rubber (USA)	12.6	Oman
400	Fuji Photo Film (Japan)	11.2	El Salvador
450	CSX (USA)	9.9	Bulgaria
500	Northrop Grumman (USA)	8.9	Zimbabwe
Top five corporations		**708.9*****	
100 poorest countries			**337.8**

Source: Fortune, 1999; World Bank, 1999.

* A more accurate comparison of countries and companies should be based on "value added" as opposed to corporate revenue data, but not many companies include such data in their annual reports.

** Based on 1997 data.

*** General Motors, DaimlerChrysler, Ford Motors, Wal-Mart Stores and Mitsui.

In a context where such institutions have weakened, corporate self-regulation and *voluntary initiatives* have emerged as dominant approaches for promoting

business responsibility.[4] During the 1990s several important TNCs and business associations not only jumped on board the sustainable development bandwagon, but also attempted to lead it. Increasingly, big business is embracing the language of *corporate social responsibility* and taking measures to reform management systems to make them more responsive to the environmental and social concerns of different stakeholders.

This paper examines the nature of changes that are taking place in corporate discourse, policy and practice related to business responsibility, and its implications for sustainable development—particularly in the South. The discussion will proceed in five stages. Section I identifies several institutional developments and policy changes that characterize contemporary trends associated with corporate responsibility. Section II describes the current state of play, highlighting, in particular, the incipient and piecemeal nature of these changes. Given that it is probably too early to expect significant progress from a process of corporate reform that is of recent origin, the following two sections consider whether there are forces in place that are likely to promote meaningful change in the future: section III identifies the major drivers that are prompting corporations to be more responsive to environmental and social concerns, and section IV assesses the extent to which they are likely to result in significant change. The final section looks critically at certain mainstream policy and institutional reforms that are currently in vogue for promoting corporate environmental and social responsibility and considers a number of alternative approaches for scaling up and "deepening" corporate responsibility.

I. Boarding the Bandwagon

There have been various periods throughout the history of corporate capitalism when big business has adopted policies and reforms associated with environmental and social responsibility. During the early decades of this century, for example, a few large industrialists in the United States, such as Ford and Carnegie, not only engaged in corporate charity, but also took some measures to improve the conditions of workers and the communities where their factories were located. Scaling up the corporate social response occurred to some extent following World War II when social democracy and welfare state legislation took root. The effects of such trends were far weaker in most developing countries, although some African parastatals and large family enterprises in East Asia developed significant social policies.

The contemporary wave of corporate responsibility is different in various respects. Its effects can be felt in many more countries, the forces driving it are more varied, the dominant policy approaches and institutional arrangements for promoting business responsibility are different, and—until quite recently—environmental aspects have been more visible than social ones.

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[4] The terms "business responsibility" and "corporate responsibility" are used in this paper as convenient shorthand for corporate environmental and social responsibility, although there are, of course, other aspects of responsibility related to business activities.

Box 2: Corporate Responsibility Lingo

With the increasing attention to issues of corporate environmental and social responsibility, a variety of terms have been invented or popularized:

Certification: *an evaluation system intended to provide proof of a company or product's environmental or social performance. Questions arise concerning the degree of independence of the verifier and the rigour of the standards and indicators used to measure performance. Certain schemes associated, for example, with the labelling of products as "environmentally friendly" (eco-labelling), sometimes have the effect of restricting the access of Southern products to Northern markets and have been criticized as a disguised form of protectionism.*

Code of conduct: *a set of ethical principles and standards that attempt to guide a firm's environmental and social performance. The formulation of codes of conduct by companies and industry or business associations has escalated sharply during the 1990s. This suggests that business may be crafting a new relationship to the environment and society. Codes are often criticized, however, for being strong on rhetoric and weak on implementation, not including provisions for independent monitoring and verification and marginalizing the legitimate role of government and trade unions in regulatory processes.*

Corporate social responsibility: *"... is the ethical behaviour of a company towards society. [It involves] management acting responsibly in its relationship with other stakeholders who have a legitimate interest in the business—not just the shareholders" (Schmidheiny et al., 1997:3). The concept may also embrace values associated with environmental protection. While often used in a broad sense, strictly speaking, the notion of responsibility is restricted to the realm of ethics and principles and not concrete actions or outcomes. For this reason there is considerable interest in the concept of* corporate social performance*, which includes not only motivating principles, but also processes (for example, the adaptation of management systems and technologies), and observable outcomes or impacts on stakeholders (Hopkins, 1997; Wood, 1991).*

Eco-efficiency: *"a process of adding ever more value while steadily decreasing resource use, waste, and pollution" (Schmidheiny and Zorraquín, 1996:5). Eco-efficiency is the dominant model of environmental management reform promoted by the World Business Council for Sustainable Development (WBCSD), whose membership includes some of the largest transnational corporations. As a model for change, eco-efficiency has been criticized as promoting technical fixes that do not fundamentally alter an economic system that continues to generate environmental degradation and social exclusion. It is as much an approach to promote economic growth and competitive advantage as it is to encourage environmental responsibility.*

Greenwash: *"Disinformation disseminated by an organisation so as to present an environmentally responsible public image" (**The Concise Oxford English Dictionary**, 1999), or the attempt by corporations to hide the unpleasant environmental facts of their activities by adopting an environmental discourse or specific policies and practices that appear to be environment-friendly but do little, if anything, to change the relationship of business to the environment (Greer and Bruno, 1996). Exposure of greenwash has done much to demystify the superficial and rhetorical nature of many corporate initiatives associated with environmental and social responsibility and to keep the spotlight on offending corporations. Many of the critics who accuse companies of greenwash underestimate, however, not only the extent of corporate responsiveness to environmental concerns, but also the fact that there are some powerful economic and political forces that encourage environmental management reform.*

ISO; ISO 14000: *The International Organization for Standardization is the international association of national standard-setting bodies. These may be governmental, quasi-governmental or private industry organizations (Krut and Gleckman, 1998:7). The ISO 14000 series is a set of standards on environmental management, established by the ISO in 1996. The specific standard, ISO 14001, "specifies the requirements for an EMS [environmental management system] that may be objectively audited for self-declaration or third-party certification/registration purposes" (ISO, 1998). Concerns have arisen regarding the fact that what is measured is not whether a company is actually reducing its negative environmental impact but whether it is utilizing an environmental management system. There is also concern that the ISO process for developing environmental standards was heavily influenced by business interests and that there was little participation from developing countries and NGOs.*

Stakeholder accountability: *a stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984:46). Corporate stakeholders include not only "employees and stockholders [but also] neighbours, public interest groups, customers, suppliers, governments and the general public." (Schmidheiny, 1992:10). Stakeholder accountability refers to the need for companies to be responsive to the needs and concerns of their different stakeholders. In reality only some stakeholders are taken into account. This reflects not only the practical limits of corporate responsiveness and variations in the legitimate claims of different stakeholders on a company, but also their relative power to exert influence and pressure.*

Triple bottom line: *the notion that companies should be concerned with not only the traditional bottom-line associated with profitability, but also goals related to environmental protection and meeting social needs. Adherence to this notion suggests that companies are seriously attempting to address the negative environmental and social effects of their operations and move beyond compliance with government regulation. There is concern, however, that companies are using this concept in situations where the goal of profit maximization or "business-as-usual" far outweighs any other company objective.*

Voluntary initiatives: *these encompass a wide range of initiatives that go beyond existing laws and legislation related to environmental and social protection. They may be unilaterally developed by industry, designed and run by government, jointly developed by government and industry, or developed and run by non-governmental organizations (UNEP, 1998). An increasing number of companies are engaging in voluntary initiatives. Many such initiatives, however, lack substance, are not effectively implemented, lack credibility because they are not subject to independent verification, and are often promoted as alternatives to what may be more powerful drivers of corporate responsibility, such as government or international regulation.*

Win-win strategy: *a corporate strategy that enables a company to simultaneously improve its environmental or social record while reducing costs and/or increasing competitiveness and productivity. The possibility of a win-win scenario seems to suggest that companies should adopt relevant management reforms as part of a rational business response (Murphy and Bendell, 1999), and that there is less need for so-called "command-and-control" regulation. The "win-win" notion has been criticized for not only marginalizing the role of governmental regulation and civil society pressure as key drivers of change, but also exaggerating the proposition that environmental management reform is necessarily good for profits.*

A key event in the contemporary corporate responsibility calendar was the Earth Summit of June 1992. This event focused both public and corporate minds on the issue of environmental degradation and sustainable development. The Summit's programme of action, Agenda 21, contained some 32 provisions relating to TNC activities (UNCTAD, 1996:3). It called on the world's

governments, business, international development agencies and non-governmental organizations (NGOs) to work together to minimize the trade-off between economic growth and environmental protection. The confrontational politics of earlier decades, which had pitted a pro-regulation and redistributive lobby against TNCs, lost momentum as governments, business and multilateral organizations alike, as well as an increasing number of NGOs, embraced ideas of "partnership" and "co-regulation" in which different actors or stakeholders would work together to find ways of minimizing the environmental and social costs of economic growth and modernization. The hands-on, regulatory role of the state ceded ground to "corporate self-regulation" and voluntary initiatives as the best approach for promoting the adoption of instruments and processes associated with corporate environmental responsibility. These included, for example, codes of conduct, the use of cleaner technology, life-cycle analysis,[5] environmental reporting and *certification.*

During the 1990s some important institutional developments have taken place to promote corporate environmental and social responsibility. The Rio Declaration urged the business community to support the "precautionary principle"[6] in relation to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies (Annan, 1999). An important sector of the business community, led by a small group of very large TNCs, explicitly acknowledged the need for firms to clean up their act and take a more proactive role in promoting environmental protection and sustainable development. One association of TNCs, the Business Council for Sustainable Development (BCSD), played a particularly prominent role in influencing the UNCED process. Through publications such as **Changing Course** (Schmidheiny, 1992), this sector called for a rethinking of corporate strategy in relation to natural resource use and management and proffered a solution in the shape and form of *eco-efficiency.* The International Chamber of Commerce (ICC), which in 1991 had laid out 16 environmental principles in the Business Charter for Sustainable Development, was also active at Rio, arguing that the business community had now embarked on a sustainable development path (Schmidheiny et al., 1997).

Since Rio, the process of promoting improved standards of corporate environmental management was accelerated with the formation of numerous business associations—so-called "green business networks"—with explicit environmental objectives (Tomorrow, 1994). The latter half of the 1990s has seen the consolidation of some of these associations, the most prominent being the merger, in 1995, of the BCSD and the World Industry Council for the Environment (WICE) to form the World Business Council for Sustainable Development (WBCSD) (Hansen, 1999b). In the following year, the *International Organization for Standardization (ISO)* agreed on a set of generic standards for corporate environmental management systems. Known as the

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[5] Life-cycle analysis examines the environmental impact of a particular product or service throughout all the stages associated with its production, marketing and disposal.

[6] According to this principle it is valid to take action to protect the environment even in situations where scientific evidence regarding the cause and effects of environmental degradation is inconclusive.

ISO 14000 series, this set of standards is gaining international recognition as a benchmark and basis for certification to facilitate international trade (UNCTAD, 1996).

New regional institutions are also influencing corporate policy and practice. The European Union's Eco-Management and Audit Scheme (EMAS), for example, was launched in 1993 to promote good environmental management by manufacturers and constitutes a more rigorous set of standards than ISO 14001. NAFTA's Commission for Environmental Cooperation oversees environmental affairs in Canada, the United States and Mexico. The Central American Council for Sustainable Development, established by the region's presidents in 1989, is actively promoting sustainable development planning and projects in seven countries, affecting sectors such as forestry and tourism where business has a strong interest.

Numerous industry associations and individual companies are promoting so-called "voluntary initiatives" that encourage business to engage in corporate self-regulation or co-operate with government in negotiating and implementing mutually agreed standards. Prominent among voluntary initiatives is a variety of codes of conduct or guiding principles established by international and national industry associations. These include, for example, the numerous Responsible Care initiatives of national chemical associations that commit member companies to continually improve aspects related to health, safety and environment (ILO, 1999),[7] and the Keidanren Global Environment Charter, established in 1991, which urges business enterprises in Japan to work towards healthy human, ecological and economic development (UNCTAD, 1996:148). The ICC Charter, referred to above, had been adopted by 2,300 companies—nearly one third of the organization's membership—by mid-1999.[8]

During the latter half of the 1990s the attention of big business has focused increasingly on issues of corporate social responsibility. In 1995 the Business Association for the World Social Summit (BUSCO) presented a statement of principles and a 16-point action programme to the Copenhagen conference which corporations were called upon to implement in order "to intensify their contribution to social progress" (BUSCO, 1995). Organizations like the WBCSD also diversified their activities by engaging more directly with issues of corporate social responsibility (Watts and Holme, 1999). In 1997, international industry bodies such as the World Federation of the Sporting Goods Industry and the International Council of Toy Industries adopted codes dealing in particular with working conditions and child labour (Wild, 1998). In recent years, some private sector entities have also broadened their codes or guidelines to include commitments to human rights. In 1997, for example, Shell revised its Statement of General Business Principles to endorse the UN's Universal Declaration of Human Rights (UNCTAD, 1999). Business also participated in the drafting of "Social Accountability (SA) 8000", an international standard developed by the Council on Economic Priorities Accreditation Agency (CEPAA) in 1998. Based on several ILO and UN standards related to labour

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[7] By 1996, approximately 40 national chemical manufacturers' associations, whose members accounted for 86 per cent of the volume of world production, had adopted the Responsible Care initiative.
[8] Personal communication with ICC official, 17 August 1999.

conditions and human rights, SA8000 aims to improve the living and working conditions of business stakeholders in both developing and industrialized countries (Wild, 1998).

The changing attitude of business is also reflected in the phenomenon of "partnerships". The past decade has seen a considerable rapprochement between big business and certain actors, including governments, United Nations agencies and some NGOs, which previously sought to influence corporate activities through directive-based measures, international codes of conduct and the politics of confrontation. Today, many such actors are attempting to collaborate more with business.

Some of the world's leading corporations are actively seeking out partnerships with NGOs and United Nations organizations. As a review of the state of green business in 1998 notes, for forward-thinking businesses "partnership ... quickly established itself as the strategy of choice" (Frankel, 1999:11). A number of high-profile partnerships have emerged in recent years. For example, in 1996, WWF-International launched a partnership with Unilever Corporation, the world's largest buyer of frozen fish, to create economic incentives within the seafood industry for "sustainable fishing" throughout the world. The Marine Stewardship Council (MSC) is the result of their endeavours. The Fairtrade Foundation—a coalition of international development, consumer and fair trade organizations—has launched a pilot project to work with British companies to develop codes of practice to guide relationships with their Southern suppliers. In 1998 British Petroleum allied itself with the Environmental Defense Fund, as did General Motors with the World Resources Institute. By the end of 1998, some 17 Fortune 500 companies were supporting the Pew Center on Global Climate Change (Frankel, 1999).

Whereas in the past, NGO-business collaborations were often based on corporate charity, today many NGOs are assisting business with internal operational issues (Murphy and Bendell, 1999)—for example, in drawing up codes of conduct, developing systems of environmental reporting or carrying out independent social audits. These NGO relationships with business involve what has been called "civil regulation"—through which business comes under pressure to comply not only with its own standards (corporate self-regulation) or those of government (legal compliance), but also with norms and standards defined to some extent by civil society institutions (Murphy and Bendell, 1999).

The number of partnerships involving business and United Nations organizations, such as UNCTAD, UNEP, UNIDO and WHO, has also increased sharply in recent years. In 1999 some 15 TNCs participated in the preliminary phase of a project of the United Nations Development Programme (UNDP) to establish the Global Sustainable Development Facility—an attempt "to find new and additional ways to promote sustainable human development in partnership with the global corporate sector which has heretofore had limited contact with the UN System"[9] (UNDP, 1999b:5). That same year, the

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[9] This partnership has the goal of developing a framework for co-operation between UNDP and the corporate sector which will provide market access to 2 billion poor people in poor countries by the year 2020 (UNDP, 1999a).

ICC endorsed the call by UN Secretary-General, Kofi Annan, for a compact between the United Nations and business in which corporations would voluntarily comply with United Nations standards associated with environmental protection, labour conditions and human rights and work with UN agencies towards that end.[10]

II. Meaningful Change?

What does all this activity mean for the promotion of sustainable development in the South? Are the numerous initiatives being taken by business enough to "overcome the inertia of the present destructive course, and to create a new momentum towards sustainable development" (Schmidheiny, 1992)? Opinions on this question are often highly polarized.

While recognizing that the pace and location of change is still uneven, the WBCSD suggests (Schmidheiny et al., 1997) that various changes in corporate policy and practice point to a "paradigm shift" from:

- seeing only costs and difficulties in the concept of sustainable development to seeing savings and opportunities;
- end-of-pipe approaches to pollution to the use of cleaner, more efficient technology throughout entire production systems and, further, to seeing sustainable development as integral to business development;
- linear, "through-put" thinking and approaches to systems and recycling approaches;
- seeing environment and social issues as responsibilities only for technical departments or experts to seeing these issues as company-wide responsibilities;
- a starting premise of confidentiality to one of openness and transparency;
- narrow lobbying to more open discussion with stakeholders.

According to this perspective, sometimes referred to as "ecological modernization" (Dryzek, 1998; Hajer, 1995), an increasing number of companies are not only adopting innovations associated with corporate environmental and social responsibility, but also shifting from a narrow, piecemeal and technical approach to one that is holistic, systemic and more responsive to multiple stakeholders.

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[10] See United Nations, 1999b.

Box 3: Best or Bad Practice?

Asea Brown Boveri (ABB), *the Swedish/Swiss engineering corporation, is a sponsor of the Global Sustainable Development Facility (GSDF) and an active member of the WBCSD. It is "a world leader in developing eco-efficient technologies in a wide range of industry areas from electricity transmission to transportation, and is building a global network of joint ventures and strategic alliances to install these technologies in many developing and transition economies" (Nelson, 1996:163). ABB has also "faced sustained campaigns by environmentalists and human rights advocates against its involvement in various hydro projects, including the Three Gorges Project in China and the now indefinitely postponed Bakun Dam in Malaysia" (TRAC, 1999:1).*

Aracruz Celulose*, the world's largest exporter of bleached eucalyptus pulp, is often cited for its efforts to promote sustainable development through its tree planting, harvesting and pulp production processes in Brazil (Sargent and Bass, 1992). "Since its establishment, the company has earned a positive reputation both nationally and internationally for its efforts to incorporate social and environmental factors into its corporate vision" (Nelson, 1996:202). Certain investigations, however, have revealed a very different picture: "... its eucalyptus trees have dried streams, destroyed the local fauna, impoverished the soil, impeded the regrowth of native plant species, and drastically reduced the area available for cultivating basic foodstuffs ... This is not to mention land concentration and the expulsion of the rural population ..." (Goncalves et al., 1994, quoted in Carrere, 1999).*

Dow Chemical *is a US corporation which was selected to participate in the GSDF for,* inter alia*, "abid[ing] by the highest standards of human rights, environmental and labor standards and norms, as defined by UN agencies" (UNDP, 1999a). According to the Transnational Resource and Action Center (TRAC) "... Dow Chemical is probably the world's largest root source of dioxin—a chlorine by-product closely associated with reproductive disorders, birth defects, increased rates of cancer, and endocrine disruption. ... Dow has regularly exported pesticides unregistered in the U.S. for use in developing countries" (TRAC, 1999).*

General Motors (GM)*, the world's largest automobile manufacturer, is involved in various environmental protection initiatives and partnerships. It is a Charter Partner to the Climate Wise Program, promoted by the US government to encourage energy efficiency (WBCSD, 1999:13), and in 1998 entered into a partnership with the World Resources Institute to "define a long-term vision for protecting the earth's climate and the technologies and policies for getting there" (WRI, 1998). Simultaneously, however, GM has "maintained its membership in the hardline [Global Climate Coalition] ... [which] continued to be a bastion of reaction and misinformation ..., and the Business Roundtable, which opposes the Kyoto Protocol ..." (Frankel, 1999:11).*

Mitsubishi Group *has been actively cultivating an image of environmental responsibility through advertising and specific environmental projects. At the same time, it is reputed to be "a leading destroyer of tropical (and non-tropical) forests" (Greer and Bruno, 1996:182). In spring 1998, Mitsubishi was a recipient of the Corporate Watch award for companies excelling in greenwash. In Mexico, the corporation has come under fire for its plans to vastly expand salt production in Baja California, which would have potentially serious implications for a local biosphere reserve, fishing communities and conflicts over land tenure and scarce natural resources such as water (Barkin, 1999).*

> **Novartis**, *the Swiss life science corporation, is another participant in the GSDF and member of the WBCSD. It is often cited for its efforts in the fields of poverty alleviation and environmental protection. In 1992, for example, the company established a five-year programme to reduce the environmental and social impacts of pesticide use in the Dominican Republic (Watts and Holme, 1999:16), and the Novartis Foundation has been active in the field of corporate philanthropy (Novartis, 1998). Despite company claims to be committed to "sustainable development", however, there are concerns that the fundamental Precautionary Principle, which business was asked to uphold at the Earth Summit in 1992, is being ignored by virtue of the company's promotion of genetically modified crops.*

> **Rio Tinto**, *the British mining company, is often cited for its standards of environmental reporting and for promoting "continued social development" and "sustainable livelihood" in areas such as East Kalimantan, where the company's large mines approach closure (Watts and Holme, 1999:10). It has also entered into partnerships with UN agencies such as UNCTAD. Yet, according to TRAC, the corporation "has created so many environmental, human rights, and development problems that a global network of trade unions, indigenous peoples, church groups, and community activists has emerged to fight its … [alleged] complicity in, or direct violations ... in Indonesia, Papua New Guinea, Philippines, Namibia, Madagascar, the United States and Australia ..." (TRAC,[11] 1999:1).*

This position is contradicted by those who accuse corporations of *greenwash*: inherently "socially and environmentally destructive corporations [are] attempting to preserve and expand their markets by posing as friends of the environment and leaders in the struggle to eradicate poverty" (Corporate Watch, 1996). Accordingly, many corporate policies and initiatives lack substance, are not implemented or amount to tinkering with a system that encourages "business-as-usual" (Welford, 1997).

In practice it is extremely difficult to assess the current state of play regarding corporate environmental and social responsibility. A notorious feature of much of the writing on this subject is that "the evidence" seems to derive from a handful of anecdotes and case studies and/or broad generalizations about how firms behave in the context of capitalism and globalization. Particularly confusing is the fact that many companies that are singled out for "best practice" are also those identified as bad practitioners (see Box 3 above). Surveys that attempt to quantify how many companies have improved their environmental and social performance are relatively few in number and generally measure changes in corporate policy and procedure rather than environmental and social impacts.

What most commentators can agree on is that corporate responsibility, as presently constituted, is a fairly fragmented and uneven affair. The number of companies that have taken a lead in this field is very small. Perhaps the most prominent business association in this field is the WBCSD, which has only 120 members. Even though these include some of the largest TNCs, it should be remembered that there are approximately 60,000 TNCs (UNCTAD, 1999). The illusion of more profound change stems partly from the fact that the TNCs

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[11] The Transnational Resource and Action Center (TRAC), also cited elsewhere in this box, together with the Institute for Policy Studies and the Council on International and Public Affairs, prepared a report that questions the activities of various companies collaborating with UNDP in the Global Sustainable Development Facility (see TRAC, 1999).

and business or industry associations involved are big players on the international stage and are actively publicizing their new approach through the media, corporate advertising, publications, conferences and international institutions. It is also partly due to the vast body of literature that exists on "best practices" and the policies and practices of a relatively small group of companies that have taken a lead in the field of corporate responsibility. Such information is sometimes misleadingly construed as somehow representative of a larger universe of companies.[12]

The limited nature of change is described below, with attention focused mainly on developing countries. It can be summed up in terms of extremely piecemeal changes in corporate policy and procedures, a substantial gap between corporate rhetoric and practice, and the fact that the dominant model of economic growth continues to encourage business practices that degrade the environment and disregard the concerns of various stakeholders (Utting, forthcoming).

Incipient and piecemeal progress

Business initiatives in the field of corporate responsibility are particularly evident in relation to drawing up codes of conduct or specific policy statements on environmental and social aspects. As indicated above, an increasing number of companies and business and industry associations have developed codes of conduct and guiding principles.

Despite the current wave of global enthusiasm for codes, the proportion of companies adopting them is still relatively small in most countries. Even taking the case of developing countries where we might expect more progress, the situation is not particularly inspiring. For example, in Costa Rica—a country that has gained international recognition for initiatives associated with environmental protection—only one third of large companies have an environmental policy (Pratt and Fintel, 1999). Another problem concerns the limited scope of many codes. A study of Canadian corporations, for example, found that "the majority of large … businesses operating or sourcing abroad do not contain references to even the most basic human rights standards." (Forcese, 1996). The issues prioritized in codes are often those to which consumers are sensitive—such as child labour, discrimination and environmental protection, and not others identified by international organizations, such as the ILO. Hence "freedom of association and the right to bargain collectively hardly feature at all" (Wild, 1998:32).

If the adoption of codes still has a long way to go, their implementation leaves even more to be desired. Codes very often remain at the level of lofty principles and well-intentioned policy statements that are not effectively implemented (Kolk et al., 1999). An UNCTAD review of the guidelines set by 26 world industry associations for their member firms found that "most … do not ask the signatories to commit to the principles or activities they recommend ... [and] only a handful require any kind of compliance by members" (UNCTAD, 1996:7). Employees and consumers are often unaware

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[12] A recent survey of TNC affiliates in three Asian countries, which had a low response rate, warns against such misinterpretation (Hansen, 1999a).

of the existence of company codes, and firms frequently fail to specify the nature of sanctions for non-compliance. Of particular concern is the fact that effective company self-assessment or independent verification of compliance with codes is rarely practised (Dommen, 1999; ILO, 1999; UNCTAD, 1996). According to the Canadian study mentioned above:

> ... most codes lack the independent monitoring requirements ... companies appear reluctant to share their codes with the public, even when they report having codes with human rights language. This recalcitrance runs counter to the call for transparency in code development, implementation and administration promoted by code analysts (Forcese, 1996).

Another area where progress has been evident but weak relates to environmental and social reporting. A 1994 study by UNEP of 100 "pioneering companies" found that the reports of two thirds of the firms (64 per cent) ranged from "green glossies" to annual reports that were more text than figures. Only 5 per cent contained meaningful performance data, while none amounted to "sustainable development reporting".[13] "Whatever companies may call their reports, and however many times they mention sustainable development in the text, very little work is being done in this area as yet" (UNEP, 1994:67). Where environmental and social reporting is catching on, it is often very selective. As Zadek observes, only a few companies—such as the Body Shop and Traidcraft in the United Kingdom, and Ben & Jerry's in the United States—have moved towards "more systematic, comprehensive, rigorous and externally verified methodologies for exploring, disclosing, and improving corporate social performance" (quoted in Nelson, 1996:86).

The incipient character of corporate management reform is also evident in relation to environmental certification. Two of the most important initiatives in this field involve the ISO 14000 and the Forest Stewardship Council (FSC) certification systems. By the end of 1998 only 7,887 certificates had been awarded worldwide under the former scheme, of which 36 per cent were in developing countries, primarily in Asia. While the number of ISO certificates awarded annually is increasing, and these currently exist in 72 countries, only 3,454 were issued in 1998. This compares poorly with the approximately 50,000-60,000 certificates awarded annually under the ISO 9000 series related to quality management systems (ISO, 1999).

When IIED published an extensive report on the world's pulp and paper industry in 1996, it noted that nearly 6 million hectares of forests had been certified but that this accounted for just 0.5 per cent of global trade (IIED, 1996:62). By early 1999 the area certified by FSC-accredited bodies had risen to 15 million hectares (one quarter of which were in developing countries), but this still represented less than 1 per cent of the world's forests outside of protected areas.[14] Even in Costa Rica, where the logging industry has supported the principle of promoting sustainable forestry through certification, only 25,000 hectares, managed by seven entities, have been certified (FSC, 1999).

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[13] Sustainable development reporting is "based on the extensive use of quantitative methods (such as life-cycle analysis and mass balances) and on strong links with industry-wide and national sustainable development reporting against pre-agreed targets" (UNEP, 1994:8).

[14] Based on data from FSC, 1999 and 1996 estimates of forest area and protected areas in World Bank, 1999.

This represents 5 per cent of the approximately half a million hectares of forest outside of protected areas.[15]

Rhetoric versus reality

Corporate statements often suggest that the pace and content of innovation and change have been impressive. There is, however, a considerable mismatch between rhetoric and reality. Generally, the claims of the business community far exceed performance. Research in Latin America, for example, has scratched the surface of two cases that are often hailed as "success stories" in the literature on corporate responsibility—the Costa Rican bioprospecting activities of the giant US pharmaceutical company, Merck & Co., and the Brazilian operations of the pulp and paper company, Aracruz Cellulose.[16] What emerges is either exaggerated claims and expectations, notably in the case of Merck & Co. (Rodríguez and Camacho, 1999), or instances of environmental and social irresponsibility, particularly in the case of Aracruz (Carrere, 1999).

In Central America, independent research and monitoring have recently revealed other cases of inflated claims or double standards, in two of the industries—chemicals and forestry—most often associated with initiatives in environmental management. Evaluating a high-profile project promoted by the international pesticide industry in Guatemala,[17] the International Union of Food and Agricultural Workers (IUF) found that, although selected indicators of project performance looked impressive, there were some serious shortcomings in project design and implementation. On the positive side, a third of a million farmers, housewives, students and others had in fact received training in pesticide use between 1991 and 1994. Training methods, however, were found to be weak. More intensive, longer term training, and consideration of appropriate technologies—for example, Integrated Pest Management—were absent, as were participatory training methods. Furthermore, waged agricultural workers, i.e. the bulk of pesticide users, were not included in the project, a fact that seriously undermined the claim of the pesticide industry that it aimed to extend product stewardship[18] along the entire supplier-user chain. As training was targeted primarily to the farmer-customers of the pesticide companies, and ignored alternative methods of pest control, the industry was vulnerable to the charge that the project was, in effect, a marketing strategy (Hurst, 1999). The concerns revealed through this type of inquiry highlight the value of independent evaluation and the need for voluntary initiatives by business to have third-party verification built into them.

The Central American forestry industry shows some signs of supporting the principle of independent verification. But doubts have arisen concerning the verification process. Even leaving aside the important criticisms of some

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[15] Based on 1996 estimates of forest area and protected areas in World Bank, 1999.

[16] See Rodríguez and Camacho, 1999; and Carrere, 1999.

[17] The international pesticide industry, jolted by the events and fall-out from the 1984 Bhopal disaster in India, has taken several important initiatives under its Responsible Care Program and the Safe Use Projects in Guatemala, Kenya and Thailand.

[18] Product stewardship refers to the need for business to take responsibility for waste and environmental damage associated with a product along its entire life cycle, that is, from the extraction or farming of raw materials, through manufacture and marketing of products, to their disposal and reuse (Welford and Jones, 1996:252).

environmentalists that what is being labelled "sustainable logging" can still cause serious environmental damage (Colchester, 1990; World Rainforest Movement, 1999), other concerns have arisen. A study of a certified teak plantation company in Costa Rica, for example, revealed that its operations did not comply with several FSC principles and criteria. It notes, for example, the ongoing use of highly toxic pesticides banned in many countries, and the dangerous way in which they were used by workers who had not received the necessary training and protective clothing. The study also notes that certain well-known international conservation NGOs were supporting false claims about the company's management practices and environmental and economic performance (Romeijn, 1999). This study cautions against taking for granted the degree of autonomy of those doing the monitoring, the rigour of their methods and substance of their benchmarks or goals. These need to be periodically scrutinized. In other words, it may be necessary to occasionally verify the verifiers.

Another major criticism of some forms of environmental certification relates to the fact that what is evaluated is environmental management, not environmental impact:[19] "does your company have an environmental policy?", not "to what extent has your company reduced its emissions or use of energy?" The relationship between improved environmental management and impact is not always as apparent as one might think. As pointed out in a study of Northern TNCs with facilities in the United States, it may be "surprisingly weak" (Levy, 1995:57). Larger companies, in particular, were found to be strong on policy but weak on actual outcomes.[20]

In relation to social aspects, companies often suggest that they are taking a proactive role and significantly improving the conditions of workers, when in fact change is minimal. The Clean Clothes Campaign, for example, is highly critical of the claim by Nike and Reebok that they raised wages to sport shoe workers in Indonesia by 40 per cent during 1998-1999: This is:

> ... an impressive rise when presented, as it was, out of context. The picture is altered dramatically when this increase is considered next to the hardships resulting from the 1997-98 inflation rate of 70%, the massive currency devaluation ... and the profits this has meant for companies like Nike and Reebok. While the rise is considerably better than the government's minimum wage increase of 15%, Nike and Reebok are still not paying a living wage (Clean Clothes Campaign, 1999).

Perhaps the most inflated claim of all relates not to specific aspects of environmental or social protection, but to the idea that business is promoting "sustainable development". Many companies, corporate foundations and business associations or partnerships liberally apply the label "sustainable development" to initiatives or activities that in practice amount to fairly minor interventions to improve environmental management systems or eco-efficiency. Despite its title, the WBCSD has, until recently, channelled its energies towards

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[19] This criticism has been levelled, in particular, at ISO 14001 (see Krut and Gleckman, 1998), and has emerged more generally in some of the literature on corporate social responsibility (see Hopkins, 1997).
[20] As a possible explanation, Levy (1997:60) suggests the fact that larger firms have more power to resist the introduction of costly environmental investments or bureaucratic inertia.

the promotion of eco-efficiency. Similarly, UN-business partnerships often carry the sustainable development label but focus narrowly on environmental or eco-efficiency aspects,[21] or even the formulation of investment laws in least developed countries.

Many companies also focus narrowly on one particular aspect associated with corporate responsibility—for example, environmental protection—and ignore others, such as labour conditions and indigenous rights. In relation to environmental certification, some international trade unions are concerned that such instruments are legitimizing the activities of companies that continue to abuse certain basic rights. The International Federation of Building and Wood Workers (IFBWW) has called for the inclusion of additional social criteria related to ILO core labour standards in forest certification (Development and Cooperation, 1999:31). Similarly, the International Union of Food and Agricultural Workers (IUF) is highly critical of banana companies—like Chiquita Brands—that have adopted the ECO-OK label (which commits a company to reduce its applications of toxic pesticides). According to union organizations and officials, Chiquita not only continues to pursue environmentally damaging practices but also restricts basic rights associated with the freedom of association of workers in countries such as Costa Rica (personal communication with SITRAP official;[22] IUF, 1998).

The concept of sustainable development involves far more than environmental protection. Core elements of the concept, as popularized by the World Commission on Environment and Development, also include meeting people's needs and intra- as well as inter-generational equity (WCED, 1987). What it would take to attain these goals is, of course, open to debate. But a strategy that carries the sustainable development label would need to be multifaceted. It has been suggested, for example, that any company that is serious about contributing to sustainable development would have to demonstrate a degree of continuous progress in six areas (Welford, 1997). These relate to environmental performance, the empowerment of employees (labour rights and workers' participation), economic performance (sustained profitability, employment generation, fair wages), ethics (codes of conduct, transparency, *stakeholder accountability*), equity (fair trade and treatment of stakeholders) and education (information dissemination and participation in campaigns). Very few companies have attempted to adopt such a comprehensive strategy.

Apart from ignoring crucial dimensions of sustainable development, certain aspects of corporate environmentalism may actually reinforce the patterns of growth, industrial production, consumption and North-South relations that underpin "unsustainable" development. In relation to eco-labelling, for example, there is concern that it could harm developing countries by acting as a non-tariff barrier to trade (Markandya, 1997). According to Dawkins (1995:5-6):

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[21] A recent UN publication on cleaner technology transfer to developing countries is entitled **Business and the UN: Partners in Sustainable Development** (United Nations, 1999a).

[22] Communication with Doris Calvo, Head of Women's Section, SITRAP, April 1999.

> ecolabelling could exacerbate current global trends by which developing
> countries' share of international markets shrinks and, within all countries,
> small businesses' share of both national and international markets shrinks
> unless ecolabelling schemes are accompanied by aggressive affirmative
> policies to facilitate the participation of small firms and developing country
> exporters.

A study of the international horticultural sector (UNCTAD and SGS, 1998), suggests that more environmentally friendly forms of production could emerge. Achieving this, however, requires substantial investments, access to information and managerial expertise, which are beyond the reach of many smaller producers. The upshot "is that supermarkets and importers are focusing on fewer, larger, better-organised and more sophisticated growers, processors and exporters". Such a process tends to crowd out or restrict entry to smaller producers (UNCTAD and SGS, 1998:7), although some niche markets—for example, for organically produced crops—are supplied by small farmers. Similarly, in relation to corporate social responsibility, there are concerns that many firms in developing countries will find it extremely difficult to comply with new standards being set by the transnational or large retailers they supply. Presumably the notion of corporate responsibility in such contexts must extend beyond the elevation of standards to facilitating a supplier's ability to comply. Furthermore, compliance with the standards should not exacerbate some other feature of "mal-development", for example, when attempts to ban child labour push the families affected further into poverty or the children themselves into more abusive forms of work.

Initiatives associated with corporate environmentalism rarely encourage consumers to adopt very different consumption patterns that would significantly reduce environmental degradation. The IUF case study, referred to above, showed that in the field of chemical use and training, for example, attention was being focused on using conventional pesticides in less health-threatening ways, not on promoting alternative methods of pest control. More generally, the choice that consumers are offered tends to be between like products that vary only slightly in the degree to which they impact the environment; consumers are not encouraged to reassess their lifestyles and patterns of consumption (West, 1995:19). Similarly, when oil companies such as Shell go out of their way to promote "multi-stakeholder" dialogues to discuss specific initiatives, the topic for discussion is, generally, how a particular project should be implemented, not whether it should go ahead (Rowell,1999).

Not seeing the forest for the trees

By focusing attention on the specific initiatives taken and the innovations introduced by individual companies in the field of corporate environmental and social responsibility, it is easy to lose sight of the forest for the trees—that is, the bigger picture related to investment, production and marketing trends, and their environmental and social implications. It is important to retain a sense of perspective of the broader trends related to corporate policy and performance.

As noted above, relatively few companies are actively involved in what has been referred to as the "social responsibility movement". Writing earlier this decade, Hawken notes that "... the roughly 2,000 ... committed companies ... have combined annual sales of approximately $2 billion, or one-hundredth of

one percent of the $20 trillion sales garnered by the estimated 80 million to 100 million enterprises worldwide" (Hawken, 1993, quoted in Thomson, 1998). Since this estimate was made, some of the world's largest corporations have joined this movement. As already indicated, however, the TNCs involved represent a small fraction of the world total and, in most cases, only minimal aspects of their activities are affected.

Although CEOs of so-called lead companies talk increasingly of their commitment not just to the bottom line of profitability but to a *triple bottom line*, the bulk of their investment is in activities associated with "business-as-usual" (Welford, 1997). In a recent interview with CNN, the chairman of Shell likened his corporation to a three-legged stool: the three legs, symbolizing financial, environmental and social goals, were essential for stability. The problem with this analogy is that the three legs are in no way even. Clearly the amount of corporate resources geared towards environmental and social aspects pale in comparison with those that are attempting to generate profits from conventional business activities. A look at BP Amoco's investment portfolio for 1999 illustrates this point. While the corporation expanded its interests in solar energy, through the $45 million purchase of Solartex (Bruno, 1999), the vast bulk of its investment went towards expanding its regular exploitation of non-renewable resources—through, for example, the proposed purchase of the oil company ARCO for approximately $31 billion (BP Amoco, 1999). According to the Greenpeace Media Center. "For every $10,000 BP Amoco spent on oil exploration and development in 1998, $16 was spent on solar energy" (Media Center, 1999). In such circumstances, talk of a triple bottom line and three-legged stools surely needs some qualification.

It is clear that there are various structural aspects, associated with how production is organized, that constrain corporate responsibility. It is often pointed out that a fundamental constraint on corporate environmental and social responsibility derives from the logic of capitalist production, i.e. the quest for profitability, which puts pressure on firms to cut or externalize costs and seek locations with weak labour and environmental regulations. Such pressures may well be escalating in the harshly competitive environment associated with globalization and liberalization. Through mergers and acquisitions, downsizing, outsourcing, the feminization and informalization of employment, and the lure of largely deregulated havens, such as Export Processing Zones, many corporations are reducing their core labour force and shifting production to sites and systems with lower social and environmental standards. Such sites and systems also tend to be associated with weaker or non-existent forms of trade union organization.

The tension between profits and responsibility may be even more acute during the early phases of corporate activity, when companies attempt to obtain quick returns on large-scale investments by externalizing as many costs as possible. An analysis of the Brazilian pulp industry reveals this problem (Carrere, 1999). Power structures can also reinforce this possibility; not only did the large Brazilian pulp companies use political and economic power to obtain subsidies from government, but they also had the coercive power of the state on their side when the externalities generated local opposition (Carrere, 1999). The analysis of corporate environmental and social responsibility in this sector also highlights another structural problem—scale. Even companies committed to

environmental protection and sustainable development are unlikely to realize these goals when the inherently large scale of their operations means that large-scale environmental impacts are inevitable (Carrere, 1999). The question arises whether the choice should only be between a very destructive and a less destructive corporation, or whether we should also have the option to promote an economic system based on smaller scale enterprises more in tune with the local culture and the environment (Carrere, 1999).

Looking at the bigger picture also means considering the nature of national, regional and sectoral investment patterns. In Mexico, for example, it has been shown that, although an increasing number of firms are now taking steps to improve their environmental management systems, and institutions are emerging to facilitate this, the economic system as a whole continues to demonstrate very perverse characteristics (Barkin, 1999). Patterns of investment are such that polluting industries are expanding. Furthermore, trends in industrial location suggest that firms are being established or are moving to areas of the country where planning and regulation are weak. As has been pointed out in relation to India, the process of competitive deregulation to attract investment involves not only countries, but also regions or states within countries (Jha, 1999).

Institutional structures, associated in particular with macro-economic policy, can also constrain corporate environmental and social responsibility. This is apparent in Central America (Pratt and Fintel, 1999). Firms are less likely to adopt environmental improvements when, for example, the financial services sector imposes high interest rates and short lending terms. These can act as a disincentive for adopting the type of long-term business planning horizon that is often required for environmental management. Other policies of this sector, for example recommendations regarding the use of certain technical packages, may encourage agricultural producers to use outdated and environmentally damaging technologies. Similarly, the fiscal system discriminates against the importation and adoption of cleaner technology and undervalues the use of natural resources (Pratt and Fintel, 1999).

Progress along the corporate responsibility path is not linear—it may ebb and flow or unravel completely. Most obviously, this may happen during periods of economic recession when firms seek to cut costs in various ways that may have negative environmental and social implications. But it may also reflect changes in the balance of social forces when social and political forces promoting deregulation, or that mobilize to prevent regulation, become stronger, and/or those favouring various forms of regulation become weaker. The role of the Global Climate Coalition in attempting to dilute, if not derail, the Kyoto process is a case in point.

These broader trends associated with the evolving nature of capitalist production and economic liberalization raise serious concerns for the process of corporate environmentalism and social responsibility. But it is also evident that certain processes and forces commonly associated with globalization may serve to facilitate corporate responsibility. What they are, and their relative power to promote change are discussed in the following two sections.

III. The Forces of Change

It is difficult to assess the significance of contemporary trends associated with corporate environmental and social responsibility by simply weighing up selected cases of "best practice" or "greenwash". Given the relative novelty of the current wave of business interest in corporate responsibility, it is probably unrealistic to expect significant progress within such a short time frame. It is perhaps more relevant to ask what sort of enabling environment is being put in place—in terms of policies, institutions, partnerships and pressures—that might encourage business to improve its environmental and social performance. What are some sectors of business responding to? And how strong are the forces that promote corporate responsibility? This section identifies what these "drivers" are, and suggests that they may indeed be powerful enough to scale up the corporate responsibility movement in terms of the numbers of companies, sectors and countries involved.

The question of why some sectors of business are changing reveals an answer that has less to do with a new-found concern for the environmental and social condition of the planet, than with the economic, political and structural aspects that are discussed below. These include so-called win-win opportunities, the possibility of enhancing competitive advantage, "reputation management", pressure group and consumer politics, and responsiveness to both regulation (or the threat of regulation) and changes that are occurring in the way production and marketing are being organized globally.

Economics

It is often argued that corporate environmental and social responsibility is basically a rational business response to ecological constraints and market opportunities (Murphy and Bendell, 1999). Furthermore, it can be part and parcel of a *win-win strategy*—companies can simultaneously improve their environmental and social performance as well as "the bottom line".[23] Practices associated, for example, with energy efficiency and waste reduction may reduce costs, while the use of modern cleaner technologies may increase productivity. Responsiveness to environmental and social concerns can also enhance a firm's competitive advantage. Indeed, it has been argued that in product sectors where global competition has reduced the scope for differentiating products in the market-place on the basis of features that have to do with price and quality, companies are likely to attempt to maintain or gain competitive advantage through other product or company features, such as those associated with environmental and social responsibility (Flaherty and Rappaport, 1999; Welford, 1997; Watts and Holme, 1999).

Some TNCs are also seeking greater uniformity in production methods and product standards in their operations around the world. For both economic and political reasons, there may be less incentive to use inferior technology in developing countries. Indeed, in some sectors it is apparent that the most competitive companies are not those with access to the lowest-cost inputs, but those that are able to use their resources more productively as a result of advanced technology and methods (Porter and van der Linde, 1995:133). To

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[23] See, for example, Porter and van der Linde, 1995, and Henderson, 1996.

stay ahead, companies need to innovate constantly in order to find ways of using resources more productively and to make products that are more valuable to consumers. The upshot of this approach is that some companies will seek ways to minimize waste at various stages of a product's life cycle and prevent pollution, rather than simply adopting the type of "end-of-pipe" pollution control measures often required by government regulation (Porter and van der Linde, 1995).

The protection of brand-name image and company reputation has become a key managerial concern in certain product sectors (Nelson, 1996). To minimize or avoid any tarnishing of reputation, some companies are not only attempting to respond to environmental and stakeholder concerns related to business practices that have put them in the spotlight, but also trying to anticipate where the next problem or threat might come from and take preventive action.[24] Such action might involve changes to environmental management systems and increased public relations efforts, including perhaps dialogues with stakeholders and pressure groups.

An increasing number of TNCs and other companies are strategically positioning themselves to take advantage of growing markets for environmental goods and services in both industrialized and developing countries (Flaherty and Rappaport, 1999). The size of some markets is increasing rapidly. BP Amoco, for example, plans to increase the turnover of its solar energy subsidiary, BP Solar, from approximately $80 million[25] in 1997 to $1 billion in 2007, while the global solar energy market is expected to grow from $800 million in 1997 to $3-5 billion by 2010 (Bruno, 1999). Competition strategy also involves creating new markets, particularly for higher value "environmentally friendly" products. A few corporations, such as the Body Shop, are also promoting "ethical" or "fair trade".[26] By ensuring that the producers and communities that manufacture the products receive a decent return, the company can enhance its reputation and thereby increase its competitive advantage.

Politics

A former executive of a large oil company remarked at a recent UNCTAD workshop on corporate social responsibility that if the "win-win" argument were so compelling (i.e. if there were such scope for simultaneously making profits and improving a company's social and environmental performance), then "we wouldn't be sitting around this table".[27] In other words, business would have embarked on this path long ago. Instead, he reminded the

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[24] This point was stressed by several participants (notably those currently or previously connected with large oil companies) at a workshop organized by UNCTAD (20 May 1999) on corporate social responsibility, which was attended by this author.

[25] All references to dollars are to US dollars.

[26] Traidcraft, UK, defines these forms of trade in the following terms. " 'Fair trade' recognises that most international trade excludes the poorest and most disadvantaged in the developing world ...[It] targets disadvantaged communities and organisations working with them, who need particular support to enable them to become involved in international trade. Producer organisations are [participatory] ... Many fair trade producers are in the informal sector of the economy ... 'Ethical trade' works within existing mainstream trade ... [and] targets workers in predominantly formal sector businesses" (Traidcraft, 1998).

[27] UNCTAD consultation on Corporate Social Responsibility, 20 May 1999.

participants that, fundamentally, it was NGO and consumer pressure that had encouraged companies like BP and Shell to act differently.

The capacity of environmentalists, human rights organizations, consumer and other social interest groups to put TNCs under the spotlight and mount national and international campaigns has increased tremendously in the 1990s (O'Neill, 1999). This reflects not only the quantitative growth of civil society organizations around the world, but also the communications revolution associated with the Internet and institutional developments involving improved networking of civil society organizations. As the experience of corporations like Aracruz, BP, Nike, Rio Tinto and Shell has shown, when subjected to such pressures they must respond. In October 1997, Nike, for example, faced protests in 50 US cities and 11 countries over allegations of subsistence-pay rates, the use of child labour and worker intimidation. While denying the charges, the company moved quickly to protect its public image, joining a group of clothing companies that was drawing up a code of conduct to eradicate sweatshop conditions, severing relations with a number of contractors, introducing penalties for non-compliance with Nike's code of conduct, hiring an internationally respected figure to conduct a survey of conditions in Nike's foreign factories, and moving its public relations and stakeholder dialogues into a much higher gear (Harverson and Corzine, 1997).

A review of various corporate surveys that attempt to identify the drivers of corporate responsibility suggests that one of the main factors inducing firms to respond to environmental and social issues is, in fact, government regulation or the threat of regulation (Flaherty and Rappaport, 1991; Pratt and Fintel, 1999; Hansen 1999a). Pressures associated with NGO activism, including consumer boycotts and environmental campaigns, the threat of litigation, critical media attention or public opinion may also figure prominently. Other sources of pressure such as so-called ethical investors or shareholders have also emerged in recent years.

Developments associated with corporate environmental and social responsibility are, then, as much about politics as they are about competitiveness. Corporate élites have been forced to adapt their management systems in response to pressures emanating from civil society organizations and the environmental movement in particular. The 1990s have seen the rise of consumer politics. "As customers and consumers are becoming more informed of global issues and aware of their rights, they are exerting more pressure on companies to ensure good corporate behaviour." (WBCSD, 1999:45)

The political underpinnings of the corporate response to environmental and social concerns are generally analysed in terms of business reacting to pressure. But this probably underestimates the political savvy of corporate élites who, historically, have proved quite capable of accommodating threats to their dominance that derive from civil society organizations and social movements, as well as state institutions. Levy stresses how responsive business can be:

> The view taken here is that capitalism is resilient and adaptive; corporations will accommodate the environmental challenge through compromise and co-option, ameliorating their environmental impact sufficiently to blunt serious challenge to their hegemonic position (1997:131).

In the struggle for "hegemony"—the attempt to rule on the basis of consent rather than coercion[28]—élites must take on board some of the concerns and values of a broader range of social groups or, in contemporary parlance, stakeholders. But the corporate response should not be seen simply as a reaction to pressure and the threat of regulation; it is also a proactive cultural phenomenon whereby dominant groups seek to secure their position by not only accommodating oppositional values, but also exercising moral, cultural and intellectual leadership (Bennett, 1986; Forgacs, 1988:194, 249-250). They do this partly through the institutions of civil society—by building up a system of alliances through which the interests of a broader range of social groups are represented[29] (Utting, 1992).

What is often ignored in the analysis of the role of civil society in development is that when civil society is constituted and expands, that is, when individuals associate and organize in "private" or "voluntary" institutions, it becomes not only a force for change "from below" but also "from above". Elite groups can themselves form NGOs or seek to work closely with others through various forms of collaboration and partnership, such as those described earlier in the first section.

This leadership role is very apparent in the field of corporate environmental responsibility and, more specifically, in the eco-efficiency model actively promoted by business associations such as the WBCSD. One of the raisons d'être of such organizations is to influence and shape international and national environmental policy-making. More recently the WBCSD has diversified its approach and activities through the promotion of corporate social responsibility. According to its president, Björn Stigson, "other stakeholders were the first to make the running on this but business has caught up—understanding that it has a very real stake in delineating the borders for social responsibility between society and corporations" (Stigson, 1999).

The leadership role is also evident in the way industry influences international bodies such as the ISO. Global corporations are increasingly influencing policy making at the international level related to environmental and development issues (Krut and Gleckman, 1998; Dawkins, 1995). This was particularly apparent at the time of the Earth Summit (Chatterjee and Finger, 1994) and has continued in various United Nations forums and institutions. In recent years, the Commission for Sustainable Development has been under pressure from some business quarters to increase private sector involvement (Stigson, 1997:122).

Structural factors

In order to assess the scope and prospects for corporate environmental and social responsibility, it is important to examine not only aspects related to micro-economics and politics, but also changes occurring in the international division of labour, global production systems or networks, and patterns of

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[28] See Forgacs, 1988:423.

[29] The contemporary phenomenon of "partnerships" for development can, to some extent, be viewed from this perspective.

industrial organization and foreign direct investment. When such changes are analysed, there emerges a structural explanation for corporate responsiveness to environmental issues and stakeholder concerns.[30]

While there is much debate about the nature of contemporary changes in the global economic system, certain structural developments appear to be conducive to corporate environmental and social responsibility in some sectors. They include so-called "flexible specialization",[31] "global commodity chains" (Gereffi et al., 1994) and what has been referred to as "the thicker institutional network of international production including subcontracting, joint ventures and strategic alliances" (Kozul-Wright and Rowthorn, 1998:6). Three aspects associated with these models of industrial organization seem particularly relevant for explaining why some firms are adopting certain policies and procedures associated with corporate environmental and social responsibility.

First, where flexibility and innovation have become particularly important for competitiveness in certain sectors (Porter and van der Linde, 1995), companies are not only attempting to respond to new market opportunities that derive from more segmented demand and discriminating buyers in the North (Gereffi, 1994:218), but also actively trying to create new markets (Hirst and Zeitlin, 1991). Markets for environmental goods and services are particularly relevant in this regard. They include, for example, eco-labelled products, organically produced foods, biological food products (grown using fewer chemicals), recycling-friendly packaging, nature or eco-tourism, environmental auditing and certification services, and cleaner technology. So, too, are markets associated with ethical or fair trade in such product areas as coffee, cocoa, tea, bananas, sugar, honey, handicraft and raw materials for cosmetics (Thomson, 1998; Roddick, 1998).

Second, trends associated with greater flexibility and innovation have important technological implications. The development and transfer of cleaner technology, for example, is to some extent facilitated by the mindset, skills and other resources associated with the active process of technological innovation, which characterizes the flexible specialization model. The massive increase in foreign direct investment flows to certain developing countries since the 1980s can, according to some observers, be an important mechanism for the transfer of cleaner technology in some contexts (UNCTAD, 1999).

Third, models of industrial organization associated with flexible specialization and global commodity chains also require different relations between firms, as well as between firms and their stakeholders. With the shift towards specialization and the production of customized products, as well as the

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[30] The relevance of structural determinants is also apparent when analysing another era of corporate social responsibility, namely that associated with "Fordism", earlier this century in the United States. New methods of organizing industrial production (e.g. assembly line mass production) required new relations with workers, consumers and the communities where companies were located (see Utting, forthcoming).

[31] Flexible specialization has been defined as "the manufacture of a wide and changing array of customized products using flexible, general-purpose machinery and skilled, adaptable workers". (Hirst and Zeitlin, 1991:2). It is to be distinguished from mass production, which involves "the manufacture of standardized products in high volumes using special-purpose machinery and predominantly unskilled labour" (Hirst and Zeitlin, 1991:2).

increased sourcing of manufactured products from developing countries, Northern companies rely increasingly on networking and sub-contracting. To some extent, new relations that are based on co-operation and trust are a feature of such models (Hirst and Zeitlin, 1991). Certification, auditing and reporting, related to environmental and social aspects, are instruments that can play an important role in the development of collaborative relations between the numerous firms that make up a network or commodity chain. Certification of environmental management systems is becoming increasingly important in several product sectors associated with export markets. Whether associated with tomatoes or timber, it can perform a triple role in facilitating the construction of co-operative relations between firms in order to ensure certain standards, defending core corporations from risks related to the exposure of bad environmental or social practice among affiliates and suppliers, and protecting niche markets from both free riders[32] and new entrants.

The increasing global reach of TNCs is bringing them into closer contact not only with other companies, but also with a broader range of communities and cultures. In some companies, the profile of the corporate manager is changing. As chief executive of Daimler-Benz observes, "to be a successful global company we have to find exceptional executives—people who have industrial skills, but can also adapt to local communities and respond to their needs" (Schrempp, 1997). Aspects associated with environmental and social responsibility are partly being driven by this new management culture.

Patterns of industrial production and organization associated with flexible specialization and global commodity chains are extending to the South (Evans, 1998; Gereffi et al., 1994). Gereffi (1994: 211) shows how "diversified industrialization" is spreading to many developing countries with export-oriented development strategies. Two "ideal-types" of global commodity chains can be identified, both involving complex organizational forms in which a relatively small group of "core corporations" manage to "make sure all the pieces ... come together as an integrated whole" (Gereffi, 1994:218). So-called "producer-driven commodity chains"—characteristic of car, computer and electrical machinery manufacturing—are controlled by TNCs. They involve complex backward and forward linkages with considerable international subcontracting of components (Gereffi, 1994:216). "Buyer-driven commodity chains"—characteristic of labour-intensive consumer goods industries—rely heavily on specification contracting, with independent companies in developing countries making finished goods (e.g. clothing, footwear, toys) according to specifications supplied by large retailers and brand-name companies (e.g. Nike, Reebok) in the North (Gereffi, 1994:216).

Such models have important implications for environmental and social responsibility in the South. They not only reveal the way in which certain manufacturing enterprises in developing countries are being drawn into production and marketing chains controlled by large Northern corporations, but also suggest that the smooth functioning of these chains requires attention

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[32] For example, the Costa Rican Certification for Sustainable Tourism Program, created by the Costa Rican Tourism Board, is partly an attempt to ensure that mass tourism — which takes advantage of the country's green image — will not damage the eco-tourism market (von Moltke et al., 1998:261).

to issues of stakeholder management and corporate social and environmental responsibility throughout the product chain.[33]

IV. Limits to Change

What further light does the above analysis shed on the significance of trends associated with corporate responsibility and their implications for sustainable development? In this section it will be argued that, while there may exist some powerful forces that are encouraging greater responsiveness to environmental and social concerns, the process of change is likely to remain fragmented and spread unevenly in terms of the business practices, sectors, countries and regions. The minimalist and uneven agenda, which was described in section II, is not simply a reflection of the fact that the process of change is of recent origin; it also derives from the way companies choose to respond to the economic, political and structural drivers identified above.

In relation to micro-economic aspects, many factors may constrain a firm's ability to respond to environmental and social concerns and derive net benefits. These include, for example, limited investment resources for altering production processes and adopting cleaner technology, the relatively high costs of certain environmental management reforms, lack of information and know-how, the difficulties in quantifying the benefits of environmental management, the limited size of niche markets for certain environmental goods and services, and organizational inertia or lack of incentives for innovation (Levy, 1997:132-133; Porter and van der Linde, 1995:127; Dawkins, 1995:2).

There is considerable debate regarding the "win-win" supposition that environmental improvements can go hand in hand with cost reduction. For certain firms, particularly small and medium-sized enterprises, this may not be the case. In fact they often find themselves having to introduce innovations simply to keep up and stay in the market, rather than to gain any additional advantage. Even large corporations may find it difficult to justify certain improvements in environmental management systems. As one study of US-based corporations notes, "case-study evidence … suggests that financial factors do constrain environmental efforts, and that firms assume that environmental efforts impose at least a short-term net cost on the firm" (Levy, 1995:47, referring to Kasperson et al., 1988). Clearly, such constraints are likely to be more pronounced during periods of recession.

Even if the cost-reduction component of "win-win" scenarios is weak, there is still the possibility of enhancing competitiveness. Indeed, this is probably one of the main strategic advantages that companies can gain from improvements in environmental and social policy and practice. But it is far from clear what this means for the promotion of sustainable development. To the extent that

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[33] A recent survey of TNC affiliates in Asia suggests the presence of "an internal regulatory structure within the TNC network" with some TNC headquarters having a "hands on approach to environmental management at affiliates". While TNC supplier and subcontractor environmental linkages were less developed, they were expected to be "increasingly emphasized in the future" (Hansen, 1999a:26).

improved competitiveness can be gained largely through imagery as opposed to significant improvements in a firm's environmental and social performance, it may mean very little. This partly explains the vast sums spent by big business on "green" advertising and public relations.

There are also doubts concerning the size of "green" and "ethical" markets. While some consumer surveys in industrialized countries indicate that a large number of customers regard themselves as ethical shoppers,[34] far fewer actually buy the relevant products. According the managing director of Fair Trademark Canada, "market research has shown that 30% of consumers say that they are willing to pay extra to ensure justice for producers, but that only 5% will actually do so ..." (Thomson, 1998). Many niche markets quickly become saturated. The various "alternative trading organizations" that are promoting fair trade, for example, are already encountering difficulties in expanding their markets and catering to the demands of producers in developing countries who want to participate in such schemes (IFAT, 1999). Even a company such as the Body Shop, which actively promotes its image of "fair trader", only purchases a relatively small percentage of ingredients through its ethical "community trade" programme.[35] Despite the relatively high levels of public concern in the richer industrialized countries with the destruction of tropical forests, it has been estimated that only 5-10 per cent of the US market and 10-20 per cent of the EU market will demand and pay for certified timber (IIED, 1996:63).

The nature of the political process underpinning corporate management reform is also likely to result in piecemeal reforms. As indicated above, corporations are quite capable and increasingly adept at responding to certain concerns of environmentalists, consumers or development activists, in order to dim the spotlight on their activities. This can be seen in the case of certain large oil companies such as Shell and BP Amoco. It is often possible to do this through very selective management reforms, such as the introduction of a code of conduct, and/or through advertising and multi-stakeholder dialogues. The chemical industry's Responsible Care programme has been somewhat successful in this regard.

The social and regulatory pressures that partly drive corporate environmentalism can also be accommodated and deflated through "incorporation" or co-option. Several forms of business-NGO partnership may have the effect of diluting activist pressures (Currah, 1999). Many NGOs and activists have shifted tactics, reducing or abandoning more confrontational forms of activism and co-operating with business to provide technical assistance and services. There are, of course, many instances where such collaboration results in improved environmental and social performance.[36] There are concerns, however, that closer NGO relations with business are being driven as much, if not more, by funding rather than political

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[34] Two surveys carried out in the United Kingdom in 1996 indicated figures of 55 per cent and 67 per cent (see Wild, 1998:6).

[35] In 1994, one company critic estimated that the Body Shop's Trade Not Aid programme represented less than 1 per cent of company trade. The company itself reportedly acknowledged that it was impossible to quantify the figure but that it was "more than 1 per cent but less than 10 per cent" (Jack and Buckley, 1994:8).

[36] See, for example, NEF and CIIR, 1997; Bendell, 1998; Murphy and Bendell, 1999.

considerations, and that they may involve a trade-off with the political pressures that are a crucial driver of corporate responsibility (Currah, 1999). Where this trade-off is particularly apparent is in situations where partnerships or the participation of business in policy-making processes result in so-called "institutional capture", i.e. where business interests unduly influence the decision-making processes of standard-setting and regulatory institutions.[37]

For their part, civil society groups and movements are often limited in their capacity to exert pressure, particularly on a sustained basis. Of the many issues associated with corporate irresponsibility that activist groups are concerned with at any one point in time, only a few can be addressed with sufficient momentum and force to make a large corporation pause, take notice and respond in some shape or form. There is also the strategic problem of knowing where to intervene in the system and with which actors to engage and ally. Considerable effort can be wasted by intervening in the wrong places. The analysis of global commodity chains reveals the presence of multiple actors in any product sector, some of which are far more powerful than others in terms of being able to influence the process of environmental management reform (von Moltke et al., 1998). The example of the NGO campaign to reduce the production and consumption of tropical timber not sourced from sustainably managed forests suggests that, for many years, attempts to influence logging companies, consumers and governments had limited effect. It was not until a very small group of European wood-product retailers was targeted that significant progress was achieved, given their strategic location in the chain and their ability to exert pressures both downstream and upstream, on producers and consumers, respectively.[38]

The analysis of the structural underpinnings of corporate environmentalism and stakeholder accountability also suggests that it is likely to be a very uneven phenomenon in both sectoral and geographical terms. Developments associated with flexible specialization, global commodity chains and foreign direct investment affect some product sectors and countries far more than others. Furthermore, each commodity chain can assume very different characteristics in terms of the actors and market conditions that shape the possibilities of improvements in environmental management. This is brought out clearly in the analysis of four commodity chains carried out by von Moltke et al. (1998). Analysing the case of copper in Zambia, semi-conductors in the Philippines, cotton in Pakistan and eco-tourism in Costa Rica, these authors show how the environmental response throughout the chain is likely to vary considerably, depending on such aspects as the distribution of power among different actors in the chain, their (related) ability to capture rents and finance

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[37] In their analysis of eco-labelling and certification, various authors highlight the dangers that can arise when international institutions responsible for standard setting are unduly influenced by Northern business interests and lack the balanced participation necessary for effective policy-making in the broader public interest (see, for example, Dawkins, 1995, and Krut and Gleckman, 1998).

[38] The author is grateful to Jean-Paul Jeanrenaud at WWF-International for these observations.

environmental improvements,[39] the degree of integration and dispersion of the chain[40] and the type of environmental problem involved.[41]

V. Moving Forward

How might initiatives associated with corporate responsibility be scaled up and "deepened" so that business can make a more meaningful contribution to sustainable development? And are approaches, which are currently in vogue, centred on voluntary initiatives and partnerships, likely to be effective? This concluding section addresses these questions.

As noted earlier, regulatory pressures constitute perhaps the most powerful driver of corporate responsibility. But ask business what should be done to move the corporate responsibility train forward, and a very different set of conditions is likely to be proposed. One group of business leaders has put at the top of its list "freer and more open markets ... stable and predictable trade rules ... business should be encouraged voluntarily to achieve agreed standards ... [and] governments should work with business ... to set targets that recognize the realities under which business operates ..." (Schmidheiny et al., 1997:54). Such a list of recommendations does not appear to be very different from one that would have as its objective the promotion of economic growth and profit maximization. While such a response might be expected from the business community, it is perhaps less expected from other development actors. But increasingly, international organizations and national governments, as well as some NGOs, are sounding a similar tune. Two institutional arrangements, in particular, stand out in the contemporary drive to promote corporate environmental and social responsibility: voluntary initiatives and partnerships (Nelson, 1996; UNEP, 1998; UNCTAD, 1999).

Voluntary initiatives

The growing popularity of voluntary initiatives derives partly from a widespread perception that nation states have become weaker, lack capacity to implement so-called "command and control" regulations and, at any rate, should be freeing up rather than controlling the market. The pendulum swing away from stricter forms of regulation is evident not only at the level of some national governments, but also in the international arena. It was symbolized to some extent by the demise of the United Nations Centre on Transnational Corporations (UNCTC) in the early 1990s, and reinforced in 1999 when the Secretary-General proposed to representatives of big business gathered at the

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[39] It is observed in relation to some product chains that it is often larger (mainly Northern-based) companies higher up the chain that have this ability rather than smaller downstream producers in developing countries. In the case of the eco-tourism chain in Costa Rica, however, it was found that a significant proportion of revenues accrue to local providers of goods and services (von Moltke et al., 1998:20).

[40] In the cotton chain, for example, it is observed that the presence of many small producers greatly complicates the flow of information and finances necessary for improved environmental management, whereas this is far easier in the more integrated semi-conductor chain (von Moltke et al., 1998:22-23).

[41] Waste issues related to industrial processes, for example, are often far more manageable than environmental problems related to natural resource extraction (von Moltke et al., 1998:22).

World Economic Forum in Davos a compact in which the United Nations would support the idea of an international trade and investment régime largely free of social and environmental clauses. In return he called on the business community to take voluntary initiatives to uphold human rights and labour and environmental standards (Annan, 1999).

Research on issues of corporate environmental and social responsibility suggests—as does the very heated global debate on this issue—that it may be too early to declare international trade and investment régimes off-limits to further social and environmental standards. While there are certainly some corporations and sectors of business that may be prepared to heed the call for greater responsibility or "corporate citizenship", there are a great many more that will respond weakly, if at all.

There are important benefits that can derive from voluntary initiatives, but, in some contexts, there may also be a considerable downside, most notably perhaps for countries of the South. The way in which voluntary initiatives are being promoted raises several important concerns in relation to the challenge of promoting sustainable development, some of which were noted earlier:

- Voluntary initiatives are often drawn up without regard to principles of transparency, independent verification and worker/community participation, as well as core international standards to protect labour, the environment and human rights. As pointed out by the NGO Taskforce on Business and Industry (ToBI),[42] these types of "closed" agreements often result in "noncompliance, double standards, inadequate targets or standards, or greenwashing" (ToBI, 1997).

- Voluntary initiatives have mainly been adopted in the richer industrialized countries. Their apparent success in a number of countries has been contingent on certain institutional conditions associated, for example, with the growth of green or ethical markets, pressures associated with the NGO sector and the relative autonomy and power of certain state institutions. Such conditions are often absent in many developing countries where consumer power may be relatively weak, state regulatory authorities may lack independence, as well as basic enforcement and monitoring capacity, essential laws related to disclosure and freedom of information may not be in place or enforced, and the NGO "movement" may be relatively weak or absorbed in service-delivery activities (Hanks, 1999; UNRISD and UNA, 1998).

- It is often assumed that voluntary initiatives should and can be adopted across very different product sectors. With globalization and the increasing global reach of TNCs and changing forms of corporate organizational structures, extensive and complex product

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[42] ToBI is an international collaborative network of NGOs established in 1996 with the original purpose of preparing an independent assessment of corporate conduct, responsibility and accountability for the five-year review of the Earth Summit in 1997.

or "commodity chains" have developed in many sectors (Gereffi et al., 1994). Participating in these chains are very different types of actors, with very different capacities to respond to environmental and social concerns and subject to very different pressures, opportunities and constraints (von Moltke et al., 1998). The feasibility of adopting voluntary initiatives "across the board" and their capacity to translate into improved corporate environmental and social performance can vary considerably in different sectoral contexts.

- Some of the major voluntary initiatives associated with the promotion of corporate environmental and social responsibility in the South have been essentially designed by Northern actors. Corporate interests, often acting through business and industry associations, are becoming increasingly influential in international decision-making processes associated with the design of environmental and social standards. Business-NGO partnerships, which attempt to modify the way corporations operate in the South, involve primarily Northern NGOs. Some Northern NGOs claim to speak on behalf of Southern interests, but fail to effectively involve Southern NGOs in their decision-making and consultation processes (Murphy and Bendell, 1999).

- Historically, progress associated with corporate social and environmental responsibility has been driven, to a large extent, by state regulation, trade union activism and collective bargaining. Increasing reliance on voluntary initiatives may be undermining these drivers of corporate responsibility. Such initiatives are often presented as effective alternatives to state regulation, when in fact their success in many industrialized countries has often involved an important regulatory component (Porter and van der Linde, 1995). Furthermore, the NGO sector, which is promoting voluntary initiatives, sometimes minimizes the involvement of trade unions or even attempts to substitute for them in dealings with TNCs. There are concerns that the task of defining and assessing workers' rights is shifting away from states and unions to companies, auditors and NGOs. Indeed, some companies appear to have adopted codes of conduct as part of strategy to minimize and weaken the role of trade unions "preferring to offer a paternalistic package than to have a recognized negotiating body to deal with" (Gallin, 1999b).

- Voluntary initiatives associated, for example, with codes of conduct, environmental certification and eco-labelling, may have certain negative developmental implications in terms of acting as a non-tariff trade barrier and restricting Southern access to Northern markets and the ability of smaller companies to compete (UNCTAD, 1999; Zarrilli et al., 1997). In practice, it is often larger and (managerially) more sophisticated companies in developing countries that can meet their norms. In certain product chains, smaller firms are being squeezed out given the difficulties they

encounter in complying with environmental standards (UNCTAD and SGS, 1998).

Partnerships

Growing attention to the issue of partnerships involving business and other development actors is generally justified on the basis that new forms of governance, involving multi-stakeholder collaboration rather than confrontation, are necessary in an increasingly globalized and integrated world. Not only do governments lack the power to shape contemporary patterns of economic development, but many of their powers are actually being weakened. In such a context, it is argued, the private sector and civil society need to work together and with government in "public-private partnerships" to deal with the "complex and interdependent issues, which can only be tackled by co-operative, integrated and inclusive solutions, both within ... and between nations" (Nelson, 1996:13).

There is considerable appeal in this, seemingly, pragmatic, constructive and co-operative approach. Indeed it is so appealing that many organizations are rushing headlong into "partnerships" with business without much critical reflection on their implications. In practice, there are a number of concerns that need to be addressed:

- How will the agenda of the partners change? There is concern that NGO-business partnerships can be part and parcel of a process of "incorporation" or co-optation, in which the critical positions of public officials and activists are increasingly diluted. Through partnerships, many NGOs move along a path that takes them from "activist" to "consultant", selling technical advice and other services. This is particularly evident in the field of corporate environmental management and social auditing. As one activist/researcher turned independent verifier once confided to this author: "Look at me. Having had to work so closely with CEOs, I'm beginning to look and sound like one. At some point a new generation of NGOs will probably have to come along to check on people like me". A related problem concerns self-censorship and reduced freedom of expression among officials of international agencies. As some UN organizations get closer to business there is a feeling among certain staff members that their freedom to criticize business is being constrained.

- How will partnerships affect the capacity of different actors to influence decision-making processes? Partnerships enable business to have greater access not only to civil society organizations, but also to policy makers in government and international organizations. Partnerships can be used as a mechanism for so-called "institutional capture", whereby corporate interests come to dominate or heavily influence the decision-making processes of public-interest institutions. There is concern that this has occurred, for example, in the field of food standards and environmental certification, through such institutions as the Codex Alimentarius

Commission[43] and ISO (Dawkins, 1995; Krut, 1997; Krut and Gleckman, 1998). There is also concern that corporate interests are exercising undue influence in certain United Nations specialized agencies both through funding and participation in consultation and policy processes. An analysis of the difficulties experienced by the World Wide Fund for Nature in implementing a more "people-oriented" approach to environmental protection, suggests that this is partly due to resistance from organizational structures that must respond to the interests of corporate partners (Jeanrenaud, 1998).

- What criteria are used to select partners? Organizations, such as United Nations agencies, which have considerable legitimacy because of their association with ethical causes, need to be particularly careful about whom they select as partners. Whereas many NGOs have had to struggle to get recognition within the UN process, the vetting procedures to which some corporations have been subjected appear to be lax. The United Nations Development Programme (UNDP) has been criticized for the way in which it has gone about choosing corporate partners for the Global Sustainable Development Facility (TRAC, 1999). As indicated in Box 2 above, various TNCs involved in this initiative have been singled out for their poor environmental and/or social record. The World Health Organization (WHO) is also promoting a closer relationship with business. There are concerns, however, that the guidelines that are currently being drafted for collaboration with the private sector are weak and that the consultation process for drafting them has not included key stakeholders. Similarly, UNHCR has recently been criticized for having linked up with certain corporations to form the Business Humanitarian Forum, an association set up in January 1999 to develop relations between business and humanitarian organizations (**UN Wire**, 1999).

- An agenda of change, which aims to promote sustainable development, will need to be backed by strong institutions and alliances. At best, the process of building partnerships may be a way of broadening this base of support and engaging as allies certain actors normally associated with the status quo. At worst, partnerships may split alliances and activist institutions. There are concerns that this has occurred to some extent within civil society movements, as some organizations decide to participate in "multi-stakeholder dialogues" with TNCs, and others stay away—possibly becoming marginalized in the process (Rowell, 1999). As indicated below, some forms of NGO-business partnerships have resulted in tensions between NGOs and trade unions. There is also concern that some United Nations organizations are being divided, as certain departments warmly embrace collaboration with business and others oppose it.

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[43] The Codex Alimentarius Commission was set up by FAO and WHO in 1963 to establish food safety and quality standards.

Perhaps the most significant concern with some forms of voluntary initiatives and partnerships is that they may serve to weaken key drivers of corporate responsibility, namely governmental and intergovernmental regulation, the role of trade unions and collective bargaining, as well as more critical forms of NGO activism and civil society protest. If one examines the history of corporate environmental and social responsibility, and some of the major reforms of corporate policies and practices—from the early 1900s when Ford and others in the United States introduced improved working conditions, to the post-World War II years when social welfare legislation was scaled up in Europe, to the early 1980s when the International Code of Marketing of Breastmilk Substitutes was adopted, to the recent response of Shell to environmental and social issues—one or a combination of these factors has been crucial.

Rethinking regulation and partnerships

A more critical perspective on voluntary initiatives and partnerships suggests that some do little, if anything, to advance the cause of sustainable development. Certain initiatives that are a form of "co-regulation" can play, potentially, an important role in promoting corporate social and environmental responsibility. Some so-called "negotiated agreements", where government and business work together to design and implement programmes that retain the element of state sanction in case of non-compliance, have proved fairly effective (Hanks, 1999). Another co-regulatory form is "civil regulation" (Murphy and Bendell, 1999), where NGOs and trade unions have a greater influence in determining how business relates to society and the environment. Civil regulation suggests an alternative mode of compliance, where business complies not only with national and international law, or with its own norms and standards (corporate self-regulation), but also with those determined to a large extent by civil society organizations (Murphy and Bendell, 1999). There are currently a number of important initiatives where multi-stakeholder or public-private partnerships have been engaged in designing international codes of conduct (for example, SA8000), environmental reporting standards (e.g. the Global Reporting Initiative) or standards for ethical trading (e.g. the Ethical Trading Initiative).[44]

A key feature of these initiatives, and a crucial area of civil regulation, involves independent verification. To overcome the weaknesses inherent in industry or company codes of conduct and environmental and social reporting, it is important that greater reliance be placed on independent monitoring and auditing by civil society organizations. But who are these verifiers? The fact that they carry the civil society label does not necessarily imply that the verification process will be reliable. The ILO, for example, is concerned that independent monitoring of codes of conduct might be carried out by private organizations or NGOs not associated with the organization, which might "lead to considerable confusion about the verification of compliance with basic standards" (Hagen, 1998). Furthermore, as indicated below, key stakeholders such as trade unions, may be marginalized in the verification process.

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[44] Lead institutions associated with these initiatives are CEPAA, CERES and the Fairtrade Foundation/NEF, respectively.

The issue of monitoring by appropriate organizations is also pertinent to the types of partnership being entered into between UN agencies and business. To avoid the accusation that UN organizations are too eager to join forces with big business, and are adopting loose guidelines or criteria for the selection of corporate partners, those agencies pursuing this route could engage more rigorously with civil society. NGOs and trade unions could be asked to monitor the corporations involved and verify whether they meet the standards set by the agency in question. The standards themselves should be set in consultation with civil society organizations. If this were to happen, UN-business partnerships would involve, in effect, a trilateral, as opposed to a bilateral, relationship.

Key to the success of co-regulation are not only the "soft" features of dialogue and compromise, but also the hard ones of government sanctions, laws related to disclosure of information, freedom of association and expression, and various forms of civil society protest. Also key is the legitimacy of the civil society organizations involved in drawing up codes of conducts, certification and verification.

A crucial point, which is often missed in the "command and control" versus "voluntary initiatives" debate, is that these two modes of influencing corporate behaviour are intimately linked—it is not an either/or situation. This is apparent in various respects, some of which have already been mentioned. We have seen, for example, how voluntary initiatives are often a response to some form of directive-based regulation or the threat of such regulation—they are not independent of it. Clearly, some types of regulations need to be rethought—for example, environmental regulations that focus exclusively on "end-of-pipe" solutions to deal with pollution and discourage innovation to prevent pollution (Porter and van der Linde, 1995). Considerable mileage can be gained from regulations associated with disclosure of information. According to UNEP, "the US experience ... suggests that companies that are forced—or encouraged—to publish sensitive performance data soon begin to launch emission reduction programmes" (UNEP, 1994:19).

Certain forms of governmental regulation also facilitate another key driver of corporate responsibility, namely civil society activism. This is apparent not only in regard to basic human rights legislation such as freedom of association and expression which helps to cement the foundations of civic opposition and protest, but also in other respects. Continuing the example just given, UNEP also points out that "the trend [towards launching emissions reduction programmes] is accelerated by the activities of NGOs and ethical investment groups, which increasingly use the published data to benchmark environmental performance of companies operating in key sectors" (UNEP, 1994:19).

Internationally agreed standards—whether binding or not—can play a similar role. A recent analysis of the International Code of Marketing of Breastmilk Substitutes suggests that, while implementation of the Code has been subject to numerous constraints, its mere existence facilitated international citizen action:

> The usefulness of the International Code should be assessed not only in
> terms of the number of countries which have implemented it, but also in
> terms of its being a tool to raise and maintain public awareness about the

> issue and to help build public pressure on corporations to change their inappropriate marketing practices .... Had policy makers given in to industry proposals—either to let the industry regulate itself or to work out voluntary agreements with national governments—instead of adopting the International Code, the debate would have become fractured and privatized to such an extent that effective international citizen action on transnational practices would have been much more difficult (Richter, forthcoming).

Given the somewhat chaotic state of codes of conduct, environmental and social reporting and eco-labelling, it is crucial that there be some degree of harmonization of standards, the establishment of clear indicators for measuring progress and mechanisms for independent verification (see Box 4). This would seem to be an area where the United Nations could, potentially, play a constructive role. The standard-setting process needs to make far greater use of internationally agreed benchmarks contained in Agenda 21 and various ILO and Human Rights Conventions. As an UNCTAD report on voluntary international industry environmental guidelines concludes:

> ... it is crucially important for environmental improvements to be measured against externally defined benchmarks of sustainable environmental practice ... [T]here is a major role for national regulation and international governance in setting frameworks for corporate environmental activity, and assessment and monitoring, to ensure that industry moves toward global sustainable development (1996:86-87).

International governance in this field fell into a state of lethargy in the early 1990s. Clearly it needs to be revived. Certain recent initiatives suggest that this may indeed be happening. In its 1999 **World Investment Report**, UNCTAD has called for "a more structured dialogue between all parties concerned" that might examine how certain core principles related to human rights, labour standards and environmental protection[45], as well as other development considerations, "could be translated into corporate practices." (UNCTAD, 1999:369) In August 1999, the Sub-Commission on the Promotion and Protection of Human Rights agreed to a three-year inquiry to examine the activities of transnational corporations and the possibility of developing a code of conduct based on human rights standards.[46] The Commission on Sustainable Development is currently supporting a review of voluntary initiatives and work by a multi-stakeholder group to define a coherent set of guidelines and principles for developing such initiatives (CSD, 1999).

If decision-making on issues related to corporate environmental and social responsibility is to move increasingly into the international arena, it is important that the organizations involved be democratic and "participatory". This process needs to start at home, with civil society groups attempting to influence their governments and the positions they take to international forums. Concerns raised in relation to the ISO 14000 environmental

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[45] The principles involved are those that were outlined by the United Nations Secretary-General, Kofi Annan, in a speech at the World Economic Forum, Davos, on 31 January 1999 (Annan, 1999).

[46] See the **Report of the Sessional Working Group on the Working Methods and Activities of Transnational Corporations on its First Session**, Sub-Commission on the Promotion and Protection of Human Rights, Commission on Human Rights, 12 August 1999.

management standards[47] could apply to various international organizations, including some NGOs: decisions are being unduly influenced by corporate or "Northern" interests. Furthermore, in the case of the ISO, the standards set have quickly acquired the type of status normally reserved for intergovernmental agreements (Krut and Gleckman, 1998). Clearly the doors of various international organizations need to be opened up far more to civil society organizations and participants from developing countries (Krut, 1997), although difficult issues concerning the legitimacy and accountability of NGOs need to be addressed. Similarly, there needs to be much stronger participation of Southern NGOs and grassroots organizations in the policy-making processes of a number of Northern NGOs, which claim to speak on behalf of certain Southern interests (Murphy and Bendell, 1999).

Box 4: An NGO Perspective on Voluntary Initiatives:
Elements contributing to the effectiveness of voluntary initiatives (VIs)

Substance: VIs need to contribute to solving, not avoiding problems of environmental deterioration and social inequities. That is they need to be substantive and the ideas and language need to be unambiguous, undiluted and meaningful.

Incentives: VIs require appropriate incentives to motivate industry to adopt and implement them.

Integration/**Internalization**: Companies need to incorporate social and environmental values into their policies and operations. These values need to be integrated into companies' definitions and measurements of progress and success.

Independent verification: In order for companies to gain significant credibility among stakeholders, independent monitoring and verification is needed.

Inclusiveness/**Public participation**: This is one of the most important requirements as well as one of the prevalent weaknesses in many VIs. NGOs stress the active participation of stakeholders—especially those in the communities directly impacted by a company's operations.

Transparency: Adequate and timely information about company products and processes needs to be made available to the public to allow effective tracking and assessment.

Accountability: Appropriate regulatory and civic mechanisms may be needed to complement or provide the necessary motivation to successfully follow through on the agreements made. Many VIs require an enabling regulatory framework to succeed.

Source: Jeffrey Barber (1998), Coordinator, NGO Taskforce on Business and Industry.

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[47] These concerns have been particularly well articulated by Riva Krut and Harris Gleckman (1998).

Building alliances

Whether or not such institutions are democratic and participatory will depend not only on the whims of those who formally create the institutional structures in question, but also on the strength of those who are demanding a greater voice. Very often this voice is fractured—environmentalists are often at odds with one another, or with trade unions or consumer groups. The growing interest in partnerships should, therefore, also embrace the question of how to build a stronger civil society movement for change by strengthening links between NGOs and trade unions. Historically, trade unions and institutions such as collective bargaining have been crucial in promoting certain features of corporate social responsibility. Yet there are dangers that trade unions are being marginalized in the current drive to transform business policies and practices associated with voluntary agreements and partnerships. Various tensions currently strain relations between these two sectors.

Environmental and consumer NGOs, for example, sometimes adopt a narrow agenda, ignoring issues associated with the protection of livelihoods, labour standards and human rights, which are likely to be of more immediate concern to workers, women and farmers in developing countries. If the promotion of "sustainable forestry", for example, involved greater attention to social issues, trade unions might be more active supporters of forest certification schemes (Development and Cooperation, 1999). Similarly, if the NGOs attempting to promote a "sustainable banana economy"[48] were as concerned about basic human rights issues—such as freedom of association of banana workers in countries like Costa Rica—as they are with issues of pesticide use and fair trade, then a potentially far stronger alliance with trade unions might exist.

But there must also be a certain mutual respect for the distinctive roles of these sectors. NGOs often claim a high degree of moral authority, which may lead some to assume that they know best how trade unions should relate to TNCs or attempt to substitute them in negotiations with the corporate sector on certain issues. Many trade unions, for their part, need to deepen their concern for environmental issues. Attention to problems linked to pay, working conditions and job security, as well as the potential conflict of "environment versus employment", has meant that the energies of trade unions have often been channelled in other directions. While some international and regional trade union secretariats and labour leaders are now engaging with the environmental agenda, large sectors of the labour movement are not. As the director of health, safety and environment programmes at the ICFTU points out, there is, therefore, a great need for training and education within trade union structures on these issues.[49]

Globalization has given rise to major new challenges and opportunities for the labour movement. In the words of one former leader, not only are new trade union structures needed to deal with the growing power of TNCs and international forces, but so, too, are alliances with other sectors of civil society,

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[48] In May 1998, the European Banana Network (EUROBAN) and the International Union of Food and Agricultural Workers (IUF) organized the first-ever world conference to explore routes "towards a sustainable banana economy" (IUF, 1998).

[49] Lucien Royer, quoted in **Trade Union World**, 1999.

in order to build a broad-based social movement that can shape the path of development more effectively (Gallin, 1999a). In countries such as Brazil, Korea and South Africa, there are signs that some union organizations are working more closely with community and other groups to build such a movement (Gallin, 1999a).

In the absence of governmental and international regulation and more concerted, co-ordinated civil society pressure, the process of promoting corporate environmental and social responsibility in developing countries will remain lukewarm at best. The above analysis of the forces underpinning change indicates that TNCs and other major companies will continue to adopt various measures associated with social and environmental responsibility. In this respect, changes in corporate policy and practice are not simply a public relations or "greenwashing" exercise, as is claimed by some commentators. However, the initiatives involved, are likely to constitute a fairly minimalist, fragmented and uneven agenda that is fraught with contradictions. By facilitating the smooth functioning of production and marketing processes, and often diluting alternative agendas for change, such initiatives may be more conducive to economic growth and stable capitalism than sustainable development.

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