UNRISD
United Nations
Research Institute
for Social Development

Contents

Promoting Socially Responsible Business in Developing Countries

The Potential and Limits of Voluntary Initiatives

Report of the UNRISD Workshop
23–24 October 2000, Geneva

Many large corporations now claim to be taking significant steps to improve their environmental and social performance through the use of "voluntary initiatives" (VIs)—such as codes of conduct, certification, reporting, social audits, fair trade schemes and corporate social investment programmes.[1] Various factors and pressures explain the newfound interest of corporations in social and environmental issues. These include, for example, the groundswell of pressure from myriad civil society organizations; market opportunities associated with "green technologies" and "ethical consumers"; the possibility of gaining an edge on competitors by projecting a responsible image; and the growing recognition by business, government and civil society that the increasing freedom and power of transnational corporations (TNCs) must be accompanied by increased responsibility. There are signs of change not only in the attitudes of large corporations toward social and environmental issues, but also in the policy approaches that are supposed to raise standards and minimize negative impacts. In many countries, the regulatory role of governments appears to have ceded ground to voluntary approaches whereby firms or industry associations unilaterally decide on goals, implementation, monitoring and reporting, or volunteer to participate in schemes fully or partly designed and perhaps monitored by government, international and/or civil society organizations.

There is much debate about the potential and limits of VIs for improving the social and environmental record of business, and in particular their role and effectiveness in developing countries. Research being carried out by the United Nations Research Institute for Social Development (UNRISD) under the project **Business Responsibility for Sustainable Development** addresses the following questions:

- To what extent are the claims of companies that they are promoting environmentally and socially responsible business through VIs matched by actual practice?

- Can VIs be considered an effective alternative to binding regulation?

- Under what conditions and circumstances can VIs significantly improve the social and environmental performance of business?

- How effective are the attempts by transnational and retailing corporations to improve the social and environmental performance of their affiliates and suppliers in developing countries?

- Is it realistic or fair to expect developing countries to engage fully with the corporate

[1] **Voluntary initiatives** encompass a wide range of measures that aim to improve the social and environmental performance of business. VIs tend to go beyond existing laws and legislation related to environmental and social protection but may also act as an alternative to legislation. They may be unilaterally developed by companies and industry or designed and implemented by various stakeholders, including multilateral institutions, governments, trade unions and non-governmental organizations (NGOs).

responsibility agenda, given their level of economic and institutional development?

At the beginning of this inquiry, UNRISD organized a workshop to consider these questions, discuss draft papers on selected issues and countries, and lay the groundwork for more in-depth and systematic research in selected developing countries.[2] The event was attended by about 30 representatives of business and employer associations, trade unions, NGOs, United Nations organizations, and the academic and research community (see page 15). It was supported financially by the MacArthur Foundation.

The meeting was structured around three main sessions (see page 14). First, three speakers presented papers that examined issues of regulation of international firms, codes of conduct and certification schemes. Two papers were then presented that examined the experience of promoting corporate social and environmental responsibility in Indonesia, and Singapore and Malaysia. The final session considered the future UNRISD research agenda on corporate social and environmental responsibility in developing countries. Researchers from Mexico, the Philippines and South Africa, who will carry out in-depth studies in 2001 and 2002, presented preliminary assessments of corporate responsibility in their countries.

International Regulation of TNCs

One of the most controversial topics in the field of economic development—the regulation of international firms—was examined in the first session of the meeting. Should multilateral institutions play a role in regulating international firms? If so, should such regulations be binding or non-binding?

In his presentation, E.V.K. FitzGerald argued that a multilateral framework for regulation is necessary given the inherent limitations of both VIs and domestic legislation.[3] VIs in general, and codes of conduct in particular, lack an element of compulsion that ensures compliance by all firms, as well as plausible penalties for breaking rules. While the actual or potential loss of asset value and sales may compel some companies to take steps to improve their social and environmental performance, this is particularly relevant only to companies with significant brand image and a large consumer base in countries such as the United States, or in Europe. It cannot be used as a general principle. Moreover, consumer pressures in Northern markets are highly variable and inconsistent between countries and sectors. The alternative to VIs and international regulation—namely, domestic legislation in Organisation for Economic Co-operation and Development (OECD) countries—would require transnational firms to observe certain standards abroad, but is flawed for three reasons: it could lead to different legislation in each OECD home country, and hence different standards; TNCs could avoid such legislation by moving their headquarters offshore; and there seems no reason to apply high standards to affiliates of multinational firms in developing countries, but not to large domestic firms as well.

In practice, the development of a multilateral framework has been slow and lopsided. Some steps have been taken or are being considered in areas of investment, taxation and competition, but there has been no serious attempt to develop a regime that balances property rights with obligations linked to labour and environmental issues. If, as seems likely, property rights are to be strengthened through the World Trade Organization (WTO), then so should "property obligations". Not only should there be a more balanced "global social contract", but such a contract must be particularly sensitive to the needs of developing countries. The regulatory systems being developed for OECD countries have not yet been extended to cover developing countries in a way that supports development. There is thus an urgent need to define what a desirable regulatory regime might look like from the point of view of middle-income and low-income countries. The initiative of the European Union to include investment in the WTO's "Millennium Round" with an explicit "development dimension", presents a vital opportunity to define a global social contract. However, the logical step of establishing multinational corporations as juridical persons under international law is still a long way off, despite the institutional reality of the global economy.

[2] At the time this workshop was held, UNRISD was preparing a research proposal for the MacArthur Foundation's International Collaborative Research Competition. A core component of the proposed project consisted of research on the potential and limits of VIs in Mexico, the Philippines and South Africa. Funding for the project was approved by the MacArthur Foundation in late 2000.

[3] For the revised version of this paper, see E.V.K. FitzGerald, **Regulating Large International Firms**, PP TBS 5, UNRISD, Geneva, 2001.

Several participants agreed that if international law is granting additional rights to corporations, it also needs to impose certain duties. Progress in this area has been slow but not non-existent. TNCs are already recognized to some extent by international law. This is apparent, for example, in the area of corruption, where international treaties fix certain obligations on corporations. There also exist norms of customary international law related to human rights. The point was made that some duties are contained in certain human rights treaties but, in a sense, they have been lying dormant. Such treaties apply to all entities—be they individuals, governments or corporations. While international codes of conduct are voluntary, they do represent values found in customary international law. Furthermore, intergovernmental codes relating to the marketing of specific products, such as pesticides and breastmilk substitutes, have also acquired the status of international customary law.

Codes of Conduct and Certification Schemes

The effectiveness of codes of conduct and certification schemes in promoting socially and environmentally responsible business was examined by the next two speakers. Leah Margulies examined the experience of the International Code of Marketing of Breastmilk Substitutes, agreed by the World Health Assembly in 1981, and the International Code of Conduct on the Distribution and Use of Pesticides, adopted by the Food and Agriculture Organization of the United Nations (FAO) in 1985. Four key points emerged from this presentation. First, such codes have yielded highly mixed results. On one hand, they contain various weaknesses related, for example, to specific provisions, the failure of the World Health Organization (WHO) to establish an international oversight entity, and little to no implementation of the codes in certain countries. On the other hand, large infant formula and pesticide companies have had to change certain practices and some countries have passed comprehensive national legislation relating to the codes.

Second, while VIs are often seen at the opposite end of the regulatory spectrum from binding legislation, it is conceptually confusing to establish such a sharp distinction. The above intergovernmental codes, for example, while formally "voluntary", are in fact part of a regulatory process and have a very different status from codes of conduct established unilaterally by individual companies. This is because (a) they are established through an intergovernmental process, and hence have the same "soft" legal status as international agreements, such as the Declaration on Human Rights; and (b) national governments are expected to incorporate some or all of their contents in national legislation. In relation to the marketing of breastmilk substitutes code, for example, 22 countries adopted all of the code's provisions, 37 adopted most or some of the provisions, and another 18 drafted laws that are awaiting final approval.

Third, such initiatives are not static; they evolve. The WHO code, for example has been strengthened over the past two decades through three amendments. The FAO code is currently being revised to take into account the 1998 Rotterdam Convention on Prior Informed Consent and the concerns of civil society and the scientific community related to such issues as the precautionary principle, integrated pest management, the responsibilities of food processing and retail companies, recycling of containers, and the need for greater company disclosure.

Fourth, the key driver of such initiatives and subsequent attempts to strengthen them is civil society activism and, crucially, alliances of Northern and Southern NGOs. Both the WHO and FAO codes emerged in response to NGO campaigns. Such pressures have been maintained through NGO networks—specifically the International Baby Food Action Network and the Pesticide Action Network—which involve Northern and Southern organizations in numerous countries. These networks have not only exerted considerable pressure at the international level through publicizing abuses, consumer boycotts and participation in consultative processes, but also promoted legislation, oversight mechanisms, and training related to health issues and monitoring at national and local levels.

This presentation also referred to the role and effectiveness of certification and fair trade schemes associated with apparel, agricultural, forestry and fishery products. Codes of conduct and certification schemes should be seen not as an alternative to strategies involving intergovernmental conventions, legislation, lawsuits, boycotts, shareholder actions, advocacy campaigns, and worker rights campaigns, but rather as complements to such strategies. While some of the main agricultural certification and fair trade schemes originally focused on farmers and small enterprises, they are increasingly

extending to the activities and supply chains of TNCs and large Northern retailers. Various concerns have arisen in relation to the design, implementation and impact of such schemes, particularly in developing countries. These include, for example, excessive influence of corporate interests in designing and financing certain schemes, the high costs associated with certification; reliance on foreign certifiers and large accounting firms instead of local monitors and expertise; weak and top-down monitoring systems; the inappropriate character of forestry management plans; and the marginalization of trade unions and issues of labour rights in certain schemes.

Rhys Jenkins presented a paper that analysed both the history and recent proliferation of corporate codes of conduct, as well as their benefits and limitations.[4] Five types of codes were identified: company (such as Reebok or Levi's); business or industry association (such as the chemical industry's "Responsible Care");[5] multistakeholder (such as SA 8000);[6] model (such as the Interfaith Center on Corporate Responsibility's "Global Principles"); and intergovernmental guidelines (such as the International Labour Organization's (ILO's) Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the OECD Guidelines for Multinational Enterprises). This presentation identified the various stakeholders and forces that are promoting codes and highlighted, in particular, pressures exerted by shareholders, NGOs and trade unions, as well as the attempts by large corporations to control global supply chains and the social and environmental practices of their affiliates and suppliers. In a context where brands and concerns for company and product reputation are becoming more significant, many corporations are vulnerable to negative publicity and see codes of conduct as one means of minimizing such risks. Codes vary considerably in terms of their scope and effectiveness in raising social and environmental standards. They are subject to numerous limitations: key issues (such as bribery) or labour rights such as freedom of association and collective bargaining) are often ignored; implementation is often weak; many contain no provision for independent monitoring; and they tend to be limited to particular sectors (for example, garments, toys and sportswear), where corporate image is important and civil society

campaigns have been organized. Concerns were also raised that codes of conduct may divert attention from the need for government regulation; marginalize the role of trade unions in dealing with labour issues; and often focus on issues considered important by Northern consumers and NGOs that are not necessarily a priority concern of interest groups in developing countries. The quality of codes often depends on the types of stakeholders involved in their design, implementation and monitoring. Those that are developed unilaterally by companies or trade associations are often weaker than those involving multiple stakeholders. It is important to develop strategies to ensure that codes are complementary to government legislation and that they provide a space for workers to organize. Codes of conduct should be seen as an area of political contestation and not as a solution to the problems created by the globalization of economic activity.

The discussions that followed these presentations raised important issues concerning the motivations, design, implementation and monitoring associated with codes and certification schemes.

Recognizing Different Agendas

Given the proliferation of different types of codes and certification schemes, it is difficult to generalize about their effects in terms of promoting corporate environmental and social responsibility. Such initiatives reflect different interests and agendas. When assessing the role and impact of codes it is important, therefore, to consider carefully why a particular code emerged and to identify the dominant interests involved in designing the code. Hence it is crucial to be aware of the context, history and political processes associated with codes of conduct.

Various positions were expressed regarding the motivations underpinning codes. Several participants saw codes essentially as a response to civil society pressures. Others stressed the changing nature of global business, interfirm relations, technology, competitive strategies and corporate culture, which were prompting some firms in certain sectors to engage with the corporate responsibility agenda. Corporations responded to these pressures and conditions in different ways, ranging from window-dressing to more meaningful improvements in social and envi-

[4] For the revised version of this paper see Rhys Jenkins, **Corporate Codes of Conduct: Self-Regulation in a Global Economy**, PP TBS 2, UNRISD, Geneva, 2001.

[5] Initiated in Canada in response to the 1984 Bhopal disaster, **Responsible Care** has evolved as an initiative of the chemical industry worldwide. It commits member companies to continual improvement in aspects of health, safety and environment and to openness in communicating their activities and achievements.

[6] **SA 8000** is a code of conduct related to labour standards, and a verification and certification programme for factories in various sectors worldwide.

[7] The **Global Compact** is a United Nations initiative that invites TNCs and companies in developing countries to adhere to a set of nine principles associated with human rights, labour standards and environmental protection.

[8] The **Global Alliance** is a multistakeholder initiative supported by the World Bank and others that aims to assess the needs of workers in developing countries and encourage TNCs to respond to these needs.

[9] The **Ethical Trading Initiative** is a multistakeholder initiative that establishes a base code of conduct related to labour standards and encourages regular monitoring and auditing with the aim of ensuring that the working conditions of employees in companies that supply goods to consumers in the United Kingdom meet or exceed international standards.

[10] **ISO 14001** is a set of guidelines established by the International Organization for Standardization (ISO) for improving environmental management. It is used as a basis for certifying whether a company has put in place an environmental management system.

[11] The **Fair Labor Association** is a United States-based organization that promotes brand certification for garments and sport-shoes marketed by TNCs. It promotes adherence to a code of conduct related to labour conditions and regular monitoring procedures.

[12] The **Forest Stewardship Council** provides an international labelling scheme that aims to credibly guarantee that wood products come from well-managed forests.

ronmental performance. But there was concern that even when corporations introduced what appeared to be significant reforms in their social and environmental policies and practices, there was generally no fundamental change in production and consumption patterns. This observation led some participants to question whether TNCs could really shift from being part of the problem to being part of the solution for sustainable development.

The concern was raised that companies may adopt codes and participate in certification schemes to avoid the threat of stronger forms of regulation, and divert attention from the issue of corporate crime and the need for laws that would enable the prosecution of violations. The point was also made that the increasing corporate interest in codes reflects the tendency of many large corporations to reinvent themselves as "brands", and the fact that the brand has become one of their main assets. As such, "reputation management" has become a key concern of management. The growth of codes of conduct and corporate participation in initiatives such as the Global Compact,[7] the Global Alliance for Workers and Communities[8] and the Ethical Trading Initiative (ETI)[9] need to be seen partly in this context.

Limits to Legislation

While several participants stressed the ongoing need for mandatory regulations, others reminded the group that the capacity of state institutions in many developing countries to implement legislation is severely limited. Ministries of labour, for example, often have few labour inspectors and limited means to carry out inspections. Under such circumstances it is important that other actors such as intergovernmental agencies, corporations and civil society organizations become involved at different levels: internationally, nationally and locally. The point was made that the weakness of governmental regulatory capacity is also an outcome of (a) neoliberal policies that shift the priorities of ministries of labour away from labour protection toward the creation of employment (even if that implies a deterioration in labour standards or a "race to the bottom"), and (b) fiscal regimes that reduce government revenues and spending. In such a context, some participants stressed the importance of international standards and regulation.

Weak Implementation of Codes and Certification Systems

Several participants agreed with the observation that many company and industry-led codes were extremely weak, in terms of both their content and implementation. Various participants noted the shortcomings of some types of certification schemes, such as ISO 14001,[10] the design of which was heavily influenced by industry interests. While many firms in certain regions of the world have acquired ISO 14001 certification, there is no guarantee that this actually reduces negative environmental impacts. This is because ISO 14001 certification does not assess whether a firm has improved its environmental impact; rather it is granted to firms that have put in place certain elements of an environmental management system, regardless of their impacts.

Certain recent multistakeholder certification systems concerned with labour standards, such as those associated with the Fair Labor Association (FLA)[11] and SA 8000, have attempted to be more rigorous and independent of corporate interests. Nevertheless, there were concerns among workshop participants that certain standards, as well as monitoring and verification systems, still need to be strengthened. Other schemes involving independent monitoring, such as forest certification associated with the Forest Stewardship Council (FSC),[12] had, according to some participants, proved quite effective. One participant who had played an active role in establishing the FSC noted several key points about the system. First, it was developed in response to the failure of company and industry attempts at "self-regulation". This had been confirmed by a United Kingdom study of companies that claimed to be sourcing their products or inputs from sustainably managed forests. The study found that few had made accurate statements. Second, the key to promoting higher standards throughout the forestry/wood chain was to identify a strategic link that could exert pressure on suppliers and consumers. This link was the large retailers of timber products. Previous attempts by NGOs to directly influence large numbers of logging companies or consumers had failed. Third, the main reason why such retailers responded positively was because of concerted civil society pressure. Fourth, the FSC system should not be viewed as an alternative to government regulation. When established, it was seen very much as a stopgap measure to partially compensate for weak legislation.

Various participants stressed the strong correlation between more effective codes and certification schemes and strong civil society pressures. Some participants argued that it is important to make a distinction between the goals and agendas of the "corporate accountability" movement, comprising civil society actors that demand change through a variety of tactics, and the "corporate responsibility" that is essentially driven by corporate interests. The point was also made that one should not overestimate the role of NGOs or NGO networks in and of themselves. Where they are effective, it is often because of their links with other actors and institutions, such as the media. Links with political parties and trade unions may also be important. Thus when NGOs are identified as key actors in promoting corporate social responsibility, it should be remembered that their effectiveness often depends on relations and alliances with other actors.

Several participants who had firsthand experience of factory inspections in developing countries stressed the weakness of code implementation. While the affiliates and suppliers of major brand name companies often display codes, they are sometimes written in a language that workers cannot understand. Workers are often unaware of how to channel complaints, and management receives little if any training to facilitate code implementation, either in relation to learning about the different elements of the code or technical aspects related to environment, health and safety standards. Some TNCs ignore the principle of shared responsibility for code implementation, and fail to provide suppliers with material assistance to raise their labour and environmental standards. Given their already tight margins, code compliance could pose an unacceptable economic burden on suppliers. As a result, many firms in developing countries, as well as local and national governments, see codes of conduct as a threat to development. International or Northern-led initiatives to promote codes of conduct need to pay far more attention to the impact of codes on developing countries and the question of how to assist Southern firms with code implementation. Examples were given of initiatives that attempt to do this, such as the Clean Clothes Campaign (CCC)[13] and the Worker Rights Consortium (WRC).[14]

Monitoring and Verification

Serious concerns were expressed regarding the lack of in-depth, periodic and independent monitoring of codes of conduct. There also needs to be far greater recognition of the technical complexities and costs of monitoring. This, in turn, raised questions regarding the feasibility of calls by NGOs and others for widespread independent monitoring of codes of conduct. Some participants noted that relations between monitors and local factory management are often antagonistic, with management seeing monitors as a threat. There needs to be more collaboration between these two groups.

Monitoring code compliance is an extremely complex exercise. Several participants criticized the monitoring and verification systems adopted by some companies and NGOs. While, in principle, independent monitoring of codes is considered desirable, it is also important for NGOs and others to recognize the technical difficulties involved. Verifying health, safety and environmental standards requires considerable expertise, as does finding ways of gaining access to workers, as well as their confidence. The capacity of NGOs to scale up their monitoring activities appears quite limited. In practice, large consulting and accounting firms are increasingly assuming this role. Their systems, however, are often flawed: the methods they adopt can be quite superficial; the services they provide are costly; and they may lack independence from the corporation being monitored. Often the results are not publicly disclosed, thereby undermining the possibility of using negative publicity to pressure corporations to improve their practices.

Despite these difficulties, it is clear that several monitoring and verification initiatives are evolving to address some of the above concerns. Certification systems associated with the FLA and SA 8000, for example, have taken on board various concerns of trade unions and have tried to strengthen the verification systems of apparel firms. Similarly, the FSC has shifted from a more environmental perspective to one that incorporates social and labour concerns.

Role of Trade Unions

A number of concerns arose regarding workers' rights and the role of trade unions in promoting corporate social responsibility. When codes of conduct ignore, as they often do, issues such as the right to collective bargaining and freedom of association they may, in effect, be part of a corporate strategy to weaken the

[13] The **Clean Clothes Campaign** is a European-based initiative—involving more than 200 civil society organizations—that aims to improve labour conditions in the garment and sportswear industries around the world through advocacy and by encouraging companies to adhere to a model code of conduct that promotes monitoring and verification.

[14] The **Worker Rights Consortium** is a United States-based initiative that promotes independent verification of labour conditions in firms that supply sportswear to United States universities.

[15] **AA 1000** is a process standard launched in 1999 by the United Kingdom-based organization AccountAbility. It aims to promote social and ethical accounting through training and dialogue. Companies are encouraged to define goals and targets, measure progress made against these targets, audit and report on performance, and develop feedback mechanisms.

[16] Convened by the Coalition for Environmentally Responsible Economies, in collaboration with the United Nations Environment Programme, the **Global Reporting Initiative** aims to improve the quality of economic, social and environmental reporting by encouraging companies to adhere to its Sustainability Reporting Guidelines, established in 1999.

role of trade unions in the workplace. Tensions have arisen between trade unions and some of the recent international multistakeholder initiatives associated with codes and certification—such as the FLA, SA 8000 and the ETI—given disagreements over definitions and criteria regarding good corporate practice. When assessing codes and certification systems, it is important to examine not only the extent to which they address trade union concerns, but whether trade unions have been actively engaged in their design and implementation. Are VIs promoted by companies and NGOs complementing or strengthening—rather than marginalizing—trade union efforts to improve labour standards?

The considerable international attention to codes of conduct and NGO-business partnerships has sometimes diverted attention from another instrument that is being used by the international trade union movement to promote corporate responsibility, namely Framework Agreements negotiated between certain corporations (for example, Danone, Statoil, IKEA and Telefonica) and International Trade Secretariats (for example, the IUF, ICEM and IFBWW). Such agreements also cover the operations of TNCs in developing countries and represent a negotiated agreement on reciprocal rights and duties that, in theory, can be monitored by union structures. Other institutions that are also often ignored in discussions on corporate responsibility are regional works councils, where representatives of trade unions associated with the same TNC but from different countries can meet to access information and consult with corporate officials.

Clarification of Terms and Initiatives

Various participants referred to the considerable confusion that exists in the field of corporate social responsibility regarding the new vocabulary and institutions that have arisen in recent years. There is a need to clarify terms and concepts: corporate social responsibility, corporate citizenship, codes of conduct, framework agreements, monitoring, verification, certification, social labelling and so forth. Clarification is also needed about the roles, objectives and division of labour of the numerous international and multistakeholder VIs that now exist to promote corporate responsibility, such as AA 1000,[15] the CCC, the ETI, the FLA, the Global Reporting Initiative (GRI),[16] the ILO and OECD codes, ISO 14001, SA

8000 and the WRC. Regarding the concept of corporate social responsibility, the point was made that it tends to be defined narrowly in terms of specific labour and environmental standards, and business-community relations at the micro level, that is, the factory or local community. What is generally ignored is the role and impact of corporations at the macro level, for example, in shaping (a) patterns of consumption and production that may be inherently irresponsible from the perspective of sustainable development, or (b) the policies of governments and international institutions that may be contributing to social and environmental decline. Such contradictions need to be highlighted and addressed by corporations that claim to be acting responsibly.

Experiences in Developing Countries

Subsequent sessions looked at the experience of promoting corporate environmental and social responsibility in specific developing countries. The country presentations identified some of the main actors and pressures promoting corporate social responsibility and considered its impact.

Indonesia

Melody Kemp pointed out that while concepts such as corporate social responsibility have become more fashionable in Indonesia, they have essentially been externally driven.[17] The relative lack of interest in Indonesia is not surprising considering the current context of economic crisis, political turmoil and social deprivation that has generated other concerns and priorities. Tentative steps have been taken by both the government and a number of United States and European TNCs to improve their environmental performance. Government-led VIs related to pollution control have attempted to motivate change by naming, praising or shaming corporations. Some successes have been achieved but consumer activism remains relatively weak, government and company resources for environmental initiatives have been stretched by economic crisis, and only a minority of participating firms have taken significant measures to improve their environmental management systems. Company participation in international certification schemes like ISO 14001 remains weak.

[17] For the revised version of this paper, see Melody Kemp, **Corporate Social Responsibility in Indonesia: Quixotic Dream or Confident Expectation?**, PP TBS 6, UNRISD, Geneva, 2001.

Efforts to promote corporate social and environmental responsibility have been largely confined to a few TNCs targeted by Northern consumers and NGO activists. Some of the worst corporate offenders of human rights, labour standards and the environment—such as hotel chains and tobacco companies—have, generally, not been targeted by civil society groups. When TNCs have raised social and environmental standards there appear to be few spillover effects onto domestic firms. The vast majority of firms and workers in Indonesia remain untouched by efforts to promote corporate social responsibility. In general, efforts by corporations to improve their social and environmental record have been weak and cosmetic. This largely reflects the fact that institutions and actors that account for some degree of progress in relation to corporate social responsibility in the West are very weak in Indonesia, notably the rule of law, NGOs, trade unions and consumer groups. In the context of national economic and political crisis and weak institutions, it is pertinent to ask whether corporate social responsibility is, indeed, relevant for Indonesia at this particular juncture.

This presentation also referred to the effectiveness of implementation procedures associated with codes of conduct. Having considerable expertise in the field of occupational health and safety and having worked as an independent monitor of one TNC's code of conduct, the speaker identified what she saw as some of the inherent weaknesses of codes and monitoring systems:

- they may serve to place corporations outside of the national regulatory system and bypass the tripartite negotiation system that is one of the major labour reforms of recent years;

- codes with lower technical specificity are often found in enterprises that are female dominated;

- codes apply to only a small proportion of a nation's workers;

- corporations often insist that affiliates and subcontractors improve conditions but provide few if any resources to support such change;

- workers often feel intimidated by monitors and think that they represent management; and

- managers or factory-floor supervisors often respond to technical recommendations without fully understanding the nature of the problem and participating in a problem-solving exercise.

Singapore and Malaysia

Martin Perry presented the findings of a paper he co-wrote with Sanjeev Singh that examines efforts to promote corporate environmental responsibility in Malaysia and Singapore.[18] The results of a survey of TNCs conducted by the authors in both countries reveal that an increasing number of TNC affiliates are under pressure from Western-based parent firms to raise their environmental standards. However, substantive measures to improve corporate environmental performance are still limited to a small proportion of companies and to specific industrial sectors. He explained that some degree of environmental responsibility had been achieved in Singapore, but that this was due as much to the relatively strong capacity of the government to enforce legislation as to purely voluntary initiatives. VIs have been part of the strategies of a number of TNCs attempting to standardize environmental performance across their organizations.