

Corporate Social Responsibility in Indonesia

Quixotic Dream or Confident Expectation?

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Acronyms

ACILS	American Center for International Labor Solidarity
ADB	Asian Development Bank
AFLI CIO	American Free Labor Institute Congress of Industrial Organizations
AFP	Agence France-Presse
ANDAL	Environmental Impact Assessment
APINDO	Indonesian Employers Association
ASEAN	Association of Southeast Asian Nations
ASRIA	Association for Sustainable and Responsible Investment in Asia
BAPEDAL or BAPEDALDA	Environmental Impact and Management Agency Regional Environmental Agency
BBC	British Broadcasting Company
BHP	The Broken Hill Proprietary Company Limited
BP	British Petroleum
BPS	Biro Pusat Statistik
CLA	collective labour agreements
CRA	Conzinc Rio Tinto of Australia
CSR	corporate social responsibility
DEPNAKER	Departemen Tenaga Kerja (Ministry of Manpower)
EPZ	export processing zone
EU	European Union
FDI	foreign direct investment
FLA	Fair Labor Association
FTZ	free trade zone
GAM	Gerakan Aceh Merdeka (Acehnese Liberation Movement)
GDP	gross domestic product
HIPERKES	Industrial Hygiene Wing of the Ministry of Manpower
IBL	Indonesia Business Links
IBRA	Indonesian Banking Restructuring Agency
ICFTU	International Confederation of Trade Unions
IMF	International Monetary Fund
INFACT	(national grassroots corporate watchdog organization)
IRRC	Investor Responsibility Research Centre
ISO	International Standards Organization
KPC	Kaltim Prima Coal
MSDS	Material Safety Data Sheets
NGOs	non-governmental organizations
OECD	Organisation for Economic Co-operation and Development
OHS	occupational health and safety
PBHI	Perhimpunan Bantuan Hukum Indonesia (Indonesian Association of Legal Aid)
PR	public relations
PT	Perseroan Terbatas (limited companies)
PWC	PricewaterhouseCoopers
RTZ	Rio Tinto-Zinc Corporation
SA	social accountability
SBSI	Serikat Bebas Sejahtera Indonesia (Indonesian Prosperous Workers Union)
SOE	State Owned Enterprise
SOS	international medical service
SPSI	Serikat Pekerja Seluruh Indonesia (The All Indonesian Workers Union)

STD	sexually transmitted disease
TNC	transnational corporation
US	United States
USAID	United States Agency for International Development

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Summary/Résumé/Resumen

Summary

During the past decade there has emerged, in North America and Western Europe in particular, a fairly powerful movement to improve the social and environmental performance of large corporations and their affiliates and suppliers in developing countries. By examining the case of Indonesia, this paper looks at how effective this approach has been. Two central questions are addressed. First, do corporate social responsibility (CSR) and accompanying voluntary initiatives have the capacity to change the day-to-day behaviour of TNCs? Second, at this stage of its development, and in the context of crisis, is corporate social responsibility relevant to Indonesia?

The discussion proceeds in four main sections. The first refers to historic and cultural factors, which inhibit significant changes in corporate social and environmental performance. The second section examines codes of conduct and how they are viewed in Indonesia. The third section refers to the environmental impact of large business, with particular reference to the mining and palm oil industries. The conclusion sums up the main points of the paper and reflects on the relevance of corporate social and responsibility for Indonesia.

The discussion on codes of conduct presents both civil society and TNC perspectives on the implementation, achievements and limitations of such initiatives. According to the author's assessment, codes are fundamentally flawed for several reasons: they may serve to place corporations outside of the national regulatory system and bypass the tripartite negotiation system that was one of the major labour reforms of recent years; the process and outcomes of monitoring are usually confidential; monitors usually only see one or two plants chosen by the client; monitoring is often done by accounting firms that have insufficient technical knowledge to deal with the often complex health and safety problems in production plants; sanctions for non-compliance are weak or non-existent; codes are usually designed in the head office, and rarely in consultation with trade unions or others; codes with lower technical specificity are often found in enterprises that are female dominated; codes only apply to a small proportion of a nation's workers; and corporations often insist that affiliates and sub-contractors improve conditions but provide limited if any resources to support such change.

Some tentative steps have been taken by both the government and some TNCs to improve their environmental performance, but such initiatives tend to be restricted to a few companies. Some government-led voluntary initiatives related to pollution control have attempted to motivate change by naming, praising and 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 ISO14000 remains very limited. Those corporations that appear to have adopted the language of

corporate responsibility are generally those, such as mining companies, that have been put in the spotlight by international civil society activism.

When viewed in the context of culture, economic and political development, and turmoil in Indonesia, the author concludes that CSR remains an ideal. The current transformation is bringing instability, fear and violence. In such a context, it is hard to consider something as abstract as CSR. It is timely, however, to begin to put into place the institutions, educational foundations and management training which are needed for business and political reform, and from which CSR may be a spin-off. Any broader application of CSR needs to stem from an indigenous belief in the necessity of such an institution and not represent a mere shrug to another Western fashion. There is clearly a tension between those in the developing countries who see this as yet another imposition of Western values, no matter how attractive, and those in the developed nations who, put cynically perhaps, wish to consume with a conscience.

At this point in Indonesian history, CSR itself can only remain an image projected onto a screen—an outline with little depth. While concepts such as governance and CSR are fashionable, generating a new language and teams of experts, Indonesia's difficulties are perhaps more basic and to do with simple national survival. Management is a new and emerging skill in Indonesia. The type of process-oriented cultural change within an organization, which CSR requires, infers high levels of skill and an active consultative process between equals—which are not in keeping with the patriarchal top-down leadership that characterizes Indonesian business and management structures in both TNCs and domestically owned firms.

While it is fair to say that CSR makes a positive contribution to the human rights of those working in TNCs, it is also fair to say that it only makes a difference to those few corporations targeted by consumers or who are already thinking ethically and responsibly. Other industries are not so well inclined. Such anomalies, and the somewhat piecemeal approach of the CSR movement, should alert global citizens to the need for a more systematic approach.

That being said, the after-shock of the Indonesian economic crisis has required a re-evaluation of both economic and investment policy, and the way business is run in Indonesia. The

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