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CONFERENCE NEWS

Business, Social Policy and Corporate Political Influence in Developing Countries

Report of the UNRISD Conference
12-13 November 2007, Geneva

Overview

Expectations about the role of the private sector in development have changed considerably in recent decades. Transnational corporations (TNCs) in particular are being urged to play a more proactive role in social development. Within the United Nations system, and the wider international development community, the focus in this field is generally on voluntary initiatives related to corporate social responsibility (CSR) and public-private partnerships (PPPs). Far less attention has been paid to the question of whether organized business interests support or undermine "transformative social policy".[1] What are the social policy preferences of firms and business associations? Are they necessarily at odds with progressive aspects of social policy? How do governments and regulatory institutions respond and adapt to the increasing structural and instrumental power of business? In a context where CSR and PPPs are often treated in a technocratic way, or are packaged in a discourse that emphasizes "win-win" situations and participatory governance, it is important to consider issues of power and the roles of contestation and collective action in processes of institutional reform.

To examine these questions, the United Nations Research Institute for Social Development (UNRISD) launched a Call for Papers for a conference on Business, Social Policy and Corporate Political Influence in Developing Countries, under the Institute's research programme on Markets, Business and Regulation.[2] Funded by the Department for International Development (DFID), United Kingdom, the event was held on 12–13 November 2007. The two main objectives of this conference were (i) to bring key findings and debates from academia to the attention of United Nations agencies, governments, business and civil society organizations, and the international development research community; and (ii) to draw on insights from different disciplines to better understand

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1 UNRISD defines transformative social policy as state intervention that aims to improve social welfare, social institutions and social relations. It involves overarching concerns with redistribution, production, reproduction and protection, and works in tandem with economic policy in pursuit of national social and economic goals. An important feature of transformative social policy is also the establishment and enforcement of standards and regulations that shape the role of non-state actors and markets in social provisioning and protection.

2 This research programme is concerned with the social implications of economic liberalization, privatization, commodification, and new approaches to regulation and governance. Work on these issues is organized under the following research areas: the role of business in poverty reduction; business influence on social policy and development; and the social effects of privatization of public services.

the role of business in development and move toward more integrated, coherent policy approaches. Twenty-seven papers were presented at the conference. The 31 authors involved ranged from senior academics to doctoral candidates from 15 countries and included seven researchers from civil society organizations and the business sector. Among the 150 participants were senior staff members from United Nations agencies, including the International Labour Office (ILO), United Nations Conference on Trade and Development (UNCTAD), United Nations Department of Economic and Social Affairs (UNDESA), UN Global Compact Office and UNRISD.

Conference participants addressed a number of key questions, such as:

- How are changes in state-business-society relations affecting development strategies, and social and labour market policies?
- Do new forms of partnership advance social development outcomes and improve the effectiveness of governance institutions?
- What institutional, political and economic conditions encourage organized business interests to support "progressive" social, labour market and industrial policies that favour inclusive and rights-based development?

This report summarizes the presentations, discussions and debates that spanned six sessions over the course of two days. The three main themes covered during the conference—business and public policy, private regulation and partnerships, and collective action—have profound implications for social well-being, equity and democratic governance across national and international boundaries.

Business and public policy

The first theme taken up at the conference concerned the relationship between organized business interests and social policy, and the implications for public policy of the changes occurring in business-state relations in contexts of globalization and liberalization. The rise of large domestic and transnational corporations, as well as business associations, has major implications for public policy in terms of lobbying and "institutional capture", particularly in weaker states. Presentations referring to Brazil, Chile, India, Peru, Russia and South Africa examined how business interests actively shape policy in a variety of ways, including corruption, lobbying, technical expertise and "revolving doors" (that is, appointing civil servants with strong links to business, thereby creating conflicts of interest). CSR discourse is often contradicted by the lobbying practices of corporations and business associations that frequently urge governments to adopt policies and laws that are socially and environmentally regressive.

However, the "structural power" of business permits indirect influence over policy via investment decisions. It can limit the policy options governments allow themselves and may therefore be more influential in shaping policy than actual business voices or "instrumental power", which attempts to influence government policy directly. Governments often make assumptions concerning business needs based on the structural power of specific business actors. Such assumptions may distort fiscal, industrial and social policy in ways that benefit particular sectors of business to the detriment of the wider business community. The rise of technocracies has exacerbated this situation. Several presentations highlighted the considerable variation in business preferences and patterns of policy influence. They cautioned against broad generalizations that assume business is inherently hostile to trans-formative social policy, various aspects of which can be conducive to both the short- and long-term interests of business. This is particularly evident in relation to human capital formation, a healthy workforce, social cohesion and stability. Some papers suggested reasons why business engagement in social policy processes in some countries remains quite restricted, and how this may be remedied, often by the state's involvement and active provision of incentives.

Private regulation and partnerships

A second set of issues concerned the participation of companies in public-private partnerships, and new modes of governance involving "private regulation". The conference was particularly interested in the political economy of CSR and PPPs, and how both approaches are affected by the power relations between business, states and civil society, as well as workers, communities and suppliers in developing countries. The potential of CSR and PPPs is constrained by structural economic, political and legal changes related to labour market

flexibilization, subcontracting, the new legal architecture that protects and promotes corporate rights and foreign direct investment, and new forms of supply chain management that reinforce corporate power and disadvantage suppliers in the developing world.

Various concerns emerged specifically in relation to the contemporary PPP agenda that is being promoted internationally. Although certain types of PPPs can be useful in pooling core competencies and mobilizing additional resources for development, the outcomes of many of these initiatives often fail to live up to expectations. Panellists outlined how a lack of clear rules of engagement between business and civil society organizations can undermine stakeholder dialogue, and how imbalances in power relations reinforce the commercial and competitive opportunities of TNCs rather than contribute to development objectives. Similarly, the growing importance of private standards and regulatory approaches raises significant legitimacy issues.

Several policy implications emerged from this analysis. First, efforts to engage business in social development via CSR and PPPs require a solid framework, which can be provided by national planning processes, public social policy or institutions of social dialogue involving state, business and civil society. Second, it is time to move beyond the focus on promoting dialogue between firms and their stakeholders on CSR, to engage the corporate sector and business associations in a "scaled-up" dialogue on national development strategies and poverty reduction. However, third, governments and international NGOs involved in the promotion of PPPs need to be far more aware of the power and information asymmetries that can lead to potentially negative outcomes. Fourth, mechanisms to enhance accountability and the participation of weaker stakeholders or intended beneficiaries need to be strengthened. (Several papers noted the conditions under which some PPPs, at both an industry and national level, had played a constructive role in reducing poverty.)

Collective action

Third, the conference looked at what can be done to enhance the contribution of business to social development in contexts where the structural power of business has increased, where the rise of global value chains challenges or weakens the institutional environment regulating corporations, and where CSR and PPPs exhibit serious constraints as an effective approach to both business regulation and social development. Various papers focused on the crucial role of collective action in various guises: at the level of business organizations; the institutions of representative democracy; and civil society activism.

In particular industries, such as apparel, CSR instruments and practice have in certain contexts been more effective when dominant firms collaborate with government and civil society organizations and networks, rather than act independently. "Encompassing" business associations (those representing diverse sectors of business) can ensure that the voice of the business community is not only that of corporate elites. Their ability to integrate and articulate the views and interests of other groups such as SMEs (small and medium enterprises), whose workforce often comprises the poorest segments of society, may be essential to the promotion of more inclusive social policy. In relation to democratic institutions, presentations referring to state-business relations in Peru and India revealed how parliamentary oversight and other institutions of representative democracy can mitigate institutional capture or the deregulatory effects associated with the growing structural power of business, and ensure that the interests of weaker groups in society are defended.

The role of social activism and alliances in re-regulating global capitalism and promoting CSR was addressed in several papers. Global activist networks that adopt multiple tactics, involving both confrontation and cooperation with business, are particularly important for strengthening the collective identity and organizational links between disparate actors concerned with and affected by global value chains; designing and implementing new standards and rules; and forcing corporations to respond individually and collectively to social concerns. Trade unions, NGOs and civil society networks can exert significant pressures on firms, the state and public opinion in an attempt to ensure that corporations act responsibly and are held accountable. Papers referring to attempts to contain "the race to the bottom" in China, and to promote corporate accountability in certain industries in South Africa, stressed the importance of "multi-playered" and "multi-

scalar" governance and contestation. This encompasses various institutional and political arrangements, including stronger alliances between labour organizations and the state; "institutional thickening", whereby different types of regulatory institutions—at international, regional, national and local levels—act in ways that are complementary and synergistic; and the need to move beyond a focus on individual firms and countries to target industries and regions.

Opening Session

In opening the conference, UNRISD Director Thandika Mkandawire highlighted the importance of the concept of the developmental state in a context where the Washington consensus is in crisis, and concerns of equity and welfare are prominent once again. Suggesting that the key challenges to current development approaches involve "rethinking CSR in a developmental context" and reconsidering the relationship between the state and the private sector, he emphasized the need to broaden the current discourse on CSR by engaging with ongoing debates on business-state relations and social policy. He highlighted the important lessons that have been drawn from UNRISD research on successful developmental states— particularly how social policy is not an outcome of successful economic development, but rather a means by which development occurs. This developmental role is clearly evident in the accumulation of pension funds and savings, political and social stability, and human capital formation.

Transformative social policy, however, entails reciprocal responsibilities between government and the private sector. During the era of "embedded liberalism" (from the end of the Second World War until the 1970s), foreign direct investment (FDI) was much more prominent than financial capital, and developing countries had a number of instruments that they could use to bargain with the private sector. Debates on the resulting business-state pacts have, however, largely disappeared—partly as a result of globalization and a weakening of the state. Thus, CSR should be viewed as a reflection of the diminished regulatory capacity of the state. Mkandawire concluded by inviting participants to view CSR through the lens of a normative framework

suited to developing countries, by keeping several questions in mind during the conference proceedings: What is a developmental state? What should a developmental state expect from the private sector? What should the private sector expect from a developmental state?

Peter Utting, UNRISD Deputy Director and Co-ordinator of the Markets Business and Regulation research programme, further addressed the idea that the need to engage business in inclusive social development agendas is inadequately addressed by the current focus on CSR. There is a pressing need to understand how business might play a more constructive role in supporting, or at least not resisting, social and labour market policies fundamental to inclusive and equitable development. Contemporary debates must address not only the potential and limits of CSR and PPPs, but also how business interests influence and are shaped by government policy on social welfare, social provisioning and labour markets. Issues of power and politics, lobbying practices of TNCs and business associations, as well as the unequal power relations between the different actors involved in multi-stakeholder initiatives and PPPs, must not remain peripheral concerns.

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Drawing attention to the purpose and multidisciplinary nature of the conference, Utting explained how a greater understanding of the conditions and contexts in which business can play a more constructive development role requires greater interaction between various disciplines and literatures. The scholarship on CSR, private regulation and governance associated with management studies, development studies and international relations would benefit from greater interaction with the literature on business-state relations, social policy and varieties of capitalism (VoC) associated with political science or political sociology. Both bodies of knowledge provide insight on the question of how business can facilitate, support or obstruct social development.

Session 1—Business Strategies and Social Policy

Chaired by Susan Hayter (International Labour Office/ILO), speakers in the first session focused on the need to recognize that business does not hold a standardized position on social policy. Highlighting the importance of context and the dynamic nature of the relationship between social policy, business strategy and political setting, presenters emphasized the variety of factors shaping, channelling and at times constraining the social policy preferences of firms. Presentations by the panel addressed whether business competitiveness is compatible with expansive social policies, and factors that might explain how and why the social policy preferences of firms differ across countries, industries and time periods. They also addressed how these dynamics lead to policy contestation or lack of engagement.

Proposing that lightly regulated markets with minimalist social policies are inappropriate for developing country economies, Kevin Farnsworth (University of Sheffield) argued that intergovernmental organizations and governments tend to selectively promote "taken-for-granted" views of business, rather than considering the full range of business preferences and needs. Though globalization increases the significance of both business structural power and voice, it is structural power that tends to be most important in influencing fiscal and social policy in developing countries. As a result, governments respond selectively to the structural pressures of certain types of firms and investors, thereby locking themselves into a social policy agenda that can harm both the welfare of individuals and the interests of the business community as a whole.

Drawing together insights from various streams of literature on the political economies of the United States, Northern Europe and East Asia, José Carlos Marques (United Nations Research Institute for Social Development/UNRISD) examined the political, economic and institutional conditions under which business has contributed to progressive social policies and the promotion of more inclusive patterns of development in these regions. His analysis suggested that progressive social policies are prevalent when business has low structural and instrumental power relative to other social actors; industrial production is heavily dependent on a highly skilled labour force; social pressures affect a large cross-section of the business community; and collaborative institutions, including encompassing business associations, facilitate social dialogue and policy making.

Ben Ross Schneider (Northwestern University) argued that although theories of power resources and cross-class alliances both predict significant business engagement in social policy, there is little evidence in studies of social policy or of business politics in developing countries to support this claim. In Latin America, for example, business-state relations have been characterized by a lack of engagement on social policy issues. Schneider proposed three explanations for this phenomenon. First, in line with the VoC literature, big firms lack strong demand for education policy due to the fact that few of their activities are concentrated in high-skill, high-quality sectors, and they are often self-sufficient in the provision of training and education to their own employees. Second, business participation in social policy is more difficult than in other policy areas because of its broad scope, long-term implementation horizon, and uncertain outcomes. Third, encompassing business associations that might facilitate collective participation in policy making are often lacking, displaced instead by individual firm lobbying.

Kanta Murali (Princeton University) outlined the evolution of business-government relations in the era of economic reforms in India, and the subsequent impact on public policy, particularly labour policy. Liberalization has both resulted in competition for private capital among state governments offering "investor-friendly environments", and provided a major impetus for business collective action. As a result, the ability of the private sector to articulate common interests, and its channels of access to government, have increased significantly. Although the business reform lobby has been driven by competitiveness concerns, it has had mixed results, with few legislative changes and a trend of de facto reform in some areas such as labour market flexibility that is optimal neither for labour nor for business. Murali proposed two factors that constrain the influence of business on labour policy liberalization: India's vibrant democracy, and the difficulty of policy reform posed by India's constantly

shifting coalition politics at the national level. In effect, although the Indian state and political system struggle to respond to the needs of the masses, democratic politics provide an effective obstacle to the introduction of potentially harmful social policies.

The policy implications that emerged from this first panel centred on the role of the state in facilitating business-state interactions amenable to both business needs and social development. Summarizing the discussion, Hayter stressed the crucial role played by collaborative institutions. Farnsworth highlighted how widely varying welfare models are compatible with globally competitive firms, and proposed paying greater attention to the range of business voices on international and domestic scenes. Although some companies actively seek out low-tax and low-wage regimes for the production of export goods, others are attracted to productive and skilled labour, stability in labour markets and access to growing consumer markets. He suggested that different "investment regimes" (the socioeconomic

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policy orientations adopted by governments to attract to external investment) can respond to, or influence, business social policy needs rather than take the social policy preferences of business as a given.

Schneider and Marques both suggested the need to understand the social policy preferences of business against a broader political, social and industrial backdrop. Empirical evidence drawn from numerous countries points to the prominent role played by consultative councils and encompassing business associations in social pacts and socioeconomic development. Two specific elements seem to have ensured the alignment of interests between business and the state. First, the

fact that business demand for social policies was in large part driven by the need to build the human capital required for a large proportion of industries to successfully compete in product markets requiring skilled labour. And second, the state's active direction of policy, which served to reduce the uncertainty of policy outcomes and appease social tensions.

Where these conditions are not met, the result is a low level of business engagement and a lack of demand for transformative social policy, such as in many countries in Latin America, or a focus on more immediate and narrow policy concerns that benefit neither labour nor business, such as in India. Murali suggested steps that could be taken by the Indian government to address the needs of both labour and business. These include rationalizing labour laws so that they are easier both to comply with and to enforce, and simultaneously instituting social security provisions, regulating working conditions and easing employer restrictions. She added that state governments might also want to consider tying affirmative action measures to tax breaks and subsidies.

The questions and remarks following the presentations focused on labour market policy, and the role of international institutions and business associations. A participant reminded the audience how the formal sector in many developing countries, and specifically in India, represents a small portion of the overall labour market. Responding to a question on the influence of the International Monetary Fund and World Bank on social policy, Farnsworth highlighted the close relationship between intergovernmental organizations and business, arguing that these organizations increase the structural power of business by promoting an agenda that prioritizes specific issues and concerns. Addressing a question on how the "common voice" of business is determined by business associations, Schneider explained how different patterns of business activity are often the result of government invitations to business that encourage more collective forms of participation, capacity building, expertise development and the ability to reconcile conflicting interests. He highlighted how the form of policy making should be an important consideration of the policy process—forums and councils may be important ways to draw business into collective policy-making processes.

Session 2—Changing Patterns of State-Business Relations

State-business relations have undergone significant changes in contexts of economic liberalization, democratic transition and the emergence of social entrepreneurship. Presenters in this session addressed the effects of these developments on "rent-seeking" and the "capture" of state institutions by business interests, state provisioning of social services, and policy making in specific country contexts.

Introductory remarks by Jomo Kwame Sundaram (United Nations Department of Economic and Social Affairs/UNDESA), the session chair, framed the presentations with a brief statement on the nature of liberal capitalism, its inherent contradictions, and the resulting consequences for public policy in developing countries. Liberalization under circumstances of inequality may well compound inequality, he stated. The relationship between the state and the private sector is critical and, for that reason, CSR should be considered in relation to the regulatory role of the state, and the necessity of clearly delineating the public policy responsibilities of the state and the private sector.

Jomo also questioned the assumptions underlying calls for "good governance" in a development context:

> Reducing corruption and achieving a more equitable society are important development objectives. But these objectives are now being recast as pre-conditions for development, and this has become very problematic in terms of shaping the discussions concerning the development process and the relationship between the state and the private sector.

The issue of political corruption following Peru's dual economic and political transitions was the focus of Francisco Durand's (University of Texas at San Antonio) presentation, in which he drew on data concerning the investigation by congressional committees of tax exoneration practices during and following President Alberto Fujimori's regime. Durand illustrated the evolution of state capture from a more extreme mode, during the authoritarian Fujimori administration, to a more moderate mode, in the post-Fujimori democratic and liberal context—a situation he referred to as "stronger corporations

operating within weaker states". Corporations, the most powerful economic actors in the new liberalized democracy, obtained privileged access and undue influence over the most important branches of the state apparatus. Specific conditions, such as revolving doors and control over the appointment process in key branches, allowed the concentration of economic power to persist despite newly invigorated democratic institutions and a resurgent civil society. Calls for the elimination of corporate privileges made it more difficult but not impossible for both national and international corporations to defend economic rents, in the form of tax exonerations, that amounted to billions of dollars and a significant share of the country's GDP.

In an analysis of the rise of business associations in post-socialist Russia, David O'Brien (International Development Research Centre/IDRC) depicted a situation where a similar dual transition of economic liberalization within a newly emergent democracy led to co-optation and capture of the state. The disproportionate voice of big business and its influence within the embryonic business associations operating across the countries of the former Soviet Union aggravated already deteriorating social circumstances and dismal government social policies. However, against this backdrop, O'Brien highlighted how the implementation of a state-led national management training programme for young entrepreneurs provided unexpected impetus for the formation of local business associations that established links to local government officials as a means of influencing policy, including social concerns.

Martin Kaggwa's (University of Pretoria) presentation on the South African automotive industry provided sector-level insight into the nuances of institutional capture within a newly democratic and liberalizing state. He portrayed a partnership between government, industry and labour co-opted by business concerns, despite concerted government efforts to address and prioritize social objectives. The resultant policy framework enabled local industry to successfully integrate into the global automotive value chain but resulted in poor social outcomes, obliging the government to periodically reassess its support for the initiative and leading to policy instability.

The vulnerability of new democracies to business interests was, however, not presented from a deterministic perspective. A variety of suggestions for balancing private and public interests were offered throughout the presentations. Durand surmised that circumstances where government officials "bend to pressure" and defend the most powerful private interests at the expense of the public one could be controlled. He suggested tighter controls over government appointment processes, as well as reforms that strengthen the relative autonomy, powers and quality of the revenue service and regulatory agencies. He also emphasized the need for business participation in policy debates to rest less on private institutes and firms and more on associations, something for which the government can provide incentives. Along similar lines, O'Brien suggested that progressive business-state relations might be brought about by governments facilitating new forms of social organization that, in turn, could lead to innovative institutional frameworks with a bearing on business objectives. For his part, Kaggwa emphasized how social partnerships can play an important role in formulating successful sector development policies in developing countries. But, he said, keeping social outcomes on the agenda requires that government and labour develop the capacity and tools to "rigorously interrogate" development models proposed by the corporate sector during negotiations.

Tahmina Rashid's (RMIT University) presentation on Bangladesh, a country with huge donor presence yet persisting poverty and increasing social tensions, provided a different perspective with its focus on the changing role of large not-for-profit organizations such as Grameen and BRAC. These development organizations have outgrown their humble beginnings to become key providers of social services to the citizenry as well as major players in entrepreneurial commercial ventures and local business markets. As their operations have grown, their apolitical posture has given way to active efforts to shape the policies that affect development strategies as well as social and labour market policy. However, the regulatory frameworks and fiscal responsibilities within which for-profit enterprises operate have not been applied to these organizations. Whereas local businesses are required to abide by government regulation and pay tax, the commercial ventures of these large not-for-profit organizations

remain unregulated, receive financial assistance due to their classification as "development organizations" and, with few exceptions, are exempt from paying taxes. Rashid suggested that rather than relying so heavily on NGOs and bypassing the state, efforts should be focused on dealing with corruption and building state capacity.

During the question-and-answer period, Durand replied to several queries about the profile of the business segments that engage in state capture and the role played by business associations in curbing or promoting this behaviour. Stating that tax exonerations are, in his view, the most important form of rent in the neoliberal era, Durand suggested that the pattern of capture described in his presentation is driven by the state's prioritization of dialogue with individual companies. This has generally acted as a disincentive for companies to invest in collective discussions, limiting the involvement of business associations in business-state policy dialogue. He added that international capital has largely displaced local capital, and many remaining large domestic firms are involved in partnerships with international players. Durand ended by suggesting the need to better understand how state capture is organized and the role played by think tanks, economists, bureaucrats and business actors.

Also responding to questions, Kaggwa noted that significant increases in productivity are the likely cause of rising unemployment, an unforeseen consequence of government subsidies and one of the probable reasons for the state's reassessment of policy in the automotive sector. He added that a key lesson to be learned from South Africa's engagement with TNCs is the need for government and labour to invest in the technical skills and capacities required to analyse the policies and economic models proposed by business actors. "When a bureaucrat sits at the table with someone from the private sector, who is more prepared, more empowered, and who has the resources of a TNC at his disposal, the outcome is likely to favour corporate interests." He closed by describing the barriers faced by government-sponsored skills development and training programmes in the automotive sector. TNCs tend to be reluctant to participate in such programmes due to intellectual property rights concerns, claiming a competitive need to safeguard intellectual assets that

prevents them from transferring skills to local employees, particularly at higher skill levels (such as engineers).

Session 3—Business as a Social Provider: CSR and PPPs

Business has long been a provider of social welfare, in various countries, at different times and under different regulatory regimes. However, the nature of corporate social provisioning has changed significantly. While social development agendas involving corporate social responsibility and public-private partnerships have placed increasing demands on large corporations, the rules of engagement as well as the potential benefits and limitations of CSR and PPPs remain unclear. Participants in this session offered a variety of perspectives that focused on the sustainability, legitimacy and effectiveness of private-sector social provisioning in different contexts, and the difficulties of cross-sector partnerships and effective CSR.

Manuel Escudero (UN Global Compact Office), the session chair, introduced the session by emphasizing how CSR should be perceived as a complement to rather than a substitute for public provision. CSR is most effective when "the three pillars" are in place—a democratic state, an effective tax system and constructive social dialogue. He added that there are many types of PPPs, all of which face various difficulties in achieving their stated aims. More systemic planning approaches, the introduction of impact assessment and evaluation tools, greater coordination, synergy and scalability are some of the major challenges to be surmounted. He ended with a question to the session participants: how do we ensure that PPPs are not mistaken as a substitute for public action?

Renginee G. Pillay's (University of Kent) presentation situated current debates on the social responsibility of the firm historically, by providing a broad overview and examination of the origins of CSR. She explained that the idea of the "socially responsible corporation" emerged as far back as the 1920s. This earlier concept had a genuinely transformative implication because it regarded the corporation as a public institution whereby its directors owed duties not only to shareholders, but to employees, consumers, creditors and society as a

whole. Although CSR was initially based on stakeholder theory, its potential has been seriously constrained by shareholder primacy and what has been referred to as the "new constitutionalism"[3]: the "hard laws" protecting shareholder interests that are being propagated globally by organizations such as the Organisation for Economic Co-operation and Development (OECD) and the World Bank. She argued that in seeking merely to attenuate

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the negative social consequences of the shareholder primacy model, contemporary CSR is a weak reflection of the earlier ideas on which it was based and is therefore severely limited as a tool for social and economic development.

In keeping with this more historical perspective on CSR, Ndangwa Noyoo's (University of the Witwatersrand) Zambian case study traced the evolution of the business-social policy nexus under successive political regimes and ideologies. During the colonial period, large foreign-owned mining conglomerates such as the Anglo American Corporation of South Africa provided their European employees with social services comparable to those offered by European welfare states. Following independence in 1964, the Zambian government nationalized foreign-owned businesses, channelling resources to social development, including a comprehensive and universal social welfare system. Under state directives, Zambia Consolidated Copper Mines Limited, an amalgamation of the nationalized mining companies, spearheaded social development projects including the construction of schools, hospitals and homes. However, this highly inclusive social development agenda proved unsustainable, virtually collapsing in the 1990s.

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3 See Gill, S. (1998). "New Constitutionalism, Democratization and Global Political Economy." *Pacifica Review,* 10(1).

Concerns regarding the sustainability of private provision were echoed in the following presentation on Kazakhstan, a post-Soviet republic with vast natural resources but tremendous poverty and inequality. Caleb Reid Luc Wall (Localis Consulting) mapped the path of Kazakh social policy in the past 15 years, as it wavered between state provision, neglect and selective private provision. Companies such as Chevron Texaco, Eni and Rio Tinto, which are involved in joint ventures to explore and extract oil, gas and minerals, have adopted CSR policies and practices, in some cases assuming high levels of responsibility in education and health care, two key social services provided by the state as universal rights in the Soviet period. Wall's analysis portrayed how, out of a concern for their commercial investments, companies engaged actively in social policy, heavily subsidizing social projects in a haphazard manner. The results have proved disappointing, however—rural poverty and inequality persist and resentment remains high, threatening the legitimacy of the state and these businesses' "license to operate".

Contradictions within the CSR programmes of TNCs were the topic of Payal Banerjee and Kasturi Gupta's (Syracuse University) presentation. Their review of the CSR initiatives of large-scale manufacturing companies in India and the United States highlighted how immigrant IT workers under contract in the former and factory labourers in the latter are subjected to employment insecurity and excluded from medical and other employment benefits generally granted to the permanent workforce. Such inconsistencies, they argued, run counter to the declared objectives of companies with outstanding CSR credentials and need to be questioned.

Drawing on the experience of the University of Cambridge Programme for Industry (CPI) in partnership research and training, Ruth Findlay-Brooks (CPI) outlined how PPPs are increasingly promoted as an effective vehicle for dealing with complex and intractable development problems that have defeated single-sector interventions. She listed the factors that contribute to successful partnerships: mutual commitment of partners; adequate resources; clear partnership agreement in place; good planning of partnership and processes; an enabling environment;

the engagement of beneficiaries/stakeholders; effective partnership broker/champion; and good internal/external communication. However, interviews with practitioners highlighted how even where PPPs seem to be the best solution, obstacles in both their development and management "are too easily ignored", thereby jeopardizing their outcomes. Findlay-Brooks stressed the need to address legitimacy and accountability concerns regarding PPPs, particularly disproportionate business influence, power imbalances and varying expectations.

In his presentation, Klaus Leisinger (Novartis Foundation for Sustainable Development) argued that business can play a significant role in the solution of major global issues but it can neither do so alone nor in the context of a conventional conservative, and thus purely market-oriented, business model. Many of the people suffering from poverty-related problems do not have the purchasing power necessary to satisfy their most basic needs through markets. Thus innovative and creative approaches (such as differential pricing schemes for essential medicines, or pro-bono research for diseases of poverty) are needed in addition to "business as usual". He added that where they exist, con-frontational attitudes of civil society actors or antagonistic political tactics need to be replaced by more pragmatic and constructive approaches in favour of common solutions that no fair-minded actor could realize alone. Differential judgment on CSR performance, as well as "reputational capital" for companies who deserve it for their commitment to contribute to the solution of social problems, could create incentives to do more and better—and could even create a new competitive dimension.

The varied presentations provided some useful lessons and insights for contemplation. Pillay suggested that the emerging corporate accountability movement challenges prevailing ideas about the role of the state in relation to corporations, thereby re-radicalizing the concept of CSR. While it has not challenged the shareholder-oriented conception of the corporation, it is seeking to re-establish the authority of states and intergovernmental institutions and calling for greater legal regulation of corporations. She believes that by so doing, the movement also challenges the idea that

the interests of society as a whole will be served by the exclusive pursuit of shareholder interests.

Noyoo and Wall proposed various ways of overcoming haphazard approaches to CSR and social policy that benefit neither business nor society. Stressing the erratic, ineffective and corrupt nature of policy making and social investment in Kazakhstan, Wall suggested the need for TNCs to work directly with local communities rather than continue contributing to projects run by government elites that result in little commercial or social benefit. Noyoo acknowledged the importance of community engagement, but emphasized the necessity to link corporate involvement in social policy to a broader development and social agenda by means of a regulatory framework. CSR would then become a public policy issue and not be approached in a segmented way, thereby establishing CSR's legitimacy within the public policy domain. He cautioned however that such "harmonized" initiatives can only take place if government establishes clear and meaningful partnerships with the private sector and civil society organizations.

Regarding PPPs, Findlay-Brooks suggested that in order to bring about structural change and long-term development impacts, partnerships need to move away from top-down solutions to genuinely inclusive

> *There is a need to link corporate involvement in social policy to a broader development and social agenda by means of a regulatory framework. CSR would then become a public policy issue and not be approached in a segmented way, thereby establishing CSR's legitimacy within the public policy domain.*

consultation, accountability, governance and learning processes. Engendering successful initiatives requires an enabling environment that recognizes partners' differences, supports and evaluates agreed-upon outcomes, and informs policy decisions. Leisinger concurred, stating that establishing certain "rules of engagement" between business and civil society organizations is essential to facilitating an innovative

kind of symbiosis between society and business that does not discredit the legitimate objectives of institutions with structurally different tasks to fulfil in a society built on division of labour.

The discussion that followed included numerous questions on the nature of the firm, its legitimate involvement in social policy, and the nature of its contribution to development. What role should CSR play vis-à-vis national social policies, and how does this relate to the profit-making nature of the firm? How do you reconcile systemic critiques of the role of the firm with the morals-based arguments of business? When are PPPs a viable alternative, and how should outcomes be evaluated?

Responding to various questions on partnerships, Findlay-Brooks warned that philanthropy is not the same as partnership, because it often does not engage with concerns "on the ground" but is instead driven by pre-established convictions of what is required. She added that rigorous impact evaluation is required to determine whether PPPs are the best way to engage corporations but that the existing quantitative tools are not very helpful because they fail to capture the intricacies of partnership outcomes and impacts. Leisinger added that PPPs are not always a "silver bullet". Participatory engagement based on pragmatism and a common interest in finding the most cost-effective solutions is needed to make tangible and sustainable progress, he suggested—the focus should be on the milestones that can be achieved via collaborative ventures, not dogmatic adherence to ideological positions. Leisinger summed up his views by stating that the structure of national social policy should be determined by democratic processes and driven by development from below—companies should be supportive of it to the best of their abilities.

Reacting to the presentations, Durand stated that it is understandable for businesses to embrace CSR, considering the growing need to manage new operational contexts and obtain greater legitimacy. However, to consider corporations as "key players" in the social arena is going too far—no matter what corporations do, he asserted, it is never a substitute for state intervention because it is unsustainable and is not what they do best. "Social policies are essential to business, but business is

not essential to social policies." Noyoo agreed with Durand but highlighted the need to consider context—every country is building from a different base. In some places, corporations play a significant role that cannot be changed overnight.

Referring to several presentations, Mkandawire emphasized the need to move from CSR's moralistic arguments to a more systemic understanding of how

> *The classic concerns of developmental states—such as technology transfer, employment creation, trade issues, etc.—are excluded from CSR. The larger question should be about understanding how business fits into the development agenda and ensuring that the private sector is comfortable with the role it needs to assume.*

the private sector can contribute to the development process. The classic concerns of developmental states—such as technology transfer, employment creation, trade issues, etc.—are excluded from CSR. The larger question should be about understanding how business fits into the development agenda and ensuring that the private sector is comfortable with the role it needs to assume. Stating that successful development has usually taken place in highly centralized states, he was also sceptical of the suggestion that decentralizing social policy to community-level initiatives could be the way forward.

Session 4—Corporate Lobbying and Policy Influence

A strong current of academic and NGO opinion has long argued that firms and business associations engage in lobbying practices that are contradictory to their CSR initiatives or supplant social concerns with economic considerations. The extent and effectiveness of corporate lobbying is, however, disputed. Furthermore, the relationship between lobbying or other forms of policy influence by business interests

and their implications for social policy is under-studied, particularly within developing country contexts. Presentations in this session examined how corporate lobbying in developing countries takes place, the relationship between business lobbies and social policies, as well as how CSR, lobbying and progressive social welfare might be aligned.

The session chair, Robert Archer (International Council on Human Rights Policy) highlighted the contradictions and inconsistencies that transpire not only across the business sector but also within firms themselves. He asked whether in the pursuit of narrow objectives, business might in fact be undermining its own long-term interests via its lobbying efforts.

Bart Slob and Francis Weyzig (Centre for Research on Multinational Corporations/SOMO) provided an overview and assessment of the literature on corporate lobbying. They asserted that at a basic level, firms' political strategies can be grouped into two main types: information oriented and pressure oriented. Whereas information-oriented lobbying focuses on the provision of research reports, data, analysis and opinions, pressure-oriented lobbying involves influencing policy makers via advocacy campaigns, linking policy decisions to investment decisions, and pushing for self-regulation. They called attention to the fact that ethical aspects of corporate lobbying and efforts to systematically align corporate lobbying with CSR principles are lacking, even within TNCs that have developed comprehensive CSR policies. Reporting systems that provide guidelines for companies on how to report about lobbying strategies and activities, such as the Global Reporting Initiative G3 Guidelines, are seldom used, and comprehensive information on corporate lobbying strategies and activities is rarely provided to stakeholders. From a development perspective, the current lack of coherent policies and disclosure is particularly worrying, as various cases of corporate lobbying affecting developing countries in a negative way have been documented. Academic research, however, tends to focus on refining lobbying strategies and how lobbying can have a positive impact on a corporation's bottom line. The settings tend to be high-income countries or international policy making

forums, such as the World Trade Organization negotiations. Academic studies on corporate lobbying in developing countries are virtually nonexistent.

> *Efforts to systematically align corporate lobbying with CSR principles are lacking, even within TNCs that have developed comprehensive CSR policies... Companies should have the obligation to report on all lobbying channels and positions.*

Wagner Pralon Mancuso (University of São Paulo) presented the political strategies adopted by industrial entrepreneurs in their campaign for reducing what has been commonly referred to as the "Brazil cost"—factors perceived by the business community to be limiting the international competitiveness of domestic companies. According to Mancuso, these include excessive and poor-quality economic regulation; inadequate labour legislation; a tax system that overburdens production; the high cost of financing productive activity; insufficient material infrastructure; and deficient social infra-structure. He described how the National Confederation of Industry (Confederação Nacional da Indústria/CNI), Brazil's peak business association, has operated as a "political entrepreneur", mobilizing the business community. The lobby group formed by the CNI in the mid-1990s has consistently exerted pressure on legislative decision-making processes and achieved a high degree of political success. Mancuso's research suggests that Brazil's corporatist tradition is being replaced by forms of business-state relations normally associated with pluralist systems, such as those in the United States. This is particularly worrisome considering the complete absence of regulation of lobbying activities in Brazil.

Benedicte Bull's (Centre for Development and the Environment/SUM, University of Oslo) presentation explored how Chilean business has influenced or attempted to influence the way in which trade agreements regulate environmental conduct and respect for labour rights. Although trade negotiations have often been portrayed as a "two-level" game in which governments have to bargain with domestic groups and foreign trading partners simultaneously, she argued that such a distinction fails to recognize the considerable symbiosis of technocratic and business opinion and the fact that the state has delegated some regulatory authority to business actors. Active cooperation and participation on the part of the business community has provided Chilean negotiators with significant technical expertise (via revolving doors, feasibility studies, coordination of business input, provision of data and analysis, etc.), mitigating the antagonistic relationship that existed between the government and business after the return of democracy in 1990, as well as reducing domestic opposition to trade agreements. Against this backdrop, Bull affirmed that the prominence of environmental and labour issues in trade negotiation and business association agendas varies significantly. She suggested that this variability is explained by the fact that norms and standards from trading partners and Northern consumers have been the most important factors behind the introduction of social and environmental concerns in discussions.

The presentations in this panel pointed to the need to better understand the drivers and methods of lobbying in developing countries, particularly the need to differentiate between beneficial and harmful lobbying activities. Slob and Weyzig stated that much work remains to be done on the issue, particularly as it relates to developing countries (for example, the pressure that TNCs exert on host country governments, either directly or indirectly, in international forums, via their home country governments). The most important lobbying channels remain unaddressed by academics and policy makers, they said, and because some lobbying channels cannot be regulated, transparency is the most effective alternative. Lobbying must be included in CSR policies, and companies should have the obligation to report on all lobbying channels and positions.

All the presentations highlighted how business provision of technical knowledge and support, via data/information sharing and expert analysis, is a key lobbying strategy—one that is frequently welcomed by government. However, as the presentations by Bull and Mancuso illustrated, the transmission mechanisms and outcomes vary by context and policy type. Whereas in Brazil, the lobbying efforts against the Brazil cost have required the mobilization of the majority of the business

sector and sizeable investments in analysis, positioning and communication by sectoral and peak business associations, the Chilean case illustrates how close collaboration and personal relationships define the lobbying that has taken place in trade negotiations. What comes through in both cases is that business preferences toward social policy have been determined exclusively by immediate concerns with international com-petitiveness and market access issues.

Many of the questions during the discussions on this session dealt with methodological considerations and the social consequences of corporate lobbying. Can one differentiate between "positive" and "negative" lobbying? Is there a clear delineation between lobbying and corruption? How can the impact of corporate lobbying be verified or measured? How successful are corporate actors' lobbying efforts compared with those of other social actors?

Responding to questions concerning the extent of business influence, Mancuso clarified that he prefers the term "success" rather than "influence" because the former connotes correlation whereas the latter suggests causality. The causal influence of business upon policy making cannot necessarily be proved. Weyzig agreed, but stated that demonstrating correlation is sufficient, and therefore important, for research purposes. He further suggested that a clear distinction between "positive" and "negative" types of influence is not possible, as it requires a moral, and therefore subjective, assessment. Moreover, the issue is complicated by the fact that in many cases there are both constructive and negative aspects to the lobbying activities taking place. Referring to the Brazil cost example, Mancuso agreed that lobbying can be both beneficial and detrimental for society but suggested that in some instances (such as social infrastructure) there is a clear alignment of interests between business and labour. In other areas, such as tax and labour law proposals, there exists a clear conflict with other social actors. "It clearly depends on the type of policy," he stated.

Turning to how to deal with the lobbying issue, Weyzig proposed a focus on corporate accountability, transparency and consistent disclosure. Companies should regularly provide information on what they are doing and, when stakeholders inquire, explain why they are doing it. Farnsworth questioned the viability of voluntary initiatives, stating, "CSR often obfuscates as much as it clarifies". In response, Slob suggested that government regulation would be ineffective because companies would find means of avoiding compliance. For example, he claimed that the regulation of political campaign contributions in the United States has made little difference, as it has merely led to new methods for "channelling" funds to intended parties. Moreover, research shows that political donations are, in fact, minor compared to other, more subjective forms of lobbying that cannot be regulated, such as revolving doors and technocratic influence. For these reasons, he said, the most appropriate response entails making corporations accountable by aligning lobbying activities to CSR and codes of conduct.

Addressing queries on the involvement and influence of other social actors, Bull stated that labour groups, as well as environmental NGOs and SMEs, were invited by the Chilean government to participate in free trade negotiations with the European Union and the United States. However, conflicting interests among different groups prevented the government from establishing a tripartite type of forum, thereby severely limiting cross-sector dialogue. Furthermore, conflicts and divisions within the labour unions themselves significantly weakened labour's voice and participation, a stark contrast to the relatively unified position of business. Mancuso echoed this last point, suggesting that the importance to business of reducing the Brazil cost facilitated business collective action.

A main point that emerged during the discussion concerned the numerous "unexplored" areas relating to corporate lobbying. Mancuso mentioned that there is little analysis of the concessions government provides to business, and agreed with Farnsworth's comment that hidden subsidies to corporations (such as education, training, social policies and tax breaks) need to be taken into consideration. Slob supported Schneider's comment that much can be learned from cases of lobbying failure as well as success. Along similar lines, the need to better understand how state institutions have effectively curbed "negative" lobbying and rent seeking was mentioned several times, including by a member of the audience who proposed Estonia and the Republic of Korea as interesting cases. Finally, Weyzig suggested that a key

concern involved understanding how to make business associations accountable.

Session 5—New Social Pacts and Regulatory Politics

Numerous literatures point to the fact that institutions for collaborative dialogue and decision making have been the basis for economic growth, equitable development and effective regulation. The legitimacy of these governance structures depends on their inclusiveness, ability to mediate interests and capacity

> *Institutions for collaborative dialogue and decision making have been the basis for economic growth, equitable development and effective regulation. The legitimacy of these governance structures depends on their inclusiveness, ability to mediate interests and capacity to successfully address both industrial competitiveness and social well-being.*

to successfully address both industrial competitiveness and social well-being. Recent decades have witnessed the emergence of new forms of private, public and multipartite governance institutions that perform a de facto regulatory role. Presentations in this session addressed the performance of such governance structures from a social dimension, particularly their capacity to grant sufficient voice and influence to different social groups, and the role of the state in these new social pacts.

Anne Miroux (United Nations Conference on Trade and Development/UNCTAD), the session chair, introduced the discussion by outlining the relevance of such issues to various industries. In particular, she highlighted how UNCTAD's *2007 World Investment Report* addresses similar concerns as they pertain to the extractive industry sector.

Agni Kalfagianni (University of Stuttgart) analysed the proliferation of private governance in the area of agriculture and food in developing countries. She

argued that, in the long term, private institutions hinder the formation of the conditions necessary to protect the poor. The concentration of global retailers has resulted in their ability to consolidate purchasing, control production networks and resources, and enforce private standards. The results are unmistakable—concentration at the retail level and implementation of private standards have driven many small farmers and retailers out of business. Emergent CSR standards focused on good working conditions do little to remedy these negative consequences and provide sharp contrast to the transfer of structural rule-setting power into private hands. She expressed concern regarding the democratic implications of the increasing privatization of food governance. Unequal access to the development of new standards by the affected producers, as well as the lack of transparency and accountability of the standard-setting process, has resulted in a serious lack of "input legitimacy" in private governance institutions. Similarly, efforts to improve the "output legitimacy" of private schemes face serious obstacles. For example, who is the "public" that is to evaluate the output provided? How do consumers (in the North and in the South), farmers and civil society organizations participate in the definition of the "public good"?

Paola Perez-Aleman's (McGill University) presentation addressed some of the concerns voiced by Kalfagianni by providing insight into how standard setting and TNC–NGO partnerships could, under specific conditions, foster the inclusion of the poorest small producers and micro-enterprises. She presented a case study on the specialty coffee global supply chain, in which small-scale producers in Mexico and Central America have an important presence due to their control over the limited areas where such beans can be harvested. Examining the evolution from standard setting to implementation of the Starbucks and Conservation International (CI) alliance, she suggested that the elaboration and implementation of new standards through TNC–NGO partnerships reveal possible routes for fostering inclusive development. Active assistance approaches at the level of small-scale producers seem particularly important in building their capacity to meet standards and creating conditions that support development and sustainable business.

The efforts of the United Nations to promote sustainable business were the topic of a presentation by Catia Gregoratti (University of Manchester). She provided an empirical and conceptual assessment of the UNDP Business Partnership Division's Growing Sustainable Business (GSB) initiative in various East African countries since its creation in 2002. Intended to increase access by the poor to goods, services, employment and livelihood opportunities, it is a multistakeholder arrangement that aims to facilitate project implementation and national policy deliberation among government, local and international business, and civil society. Arguing that this institutionalized and localized partnership suffers from "elitism and exclusivism", she asserted that the GSB's partnership projects have produced questionable developmental outcomes. Governance mechanisms are often top-down and stakeholder participation skewed toward business interests, and as a result, projects justified in terms of social or sustainable development often amount to "business as usual".

Providing a country-level perspective, Atul Sood (Centre for the Study of Regional Development, Jawaharlal Nehru University) argued that, as business has become an increasingly powerful force in the policy-making process in India, government has reduced its role in actively shaping social policy. Instead it has increasingly played the role of coordinator and facilitator, entrusting key responsibilities to civil society institutions and, in a sense, abdicating its responsibility for developing social policies. As a result, he stated, there is no government strategy for partnership in development, no basis on which to build social pacts, and an absence of business engagement or dialogue on social policy.

The presentations in this session offered various insights into the legitimacy of emergent governance structures and their ability to address industrial competitiveness and social well-being simultaneously. There was an unambiguous call for facilitating the collective action of poor producers, as well as greater involvement on the part of the state and civil society. Pointing out the limits and contradictions of employing a narrow view of "sustainable business" as a developmental strategy, Gregoratti called for a fundamental rethink of the way in which partnerships for development are conceptualized and commonly understood. Genuinely

"pro-poor" partnerships are rooted in bottom-up participation, she stated. Therefore, institutions responsible for brokering partnerships should avoid the prioritization of business interests in consultative processes and governance structures.

The shift toward monopsonist structures in the global food industry, Kalfagianni stated, is a barrier to integrating social criteria in retail standards. Although difficult to achieve, due to the variation in structural and discursive power among the numerous actors in the global food system, she believed that "deliberative democracy"—fostering inclusiveness and unconstrained dialogue—might be the only means of legitimizing food governance where private actors wield great influence. She also asserted that public actors can no longer ignore their responsibility in global food governance and need to drive the creation of appropriate public regulatory frameworks and the democratization of institutions. Both she and Perez-Aleman suggested that capacity-building measures for effective local participation are essential.

Perez-Aleman pointed out how the Starbucks–CI alliance provides insight into how the state, a broadly representative private sector and NGOs have the potential to create policies that link social and economic development. While norms and principles can coordinate relations between actors, the standards emerging from partnerships can inform policy making and government regulation. Sustainable improvement in the social and economic conditions of poor producers, however, requires supporting their collective organization, as a means to establish links with NGOs and governments, gain access to resources, and develop the ability to upgrade their products.

Reiterating the call for state action, Sood proposed that in the interest of equity, the Indian government must actively find ways of involving business on social issues. Although the current drivers of business involvement are weak, he identified some cases where there is an urgent need for social action, no contradiction in interests between business and society, and ripe opportunities for civil society actors to build pressure for meaningful involvement of business on social issues. According to Sood, these cases include: (i) reducing the influence of landed interests in the rural areas, particularly

through land reform; (ii) guaranteeing the basic rights of housing and health; and (iii) ensuring access to primary education. He further proposed that contentious issues, such as job reservations for lower castes, might be dealt with more effectively if an overarching social pact and rights-based framework were in place and provided the basis for discussion.

> **There is a need for a political vision of the state and the development of a coherent framework into which business associations and civil society can be integrated.**

Numerous questions during the subsequent discussion concerned the alignment of corporate activities with government policies via centralized policy instruments, agencies or plans. Miroux highlighted how much of the discussion centred on the need for a political vision of the state and the development of a coherent framework into which business associations and civil society can be integrated. She called attention to how this principle has always been fundamental to UNCTAD's work.

Gregoratti stated that when considering national development plans such as PRSPs (Poverty Reduction Strategy Papers), it is important to question whose priorities they reflect. World Bank policies, national indebtedness and other structural issues often predetermine how these plans are drafted and presented. There is also a need to question the "new symbiotic relationship" between capital and state, particularly how the granting of so many advantages and concessions to the private sector is effectively elevating it to a privileged position. In this context, she claimed that PPPs remain a pragmatic response that merely tinkers with structural problems. She further suggested that the current dependence on civil society to provide "checks and balances" is problematic in environments where civil society is weak.

Responding to several questions and statements on the links between national business associations, SMEs, PPPs and regulatory processes, Perez-Aleman agreed with Bull's suggestion that small enterprises need to be addressed as objects of government policy. However, large business associations in Central America have not assisted SMEs in upgrading and adhering to production standards, as is the case in some countries. Instead, capacity building and associational processes have been driven by the actions of SMEs themselves, confronting production challenges and actively requesting government support to help them upgrade and be internationally competitive. Addressing a question on how private standards in supply chains can often "get ahead of government regulation", she answered that business–NGO partnerships can, under some circumstances, be viewed by the state as "regulatory prototypes" that can be learned from. Providing examples concerning health, safety and environmental regulation, she suggested that regulatory issues are often context-specific, and therefore need to be worked out in particular production environments.

Session 6—Transnational Activism and Multi-Scalar Regulation

Regulatory politics and social contestation of corporate power are increasingly becoming a transnational, multi-scalar phenomenon. Civil society networks may link movements and organizations operating at the local, national, regional and/or global levels. Examining examples of countervailing centres of power is essential to understanding their limitations and replicating their success in promoting inclusive development. The organizational and institutional challenges faced by these networks, their relationship to traditional labour movements, their ability to stimulate government involvement, and the broader political economy context in which they operate were some of the issues covered by presenters in this session.

Auret van Heerden (Fair Labor Association/FLA), introduced the session with a few observations about different perspectives on CSR, particularly the "risk management" angle. He disputed the argument, frequently voiced by TNCs, that lack of transparency in supply chains, resulting from several tiers of subcontracting ("sub-subcontractors"), makes it difficult to monitor labour practices. He argued that the inherent social risks of subcontracting to developing countries, where certain labour abuses are prevalent, clearly dictate the requirement to carefully map out and monitor the supply chain. He then proceeded to discuss the voluntary

nature of CSR as it relates to sustainability and accountability:

> If we talk about corporate social responsibility, who represents that 'S' and to what extent is that 'S' integral to the CSR initiative? In other words, can you pick and choose your interlocutors and your partners? Or are you obliged to take the partners that society wants to see represented, partners who are the most representative, most legitimate in that particular sphere of social endeavour? To whom are they going to be accountable? If you want to be truly sustainable, where is the stewardship of that CSR programme? Is it lying with a local stakeholder network or does it lie with the company?

Based on case studies of several NGO campaigns, Florence Palpacuer's (University of Montpellier) presentation analysed the ways in which transnational networks of counter-powers are contributing to the emergence of new forms of social dialogue in the global apparel industry. Her description of the Matamoros Mexican garment factory campaign against Puma in 2003, and the Hermosa garment workers case in El Salvador, involving Adidas, Nike and other apparel brands in 2005–2006, illustrated how the campaign networks mirrored the organization of these firms' supply chains. It also provided insight into how both the NGOs and the targeted companies learned and adapted their responses, increasingly resorting to collective means of resolution. Stronger ties between NGOs in various parts of the world, facilitated by the speed of internet communications, have allowed networks to organize simultaneous campaigns against several brands at the transnational level in much shorter timeframes. Palpacuer also described how the FLA (a multistakeholder initiative established in 2002 that monitors social conditions at its corporate members' subcontracting factories) provides a "third-party complaint mechanism" allowing anyone to report code non-compliance within factories producing for FLA affiliates. Such mechanisms provide the means to address issues on a collective rather than individual-firm basis.

Jeroen Merk (University of Sussex and Clean Clothes Campaign/CCC) argued that the garment and athletic footwear industries are characterized by a structural crisis of labour flexibility. Barriers to unionization and the ability for capital to relocate have caused this crisis in the countries at the producing end of the global garment and athletic footwear chains. He specified how use of the term "structural" indicates that substandard working conditions are not isolated occurrences, but part of a deliberate pattern of exploitation and abuse. At the core of this issue lies a functional divide in the organization of production and consumption between sourcing companies (brands and retailers) on the one hand, and export-oriented manufacturers on the other. The global supply chain itself has turned into a barrier for organizing, he argued.

In a presentation on the South African fuel oil industry's response to public health and environmental concerns, James Van Alstine (London School of Economics and Political Science/LSE and International Institute for Sustainable Development/IISD) dealt with how collective understanding related to industrial pollution in the Durban basin has evolved via contestation and discursive power from the bottom up. According to Van Alstine, the priority given to economic growth and international competitiveness by the South African government, together with weak and fragmented responses from the oil refineries concerned, led to failed attempts at voluntary initiatives and a conflict between environmental health, social policy and inclusive development goals. In this context, local civil society, supported by transnational networks, effectively mobilized to drive institutional transformation, from normative to regulative modes, and stimulate the regulatory capacity of the state.

Using a neo-Gramscian approach, Ngai-Ling Sum's (Lancaster University) presentation examined the significance and impact in developing countries of the adoption of CSR by giant retail corporations. She focused on Wal-Mart's activities in China, where the TNC has entered joint-venture partnerships with state-owned investment trusts and global financial companies in order to establish local economic governance regimes. This "Wal-Martization" trend, as she referred to it, represents a shift in power from manufacturers to retailers (and financiers) as well as control over the supply chain. The imposition of "everyday low prices" and wages on its suppliers, local competitors and workers has contributed to poverty and prompted the formation of Wal-Mart monitoring groups that investigate and report the company's

uneven distributive impacts. Describing Wal-Mart's responses to state-union-NGO pressures as "CSR-ization", she called the spread of managerial logic into CSR (codes, reports, ratings, certificates, audits, etc.) a vehicle for rolling out neoliberalism under the guise of a "new ethicalism".

> *Many of the causes behind the structural crisis of labour flexibility require cooperative, sector-wide responses capable of countering the threat of capital relocation...Local protest strategies need to be complemented by coordinated efforts on different levels (or scales) of political action.*

The presentations in this panel revolved around the strength of an internationally networked civil society and the web of interaction between actors operating on multiple levels. All highlighted the importance of collective action by non-state actors. Merk proposed that many of the causes behind the structural crisis of labour flexibility require cooperative, sector-wide responses capable of countering the threat of capital relocation. As a result, local protest strategies need to be complemented by coordinated efforts on different levels (or scales) of political action. He suggested that the key challenge lies in persuading multiple autonomous agents, operating in highly pluralistic and decentralized contexts, to partake in unified approaches that require high levels of organization.

Palpacuer added that although contestation and conflict are necessary to re-establish the connections between social and economic dynamics in global value chains, raising consumer and worker awareness is about building a shared vision of the problem—a precondition for developing collective rules. In a similar vein, Van Alstine highlighted the interaction of state and non-state governance in multi-player, multi-scalar contestation, emphasizing how technical knowledge about the issues and their effects is co-produced. Trust, engendered by repeated interaction, lies at the heart of a shared understanding of the issue area and the ability to progress from normative to regulative institutions.

On a more conceptual level, Sum suggested that the CSR debate is yet another arena of continued struggle and tension between capital, labour, gender and environment; as such, it cannot easily be depoliticized. She advocated adoption of a "cultural political economy" approach to reveal the macro-micro power relations of CSR, and recognition that the crucial question is whether CSR and its related practices involve attempts to "marketize the social" or "socialize the market".

Several questions during the discussion period dealt with the potential and limitations of transnational activism. Durand expressed mixed feelings on the issue—although there are grounds for optimism, particularly the fact that conditions in some commodity chains are improving, this approach has some clear limits in dealing with social problems of the magnitude encountered in many developing countries. For example, activism targeting global supply chains is unable to address issues in the informal sector, which constitutes the majority of the labour force in developing countries.

Merk agreed that global activist networks are in large part unable to address the challenges of informal sector labour. Responding to a question on the viability of one campaign proposal to create a "wage floor" by doubling minimum wages, he described the logic as sound, because garment workers' wages represent only 0.5 per cent of the final product price—doubling wages would therefore add very little to the final consumer price and would establish a negotiating baseline for future wage increases. Addressing a different set of questions on cross-sector collaboration, Merk confirmed that national trade unions are members of CCC national activist coalitions, and that the CCC is often called on to address union representatives' rights in developing countries. He added that national trade unions sometimes participate in multistakeholder initiatives, thereby cooperating with businesses and governments as well, but that such partnerships frequently entail walking a fine line between "opposing and proposing".

Palpacuer asserted that there are in fact some innovative ways of organizing the informal sector, but acknowledged that such efforts are unlikely to address the magnitude of the problem. The fact that many informal workers are not involved in global production chains is being used to question the development potential of these chains, she claimed, particularly the

argument that they are the main levers of economic development in the South. In response to a question concerning the lack of activist activity around the social and sustainability problems of cotton harvesting, Palpacuer suggested this might be the result of an overburdened and resource-deprived civil society.

In closing the session, Van Alstine emphasized what may be a key condition for successful activism. He suggested that the South African constitution provided the right to a clean and healthy environment, and thereby offered a normative impetus and legal obligation for regulation that has been seized by civil society. This has resulted in a move from an unregulated, socially and environmentally detrimental push for economic growth, to a focus on growth directed by planning and consultation with civil society.

Closing Session

During the closing session, Peter Utting (UNRISD) highlighted some policy implications that emerged from the conference and invited conference participants to provide further feedback. He synthesized the key points that emerged from the discussions.

- Efforts to engage business in inclusive development, CSR and PPPs require a framework that can be provided by national planning processes, social policy or institutions of social dialogue involving state, business and civil society. It is important to engage the corporate sector and business associations in a dialogue on national development strategies and poverty reduction.
- There are aspects of social policy that are conducive to both the short- and long-term interests of certain sectors of business, given the important linkages between social policy and human capital formation, a healthy workforce, social cohesion and stability. Coalitions to promote transformative social policy can be strengthened by the inclusion of such sectors.
- In contexts where economic liberalization has favoured narrow corporate interests and led to state capture, it is important to strengthen the role of more representative business associations and their engagement in policy dialogue. Government interventions can facilitate such a role.

- International organizations, including international financial institutions and the United Nations, need to interrogate the model of development they promote through their support of foreign direct investment and private regulation, which may reinforce the structural and instrumental power of big business.
- The structural constraints on CSR suggest the need for legal reforms related to corporate governance, including the duties of corporate directors and mandatory company reporting and disclosure.
- Labour market flexibilization and casualization provide a structural context that marginalizes CSR. The notion of CSR should extend beyond core enterprises to the supply chain, and government policy and law should facilitate socially inclusive patterns of formalization.
- CSR is not a substitute for public policy. Public regulatory frameworks are essential to avoid the limitations of CSR. Strengthening such frameworks involves not only new policies and laws, but also reinforcing state administrative capacity.
- Measures need to be taken to minimize state capture and the perverse features of lobbying. These include controls on disclosure of payments and policy positions, monitoring of executive appointments and "revolving doors", codes of conduct for lobbyists, and efforts to align CSR discourse and lobbying practices.
- Governments involved in the promotion of PPPs need to be far more aware of existing asymmetries in power relations, and their potentially negative effects on outcomes. Mechanisms to enhance accountability and the participation of weaker stakeholders or intended beneficiaries need to be strengthened. PPPs involving small and micro-enterprise may be particularly beneficial in terms of poverty reduction.
- The role of traditional institutions of democracy, such as legislatures, is important as a check on corporate power, regressive social policy and the unravelling of standards. This role needs to be safeguarded, particularly in contexts where there are growing pressures toward technocratic policy making and concentration of power in the executive branch.
- Civil society activism and social movements play a crucial role as countervailing forces to corporate power and in the strengthening of public regulation. Government policy and law associated with freedom of information, freedom of association, the right to

protest, a free press and deliberative democracy are crucial for creating an enabling environment where civil society and social movements can function with effect. Alliances of civil society organizations with both government and sectors of business are particularly important in promoting reform agendas.

■ In contexts of globalization and liberalization, both public and private regulation need to operate at multiple scales and in a complementary and synergistic manner.

Several participants noted other points and policy implications. Palpacuer recommended explicit mention of labour unions as key civil society actors. Considering the importance of tax revenue for social policy in developing countries, Durand emphasized that fiscal responsibility should be a main dimension of the social responsibility of corporations, and that substantive state reforms are required to ensure that states manage tax revenues effectively. Mkandawire suggested placing development and democracy as the highest-order concerns.

Some participants expressed concern over how to engage business on matters related to social policy. Based on research and empirical evidence, several offered caveats to consider. Referring to the point on social partnerships, Farnsworth emphasized the need to engage the corporate sector and business associations in an equal partnership, where labour and civil society organizations have equivalent footing with business. At the international level, he claimed, the OECD and the United Nations have prioritized business over other actors. The latter in particular has been criticized for engaging and "embedding" business within its decision-making structures. Sum expressed concern regarding how the creeping influence of "new managerialism" and new public management are simultaneously reinforcing power inequalities and displacing politics. Finally, the need to better understand the conditions under which business associations can contribute to social concerns was observed by Van Alstine.

According to Escudero, many of the contributions made during the panel on partnerships were really powerful ideas, and the discussion on how to improve PPPs represented a significant contribution to the ongoing discussion on partnerships. Although CSR constitutes an important complement for public policies, he reaffirmed, public policy is essential in and of itself and cannot be replaced.

Numerous participants spoke about how to disseminate the ideas that were presented during the conference and broaden the discussion that took place to a wider audience. Liz Ulmas suggested that social investors and institutional investors, such as pension funds, would be receptive to dialogue on these issues as they are deeply interested in CSR, concerned about corporate impact on society, and increasingly turning their attention to "emerging markets". For these reasons, it might be a good time to explore this link as another channel for these policy ideas. Escudero agreed, saying that including this set of actors is absolutely essential due to their growing influence. For example, institutional investors participating in the UN Principles for Responsible Investment manage $11 trillion in assets. They are increasingly asking companies to address environmental, social and corporate governance issues. Both Rashid and Weyzig emphasized the importance of integrating the ideas into course curricula in various disciplines and exposing students to critical ideas outside mainstream development thinking. O'Brien focused on the responsibility of researchers and research institutions in this agenda. He called for critical research that contributes to a constructive engagement with a broad set of actors, and the need to consider the dissemination channels required to connect with the groups with whom researchers rarely engage.

Mkandawire related the conference proceedings to current development thinking, stating that a number of observations made during the conference would likely also be acceptable to a much larger audience. For example, in recent years neoliberal discourse has reflected a realization that formal and stronger institutions, including a stronger state, are essential to development. Along these same lines, with respect to Africa the World Bank now calls for a move from "pro-market" to "pro-business" policies. While the substance of this new approach needs to be clarified, there is clearly a recognition that market-oriented reforms are insufficient to generate desirable, developmental business behaviours. The key challenge is to understand what it means to be "pro-business" in a democratic, developmental context.

Agenda, Speakers and Papers Presented

12 November 2007

Opening

Thandika Mkandawire (Director, UNRISD)

Peter Utting (Deputy Director and Coordinator, Markets, Business and
Regulation Programme, UNRISD)

Session 1 — Business Strategies and Social Policy

Chair   *Susan Hayter* (Policy Advisor, Employment Sector, International Labour Office/ILO)

Speakers and Papers Presented

Kevin Farnsworth (Lecturer in Social Policy, University of Sheffield)—**Business Power and Business Social Policy Preferences in the Context of Development**

José Carlos Marques (Researcher, UNRISD)—**Organized Business and Progressive Social Policy in Comparative Perspective**

Ben Ross Schneider (Professor of Political Science, Northwestern University)—**Business and Social Policy in Latin America: Sources of Disconnect**

Kanta Murali (PhD Candidate, Department of Politics, Princeton University)—**Economic Liberalization, Business-Government Relations and Labor Policy in India**

Discussion

Session 2 — Changing Patterns of State-Business Relations

Chair   *Jomo Kwame Sundaram* (United Nations Assistant Secretary-General for Economic Development, Department of Economic and Social Affairs/UNDESA)

Speakers and Papers Presented

Francisco Durand (Professor of Latin American Politics, University of Texas at San Antonio)—**Corporate Rents and the Capture of the Peruvian State**

David O'Brien (Senior Program Officer, Innovation, Policy and Science, IDRC)—**The Ascent of Business Associations in Russia: Patterns, Voice and Influence on Development Agendas**

Tahmina Rashid (Lecturer in International Development, RMIT University)—**Commercial Non-Profit Organizations and Politics of Development in Bangladesh**

Martin Kaggwa (PhD Candidate, Technology Management, University of Pretoria)—**Impact of Government-Industry Partnership on the South African Automotive Industry Policy**

Discussion

Session 3 — Business as a Social Provider: CSR and PPPs

Chair   *Manuel Escudero* (Head, Global Compact Special Projects and Academic Initiatives, UN Global Compact Office)

Speakers and Papers Presented

Ruth Findlay-Brooks (Development Director), *Wayne Visser* (Senior Associate) and *Thurstan Wright* (Project Coordinator), all at Cambridge Programme for Industry/CPI, University of Cambridge—**Cross-Sector Partnership as an Approach to Inclusive Development**

Payal Banerjee (Lecturer and PhD Candidate) and *Kasturi Gupta* (PhD Candidate), both at Department of Sociology, Syracuse University—**Corporate Agendas and Ground-Realities: A Transnational Perspective on Indian Workers, CSR and Development**

Ndangwa Noyoo (Senior Lecturer and Research Director, Social Work Division, School of Human and Community Development, University of the Witwatersrand)—**Corporate Social Responsibility and Social Policy in Zambia**

Caleb Reid Luc Wall (Director and Senior Consultant, Localis Consulting)—**Kazakh Public Policy and Corporate Social Responsibility: An Analysis of Health Care Provision in an Era of CSR and Kazakh Nationalism**

Paddy Ireland (Professor of Law and Director of Research, Kent Law School) and *Renginee G. Pillay* (Lecturer and PhD Candidate, Business Law), both at University of Kent—**CSR and the New Constitutionalism**

Klaus Leisinger (CEO, Novartis Foundation for Sustainable Development, and Professor of Sociology, University of Basel)—**From State Responsibility to Corporate Responsibility?**

Discussion

Agenda, Speakers and Papers Presented

13 November 2007

Session 4 **Corporate Lobbying and Policy Influence**

Chair *Robert Archer* (Executive Director, International Council on Human Rights Policy)

Speakers and Papers Presented *Bart Slob* (Senior Researcher) and *Francis Weyzig* (Researcher), both at Centre for Research on Multinational Corporations/SOMO—**The Lack of Consistency between Corporate Lobbying and CSR Policies**

Wagner Pralon Mancuso (Professor of Political Science and Public Policy Management, University of São Paulo)—**Lobbying for Reducing the "Brazil Cost": Political Strategies and Outcomes of Brazilian Entrepreneurs under Cardoso and Lula (1995–2006)**

Benedicte Bull (Senior Researcher, Centre for Development and the Environment/SUM, University of Oslo)—**Free Trade Negotiations, Business Participation and the Impact on Environmental and Labour Regulation: The Case of Chile**

Discussion

Session 5 **New Social Pacts and Regulatory Politics**

Chair *Anne Miroux* (Head of Investment Issues Analysis Branch, United Nations Conference on Trade and Development/UNCTAD)

Speakers and Papers Presented *Doris Fuchs* (Professor of International Relations and European Integration) and *Agni Kalfagianni*, (Researcher), both at University of Stuttgart—**Private Food Governance and Implications for Social Sustainability and Democratic Legitimacy**

Paola Perez-Aleman (Associate Professor of Strategy and Organization, McGill University)—**New Standards, MNC-NGO Partnerships and the Inclusion of Small Producers in Latin America: Some Lessons for State Policy**

Atul Sood (Associate Professor, Centre for the Study of Regional Development, Jawaharlal Nehru University)—**Changing Nature of State-Business Relations in India: Implications for Social and Labour Market Policies**

Catia Gregoratti (PhD Candidate, Centre for International Politics, University of Manchester)—**Sustainable Business in East Africa: Old Issues and New Institutions**

Discussion

Session 6 **Transnational Activism and Multi-Scalar Regulation**

Chair *Auret van Heerden* (President and CEO, Fair Labor Association/FLA)

Speakers and Papers Presented *Florence Palpacuer* (Professor of Business Studies, University of Montpellier)—**New Forms of Social Dialogues in Transnational Production Networks: A Comparative Analysis of Activist Campaigns in the Global Apparel Industry**

Jeroen Merk (PhD Candidate in International Relations, University of Sussex, and Research Coordinator at the International Secretariat of the Clean Clothes Campaign/CCC)—**The Structural Crisis of Labour Flexibility: Strategies and Prospects for Transnational Labour Organising in the Garment and Sportswear Industry**

James Van Alstine (LSE Fellow and PhD Candidate, Department of Geography and Environment, London School of Economics and Political Science, and Team Leader at the International Institute for Sustainable Development/IISD)—**Linking the Global to the Local: The Institutionalization of Industry's Contribution to Social Development in Durban, South Africa**

Ngai-Ling Sum (Senior Lecturer, Politics and International Relations, and Programme Director of MA on Globalization and the Information Age, Lancaster University)—**Articulation of "New Constitutionalism" with "New Ethicalism": Wal-Martization and Corporate-State-Union-NGO Attempts to Bring CSR to Developing Countries**

Discussion

Closing

Peter Utting (Deputy Director, and Coordinator, Markets, Business and Regulation Programme, UNRISD)

Selected conference papers are forthcoming in two volumes edited by Peter Utting and José Carlos Marques, tentatively titled *Corporate Social Responsibility and Regulatory Governance: Towards Inclusive Development?* and *Business Politics and Social Policy: Competitiveness, Influence and Inclusive Development* (UNRISD and Palgrave Macmillan).