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POLICY PAPER
DOCUMENT DE POLITIQUE
DOCUMENTO DE POLÍTICA

FPP-03-04

Surplus Values: The Americas at a Crossroads in the Corporate Social Responsibility Debate

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Executive Summary

Canada and Canadian companies are widely accepted as world leaders in corporate social responsibility (CSR) initiatives. Yet, Canadian multinational corporations (MNCs) have been in the international news recently, not for their responsible corporate practices, but for actions that have been interpreted as breaking norms of acceptable business behaviour. The apparent *coexistence* of business decisions having a deleterious impact on labour, the environment and local communities, *together with* a stated corporate commitment to social responsibility raises an important question: do corporate social responsibility policies have a demonstrable effect on business behaviour and the local impact of foreign investment? Are CSR values necessary or are they "surplus" values? By considering the political-economic context of CSR initiatives in Latin America and the Caribbean, this policy paper calls into question the appropriateness of a number of "articles of faith" of the CSR movement – including the widely held belief that CSR codes should remain voluntary – and identifies the central issue limiting the effectiveness of CSR in the hemisphere as governance. The paper concludes with recommendations for a strategy to advance the CSR debate in Latin America.

Résume

Le Canada et les compagnies canadiennes sont reconnus comme étant des leaders mondiaux en matière d'initiatives de responsabilité sociale des entreprises (RSE). Toutefois, certaines multinationales canadiennes ont récemment fait l'objet d'une attention particulière dans l'actualité internationale, non pas pour vanter le mérite de leurs pratiques socialement responsables, mais plutôt pour révéler des actions jugées incompatibles avec une conduite commerciale appropriée. L'apparente *coexistence* entre des décisions commerciales ayant des impacts néfastes à l'égard des conditions de travail, de l'environnement et des communautés locales *avec* un engagement déclaré de poursuivre une politique de responsabilité sociale soulève d'importantes questions : Est ce que les politiques de responsabilité sociale des compagnies possèdent un véritable effet positif sur le comportement des entreprises? Est-ce que ces politiques possèdent un effet similaire sur l'économie locale en ce qui concerne les investissements étrangers? Est-ce que les valeurs de la RSE sont nécessaires ou s'agit-il simplement que de valeurs de surplus?

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En considérant le contexte politico-économique des initiatives de la RSE en Amérique latine et dans les Caraïbes, ce document remet en question la justesse de certains « articles de bonne foi » de ce mouvement – en incluant la croyance généralisée que ces codes de bonne conduite commerciale devraient demeurer volontaires – et identifie la problématique centrale qui limite l'efficacité de la RSE dans cet hémisphère à un problème de gouvernance. En conclusion, ce document émet certaines recommandations pour une stratégie visant à faire progresser le débat de la RSE dans les Amériques.

Resumen

Canadá y sus empresas son reconocidas mundialmente por su liderazgo en las iniciativas de la Responsabilidad Social de las Empresas (RSE). Sin embargo, algunas empresas multinacionales canadienses han sido objeto de escrutinio internacional no por sus prácticas de responsabilidad social, sino por acciones que han violado las normas aceptadas de comportamiento empresarial. La aparente *coexistencia* de decisiones empresariales que perjudican el trabajo, el medio ambiente y las comunidades locales, *junto con* el compromiso a la responsabilidad social plantea ciertas preguntas importantes: ¿Qué impacto tienen las políticas de RSE sobre el comportamiento de las empresas y la inversión extranjera? ¿Son imprescindibles los valores de RSE o son estos simplemente *excedentes?*

Teniendo en cuenta el contexto político-económico de las iniciativas de la RSE en América Latina y el Caribe, este documento pone en duda un número de *artículos de fe* del movimiento de RSE, incluyendo la creencia que sus códigos deberían permanecer voluntarios. Asimismo el presente trabajo identifica la gobernabilidad local como una de las debilidades de la RSE en el hemisferio y concluye con recomendaciones para avanzar una estrategia en el debate de RSE en América Latina.

INTRODUCTION

Canada and Canadian companies are widely accepted as world leaders in corporate social responsibility (CSR) initiatives. Yet, Canadian multinational corporations (MNCs) have been in the international news recently, not for their responsible corporate practices, but for actions that have been interpreted as breaking norms of acceptable business behaviour. At the top of this list has been Talisman Energy Inc. for its oil and pipeline investment in the Sudan. Human rights advocates had argued that the investment indirectly provided the Sudanese government with money (royalties) and infrastructure that was used to support its war with rebel forces in the Southern part of the country. Talisman eventually bowed to public and shareholder pressure by divesting its 25% stake in March 2003. A Canadian mining company, Manhattan Minerals Corp, also courted controversy due to its continuing development of a mine in the Tambo Grande district of Peru despite a non-binding plebiscite held in the local municipality in June 2002 that showed 98.7% of local voters to be against the project. If developed, the mine would require the relocation of at least 2000 families that are currently living on the site. In April 2002, the Bank of Nova Scotia announced its intention to withdraw from the Argentine market following massive losses resulting from that country's devaluation. All three companies have corporate social responsibility policies.

The practices of these three companies cannot be considered representative of the Canadian business establishment. Nonetheless, the apparent coexistence of business decisions having a deleterious impact on labour, the environment and local communities, *together with* a stated corporate commitment to social responsibility raises an important question: do corporate social responsibility policies have a demonstrable effect on business behaviour and the local impact of foreign investment? Are CSR values necessary or are they "surplus" values?

By considering the political-economic context of CSR initiatives in Latin America and the Caribbean, this policy paper calls into question the appropriateness of a number of "articles of faith" of the CSR movement – including the widely held belief that CSR codes should remain voluntary – and identifies the central issue limiting the effectiveness of CSR in the hemisphere as governance. The paper concludes with recommendations for a strategy to advance the CSR debate in Latin America.

WHAT IS CORPORATE SOCIAL RESPONSIBILITY?

One of the earliest statements on the desirability of unfettered market exchange as a way of organizing economic activity assured that acting in the private interest would not only ensure profits for the entrepreneur, but would also benefit the common good. Adam Smith depicted the transformation of individual interests into the common good through the metaphor of the "invisible hand." Nowadays, it is often forgotten that Smith was a moral philosopher and that the alchemy of the invisible hand was not the free market itself, but market relationships between individuals embedded in a common morality. Smith conceived morality as limiting private interests and acting to channel them towards the common good. This idea that business has moral obligations has existed throughout the modern experience of capitalism and has been reborn in the contemporary era as the idea of corporate social responsibility.

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According to Susan Aaronson and James Reeves, corporate social responsibility refers to "ethical values and respect for employees, communities and the environment." (Aaronson and Reeves 2002. 2). The concept remains vaguely defined but at best it is based on the idea that maximizing shareholder value is not, in itself, an adequate measure of a firm's responsibilities. In a 2001 FOCAL policy paper, Wesley Cragg argued that corporations must move beyond the focus on shareholders to consider the impact of their activities on "stakeholders." For Cragg, "A corporate stakeholder… is any individual or group likely to be affected either positively or negatively, in the short or long term, by corporate activities, policies or decisions." The argument for CSR policies, although sometimes couched in terms that promote it as making good business sense, is in the final analysis a moral argument: corporations should behave ethically because it is right.

Diversity of Codes of Conduct

How to define what is ethical and who are the stakeholders to whom a firm has a moral obligation is a different question altogether. It is for this reason that the codes of conduct for business behaviour that have proliferated since the mid-1970s vary greatly in how both obligations and stakeholders are defined. A comparative examination of some of the most prominent CSR codes, including the OECD (Organization for Economic Cooperation and Development) Guidelines for Multinational Enterprises (1976), the Caux Principles (1994), the International Code of Ethics for Canadian Business (1997) and the United Nations Global Compact (2000) underlines the different approaches to CSR.

Codes vary in terms of the principles they identify as being important, the generality of the commitment and the parties that commit to implementation. The UN Global Compact emphasizes human and labour rights in some detail, environment to a lesser degree and entirely neglects corporate governance. The Canadians demonstrate a commitment to community consultations. The Caux Principles (the only one of the four devised exclusively by business) focus on corporate governance issues, contain no commitment to collective bargaining and define local contribution primarily in terms of charitable contributions. The OECD Guidelines are the most comprehensive and the only one of the four that requires governments to adhere and promote the principles.

Promoting Dialogue, Making Every Effort, Encouraging, Listening and Being Sensitive

A key element of all CSR initiatives is that the codes of conduct are voluntary. Governments that adhere only commit themselves to promoting the principles. There are no penalties for non-compliance. For this reason, CSR codes often use language such as "promoting dialogue," "making every effort," 'encouraging," "listening" and "being sensitive." At the same time, it is generally recognized that CSR principles are not a substitute for government regulation, but rather a complement to it. Such was the argument of the European Commission in its discussion paper, *Promoting a European Framework for Corporate Social Responsibility* (Aaronson and Reeves 2002, 19).

The argument that CSR codes should be voluntary has become an article of faith in the debate and is rarely challenged. This is defended, first, because CSR

Table 1: Comparison of CSR Codes by Principle

CSR Principles	OECD Guidelines (1976)	Caux Principles (1994)	International Code of Ethics for Canadian Business (1997)	UN Global Compact (2000)
Government Adheres	X			
Corporations Adhere			X	X
General Statement		X		
Respect for Human Rights	X	X	X	X
Not Implicated in Abuses			X	X
Freedom of Association/Collective Bargaining	X		X	X
Respect for Labour Rights	X		X	X
No Discrimination in Workplace	X	X	X	X
Health and Safety in Workplace	X	X	X	
No Forced or Child Labour	X		X	X
Respect for Environment	X	X	X	X
Environmental Impact Assessments	X			
Community Consultations	X		X	
Environmentally Friendly Technology	X			X
Corporate Disclosure/Transparency	X	X	X	
Reject Bribery and Corruption	X	X	X	
Foster Competitive Markets	X	X		
Consumer Protection	X	X		
Triple-Bottom Line Reporting	X			
Assist Local Development	X	X	X	
Use Local Subcontractors and Employees	X		X	
Transfer Technology	X		X	
Local Charitable Donations		X		
Subcontractors Follow Same Rules	X		X	

Source: Information compiled from Schulich School of Business, 2002.

principles are only seen as moral requirements that go above-and-beyond the legal obligations of companies. Second, CSR advocates tend to argue that voluntary compliance encourages creative thinking in companies that government regulation would stifle.

In fact, there is a very blurry line between appropriate regulation and voluntary codes. Voluntary codes clearly maximize the flexibility of firms to respond to some of the moral obligations of CSR and not others. While the creation of charitable foundations falls into the voluntary category, the responsibility to conduct environmental impact assessments or limit the environmental consequences of an investment are clearly potential areas for government legislation. As with individuals, sometimes moral obligations remain voluntary, but depending on how society is evolving, moral obligations may become legal ones. The OECD clearly states that "The Guidelines are not a substitute for host country law and regulation" (OECD 2002, 29) and the CSR literature as a whole envisages voluntary codes in a context where efficient and effective government regulation *already exists*.

WHAT DRIVES THE GLOBAL CSR DEBATE?

It is no coincidence that the CSR debate has come to the fore in the latter part of the 1990s. A combination of pressures mostly associated with the intensification of economic and cultural exchange known as globalization lie behind the renaissance of corporate social responsibility.

Globalization Drives CSR. The liberalization of tariffs, privatization of state-owned enterprises and the increase in foreign direct investment during the 1990s increased the visibility of multinational corporations (MNC) in much of Latin America. At the same time, the discourse of neoliberalism (or market reform) used by the United States, World Bank and International Monetary Fund portrayed states as inefficient and "rent seeking" and argued that freeing market forces would contribute to prosperity. As private markets expanded in Latin America, the state retreated from many of its traditional activities – often as a consequence of privatization and deregulation. Globalization and the discourse around globalization raised public expectations about the contribution of private firms to local economic development at the same time as it reduced public expectations of state interventionism.

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The challenge of operating in different parts of the world with different cultures has also presented internal governance problems for firms. The adoption of codes of conduct and CSR guidelines has been a way for MNCs to standardize corporate culture and responsibilities across borders (Cragg 2001).

The "Post-Consumer" Culture. In the developed countries, and to the greatest extent in Western Europe and the United Kingdom, consumers have begun to differentiate between consumer products on criteria other than quality and demand that products embody social values or at the very least have been produced in accordance with certain values. The experience of the British chain "The Body Shop" is a classic example of how products have been marketed to embody values – in that case reflecting "Against Animal Testing," "Fair Trade (with developing countries)" and environmentalism. This post-consumer culture has meant that CSR has become a potential marketing tool for firms seeking to increase customer loyalty.

The proliferation of non-governmental organizations (NGOs) in the 1990s has also been a pressure point for the adoption of CSR policies and responsible business behaviour. Prominent NGOs such as Amnesty International, Greenpeace and Oxfam are capable of launching devastating consumer-oriented campaigns. For example, Greenpeace inflicted serious damage on the Canadian fur industry as a result of its anti-fur campaign and Oxfam was the principal sponsor of the local plebiscite in Tambo Grande that drew international press coverage of the Manhattan Minerals mining project. At the very least, CSR policies may limit such campaigns by social activist groups.

The "Business Case" for CSR. Increasingly, the proponents of corporate social responsibility, including the World Bank, are making a business case for adopting CSR principles. It is argued that the adoption of CSR policies reduces the risk of poor corporate governance practices that lead to catastrophic scandals that destroy shareholder value; enhances brand reputation and customer loyalty; improves labour relations; makes sense in terms of economic efficiency (when companies try to reduce their energy and factor inputs for environmental reasons); contributes to developing quality business partners and investors; and creates a more dynamic and competitive business overall because "Creative thinking is highly stimulated by addressing issues of CSR and taking into consideration the ecological and social costs" (World Bank Institute 2003).

Legitimacy of Business Leadership. The development of the welfare state and social programs is widely understood as a key element in legitimating the capitalist system. With the retreat of the state from some of its social welfare functions, corporate social responsibility initiatives, to a certain extent, fill the void by legitimizing the increased influence of business in day-to-day life. Specifically, the impulse to adopt CSR codes (or self-regulation) is often a business response to pressure on the government to increase its regulation of corporate behaviour. Following the Enron, WorldCom and Global Crossing debacles in the United States, the Canadian business community saw self-regulation (stricter CSR codes) as a way to pre-empt government regulation. In response to those scandals, Thomas d'Aquino, President of the Canadian Council of Chief Executives said, "If we want to prevent the policy pendulum from swinging back toward heavy-handed regulation and legislation, the onus is on us to prove to the public that Canadian companies will voluntarily move quickly and effectively to improve governance practices" (Scoffield 2002). In this instance, the emphasis was on internal governance practices rather than CSR.

When the commitment to corporate responsibilities is so much weaker than the commitment to corporate rights, it is hard to argue that the advancement of CSR is a serious policy objective in the Americas.

The use of CSR as a marketing tool to legitimate other behaviour or policies can be problematic. In the case of the Summit of the Americas process, the Plan of Action agreed to in Québec City in 2001 includes its references to corporate social responsibility in the same section as "Trade and Investment." Once again the discourse and level of commitment to CSR is strikingly different from that to "Trade and Investment." In terms of trade, the Summit Action Plan commits to "Ensure negotiations of the FTAA Agreement are concluded no later than January 2005 and seek its entry into force as soon as possible thereafter," and in terms of CSR to "support the continued analysis and consideration in the OAS of corporate social responsibility." This disjuncture is also expressed in the binding investment guarantee obligations assumed under the World Bank's Multilateral Investment Guarantee Agency (MIGA) and the US Oversees Private Investment Corp. (OPIC) compared to the soft obligations of CSR codes. When the commitment to corporate responsibilities is so much weaker than the commitment to corporate rights, it is hard to argue that the advancement of CSR is a serious policy objective in the Americas.

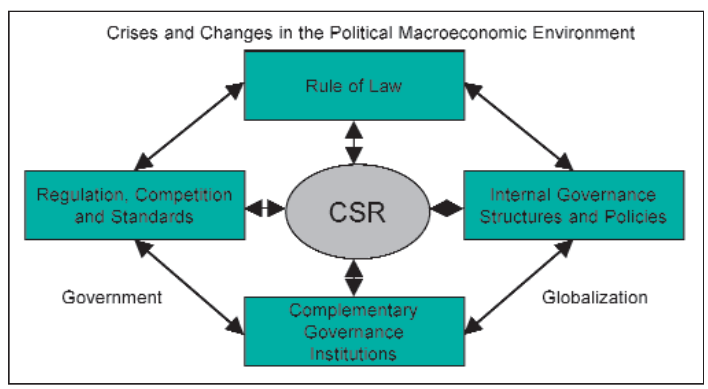
THE CSR CONTEXT IN LATIN AMERICA AND THE CARIBBEAN

A great weakness in the CSR debate has been the overall failure to contextualize it for the developing countries of the Americas. This contextualization is necessary, because it is the only way to understand both the specific need for, and limits to, corporate social responsibility in Latin America and the Caribbean. In fact, the failure to contextualize the CSR debate was one of key criticisms emerging out of the 2002 Americas Conference on CSR in Miami (The Fellows 2002, 4).

Good Governance and CSR

The World Bank envisages good corporate social responsibility as being influenced by four elements: the rule of law; internal corporate governance; regulations and standards; and "complementary CSR institutions." The general economic context (which includes pressures from globalization, the local competitive environment and macroeconomic incentives) also influences CSR. This "CSR Diamond," seeks to relate CSR to the institutional and governance context in which it exists.

Figure 1: The World Bank's CSR Diamond



Source: World Bank Institute 2003.

It is particularly important to understand in the Latin American context that without good political and economic governance and good government the contribution of CSR policies will not be maximized. If we look at these governance requirements in more detail we see that most Latin American countries only partially meet the requirements.

- The rule of law and the enforcement of laws on the books are essential. Without enforcement of existing laws, the incentives to go beyond them are weaker. In much of Latin America, the rule of law and the independence of the judiciary from political interference remain problematic.

- Competition (and consumer choice) is a key part of the necessary environment for good governance: "open and competitive markets are powerful prerequisites for CSR, including poverty reduction... competition is part of the system of checks and balances that help create good governance and CSR" (World Bank Institute 2003). Although many Latin American countries reduced tariffs and received significant inflows of foreign investment in the 1990s, it is far from clear that competitive market conditions exist. The concentration of economic power and growth of local conglomerates known as *grupos económicos* that resulted from the privatization process has reduced competition in many of the most profitable sectors of the economy. Much of the former public sector was in non-tradable services. When these firms were bought up by local conglomerates with privileged political access to policymakers and foreign multinationals, many were converted into monopolies and economic enclaves protected from the winds of competition that swept much of the manufacturing sector following trade liberalization. Special relationships between government and the private sector (both local and foreign) continue to exist.

- Complementary CSR institutions include an active and independent civil society (NGOs, consumer advocate groups, business associations); financial institutions; multilateral institutions which promote CSR; a free and independent media; advanced CSR consulting agencies; a competitive labour market; and good government (including a professional civil service, congressional oversight of the executive, democracy and the absence of corruption) (World Bank Institute 2003). In many Latin American countries some of these institutions are seriously compromised or weak.

Redefining the State-Firm Relationship

The remarkable transition from closed import-substituting (ISI) economies experienced by much of Latin America as a result of trade liberalization has also had a formidable impact on the relationships between the state and foreign firms. In many respects the relationship has changed for the better in terms of opening up a larger space for private enterprise. On the other hand, the retreat of the state from the direct production has not been accompanied by the professionalization of its regulatory and oversight functions.

The World Bank is quite clear about the appropriate role for government: "Through its impact on rule of law; regulation, competition, standards, complementary CSR institutions, and internal corporate structures and policies, the government can influence the links between CSR and the poor, thus stimulating companies to address the issue of poverty alleviation" (World Bank Institute 2003).

In the ISI era, however, Latin American governments made a much greater effort to channel private investment into developmental goals. This was reflected in the business literature on the "obsolescing bargain" in which analysts such as Theodore Moran argued that after private investors had sunk their investment, states would increase the pressure on the foreign firm to make a greater contribution to local economic development. This pressure, or bargaining with the firm, was reflected in regulations dictating local content (links to suppliers), technology transfer, limits on capital remissions, employment levels, etc. The highpoint of this pressure on foreign firms was the adoption of Decision 24 by the Andean Pact countries in the early 1970s. Decision 24, among its other requirements, demanded a phase-out of majority foreign ownership.

Since that time, globalization, privatization, and liberalization have redefined the state-firm relationship in Latin America. The focus on bargaining as a means of extracting greater developmental contribution from the firm has given way to one characterized by:

- Stability of the "rules of the game," liberal and stable Foreign Investment Statutes backed up by adherence to international investment guarantee rules (such as MIGA or OPIC);

- Provision of investment facilitating services (such as infrastructure, geological services for mining firms, etc.);

- Retreat of the state from direct productive activities through privatization, but often without establishing an adequate regulatory framework;

- Local and national governments no longer bargain with MNCs, but instead hold “conversations” in which firms are asked (but not required) to make certain contributions. Compliance reflects “goodwill” on the part of the firm, not pressure from the government.

The pendulum has swung from excessive regulation of firm behaviour to almost no regulation at all. It is a policy that makes no distinction between “better” and “worse” kinds of foreign investment and which emphasizes the direct contribution of foreign investment to development (in terms of infrastructure, employment, charitable contributions). In remote areas foreign investment can dwarf government spending – as has been the case for mining mega-projects in some of Chile’s northern regions (Haslam 2002).

Without improved governance, the adoption of CSR policies by MNCs will only have a limited impact. For this reason, we have to ask whether the promotion of CSR policies is the best use of scarce foreign aid dollars... Perhaps we should be investing in states as much as firms.

While not arguing that there should be a return to the over-regulation of the past, it is clear the potential scope of firm activities included under the “voluntary” or non-regulated category is much greater in Latin America than in the developed world – simply because there are huge areas of social, labour, environmental, and community concern that are simply not covered by legislation (or by legislation that is not enforced). In that context, the argument for voluntary rules is much weaker. On the other hand, the weakness of governance in much of Latin America means that firms are expected to provide more than is reasonable or their duty.

The crux of the CSR debate in Latin America is good governance. Without improved governance, the adoption of CSR policies by MNCs will only have a limited impact. For this reason, we have to ask whether the promotion of CSR policies is the best use of scarce foreign aid dollars. Perhaps we should be investing in states as much as firms. Acting directly on building better institutions and establishing the conditions and incentives that generate good political and economic governance may in fact be the best way to maximize the developmental contribution of direct foreign investment and socially responsible corporate initiatives.

THE EVIDENCE ON CSR IN THE AMERICAS... SO FAR

The centrepiece of the multilateral effort to promote corporate social responsibility in the Americas was the Americas Conference on Corporate Social Responsibility held in Miami in September 2002. The conference represented the fulfillment of a pledge made in the 2001 Québec Summit of the Americas Plan of Action to:

- Continue to analyze corporate social responsibility through the OAS and encourage civil society input in the process; and
- Convene a meeting with representatives of government, business and civil society with the purpose of promoting the development and implementation of corporate social responsibility.

At the conference representatives from the multilateral institutions, governments, the private sector, NGOs and consulting agencies met to promote, evaluate and discuss the state of CSR in the Americas.

National governments continue to shoulder the burden of CSR promotion in the hemisphere. In the Americas, six countries are signatories to the OECD Guidelines on Multinational Enterprises: Argentina, Brazil, Canada, Chile, Mexico and the United States. As part of their commitment to promote the Guidelines, these countries have all created institutional support for their efforts through National Contact Points (NCPs). NCPs engaged in promotional activities such as organizing conferences (Chile), publishing new promotional material (Canada and Mexico), working with NGOs (Chile), organizing information sessions and links with government departments (Canada and United States), and clarifying their procedures for addressing complaints (known as “specific instances). The OECD reported two complaints against corporations, known as “specific instances”, related to firms from or in the Americas. In one case, the Canadian NCP successfully negotiated a conflict involving a Canadian firm in Zambia. In a second specific instance, the Korean NCP responded to a labour dispute in a Korean textile company operating in Guatemala (OECD 2002, 5-11)

These promotional activities remain limited to a handful of countries. At the Miami Conference, Secretary General of the OAS, César Gaviria recognized that most Latin American governments "have yet to focus on the social responsibility of firms" (Feinberg 2002). The lending arms of national governments (such as the Export Development Corporation of Canada) and the multilateral organizations have also begun to promote adoption of CSR principles by firms receiving financial support.

Table 2: Consumer Demand for CSR in Latin America and the Caribbean

Country	Level of Public CSR Demands
Argentina	medium
Brazil	low
Canada	high
Chile	low
Mexico	high
United States	high
Rest of Latin America/ Caribbean	none/no data

Source: Environics International, 2001

Public opinion data also shows the debate is evolving. In the developing world, brand-name (by itself) is more important than social image in influencing consumer perception of a company. In the developed world this is less true. Public opinion data also shows some increase in "post-consumer" consciousness in the Americas (Environics, 2001). There is also evidence that social and environmental reporting by MNCs has increased dramatically over the last years. In 2001, 50% of the top 100 companies provided such reports, up 6% from the previous year (Hawley, 2002).

There is little evidence that the promotion of CSR guidelines... has contributed to changing company behaviour for the better... What is lacking is a systematic and scientific evaluation of the effects of the adoption of CSR principles.

One of the most worrisome elements of the CSR debate in the Americas is that there is little evidence that the promotion of CSR guidelines by governments and the adoption of codes of conduct by corporations have contributed to changing company behaviour for the better and improving the social and environmental impact of foreign investment. The OECD recognizes, for example, that visibility of its Guidelines has increased significantly, but admits that "many basic strategic questions – the most fundamental of which concerns whether and how the Guidelines are influencing business behaviour have yet to be answered" (OECD 2002, 4). Anecdotes, policy statements, new codes of conduct and even public opinion surveys abound – but what is lacking is a systematic and scientific evaluation of the causal effects of the adoption of CSR principles.

A STRATEGY FOR CSR IN THE AMERICAS

The future of corporate social responsibility is at a crossroads in the Americas. If CSR is to move forward on the hemispheric agenda it needs the institutional backing of governments, multilateral organizations, companies and NGOs. Key elements of any strategy that provides that impulse include standardizing the CSR codes already in use, conducting quality research that scientifically evaluates the impact of CSR policies on the well-being of the hemisphere; linking CSR to performance incentives; and integrating CSR and governance issues.

Seek to unify Codes of Conduct and CSR reporting techniques used in the Hemisphere. The diversity of CSR codes means that it is very difficult to compare company initiatives – and therefore evaluate CSR initiatives. The obligations a company assumes under the UN Global Compact, for example, are not as extensive as those it would take on if it followed the OECD Guidelines. Up to this point, this diversity has been important in stimulating a creative debate on what is CSR. However, now is the time to consolidate these lessons by standardizing both codes of conduct and reporting techniques in the hemisphere. In the case of reporting techniques, specific triple bottom line (TBL) methods such as those promoted by the Global Reporting Initiative that evaluate financial performance as well as environmental and social impact need to be adopted.

Develop a CSR Follow-up program. At this juncture in the debate, one of the most pressing issues is the need for more quality information and research on the impact of CSR initiatives. Although the best-case scenario would be if the Organization of American States took on such a task, the reality is that the contentious nature of evaluating business performance on CSR (rather than just promoting it) means it is likely to fall to individual governments. This is an area where the Canadian government could make a difference. Such a follow-up program should include:

- Develop a central clearing house of information (web resources, list of NGOs and National Contact Points);

- Build a Public Database of Information on the business and government signatories to different CSR codes;

- Develop a methodology for evaluating progress in CSR and commission research on the subject;

- Compare the social return on investment in CSR to investment in governance;

- Strengthen NGOs and consumer advocate groups working on CSR.

Voluntary Codes. The argument that all CSR codes should be voluntary should not be an article of faith. Regulation and voluntarism are complementary and the line between them is one drawn in the sand. There is a difference between charitable contributions and minimizing the environmental impact of an investment. Much of what is currently included as moral and voluntary obligations may also legitimately be moral and legal obligations. In a world where environmental and social sustainability was taken more seriously, legal obligations would be more extensive. Governments must act to deal with pressing social issues and cannot expect corporations to shoulder the burden of poverty alleviation. But corporations cannot see the regulatory weakness of many Latin American governments as a right or a source of competitive advantages.

Commitment to CSR will be demonstrated in willingness of governments to link CSR and regulation more explicitly, or provide the legal and investment incentives that make CSR the only logical choice. This commitment has not yet been demonstrated. One possible way of doing so would be to move beyond the hortatory references to CSR in the Summit Action Plan and make a real commitment to link good corporate social responsibility to trade liberalization and market access.

Whether CSR principles make a difference in the hemisphere depends as much on what governments do as what corporations do... governance is an equally important part of equation.

Governance. Policies to promote CSR should be linked to policies that improve state governance. The two problems are closely related and in many respects Latin America's governance challenges are more important to stimulating socially responsible corporate behaviour than CSR policies. One way of linking the development of good governance with CSR would be to fund the creation or professionalization of quasi-independent institutions that monitor foreign investment inflows. One of the best examples of such institutions is Chile's Committee on Foreign Investment, which applies the country's Foreign Investment Statute, DL600, provides "one-stop shopping" to foreign investors and collects crucial data on capital in and outflows. Improving good governance in Latin America must go beyond foreign investment promotion offices to include judicial and legal reform, strengthening the rule of law, and building professional regulatory agencies. These tasks are all part of what is necessary to maximize the contribution of corporate social responsibility to economic development in Latin America.

LOOKING FORWARD

Whether CSR principles make a difference in the hemisphere depends as much on what governments do as what corporations do. Corporate social responsibility is important and should be encouraged, but in Latin America governance is an equally important part of the equation. Promoting CSR cannot compensate for poor governance. In order to advance the corporate social responsibility agenda in the hemisphere and maximize the developmental contribution of foreign investment, CSR must be linked to good governance.

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Further Reading

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March 2003

ISBN: 1-896301-89-4

Publications Mail Agreement: 40012931

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The preparation and printing of this paper has been made possible thanks to support from the Department of Foreign Affairs and International Trade.

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