

Business, Social Policy and Corporate Political Influence in Developing Countries

Palais des Nations - room XXI ▪ Geneva, Switzerland

12-13 November 2007

UNRISD Conference

ABSTRACTS

Session 1 Business Strategies and Social Policy

Disaggregating “business” and “social policy” is a prerequisite for recognizing that there is no standardized position that firms have on social policy. How and why do the social policy preferences of firms differ across geography, industry and time? How compatible are business strategies with social policy? How do these dynamics lead to policy contestation or lack of engagement with social policy?

Kevin Farnsworth, Lecturer in Social Policy, University of Sheffield - Business Power and Business Social Policy Preferences in the Context of Development

Despite the important role that it plays in politics generally and social policy development more specifically, business is accorded surprisingly little attention in the literature. This is especially true in the context of development. Whilst globalisation has impacted, and in most respects increased, the power and influence of business, research on the views and influence of business remains underdeveloped. This feeds into an incomplete policy arena where policy makers often respond to powerful structural signals but often fail to take into account what exactly business itself wants and needs. Thus, even with evidence of the softening of neoliberal prescriptions at the international level, IGOs and governments alike promote taken-for-granted views of businesses that they both need and favour lightly regulated economies with minimalist social policies. Upon closer examination, however, it becomes clear that widely varying welfare models are compatible with highly competitive firms. Equally clear is the fact that business opinion on social policies itself is widely variable, depending on the prevailing economic climate, dominant institutional arrangements, the particular policy in question, and specific firm-level needs in terms of human capital and access to markets. Whether social policy is compatible or incompatible with business opinion and needs, therefore, depends on many factors, not least the chosen form and implementation of social policies themselves.

The prioritisation of certain business voices and the tendency towards taken-for-granted assumptions of business preferences, this paper argues, tends to hamper and distort the development of good social policy solutions in the context of development. This, in turn, can harm both the welfare of individuals and the interests of business as a whole. Whilst some companies actively seek out low tax and wage regimes for exported goods, others will be attracted productive and skilled labour, stability in labour markets, and access to growing consumer markets. The needs of domestic capital may be different still. This paper investigates the dynamics at play here in three parts. First, it examines the implications of globalisation for business power and influence over social policy in developing economies. Whilst globalisation increases the significance of both business structural power and voice, it is argued, it is the former that tends to be most important in influencing fiscal and social policy in developing countries. Second, it argues that it is important to pay greater attention to the range of business voices on the international and domestic scene. Towards this end, the paper attempts to develop a more complete picture of international and domestic business needs on social policy through an empirical examination of business opinion both internationally and nationally within a number of developing economies. It then examines, as a proxy for gauging structural signals, the various ways in which developing economies ‘sell’ themselves to international capital through Trade and Industry Ministries. Here it is argued that states, in responding selectively to structural pressures and certain business voices, risk gearing policies towards the narrow policy preferences of certain businesses rather than business needs in general. Lastly, it reflects on how such narrow policy solutions risks locking developing states into a social policy agenda that is neither in the best interests of business and citizens more generally, especially the poorest and most vulnerable members of society.

José Carlos Marques, Researcher, UNRISD - Organized Business and Social Policy in Comparative Perspective

Contemporary concerns with economic stagnation, growing inequality, social tensions and the stability and legitimacy of the current form of capitalism, have resulted in “new” pro-poor and egalitarian development agendas. Non-state actors, including transnational corporations (TNCs) and business associations, have increasingly been called on to engage with policymaking processes, institutional reform and the provision of public goods. The suggestion is that public policy issues, including distributional concerns, can be dealt with by means of corporate self-regulation and Corporate Social Responsibility (CSR). However, academic understanding of the relationship between business and social policy leaves much to be desired. How should we expect business actors to react to an agenda where liberal economic policies still

hold sway but poverty and progressive social policy are re-emerging once again? How has business responded in previous eras and in different countries to calls for social engagement? How does this inform our understanding of CSR?

This paper draws together insights from various streams of literature in order to answer the following question: Under what political, economic and institutional conditions has business contributed to progressive social policies and the promotion of more inclusive patterns of development? The analysis situates “business” in its socio-political and historical context by analyzing three different political economies - the liberal U.S. model, the neocorporatist Northern European model, and corporatist East Asian model. It highlights four factors that condition business’ stance towards progressive social policy: 1) political weakness; 2) product market strategy; 3) social risk; 4) collaborative institutions. It then relates these conditions to contemporary concerns with poverty and inequality.

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

Participation by business in the formulation of social policy depends on its capacity for collective action, the nature of the policy itself, and the predominant types of productive activity by large firms. Business capacity for collective action is a longer term function of the opportunity structure for business participation in politics which in some cases favors individualized lobbying and in others collective engagement by business associations. The key dimensions of the nature of policy are scope, length of implementation, and certainty regarding outcomes. Lastly, the more activities of big business are concentrated in high skill, high quality sectors, the more likely its preferences will favor enhanced social policies. In Latin America, these three dimensions have for the most part led business away from pro-active support for, and participation in, social policy.

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

In response to a balance of payments crisis in the summer of 1991, India dramatically embarked on a path of market reforms. Socialist planning, an inward orientation and an interventionist state gave way to an external outlook and a more decentralized structure that involved a very different role for the market and the state. One area that has undergone a striking transformation since 1991 has been the relationship between the state and business. In broad terms, this paper is an attempt to understand the evolution of business-government relations in the era of economic reforms in India and its subsequent impact on public policy. Specifically it tries to answer the following questions. How have economic reforms affected business-state relations? What impact has this had on policy-making more generally and labor policy more specifically? Finally, what constrains corporate influence in these policy spheres?

Under the license-permit raj, the state micromanaged private investment decisions but at the same time protected business from both external and internal competition. The system essentially gave business access to monopoly rents for almost four and a half decades. Business interacted with government at an individual and collective level. Business houses successfully used their resources and personal connections to gain individual benefits from the system. The interaction between business and the state was largely a patron-client one where business resources were exchanged for individual licenses and permits. Various factors both internal to business as well as relating to the broader policy realm undermined collective efforts. Business’ policy role at a collective level was largely symbolic, mostly reactive and had negligible impact on the broader direction or content of policy.

The economic liberalization process played a major role in transforming the relationship between business and government. Since the mid-1980s, the Indian government has developed closer relations with capital. Further the liberalization process has meant that state governments compete for private capital and do so by offering investor-friendly environments. In addition, reforms have provided major impetus for business collective action. The scope of collective business activity, the ability of business to articulate common interest and its channels of access to government have all increased significantly. Business is engaged in a wider range of policy issues and is also more proactive in its efforts. Business’ policy role must also be looked at in a context where the private sector has driven average annual GDP growth rates of over 8 per cent between 2003 and 2007.

After having outlined the change in business-government relations, this paper attempts to analyze the effect of this transformation on labor policy. It looks at business preferences and influence in the areas of labor market flexibility, social security, skills development, affirmative action in the private sector, collective bargaining and industrial disputes. It finds that business preferences for labor policy were related to its needs for competitiveness. In terms of actual success in lobbying for labor reform, business’ record is mixed. While there have been almost no legislative changes associated with labor laws since 1991, there has been a trend of de facto reform in some areas such as labor market flexibility. The process of de facto reform has, however, led to a situation that is neither optimal for labor nor business. Politically labor reforms have been virtually impossible to undertake. Aside from this fact, business lobbying is found to be more effective in some areas of labor than others.

What factors constrain business’ power and influence in public policy more generally? This paper identifies two areas. It employs Varshney’s (1999) distinction between issues relating to ‘mass’ politics in India and those concerned with ‘elite’ politics. India’s vibrant democracy as well as the fact that labor policies belong to the ‘mass’ realm act as a natural obstacle. The second factor that constrains capital’s policy role is coalition and opposition politics. Since 1991 no party has been able to win an outright majority in national elections and since 1996 only coalitions have governed at the center. Coalition politics pose difficulty in policy-making and implementation as several actors can exercise veto power. In addition, India’s major parties have constantly switched policy positions when in power and when in opposition. Both

the Congress and BJP have tried to undertake labor reform when in power but have opposed the same reforms when in opposition. As such political factors pose the biggest constraints to business influence and lobbying. The paper ends by providing several policy suggestions.

Session 2 Changing Patterns of State-Business Relations

State-business relations have undergone significant changes in contexts of economic liberalization, democratic transition and social entrepreneurship. To what extent have these developments constrained “rent-seeking” and the “capture” of state institutions by business interests and compensated for inadequate state provisioning?

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

In the 1980s and 1990s, when Latin America and Eastern Europe underwent an economic and political transition, analysts focused on the development of “emerging markets” and the process of “democratic consolidation”. In the 21st century, as most of the developing world still struggles to grow and contain authoritarian threats, the focus shifted to issues such as corruption, institutional weakness and democratic de-consolidation. In this context, the question of state capture has emerged and provoked a stimulating debate. The importance of this topic is evident since it deals with the paradox that typifies the present: stronger corporations operating with weaker states.

The major source of concern in state capture studies is that politicians and policymakers were seduced by empowered economic interests to generate rents in a predatory environment. Hence, the need to explain “what went wrong” during the twin transitions in some countries, how the newly acquired economic and political power has been used and abused, and what the costs are in terms of resource allocation, policy quality, institutional development and business climate. The first studies of state capture initially focused on corruption in the former Soviet nations, in particular Russia and the “oligarchs”. These studies, sponsored by international financial organizations and based on surveys, conceptualized state capture as a form of corruption. Given the institutional power and outreach of such organizations, the studies have awakened a theoretical debate developed long ago by political sociologists and political economists (Drazen 2000: 334 and ff.; Newman 2005: 472 and ff.).

Two basic perspectives on capture theory have emerged. The conventional approach envisions state capture as a dangerous deviation from the right developmental path that is manifested when firms of all sizes “purchase...laws and decrees” (Hellman 2000: 5). Corporations are seen as practicing influence, the “firm capacity to have an impact on the formation of the basic rules of the game without necessarily recourse to private payments” (Hellman, Jones and Kaufmann 2000: 2). In this perspective “bad networks” may control governments and can even obtain representation in international organizations. Corporations and big business not involved in corrupt rent-seeking practices are perceived as “good networks” (Moreno Ocampo 2007). An underlying assumption of this rather normative approach is that nations can develop and thrive with strong markets forces and minimalist states, yet they must be careful not to fall in the state capture trap and fight political corruption.

An alternative approach provides a critical view of state capture. It goes beyond corruption and focuses on how corporations, now the most powerful economic actors, obtain privileged access and undue influence over the most important branches of the state apparatus. Business empowerment creates state dependence on capital, a context where government officials “bend to pressure” and defend the most powerful private interests at the expense of the public one (Eisner 1993, Campbell 2001, Bruszt 2001, Távora 2005). Corporations are thus the main “captor actors” (Omalyanchuk 2001: 5). This approach pays attention to variables that generate a predatory environment by looking at the interaction between the concentration of economic and political power, accountability, and the institutional quality of governmental branches and agencies. In terms of recommendations, it proposes more, better governmental regulation and to rebalance private and public interests.

This paper analyzes one case from a critical perspective and with a particular intent on analyzing the specifics. It looks at Peru, a Latin American country that suffered more intensely from an ongoing form of state capture since 1990, in a context of a weak state and a frail civil society, and when the regime shifted from authoritarianism to redemocratization. Interestingly enough, in this changing political context captor actors found themselves operating in a more open and balanced political environment that led to a moderate form of state capture. Democratization, a process accompanied by growing tensions inside the state, and an eruption of demands from civil society to eliminate corporate privileges, made it more difficult but not impossible to defend rents. Peru’s analysis thus illustrates the conditions of two state capture modes. This case has the additional advantage of being thoroughly investigated by congressional committees responding to pressures from civil society, an extraordinary event.

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

In the exit from Russia's state socialism, the rise, type and influence of business associations exhibit regressive tendencies. This paper illustrates the unequal growth in business associations across countries of the former Soviet Union, the disproportionate voice of big business associations within countries, and business association members' perceptions of their influence on development agendas. These variations suggest that the institutional framework has a bearing on the prevalence and actions business associations pursue. This analysis supports the pessimistic and widely held view of business-state relations where vested interests co-opt and capture the state. Against this trajectory, a case example from Russia highlights how a public policy intervention altered the institutional framework in support of progressive business-state relations. The case study examines how interactions between government officials and young entrepreneurs during the implementation of a national management training program spurred business association formation. Early evidence from this national program suggests that government action can facilitate new forms of social organization leading to market supporting and complementing actions.

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

Bangladesh is one of the countries that have huge donor presence in the development sector yet struggling with the issues of persisting poverty; increased conflict within civil society; rising religious extremism and a political milieu relating to many political actors. Despite three decades of developmental activism and continuous international donor support to alleviate poverty, Bangladesh remains a country with a substantial majority living on less than a dollar a day. A brief exploration of the amount of financial & technical assistance; involvement of international & local organizations and assertions regarding the success of poverty eradication projects in the past and claims for the near future and accentuate the need to re-examine arguments for a development agenda.

Many of the mega-organizations had a humble beginning; however, the philanthropic and humanitarian assistance for the poor provided these organizations financial resources essential to expand activities and provide goods and services generally considered the obligation of the state towards citizens. Over a period of time, the development organizations have either taken control of or have become major partners with the state in the provision of these services to the citizens.

These development sector organizations are heavily involved in commercial and entrepreneurial ventures, and have entered into local business markets – a shift from not-for-profit to profit generating ventures. Due to the shifting nature of their work, they have become stake holders in the local as well as global market economy.

Previously these organizations have successfully maintained an apolitical posture, the new economic realities and financial stakes are pushing them to exert pressure on the state, and play an active role in shaping the policies that affect development strategies and social & labor market policies. Since, these organizations have a new dimension at stake in the economic agenda locally as well as globally; they need a role in shaping policies and implementation mechanism controlled by the nation-state. The need to encourage a healthy institutional, political and economic condition, promoting organized business interests to support progressive social policy and inclusive development strategies have changed their relationship - from a non-engaged to an actively engaged relationship with the state.

At another level, these not-for-profit organizations are entering into a state regulated sector, in which other actors (business houses) are already operational, lobbying to protect similar commercial interests, and would compete with development organizations. There exists a confrontational relationship between local businesses and unregulated not-for-profit commercial ventures, since one is regulated by the state and organized within the parameters set by the state, work under existing labour laws and pay taxes, contributing to public revenues while others receive financial assistance as development organizations and are exempt from taxes -with few exceptions (e.g., Grameen phone that works in collaboration with Nortel has recently started paying tax).

This paper would argue that, the increasing commercial activity would reshape the development sector in Bangladesh, even overhaul the dynamics of socio-economic and political scene locally. The increasing economic stakes would supplement political ambitions of development sector and reminiscent of bigger corporations and business houses would play an active role in the political scheme in Bangladesh. Recent political situation in Bangladesh draws attention to such developments already taking place though on a micro level, and development actors are pushing for an active political role and are no longer willing to be merely lobbyists or bystanders. Younas' maiden attempt to form a political party (Citizen's Power); intention to contest elections and eventual withdrawal can be viewed as an indication of the shifting nature of developmental politics. In the context of this new economic and political scenario, this paper would attempt to explore:

- Local discourses of governance, social responsibility & accountability
- North South Development Nexus
- Social Welfarism
- Commercial Ventures, Opportunism & Social Business Management
- Corporate Social Responsibility and business practices
- New Centres of Power and Social Control through Development
- and finally development sector's increasing role to wield control of political institutions through their established networks

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

The competitiveness challenge created by the re-integration of South Africa into the global economy in 1994 motivated a partnership between government, industry and labour to map out the country's automotive policy. The policy framework formulated was successful in enabling the local industry participate in global automotive value chain, but social outcomes of interest to the new democratic government were relegated in the process. This realisation has led to periodic review of government support for the automotive policy framework, the result of which has been policy instability. The paper argues that partnerships between government, industry and labour can play an important role in formulating successful sector development policies in developing countries. However, keeping social outcomes on the agenda of such consensus-based development policies and avoiding policy instability requires that government and labour develop capacity and tools to rigorously interrogate development models proposed by the corporate sector during negotiations.

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. Social development agendas involving Corporate Social Responsibility (CSR) and Public-Private Partnerships (PPPs) have placed increasing demands upon the private sector. How clear are the rules of engagement and how well understood are the potential benefits and limitations of CSR and PPPs? What responsibilities are specific to the state and which are best handled by sharing or entirely devolving to the private sector? How are contradictory interests dealt with and under what circumstances might state legitimacy and/or democracy be undermined? What incentive structure will lead to sustainable, socially desirable private-sector social provision?

Ruth Findlay-Brooks, Programme Manager, Wayne Visser, Research Director, and Thurstan Wright, Project Coordinator, Cambridge Programme for Industry (CPI), University of Cambridge - Cross-Sector Partnership as an Approach to Inclusive Development

Cross-sector partnerships are increasingly being seen as a key development approach for the 21st Century, with many governments, international agencies and corporations viewing them as the most effective way to deal with complex and intractable development problems that have defeated single-sector interventions. However, partnerships are not a straightforward option. Some see them as merely a "phase of policy experimentation" (Geddes, 2000, p797) – a short-term response to rapid global change. There can also be issues of accountability and power imbalance, when un-elected businesses and NGOs have influence in states where governments are weak or failing. Even where they are the best solution, there can be real obstacles in both the development and management of partnerships which are too easily ignored.

This research draws on the University of Cambridge Programme for Industry's (CPI's) many years' experience of partnership work – and in particular on the experiences of those running and participating in the Postgraduate Certificate in Cross-sector Partnership (PCCP) course. Through exploring the experiences of these partnership practitioners, together with current thinking on the topic, the paper concludes that, if we are relying on partnerships to bring about structural change and long-term development impacts, then they need to be firmly tied into genuinely inclusive consultation processes, operate within accountability frameworks, be properly supported and evaluated, and where appropriate lead ultimately to policy change.

Payal Banerjee, Lecturer & PhD Candidate, and Kasturi Gupta, PhD Candidate, Department of Sociology, Syracuse University - A Transnational Perspective on Indian Workers, CSR and Development

This paper focuses on the complexities and contradictions within CSR arising as a result of CSR's implementation within a neoliberal framework and provides an empirically-based assessment of the following: 1) a critical review of the CSR-related HIV/AIDS initiatives of key large-scale manufacturing companies in India; and 2) an analysis of Indian immigrant information technology (IT) workers' experience in the U.S. as a subcontracted workforce and their exclusion from CSR agendas despite their work at CSR-member corporations. Both the IT and manufacturing sectors, as identified above, have been key contributors to India's recent economic growth. Moreover, companies in both sectors work closely with the state (such as, the IT industry in the U.S. and India shapes work visa policies, likewise the manufacturing sector in India influences policies on industrialization, privatization, and labor laws). Therefore, it becomes incumbent to study how workers in these sectors, central to the development process, are faring in terms of their social and economic indicators.

Our findings elaborate upon the following themes: 1) the increasing co-dependence between states and corporations, and this relation's impact on socio-economic development policies, and 2) the implications of the corporate sector's immanent entry into the realm of social development, erstwhile a strong-hold of the state, through CSR.

This paper brings Indian workers—in India and in the U.S., and from two different sectors, the manufacturing and high-end IT—within the same analytical lens. This fosters an understanding of CSR that is not limited to merely evaluating

individual company's success or failure regarding their specific activities and policies. Our analysis raises broader questions about the purpose and scope of CSR and their overall relevance for social development. This paper also provides a transnational understanding of Indian workers' integration into the global economy and their position and relationship with state and corporate practices, specifically CSR. Using an integrative approach, data from two separately conducted research projects are combined to analyze issues, such as workers' embodied experiences, gender, corporate policies, and significance of policies on development, labor and migration in India and the U.S., which are becoming close trade partners in the global economy.

Contemporary quantitative analysis provides extensive overview of the scope of CSR or the distribution of Indian immigrant IT workers across the U.S. corporate spectrum (see, Saxenian 2002 for IT; Sood and Arora 2006 for CSR in India). However, it is our qualitative and comparative framework that enables a critical elaboration of the structural ramifications of state and corporate policies and such policies' intersections with the lived experiences of workers, whether as immigrant IT workers in the U.S. or as factory labor in India.

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

Corporate social responsibility in Zambia can be traced back to the colonial period where business entities had only responded to the needs of settler European populations. Large mining conglomerates such as the Anglo American Corporation of South Africa had specifically created working conditions - via this mechanism - for European employees, similar to those obtaining in European Welfare States at the time. However, the African quarters were mostly neglected and typified by poverty and destitution. Despite the huge profits that the mining companies were getting from the sale of copper, lead, zinc and other minerals, there were no concerted efforts to translate such profits into the development of the colony, as all the money was externalised overseas. It is noteworthy that colonial social policy was also heavily influenced by the mining consortia whose interests were duly considered by the colonial government in its various plans.

Due to the foregoing scenario, Zambia was an extremely underdeveloped country at independence in 1964. However, this situation dramatically changed within a space of ten years – as the country was turned into one of the richest in sub-Saharan Africa. Key human development indicators of health, education and nutrition were extremely positive and the country looked as if it was on a long road to prosperity. Before this situation transpired, most of the multinational corporations were not willing to transform even after independence. Therefore, in response to this intransigence, the Zambian government nationalised most foreign-owned businesses in 1968. It then began channelling resources towards social development with a resultant elevation of the quality of life of Zambians. It also created a comprehensive and universal social welfare system. Thereafter, most of the nationalised mining companies were amalgamated into the Zambia Consolidated Copper Mines (ZCCM) Limited, which also began spearheading social development endeavours by building schools, hospitals, houses and supporting sports, and recreation. However, Zambia's social development agenda was unsustainable and by the 1990s it had almost virtually collapsed.

The purpose of this paper is to explore the transition of corporate social responsibility in Zambia since 1964 and identify its critical imperatives as well as successes and failures, under successive political regimes and ideologies. It will also attempt to establish the manner in which corporate social responsibility has influenced social policy development in the country from the colonial times to the present. The paper hopes to make proposals as to how the private sector in Zambia and the state can harmonise initiatives in the favour of social development.

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

Kazakhstan, a vast post-Soviet republic in Central Asia, has tremendous natural resources and tremendous social problems. As one of the fastest growing suppliers of oil and gas, with vast agricultural lands and significant deposits of ferrous and precious metals, Kazakhstan has the resources to be a wealthy country. Yet rural poverty in Kazakhstan is 31% of the population, with some of the most oil rich districts experiencing upwards of 40% poverty. The extractive industries have invested heavily in Kazakhstan after independence in 1991, with companies such as Chevron Texaco, ENI & Rio Tinto entering joint ventures to explore and extract oil, gas and minerals. This investment is capital intensive, it requires skilled labour and much of the benefit of this investment flows out from the rural areas, towards the main cities and abroad. To try and counter these risks, and spurred on by the globalisation of Corporate Social Responsibility, Western companies have adopted CSR policies and practices. Yet many of these CSR activities have seen companies assume responsibilities that were traditionally seen as the realm of the state. In education and healthcare this is particularly prevalent.

Local resentment of this extraction is exacerbated by a collapsing rural economy. The decline of Soviet collective farms was followed by a botched privatisation programme, with land and other agricultural assets appropriated by elites. Rural healthcare and education are in a state of decline, characterised by underinvestment and malaise. This is leading to greater inequalities between the minority of 'new' urban citizens of Kazakhstan who have benefited from the resources boom, and the majority who have seen their livelihoods decline. National economic development has been hindered by the 'resource curse' which has led to underinvestment in rural infrastructure. Moreover, serious health 'scars' such as the accidental infection of over one hundred children with HIV has highlighted the sensitivity of health care and education provision.

Rural poverty and resentment is recognised as the greatest business risk to companies operating in Kazakhstan, and growing inequality threatens the legitimacy of the state. Riots and protests, directed against foreign labour in the construction sector, are but one indicator of popular dissatisfaction. The risk this poses to the companies working there, for the security of their staff and operations, as well as the risk of forced shutdowns, is considerable. Multi-million dollar investments are under threat because of the rural poverty that exists in Kazakhstan. Likewise the government is under increasing pressure to address the disparity between rural and urban areas. Thus companies are becoming activity engaged in the policy process, out of a concern for their investments.

This paper analyses the competing policy processes in rural Kazakhstan. On the one hand major corporations are spending money on social projects to promote health and education – especially in the regions with oil, gas and mineral deposits. The quality of this service provision is at times questionable. Likewise, the argument that this enhances the ‘licence to operate’ of these companies has recently been put in doubt. Rural resentment of the extractive industries is high. The investments have not resulted in the expected level of rural employment and opportunities and many rural poor feel marginalised and excluded from the economic ‘boom’ of the new Kazakhstan.

Conversely, the rising feelings of Kazakh nationalism, including changed feelings of social solidarity, the re-emergence of the clan/hoard structures and equivocal opinions of foreign investment, are combining with social changes of the post-Soviet period. This is placing an increasing pressure on the government to distribute the oil wealth more broadly. The government response, of forcing companies to pay for social projects, can be interpreted as short sighted, undermining the legitimacy of the state and exacerbating the democratic deficit. Indeed legislation currently before the majlis (parliament) is considering mandating that CSR spending be on cultural projects, as determined by the state, and there is doubt as to how effective this CSR spending will be in reducing poverty.

By focusing on education and health, two key social services which were provided as universal rights in the Soviet period, this paper discusses how the policy process exhibits competing, at times contradictory, discourses. The vacillations between state provision, state neglect, (selective) private provision and new nationalism, charts the course of Kazakh social policy in the past fifteen years.

Paddy Ireland, Professor of Law & Director of Research, Kent Law School, University of Kent. Renginee G. Pillay, Lecturer & PhD Candidate, Business Law, University of Kent - CSR and the New Constitutionalism

The idea of corporate social responsibility (CSR) has risen to prominence with remarkable rapidity and managed in a short period of time to become, in the words of *The Economist*, ‘an industry in itself, with full-time staff, newsletters, professional associations and massed armies of consultants’ (*The Economist* 2004). Embraced by corporations, touted by academics, and advanced by NGOs and policymakers as a potential mechanism for achieving social policy objectives and furthering economic development, CSR has become one of the flavours of the new Millennium. More and more hopes are being pinned to it, particularly in the developing world, where it is increasingly seen as having a potentially vital contribution to make to economic and social development. ‘By following socially responsible practices’, the UK’s Department for International Development (DFID) has claimed, ‘the growth generated by the private sector will be more inclusive, equitable and poverty reducing’ (DFID 2004). Can CSR bear the weight of the increasing expectations being heaped on its shoulders?

This paper assesses contemporary CSR’s potential as an instrument of economic and social development through an examination of its historical origins. Ideas about the social responsibilities of corporations, it argues, are far from new and can be traced back at least as far as the 1920s and 30s when the idea of the ‘socially responsible corporation’ began to emerge. An examination of the context in which these earlier ideas about the social responsibilities of corporations developed and of the wider body of ideas of which they were part, the paper suggests, helps to throw the nature of contemporary CSR into sharp relief, making possible a more clear-sighted assessment of its potential.

Klaus Leisinger, CEO, Novartis Foundation for Sustainable Development; Professor of Sociology, University of Basel – The Political Economy of TNC-Stakeholder Relations

This presentation will examine the attitudes of civil society actors that play an important role in defining the division of labour between state and business. It will consider the relationship between corporations and “anti-globalization” organizations that want to dialogue as stakeholders. Business can play a significant role in the solution of major global issues but it can neither do it alone nor in the context of a conventional conservative business model. It is important to establish certain “rules of engagement” between business and civil society organizations in order to facilitate an innovative kind of symbiosis between state and business that does not discredit the legitimate objectives of structurally different institutions.

Session 4 Corporate Lobbying and Policy Influence

Firms and business associations often lack a coherent approach to social policy and may engage in CSR and lobbying practices that are contradictory. To what degree can this be attributed to organizational, institutional or industry-specific factors? How extensive is lobbying or other forms of policy influence by business interests and what are their implications for social policy and CSR? How might CSR, lobbying and progressive social welfare be aligned?

Bart Slob, Senior Researcher and Francis Weyzig, Researcher, Centre for Research on Multinational Corporations (SOMO) – The Lack of Consistency between Corporate Lobbying and CSR Policies

Although many multinational corporations have developed comprehensive CSR policies in the past ten years, most of these companies do not refer to ethical aspects of corporate lobbying in their business principles or codes of conduct. Political donations (OECD 2000) and policy influence to support human rights (Holme and Watts 2000) are sometimes recognised as CSR issues. However, efforts to systematically align corporate lobbying in general with CSR principles are often lacking (Blowfield 2005).

Furthermore, many systems have been created to report on CSR policies and implementation, such as the Global Reporting Initiative (GRI). Some of these reporting systems do provide guidelines for companies on how to report about lobbying strategies and activities, but generally do not make companies report on their lobbying activities through business associations and chambers of commerce. The GRI G3 Guidelines, for example, include guidance to report on participation in public policy development and lobbying, but many companies do not use this society performance indicator.

It is safe to say that multinational corporations hardly ever provide comprehensive information to stakeholders on their corporate lobbying strategies and activities (SustainAbility and WWF UK 2005). Various cases of corporate lobbying affecting developing countries in a negative way have been documented (e.g. Blowfield 2004, Dharanajan 2005, Utting 2000). Therefore the current lack of coherent policies and disclosure is worrying.

Most academic research on corporate lobbying focuses on refining lobbying strategies and how lobbying can have a positive impact on a corporation's bottom line. Moreover, many researchers seek to analyse lobbying in high-income countries and in international policymaking, such as the WTO negotiations. Academic studies on corporate lobbying in developing countries are virtually nonexistent (Utting 2007).

The aim of this paper is to provide a more detailed analysis on whether and how companies integrate lobbying in their CSR policies, with a focus on issues affecting developing countries, and to provide recommendations for improvement. The focus will be on the influence on legislation and government policies in developing countries and on international policy and agreements affecting developing countries.

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)

This paper presents the political strategies adopted by industrial entrepreneurs in their campaign for reducing the “Brazil cost”, and measures the outcomes eventually achieved in this campaign. It covers a range of twelve years, which embraces President Cardoso's two terms in office (1995-2002), and President Lula's entire first term (2003-2006). The paper is divided into three sections. The first section of the paper shows how the reduction of the “Brazil cost” became a flag under which members of the business community congregated. The second section presents how organized business interests attempt to shape the policy process related to the “Brazil cost” through lobbying. The third section measures the degree of political success that industrial entrepreneurs have achieved under Cardoso's and Lula's governments, regarding “Brazil cost”-related proposals. In general, the results show that industrial entrepreneurs operating in Brazil have obtained a very high degree of political success.

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

Business is among the main stakeholders in trade negotiations. It is therefore common practice for business associations as well as individual companies to lobby their governments to make them pursue trade agreements that suit their interests. Thus, trade negotiations have often been envisaged as a ‘two-level’ game in which governments have to bargain with domestic groups and trading partners simultaneously (Putnam 1988, INTAL-ITD-STA 2003). However, recently many governments have involved business closely in trade negotiations and delegated such authority to it that the sharp distinction between the two levels of the game is blurred.

Chile is one country where business has been intimately involved in free trade negotiations (V Silva 2000, Sáez 2002, Porras 2003, Bull 2008). Chile has pursued a free trade strategy for a longer time and more consistently than any other Latin American country. Since 1990 it has liberalized through the negotiation and signing of bilateral and regional free trade agreements. Chile now has free trade agreements with most Latin American countries (including Mercosur), as well as the United States, the European Union, the European Free Trade Area and more recently with several Asian

countries, including China and Japan (see Table 1). Business participation has provided the Chilean negotiators with significant expertise as well as reduced domestic opposition to the agreements. It has also contributed to greatly improve the antagonistic relationship that existed between the government and business after the return of democracy in 1990 (Silva 1996a, 2002; Campero 2003).

However, currently trade negotiations are not only about market-access; they also encompass complex regulatory issues, including new mechanisms to regulate business practice². Among the most controversial issues of regulation related to trade agreements are measures to regulate environmental and labor conduct. Also the free trade agreements signed by Chile include a variety of such measures.

The question explored in this paper is therefore how Chilean business have influenced or attempted to influence the way in which the trade agreements regulate environmental conduct and respect for labor rights. This is done through, on the one hand, analyzing the positions and strategies of business representatives towards the negotiations over such regulatory measures, and on the other hand, analyzing how business has taken part in the implementation of the agreements.

The paper is based on field work in Chile during the first half of 2006. This included approximately 60 in-depth interviews with representatives of most major business associations, public officials, labor unions and other civil society representatives. The paper is outlined as follows. The first section discusses three ways in which labor and environmental regulation have been argued to be linked with free trade and trade agreements and outlines the role business has been hypothesized to play in securing different outcomes. The second section briefly introduces Chile's trade agreements and the context for business participation in terms of major business associations and their relationship to the state. The third section analyzes the positions and strategies of business towards labor and environmental clauses in three free trade negotiations: with Canada, with the United States and with the European Union. The fourth section analyzes the role of business in the implementation of labor and environmental aspects of the accords. The concluding section discusses what general lessons that may be drawn from this case in terms of the dynamics of corporate influence on trade policy and social regulation.

Session 5 New Social Pacts and Regulatory Politics

Numerous literatures point to the fact that collaborative institutions for 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 and ability to mediate interests. To this effect, what private, public or multipartite governance institutions exist or are emerging that contribute to both industrial competitiveness *and* social well-being? Do these governance structures grant sufficient voice and influence to concerned social groups? Can these institutions improve or replace government regulation?

Doris Fuchs, Professor of International Relations and European Integration and Agni Kalfagianni, Researcher, University of Stuttgart – Private Food Governance and Implications for Social Sustainability and Democratic Legitimacy

The global food system and its governance have important implications for the question of sustainability. In a socio-economic sense, over half of the world's population is engaged in agricultural production. It thus provides a livelihood for a significant proportion of people on the planet. And food is a commodity that touches us all – we all eat, and thus are consumers of food as well. Food production and trade have important implications for socio-economic outcomes and, depending on their organization and distribution, can work to either enhance or detract from economic opportunities and environmental and social living conditions. Given the proliferation of private governance institutions in the area of agriculture and food, their impact on sustainability, especially its social dimension, becomes crucial.

This paper seeks to better understand how business actors, and specifically transnational corporations (TNCs), impact on social aspects of sustainable development in developing countries through the creation of private institutions in food governance. We pursue our objectives applying a power-theoretic approach, where we assume that actors draw power from material and structural as well as ideational and normative sources. In this perspective, actors exercise power when they influence other actors' decisions (instrumental power). Actors also exercise power by influencing other actors' policy options. This kind of power is normally called structural power and it can exist as agenda-setting power as well as rulesetting power. And finally, actors exercise power by influencing other actors' perceptions concerning their own interests and thereby their preferences. This power is generally referred to as discursive power (for an extensive analysis see Fuchs 2005, 2006). In our analysis, we concentrate primarily on the structural and discursive facets of actors' power.

Finally, the paper discusses the democratic implications of private governance institutions and highlights the challenges private and public actors face in the global governance of food in that respect. In discussing the democratic implications, the paper focuses both on input oriented arguments for procedural democracy and on output-oriented arguments, that is whether private institutions contribute to or hinder the creation of the conditions necessary to protect the poor and reduce the chasm between the rich and the poor in the long-term. Moreover, the paper also discusses the concept of deliberative democracy as an alternative source of legitimation for food governance beyond the state.

The paper is organised as follows. The next section provides background information concerning the characteristics of global food governance, highlighting the increasing role of food retailers in that respect. Section three provides some examples of private retail institutions, in particular retail standards, and discusses their implications for the social dimension of sustainability. Section four, then, outlines the implications of retail standards for democratic legitimacy, while section five concludes our paper by summarizing our findings and delineating their implications for research and policy.

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

I argue that by moving beyond the limits of current debates on codes of conducts or standards, and current exclusionary state policies, we can gain insights by examining how the implementation of new standards works when they include small producers. This paper looks at MNC-NGO partnerships to see what lessons they might provide for social policymaking. How can the new sustainability standards intertwined with the growth of MNC-NGO alliances successfully include the small producers? Such an examination of MNC-NGO partnerships that include poorer groups could improve our understanding of the process of upgrading of social and environmental standards and inclusive development potential in developing economies. As Mexico and Central American constituencies are challenging the Washington Consensus, there is an opening for policies that move beyond the previous trend described above. The state, a broadly representative private sector, and non-governmental organizations have the potential to create policies that link social and economic development.

To investigate these questions, this study focuses on a global supply chain where small-scale producers in Mexico and Central America have an important presence. Using the case of the specialty coffee chain, and specifically the Starbucks and Conservation International (CI) alliance, I examine the evolution from standard setting to implementation, and under what conditions the inclusion of the poorer producers is fostered.

I suggest that the elaboration and implementation of new standards through MNC-NGO partnerships reveal possible routes for fostering inclusive development. Though a private regulatory form, it can provide insights for thinking about the state's role in post-Washington Consensus era, and for strategies that combine poverty alleviation and competitiveness. In particular, MNC-NGO partnerships that follow an active assistance approach at the smallscale producer level show ways to build the capacities of small producers to meet the standards, and to create supporting conditions for development.

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

This paper establishes the link between the interests of the dominant classes and the harsh reality of inequality and deprivation amongst the large mass of people in shaping the direction of social policy in India. The paper argues that the interplay between policies and interest groups is complex and multidirectional and the often-suggested inherent contradiction between welfare policies and interests of the dominant groups is too simplistic to advance understanding on the direction of social policy in contemporary India. During the 1970s and 80s the state addressed the needs of the poor but never extended them as citizenship rights. The provisioning of basic services was a matter of negotiation between the state and the political society. From the 1990s the negotiating space between the rightless people and the state has changed in a fundamental way. The rights of poor are pitted against the needs of foreign capital, domestic rich and the emerging but very vocal, successful and globally integrated professional class. Businesses have become an increasingly powerful force in the governmental process in India. In the new paradigm, the identification of needs, accountability of services and transparency in implementation is performed by the civil society institutions, while business provides the resources for investment. The role of the government is reduced to coordination and facilitation. The business - social policy linkage is currently more evident in decisions on the direction of social policy (target oriented, debating the legitimacy of needs, and restricting transfer payments) and in the choice of instruments to deliver social policy goals, such as, public private partnership. There are no specific social initiatives of business in India at the level of policy and no clear government strategy for partnership in development. The paper argues that in the interest of equity government must recognise different process through which social and economic power impacts social outcomes and find ways of involving business on social issues. The current drivers of business involvement are weak and herein lies the opportunity for civil society actors to build pressure for meaningful involvement of business on social issues.

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

The paper will offer an empirical and conceptual assessment the UNDP's Growing Sustainable Business Initiative. Based empirical research conducted in Eastern Africa it will be argued that that this institutionalised and localised partnership suffers from elitism and exclusivism and that the outcomes it has produced to date highlight the limits and contradictions of employing a narrow conceptualisation of 'sustainable business' as a developmental strategy.

Session 6 Transnational Activism and Multi-Scalar Regulation

Regulatory politics and social contestation of corporate power are increasingly becoming a transnational and multi-scalar phenomenon. Collective action networks may in some cases link movements and organizations operating at the local, national, regional and/or global levels. How successful are these emerging countervailing centres of power at disciplining business and promoting inclusive development? What organizational and institutional challenges do they face? How do these networked organizations compare to traditional labour movements? To what degree are governments supportive of these movements and why?

Florence Palpacuer, Professor of Business Studies, Université Montpellier - New Forms of Social Dialogues in Transnational Production Networks: A Comparative Analysis of Activist Campaigns in the Global Apparel Industry

The paper analyses 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. The globalization of the apparel industry grew at a rapid pace during the 1990s, as measured by the penetration of imports from developing countries in developed countries' markets. Over the same decade, a number of activist organizations such as the Clean Clothes Campaign or the Maquila Solidarity Network were established by various civil society movements in Europe and North America, with the aim to promote developing countries' worker rights by diffusing knowledge of abusive conditions and promoting solidarity in developed countries' markets, and by pressuring brands to take on a responsibility vis-à-vis working and employment conditions at their overseas suppliers' factories. A number of so-called "multi-stakeholder initiatives" (MSI), such as the Fair Labor Organization in the US or the Ethical Trading Initiative in the UK, were also put in place on the principle of involving corporations, civil society movements and labor unions in their governance system.

Building on UNRISD's notion of corporate accountability and on recent advances in regulation theory, it is hypothesized that the recent emergence of these institutions can contribute to build new modes of regulation in the global economy, by establishing innovative forms of social dialogue between counter-powers (both old and new) and global corporations. Such hypothesis is investigated on the basis of case studies of several NGO campaigns/operations including the Matamoros campaign against Puma in 2003, and the Hermosa case involving Adidas, Nike and other apparel brands in 2005-2006. The objective is to characterize NGOs' modes of internal organization as well as their relationships with corporations, other NGOs and traditional counter-powers including states and labor unions within the context of various campaigns. The cases are documented on the basis of NGO and corporate website information, as well as interviews with activists at European and North American NGOs in 2006-2007. First, the case studies highlight similarities between the modes of operation of transnational networks of counter-powers and global network firms, including their geographical scope, speed of operations and interconnected organizational structures. Such organizational convergence can be seen to result from innovation and entrepreneurial behavior on the part of the various counter-powers involved. Second, the distribution of roles arising from interactions between NGOs, MSIs, corporations, states and labor unions during activist campaigns highlights the rise of diverse and evolving positions ranging from complementarity to competition in the endorsement of social responsibility and the representation of workers' interests. Such features can be analyzed as revealing an on-going production process of institutional arrangements that have not reached a stage of stabilization in transnational production networks. Third, and relatedly, an attempt will be made to identify conditions for an institutional stabilization of the forms of social dialogue developed between transnational networks of counter-powers and global network firms. From the perspective of regulation theory, such stabilization is a necessary condition for these institutional forms to contribute to regulate the global economy.

Jeroen Merk, PhD Candidate in International Relations, University of Sussex, and Research coordinator at the International Secretariat of the Clean Clothes Campaign - The Structural Crisis of Labour Flexibility: Strategies and Prospects for Transnational Labour Organising in the Garment and Sportswear Industry

The garment and athletic footwear industry are characterised by a structural crisis of labour flexibility. Barriers to unionisation, the structural power of capital and the stubborn adherence to export-led growth all combine to create a structural crisis of labour flexibility in the countries at the producing end of the global garment and athletic footwear chain. At the core of this structural crisis of labour flexibility lies a functional divide in the organisation of production and consumption between sourcing companies (brands and retailers) on the one hand and export-oriented manufacturers on the other. This paper will first present three closely inter-related reasons why the crisis of labour flexibility has acquired structural characteristics. The use of structural denotes here that substandard working conditions are not isolated or anecdotal accidents but part of a structured pattern of exploitation and abuse. These practices are not uncontested: labour struggles in the factories and countries of production as well as public discontent in areas of consumption concerning substandard labour conditions brings the issue back to the various corporate headquarters in New York, London, Tokyo, Amsterdam, or Paris. The second part of the paper discusses the main anti-sweatshop strategies the Clean Clothes Campaign has developed since the early 1990s. Section three discusses three comprehensive counter-strategies, that is, strategies that seek to address the various dimensions of the structural crisis of labour flexibility and coordinated around different scales of political action and organising. The challenge here is to propose regulatory action that would empower workers at these different scales (local, regional and sector-wide) simultaneously.

James Van Alstine, PhD Candidate, Dept of Geography and Environment, London School of Economics and Political Science, and Team Leader at the International Institute For Sustainable Development - Linking the Global to the Local: The Institutionalization of Industry's Contribution to Social Development in Durban, South Africa

Within this era of economic globalization, the supposed limited capacities of the state have opened up new roles for non-state regulators such as market regulation, civic regulation, and industry self-regulation. How multinational corporations impact social policy and are governed in developing country contexts is a relatively understudied area, therefore this paper will explore how new countervailing centres of power have emerged to discipline business and promote social pacts conducive to inclusive development.

In South Africa the governmental priority given to economic growth and international competitiveness has set up a potential conflict between environmental health, social policy and inclusive development goals. Within this dynamic context the paper explores how the fuel oil industry articulates its contribution to society, and how and why the issue areas of environmental and public health have been contested and constructed relating to two oil refineries in Durban, South Africa.

Concepts from institutional and organizational theory are used to explain how new forms of state and non-state governance are taking shape. It is found that in a nascent and transitioning democracy innovative multi-stakeholder initiatives have emerged, and a progression has occurred from the normative to regulative institutions as an internationally networked civil society has demanded accountability from both the private and public sectors and government has begun to build capacity.

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

This paper starts by relating the rise of multinational retail and sourcing chains such as Wal-Mart to the development of neo-liberal capitalism. Focusing on their activities and the growing global and local demands for these giant corporations to adopt CSR in developing countries, this paper is divided into four parts. Part 1 deploys the neo-Gramscian approach, especially Stephen Gill's concept of 'new constitutionalism' (1995), to examine the ways in which international agreements (e.g., GATs) under the World Trade Organization (WTO) 'unlock' countries for international trade and investment. This development is related in part to the lobbying activities of transnational corporations, including Wal-Mart, an increasingly powerful multinational retail and sourcing chain. Part 2 examines this rise of Wal-Mart in the developed and developing countries. Concentrating on developing countries, especially China, it examines how Wal-Mart has entered joint-venture partnerships with state-owned investment trusts (e.g., Shenzhen ITIC) and global financial companies in order to establish local economic governance regimes that would consolidate Wal-Mart's sourcing and retailing activities. This growing 'Wal-Martization' trend indicates the shift in power from manufacturers to retailers (and financiers). In particular, it indicates how, given Wal-Mart's control over the supplier system, it has been able to impose 'everyday low prices' and wages on its suppliers, local competitors and workers. This is a form of trickle-down economics – involving a race to the bottom in which it is poverty that trickles down – has prompted the formation of Wal-Mart monitoring groups that investigate and report its uneven distributive impact in the transnational arenas. Part 3 examines state-union-NGO attempts to bring corporate social responsibility (CSR) to Wal-Mart in developing countries, including China. The idea of CSR-ization is introduced to describe how CSR is implemented at factory level. Returning to Gill's idea of 'new constitutionalism', Part 4 supplements it by introducing 'new ethicalism' to rethink the current development of global capitalism (2003). This general mapping of the CSR terrain would be incomplete without noting continuing struggles by movement oriented NGOs. The paper ends by introducing a 'cultural political economy' approach to study these issues.