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**UNITED NATIONS RESEARCH INSTITUTE FOR SOCIAL DEVELOPMENT**

## **Partners in Time? Business, NGOs and Sustainable Development**

David F. Murphy and Jem Bendell

UNRISD Discussion Paper No. 109, August 1999

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## ◆ Summary / Résumé / Resumen

### *Summary*

Historically, most relationships between the private sector and civil society have been founded upon conflict. In different sectors and geographical contexts, this pattern of business-NGO relations has recently started to change with the emergence of formal sustainable development partnerships between these long-standing adversaries.

Part 1 of this paper offers a global overview of the changing nature of business-NGO relations on sustainable development. It examines why and how such relations are changing in the 1990s, the current spectrum of business-NGO relations and how the strategic responses of business and NGOs to sustainable development have evolved. In order to illustrate how business-NGO relations in both the North and South are developing in practice, three case studies are presented on protest and partnership initiatives in the forest products, oil and sporting goods industries respectively.

The case study of the tropical timber trade highlights the myriad relations between civil society and business and the very different corporate responses to civil society and consumer pressures. It is suggested that these varied responses are partly explained by the fact that certain companies and individuals within senior management have taken a leadership role and have recognized both the ethical, commercial or competitive value of corporate environmental responsibility.

The analysis of Shell's experience in Nigeria reveals the impact which co-ordinated global protest can have on corporate activities. This case suggests that enhanced dialogue and partnership may not be enough to improve the global image of the oil industry. The big oil companies confront serious limits in their ability to change fundamentally the environmentally damaging nature of their business and, in general, have failed to recognize the need for energy alternatives.

The case study of the attempt to eliminate the use of child labour in the manufacture of soccer balls in Pakistan outlines the politics and processes of complex multi-stakeholder North-South partnerships to promote corporate social responsibility. An important lesson from this case is the fundamental importance of corporate transparency and a willingness to accept independent monitoring. The study reveals the tensions inherent in such projects. Serious questions remain concerning the future of children whose employment is affected, the effects of such projects on exports, and the sustainability and replicability of complex multi-stakeholder projects.

The case studies are followed by a review of various typologies of business-NGO relations in the literature on conflict and partnership. None, it is argued, explains adequately the diversity of such relations and their implications for governance and global social change. Part 1 concludes with preliminary thoughts on the preconditions, interactive processes and outcomes of more collaborative relations between business and NGOs.

Part 2 presents a theory to explain the expanding role of NGOs in the promotion of corporate responsibility for sustainable development. It considers the potential for the wider replication of NGO-driven corporate environmentalism in developing

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countries. This is done by placing the initiatives described in Part 1 within the context of global processes, including the globalization of business, trade and finance, advances in communications technologies and new governance challenges. This leads to the development of a theory of how corporations are regulated for social and environmental goals in a globalizing economy.

It is argued that growing business responsibility for the environment is not only a rational business response to so-called “win-win” opportunities. Neither is it simply a public relations exercise, as some critics contend. Rather, companies are responding to various forms of pressure and influence from civil society organizations and movements. In other words, what is referred to in this paper as *civil regulation* is an increasingly important driver of corporate environmental and social responsibility.

Key points to emerge from this analysis include the following:

- Corporate environmentalism is a political phenomenon.
- Through the politics of both pressure and engagement, NGOs are creating the new agenda for business as much as companies are themselves.
- The political power of NGOs is not a passing fad but an expression of a new form of consumer politics, which is the result of social, economic and cultural change.
- By describing a continuum of protest and partnership relations between business and NGOs we can observe a new form of regulation for global business, called civil regulation.
- Civil regulation organizations, such as the Forest Stewardship Council (FSC) and Marine Stewardship Council (MSC), will probably be replicated in other industrial sectors and come to be known as systems of global private regulation.
- These developments rely on the sensitivities of Northern markets, and may not be transferable to countries or regions where consumer-driven market pressure is not as prevalent.
- For the civil regulation agenda to develop in the South, and for Northern NGOs to maintain legitimacy when promoting corporate responsibility in developing countries, there must be stronger alliances between Northern and Southern NGOs.
- Changes in the global economy mean that governments need to assume a greater role as leaders and facilitators, but they are in danger of negotiating that role away through global trade and investment agreements.
- The uncertainty that surrounds the issue of corporate environmentalism suggests the need for greater international collaboration in this area.

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## *Résumé*

Historiquement, la plupart des relations entre le secteur privé et la société civile sont conflictuelles. Dans différents secteurs et contextes géographiques, ce type de relations entreprises-ONG a commencé à changer récemment avec l'émergence de partenariats officiels de développement durable entre ces protagonistes longtemps adversaires.

La première partie de ce document donne une vue d'ensemble du changement qui est en train de s'opérer dans les relations entre entreprises et ONG sur le développement durable. Les auteurs étudient pourquoi et comment ces relations se transforment dans les années 1990, examinent le spectre actuel des relations entreprises-ONG et s'interrogent sur la manière dont a évolué l'attitude stratégique des entreprises et des ONG à l'égard du développement durable. Pour illustrer comment les relations entreprises-ONG ont évolué au Nord et au Sud, ils présentent trois études de cas, consacrées à des initiatives de contestation et de partenariat dans les domaines des produits forestiers, du pétrole et des articles de sport respectivement.

L'étude du commerce des bois tropicaux met en lumière la myriade des relations entre la société civile et les entreprises et les réactions extrêmement différentes de ces dernières aux pressions de la société civile et des consommateurs. Selon les auteurs, la diversité de ces réactions s'expliquerait en partie par le fait que certaines sociétés et certains cadres supérieurs ont compris avant les autres la valeur éthique et l'intérêt commercial ou compétitif d'un comportement écologiquement responsable.

L'analyse de l'expérience de Shell au Nigéria révèle l'impact que peut avoir une contestation mondiale concertée sur les activités d'une entreprise. Ce cas laisse à penser qu'une plus grande ouverture au dialogue et au partenariat peut ne pas suffire à améliorer l'image de marque de l'industrie pétrolière dans le monde. L'aptitude des grandes sociétés pétrolières à changer radicalement la nature polluante de leurs activités est très limitée et, de manière générale, elles refusent de reconnaître la nécessité d'énergies de substitution.

L'étude sur la tentative d'élimination du travail des enfants dans la confection des ballons de football au Pakistan fait ressortir les aspects politiques d'associations complexes formées entre des protagonistes multiples du Nord et du Sud pour inciter des entreprises à assumer leurs responsabilités sociales, ainsi que les aléas de telles relations. S'il est un enseignement à tirer de cette étude, c'est bien l'importance fondamentale de la transparence pour les entreprises et la nécessité pour elles d'accepter le contrôle d'un organisme indépendant. L'étude révèle les tensions inhérentes à ce genre de projets. De graves questions demeurent en suspens: l'avenir des enfants dont l'emploi est touché, les effets de ces projets sur les exportations et la viabilité et la reproductibilité de projets complexes réunissant de nombreux participants.

Les études de cas sont suivies d'une analyse des divers types de relations entreprises-ONG décrits dans la littérature du conflit et du partenariat. Selon les auteurs, aucun de ces types ne suffit à expliquer la diversité de ces relations et leurs incidences sur la gestion des affaires et le changement social à l'échelle mondiale. La première partie s'achève sur des réflexions préliminaires sur les

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conditions et les effets d'une attitude plus coopérative entre entreprises et ONG et sur les facteurs intervenant dans leurs relations.

La deuxième partie expose une théorie destinée à expliquer la part de plus en plus grande que prennent les ONG à l'action menée pour inciter les entreprises à assumer leurs responsabilités en matière de développement durable. Les auteurs examinent les possibilités qui s'offrent de voir les ONG pousser les entreprises à se montrer plus respectueuses de l'environnement dans les pays en développement. Ils le font en replaçant les initiatives décrites dans la première partie dans le contexte des grands courants mondiaux, notamment celui de la mondialisation des affaires, du commerce et des finances, des progrès des techniques de communication et des nouveaux défis lancés aux dirigeants. Cela les amène à élaborer une théorie sur la manière dont les sociétés se régulent en fonction d'objectifs sociaux et écologiques dans une économie en voie de mondialisation.

Les auteurs expliquent qu'en adoptant un comportement écologiquement plus responsable les entreprises n'agissent pas seulement de manière rationnelle dans une situation où toutes les parties en présence ont à gagner. Elles ne se livrent pas non plus simplement à un exercice de relations publiques, comme l'affirment certains détracteurs. Ce serait plutôt leur façon de réagir à diverses pressions et influences exercées par des mouvements et des organisations de la société civile. En d'autres termes, ce qu'on appelle dans ce document la "régulation civile" est une incitation de plus en plus puissante à adopter un comportement écologiquement et socialement responsable.

Voici les principales conclusions qui se dégagent de cette analyse:

- Le souci de l'environnement dans les entreprises est un phénomène politique.
- En alliant pressions et engagement, les ONG infléchissent le comportement des entreprises autant que celles-ci le déterminent elles-mêmes.
- Le pouvoir politique des ONG n'est pas une mode passagère mais la manifestation de la force nouvelle que représentent les consommateurs et qui résulte de changements sociaux, économiques et culturels.
- En décrivant tout le spectre des relations entre entreprises et ONG—qui va de la contestation au partenariat—on peut observer une nouvelle forme de régulation à laquelle se soumet le monde des entreprises, appelée régulation civile.
- Des organisations telles que le Forest Stewardship Council (FSC—Conseil pour l'intendance des forêts) et le Marine Stewardship Council (MSC—Conseil pour l'intendance du milieu marin) qui se font l'instrument de la régulation civile seront sans doute prises comme modèle dans d'autres branches d'activité et reconnues comme des systèmes mondiaux de régulation privée.
- Ce type d'évolution dépend des sensibilités des marchés du Nord et n'est pas forcément exportable dans les pays ou régions où les consommateurs n'ont pas autant de poids sur le marché.
- Si l'on veut qu'une réglementation civile se mette en place au Sud autour de mots d'ordre donnés et que les ONG du Nord gardent leur légitimité lorsqu'elles engagent des entreprises à assumer leurs responsabilités dans les pays en développement, ONG du Nord et du Sud doivent conclure des alliances plus solides.
- Avec les changements qui s'opèrent dans l'économie mondiale, les gouvernements devraient s'employer davantage à donner des impulsions et à

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créer des conditions favorables. Or, ils risquent de brader ce rôle en signant des accords mondiaux sur le commerce et les investissements.

- L'incertitude qui subsiste quant à la réalité du souci de l'environnement dans les entreprises porte à conclure à la nécessité d'une plus forte collaboration internationale.

David Murphy est chercheur principal à la New Academy of Business, spécialisé dans les domaines du développement durable et de la responsabilité sociale des entreprises. Jem Bendell est coordinateur de The Values Network, une organisation réunissant les mondes des affaires, des ONG et des chercheurs afin de débattre des normes et certificats dans la pratique responsable des affaires. Il est également candidat au doctorat à l'Université de Bristol.

## *Resumen*

Históricamente, la mayoría de las relaciones que se han establecido entre el sector privado y la sociedad civil han sido sobre una base conflictiva. En los últimos tiempos y en diferentes sectores y contextos geográficos, este patrón que se ha dado en las relaciones entre las empresas y las ONG ha comenzado a cambiar con el surgimiento de las asociaciones formales en función del desarrollo sostenible entre estos inveterados adversarios.

La primera parte de este documento ofrece un panorama global de la naturaleza cambiante de las relaciones que se han entablado entre las empresas y las ONG con respecto al desarrollo sostenible. Examina el porqué y cómo se han ido transformando estas relaciones en el transcurso de los años 90, el espectro actual de las relaciones empresariado-ONG y cómo han evolucionado las respuestas estratégicas empresariales y de las ONG con respecto al desarrollo sostenible. Con el fin de ilustrar la forma en que las relaciones empresariado-ONG se han desarrollado en la práctica en los países del Norte y del Sur, se presentan tres estudios de caso sobre iniciativas de protesta y de asociación que han tenido lugar en las industrias de productos forestales, petrolera y de artículos deportivos respectivamente.

El estudio de caso sobre el comercio de maderas tropicales destaca la miríada de tipos de relaciones que se han dado entre la sociedad civil y el sector empresarial, y las respuestas tan diferentes que han ofrecido las corporaciones a las presiones ejercidas por la sociedad civil y los consumidores. Se esboza que tal variedad de respuestas se explica en parte por el hecho de que tanto ciertas empresas como individuos en cargos directivos han adoptado un papel pautador, asimismo que han reconocido el valor ético, comercial o competitivo del sentido de responsabilidad empresarial en torno al medio ambiente.

El análisis de la experiencia de Shell en Nigeria revela los efectos que puede tener la protesta mundial coordinada sobre las actividades empresariales. Este caso sugiere que el mejoramiento que se ha producido en el diálogo y en la asociación tal vez no sea suficiente para 'sanear' la imagen global de la industria petrolera. Las grandes compañías petroleras confrontan serios límites en su habilidad para cambiar fundamentalmente la naturaleza perjudicial al medio ambiente de su actividad comercial y, en general, no han logrado reconocer la necesidad de otras alternativas de energía.

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El estudio de caso del intento de eliminar el uso de la mano de obra infantil en la manufactura de pelotas de fútbol en Pakistán, perfila las políticas y los procesos de las asociaciones complejas de múltiples partes interesadas de los países del Norte y del Sur en la promoción de la responsabilidad empresarial en el entorno social. Una lección de peso que se desprende de este caso es la importancia fundamental de transparencia empresarial y la voluntad de aceptar un seguimiento independiente. Este estudio revela las tensiones inherentes en tales proyectos. Aún quedan cuestiones serias por tratar concernientes al futuro de los niños cuyos empleos se ven afectados, las repercusiones de tales proyectos sobre las exportaciones, y la sostenibilidad y la posibilidad de reproducir los complejos proyectos de múltiples partes interesadas.

Los estudios de caso van seguidos de un examen de varias tipologías de relaciones empresariado-ONG en la literatura sobre conflictos y asociaciones. Se arguye que ninguna documentación explica adecuadamente la diversidad de tales relaciones y sus implicaciones en la gestión y el cambio social global. La primera parte concluye con pensamientos preliminares sobre las condiciones previas, los procesos interactivos y los resultados de relaciones con mayor colaboración entre el empresariado y las ONG.

La segunda parte plantea una teoría explicativa de la creciente función que desempeñan las ONG en la promoción de la responsabilidad empresarial para el desarrollo sostenible. Considera el potencial para una más amplia reproducción de las actividades empresariales en favor del medio ambiente conducidas por las ONG en los países en desarrollo. Para lograrlo se sitúan las iniciativas descritas en la primera parte del documento dentro del contexto de los procesos mundiales, incluyendo la globalización empresarial o industrial, el comercio y las finanzas, los avances en las tecnologías de la comunicación y los nuevos retos que presenta la gestión. Esto encamina a concebir una teoría sobre cómo se reglamentan las empresas para alcanzar las metas sociales y ambientales en una economía que se está globalizando.

Se arguye que la creciente responsabilidad empresarial para enfrentar el deterioro del medio ambiente no es solamente una respuesta empresarial racional ante las oportunidades que ofrecen igual ventaja. Como tampoco es un ejercicio de relaciones públicas según lo afirman algunos críticos. Más bien, las empresas están respondiendo a las varias formas de presión e influencia ejercida por las organizaciones y movimientos de sociedad civil. En otras palabras, lo que se refiere en este documento como *reglamento civil* es un mecanismo de engranaje cada vez más importante de la responsabilidad de las empresas corporativas en torno al medio ambiente y a los efectos sociales.

Los puntos claves que surgen de este análisis abarcan lo siguiente:

- Las actividades empresariales para la protección del medio ambiente constituyen un fenómeno político.
- Mediante políticas de presión y compromiso, las ONG están creando una nueva agenda para las empresas corporativas, la cual tiene igual importancia que la agenda que crean las mismas empresas.
- El poder político de las ONG no es una tendencia pasajera, sino más bien la expresión de una nueva forma de políticas del consumidor como consecuencia del cambio social, económico y cultural.

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- Al describir un continuum de relaciones de protesta y de asociación entabladas entre el empresariado y las ONG, podemos observar una nueva forma de reglamentación para las actividades mundiales de las empresas corporativas, denominada reglamentación civil.
  - Las organizaciones de reglamentación civil como el Consejo de Administración Forestal (FSC) y el Consejo de Administración Marina (MSC) probablemente se replicarán en otros sectores industriales y se llegarán a conocer como sistemas de reglamentación mundial privada.
  - Estos acontecimientos descansan en la sensibilidad de los mercados de los países del Norte, y no pueden transferirse a los países o regiones donde la presión de los mercados ejercida por el consumidor no es tan frecuente.
  - Para que la agenda de reglamentación civil se impulse en el Sur, y para que las ONG del Norte se mantengan legítimas cuando promueven la responsabilidad empresarial en los países menos desarrollados, tendrán que haber alianzas más fuertes entre las ONG del Norte y del Sur.
  - Los cambios en la economía mundial urgen a los gobiernos a que amplíen su papel de líderes y facilitadores, pero corren el peligro de traspasar ese papel a través del comercio mundial y los acuerdos de inversión.
  - La incertidumbre que existe en torno a las actividades empresariales para la protección del medio ambiente indica que necesitamos mucho más colaboración internacional al respecto.

David Murphy es investigador titular en la New Academy of Business. Se ha especializado en los campos de desarrollo sostenible y de la responsabilidad social de las corporaciones. Jem Bendell es coordinador de The Values Network, una organización que reúne al mundo de los negocios, a las ONGs y a los investigadores para discutir las normas y la certificación para las prácticas responsables de los negocios. Actualmente es candidato para el doctorado en la Universidad de Bristol.

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## ◆ Abbreviations and Acronyms

AFL-CIO	American Federation of Labour
ASSEFA	Association of Sarva Seva Farms (India)
BCSD	Business Council for Sustainable Development
BGMEA	Bangladesh Garments Manufacturers and Exporters Association
BLCC	Bunad Literacy Community Council
CAB	Central African Batteries
CACP	Citizens Alliance for Consumer Protection (Republic of Korea)
CONCAWE	Conservation of Clean Air and Water Western Europe
DIY	do-it-yourself
EDF	Environmental Defense Fund
EHS	environment, health and safety
ENGO	environmental NGO
FDI	foreign direct investment
FIFA	Fédération Internationale de Football Association
FoE	Friends of the Earth
FSC	Forest Stewardship Council
GEMI	Global Environmental Management Initiative
ICC	International Chamber of Commerce
ILO	International Labour Organization
ILRF	International Labor Rights Fund
IOC	International Olympic Committee
IPEC	International Programme for the Elimination of Child Labour
IRRC	Investor Responsibility Research Centre
ITTA	International Tropical Timber Agreement
ITTO	International Tropical Timber Organisation
MAI	Multilateral Agreement on Investment
MEB	Management Institute for Environment and Business
MOSOP	Movement for the Survival of the Ogoni People
MSC	Marine Stewardship Council
NGO	non-governmental organization
NNPC	Nigerian National Petroleum Company
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
OIA	Environmental Institute (Brazil)
ORAP	Organisation of Rural Associations for Progress (Zimbabwe)
PBM	Pakistan Bait-ul-Mal
PR	public relations
RAG	Rainforest Action Group
RED	Red Ambiental Peruana
SCCI	Sialkot Chamber of Commerce and Industry
SCF	Save the Children-UK
TNC	transnational corporation
UK	United Kingdom
UNEP	United Nations Environment Programme
UNICEF	United Nations Children's Fund
UNPO	Unrepresented Nations and Peoples Organisation
UNRISD	United Nations Research Institute for Social Development
WBCSD	World Business Council for Sustainable Development

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WCC	World Council of Churches
WFSGI	World Federation of the Sporting Goods Industry
WIC	World Industry Council for Environment
WWF	World Wide Fund for Nature



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# INTRODUCTION

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Partnership is not the first word that comes to mind when one thinks about business-NGO relations. Over the past three decades, most relationships between the private sector and civil society have been founded upon conflict.<sup>1</sup> In different sectors and geographical contexts, this pattern of business-NGO relations started to change in the early 1990s with the emergence of formal sustainable development partnerships between these long-standing adversaries. Although most of these business-NGO partnerships to date have appeared in the North, many have significant implications for the South—particularly those that promote international business and trading standards. Furthermore, there is some indication that Southern-based companies and NGOs are beginning to collaborate, albeit to a much lesser extent than their Northern counterparts.

This paper is divided into two parts. part 1 offers a global overview of the changing nature of business-NGO relations on sustainable development. Our purpose here is to examine why and how business-NGO relations are changing in the 1990s. We summarize the current spectrum of business-NGO relations and consider how the strategic responses of business and NGOs to sustainable development have evolved over the years. In order to illustrate how business-NGO relations in both the North and South are developing in practice, three case studies are presented on protest and partnership initiatives in the forest products, oil and sporting goods industries. This is followed by review of various theoretical perspectives on business-NGO relations from a broad literature on conflict and partnership. Given that this is an emerging area of study, part 1 of the paper concludes with preliminary thoughts on the preconditions, processes and outcomes of more collaborative relations between business and NGOs.

Part 2 presents a theory to explain the expanding role of NGOs in the promotion of corporate responsibility for sustainable development. We consider the potential for the wider replication of NGO-driven corporate environmentalism in developing countries. This is done by placing the initiatives described above within the context of global processes, including the globalization of business, trade and finance, advances in communications technologies and new governance challenges. This leads us to develop a theory of how corporations are regulated for social and environmental goals in a globalizing economy. We call this *civil regulation*.

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<sup>1</sup> Alongside business-NGO confrontation, various NGOs have accepted corporate donations for specific projects or causes. While some writers have characterized these activities as “partnerships” (Forrester, 1990; Waddock, 1988), others have tended to view them primarily as corporate sponsorship agreements (Murphy and Bendell, 1997). Recent research suggests that greater attention is being given to the mutual benefits for business and NGOs of these agreements (Waddell, 1998).

# PART 1: THE CHANGING NATURE OF BUSINESS-NGO RELATIONS

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## CONFLICT AND COLLABORATION

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The road to partnership often begins with and depends upon conflict. Back in 1962, Rachel Carson's **Silent Spring** launched the contemporary Northern environmental movement with an exposé on the harmful effects of pesticides upon people and their natural environments. The chemical industry responded with a scathing attack on environmentalists, branding them "a motley lot ranging from superstitious illiterates and cultists to educated scientists" (quoted in Hoffman, 1996:53). Thirty years later in the lead-up to the 1992 Earth Summit, Stephan Schmidheiny's **Changing Course** was intended as a clarion call for global business to see environmental pressures as new business opportunities. **Changing Course** launched the Business Council for Sustainable Development (BCSD) and offered 38 case studies of best environmental practice, including chemical producers Ciba-Geigy, Dow, DuPont and Shell. Greenpeace responded with a pre-emptive attack on **Changing Course** hours before its official launch in May 1992. And weeks later at the Earth Summit, the NGO released **The Greenpeace Book of Greenwash** (Bruno, 1992), which castigated nine of the BCSD companies for their poor environmental records. From **Silent Spring** to **Changing Course**, relations between representatives of business and the NGO movement have for the most part remained strongly antagonistic. The mid-1995 confrontation between Shell and Greenpeace over the disposal of the Brent Spar offshore oil installation confirmed the long-standing image of two tribes engaged in perpetual war over values, words and ideas.

There is another side to the business-NGO story. While the dominant pattern of business-NGO relations remains antagonistic, in recent years some businesses and NGOs have been quietly working together to overcome their differences. In many cases, NGO protest and other forms of campaigning have forced business to the negotiating table. For example, the high-profile Greenpeace-Shell confrontation eventually led Shell-UK to engage the Environment Council, a British NGO, to facilitate a series of European-wide "Dialogue Forums" between the company and a wide range of NGOs and other stakeholders on alternative disposal options for the Brent Spar. In late 1996, Shell-UK's Fay said that his company "had no option but to pursue the goal of sustainable development" (quoted in Cowe, 1996:17).

Recent stories from the South also reveal both collaboration and conflict between business and NGOs. Although relatively few in number, Southern business-NGO partnerships are beginning to emerge. In Zimbabwe, the development NGO Organisation of Rural Associations for Progress (ORAP) and Central African Batteries (CAB) have been working together since 1992. The ORAP-CAB partnership is a formal joint venture that creates small businesses to sell or lease batteries to households and to develop solar-powered recharging centres. This helps to promote a more regular and sustainable energy source for local lighting (UNEP/PWBLF, 1994).

A different example of business-NGO collaboration comes from Brazil, where the Environmental Institute (OIA) has facilitated co-operation between NGOs, local authorities, community associations and various companies on the Biomass Nutrient Recycling Project. One outcome of this project was the development of the Petropolis Waste Water Treatment Plant as a commercial venture of OIA (INEM, 1996). Another example comes from Asia, where an NGO, Citizens Alliance for Consumer Protection (CACP), in the Republic of Korea organizes high-profile media events aimed at getting large corporations to sign agreements related to cleaner production, energy efficiency and other environmental matters.

Quite a different story emerges from many other parts of the South, where business-NGO confrontation remains the order of the day. For example, in early 1997 the proposed Essa sea-salt plant joint venture between the Mitsubishi corporation and the Mexican government came under attack by a coalition of Mexican and American NGOs and activists. The campaign raised concerns about the plant's potential impact on grey whale habitats in the San Ignacio lagoon. Indeed, throughout the South many NGOs continue to gather information about planned or actual development projects, making data available to local and indigenous groups and NGOs in other countries. Related strategies include organizing corporate boycotts and promoting fair trade alternatives (Kiefer and Benjamin, 1993:231).

To date, there appears to be greater evidence of business-NGO partnerships in the North than in the South. Whereas there has been a long history of business-NGO relations and consumer politics in the North, most NGOs in the South initially "allied themselves with popular movements to oppose the state, while for all practical purposes, ignoring the market and its institutions" (de Oliveira and Tandon, 1994:7). In the face of globalization and state deregulation, however, Southern NGOs are beginning to recognize the need to influence more directly, and in some cases collaborate with, business.

While many within the global NGO movement continue to view any form of business-NGO collaboration with deep suspicion, others see improved relations with the private sector as a necessary tactic in trying to change unsustainable and unjust business behaviour. Some suggest that NGOs can have it both ways:

[T]he exploration of opportunities for co-operative action does not imply that citizens [and NGOs] should renounce their right and duty to question and oppose corporations—and states—whenever their behavior proves detrimental to the common good. In any case, labor disputes and conflicts over environmental or consumer issues will hardly disappear from the agenda of civil society (de Oliveira and Tandon, 1994:7).

The apparent paradox of NGOs seeking both protest- and partnership-based relationships with business reflects a need for "a new way of thinking about our problems and our futures" (Handy, 1994:11). The management of paradox, Handy suggests, is about living with contradictions, not necessarily solving them. Managing paradox is also about mitigating the worst aspects, enjoying the best and using the experience to find "clues to the way forward" (Handy, 1994:13).

In the following section, we examine a range of business responses to sustainable development, from a limited focus on pollution prevention to preliminary efforts by some companies to embrace a broader sustainability agenda.

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## BUSINESS RESPONSES TO SUSTAINABLE DEVELOPMENT

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Within a broad spectrum of action and inaction, many businesses remain reactive and defensive about their environmental and social impacts and responsibilities. Most companies worldwide have hardly begun to respond seriously to the many challenges implied in the concept of sustainable development. A number of individual companies, industry sectors and informal business alliances are, nevertheless, slowly beginning to redress this situation.

Despite mixed reviews at the time, the Rio Summit proved to be a watershed in the business response to sustainable development. While disagreements remain over what the concept really means, both theoretically and practically, there is general acceptance that sustainable development challenges us to understand and act upon ecological, social, economic and political issues in an integrated manner (Aina and Salau, 1992). The emergence of sustainable development as a new policy idea offered business an opportunity to enter the environmental debate as a legitimate participant. As noted earlier, many NGOs dismissed initiatives such as the BCSD's **Changing Course**. Despite its limitations, this initiative represented a major break with the past, when most businesses had at best ignored environmental issues, or done the legal minimum, and at worst had actively attempted to undermine environmental arguments.

This is not to say that there were no relevant corporate responses to environmental issues before Rio. The first stage of a constructive business response began in the 1970s, when a number of leading companies in North America and Western Europe initiated programmes aimed at reducing or preventing industrial pollution. The second stage of business response to environmental problems came in the wake of a number of high profile environmental disasters, including the Union Carbide chemical release in Bhopal, India (1984) and the Exxon Valdez oil spill in Prince William Sound, Alaska (1989). Consequently there was a proliferation of voluntary codes of conduct and "above-compliance" initiatives from industry. For example, in the mid-1980s the Canadian Chemical Producers Association introduced Responsible Care, and in 1990 the American Petroleum Institute launched its Environmental Mission and Guiding Principles. By establishing these and many other schemes, industry wanted to prove to its critics that it was capable of developing common standards and expertise in environmental management (UNCTAD, 1996).

The second stage, or self-compliance agenda, remains the dominant paradigm of environmental management. Some argue that it is promoting sustainable development by allowing flexibility in addressing environmental issues and by creating incentives for environmental innovations (WBCSD, 1997). However, self-compliance has been criticized by both environmentalists and academics for not going far enough and for being used by industry as a means of discouraging new environmental legislation or threatening to replace existing regulations (Welford, 1997; FoE-UK, 1995).

In our book **In the Company of Partners**, we argue that the business response to sustainable development needs to move to a more ambitious third stage:

If we are serious about meeting the needs of the present without compromising [those of] the future, we believe that . . . business must work together with other sectors to build a radically new sustainability agenda which encompasses environmental protection, global equity and social justice (Murphy and Bendell, 1997:90).

In the following section, we consider how NGOs in different sectors and geographical settings are responding to the sustainable development challenge and how their relationships with business are evolving in the process.

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## NGO RESPONSES TO SUSTAINABLE DEVELOPMENT

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Globalization and its consequences have undermined the credibility and legitimacy of many systems and structures of governance. Is this merely about market institutions usurping the power of the state? Or does this also provide “unprecedented opportunities for the global emergence of a third sector” alliance of NGOs? (de Oliveira and Tandon, 1994:4).

As agents of civil society, NGOs are gaining greater recognition and power at the international (and, in many cases, national and local) policy levels. The growing participation of large numbers of different NGOs in United Nations conferences, meetings and other official processes confirms this trend (Krut, 1997). At the same time, many NGOs are finding themselves with growing responsibility and legitimacy as corporate watchdogs and agents of sustainable development. All NGOs, however, do not have the same global political access and recognition, nor do they all have the same opportunity or inclination to influence business behaviour either adversely via protest or positively via partnership. The global NGO movement remains exceedingly diverse, largely disorganized and quite often divided.

### ◆ Defining NGOs

The common understanding about NGOs is that they are non-profit as well as non-governmental. However, “non-profit” is not an appropriate descriptor, as it could also include organizations that lobby on behalf of commercial interests, such as the International Chamber of Commerce (ICC) and other trade or industry associations. Furthermore, the non-profit tag would exclude local co-operatives that may seek to make a profit for their members and community, but which are generally considered part of civil society.

Another problem with the term NGO is that it describes a wide range of civil society groups such as people’s associations, membership organizations and service providers. It clearly encompasses a broad range of organizations in terms of size, purpose, funding base and organizational structure. Nevertheless, NGO is now widely used in academic, media and international policy circles as a general term for third-sector or civil society organizations.

Despite the enormous diversity of NGOs worldwide, a general definition of NGOs is nonetheless possible within the context of this discussion. NGOs are civil society groups that have as their primary purpose the promotion of social and/or environmental goals rather than the achievement of economic power in the marketplace or political power through the electoral process. NGOs acquire resources primarily through the “integrative power” of the citizen, whereas governments primarily do so through “threat power” and business organizations primarily through “economic power” (Korten, 1990:97).

NGOs include organizations as diverse as an international, multimillion dollar operation such as the World Wide Fund for Nature (WWF) and a local farmers’ group such as the Association of Sarva Seva Farms (ASSEFA) in India. In order to distinguish between larger NGOs and less formal, often smaller civil society organizations, we also refer to community, citizen or activist groups. Community or citizen groups indicate locality of membership and purpose. Activist groups reflect primacy of protest over service delivery or policy-level advocacy. In the 1990s, the concept of sustainable development is being embraced in different ways by a variety of NGOs, community, citizen and activist groups in the fields of environment, development and human rights.

### ◆ Three or Four Waves of Environmental NGOs?

In the North, environmental NGOs have evolved toward a sustainable development orientation through three waves of environmentalism (Murphy and Bendell, 1997). The first began at the turn of the twentieth century as a residue of the Romantic Movement, which had championed a return to nature in the wake of the industrial revolution. People were primarily concerned with preserving what was “wild” or “natural”. It was a Western-centric concept of a divide between humans and nature and led to the creation of the first national parks.

The second wave in most Northern, industrialized countries began in the 1960s. Due in part to the socio-economic changes that supported a variety of new social movements at the time, this environmentalism stressed the oneness of humans and our environment. The emerging science of ecology and the Apollo pictures of the Earth in space helped create this environmental consciousness. The first major environmental campaigning groups were set up around this time and focused primarily on increasing regulation to protect people from industrial pollution.

The third wave began in the mid- to late 1980s. With increasing resources but insufficient progress at the international and national policy levels, environmental NGOs began to seek practical ways of moving forward and implementing solutions. The global environmental problematique began to be broken down into everyday issues with practical remedies. Third-wave environmentalism places increasing emphasis on market-oriented campaigns. Recently there have been calls for a fourth wave of environmentalism, particularly from Mark Dowie, who describes this fourth wave as:

. . . a broad-based, multi-ethnic movement that takes a long-term global view, challenges prevailing economic assumptions, promotes environmental protection as an extension of human rights, and engages in direct action when necessary (1991–92:90).

We accept Dowie's suggestion that Northern environmental groups should integrate "the lessons of the grassroots" into their strategies (*ibid.*). However, in many respects third-wave environmentalism has already begun to adopt environmental justice and sustainability ideals and strategies, the latter including direct action, consumer boycotts, corporate dialogue and North-South NGO alliances.

## ◆ Four Generations of Development NGOs

Development NGOs based in the North have also begun to embrace the sustainability agenda. Korten (1990) describes three generations of development NGO strategies. First-generation development NGOs focus on the provision of disaster relief and welfare—the original role of Northern NGOs such as Oxfam. Second-generation strategies focus on promoting small-scale, self-reliant community development. And third-generation strategies involve increasingly large and sophisticated NGOs "working in a catalytic, foundation-like role rather than an operational service-delivery role . . . facilitating . . . other organisations [to develop] the capacities, linkages and commitments required to address designated needs on a sustained basis" (Korten, 1987:149).

Later, we describe a natural extension of this third-generation strategy, with development NGOs beginning to influence the role of international and local businesses in the social sustainability of the South. Korten goes on to describe the need for fourth-generation NGOs, which aim to build "a critical mass of independent, decentralized initiative in support of a social vision" (1990:127). Part of this strategy is building links between different NGOs and addressing the more structural issues at the heart of social and environmental problems. Whereas third-generation NGOs "seek changes in specific policies and institutions", Korten suggests that fourth-generation NGOs will facilitate the coming together of loosely defined networks of people and organizations to transform the institutions of global society (1990:123).

## ◆ Southern NGOs

The typologies outlined above are particularly relevant for understanding the role of Northern-based NGOs in promoting sustainable development. Despite recent efforts by both development and environmental NGOs to broaden their respective agendas, for the most part they remain distinctive organizational types. For many Southern NGOs, community and activist groups, however, the division between environment and development is not so clear cut. For example, the Malaysia-based Third World Network or the Mexican Coalition on Environment and Development embrace a broader sustainable development agenda than Northern NGOs such as WWF or Oxfam. While many Southern environmental NGOs remain urban, middle-class membership organizations with limited grassroots connections, there are numerous examples of environmental NGO collaboration with peasant organizations and indigenous peoples, particularly in Latin America and Asia (Reilly, 1995; Heyzer et al., 1995).

When local Southern groups protest against their lands being acquired, or their rivers being poisoned, they are fighting for their mutual, material interests (Collinson, 1996). The environmental problems faced by peoples of developing

countries often have far more severe effects on their livelihoods than for people in the North. In recent years, many Southern groups have begun to assume the language of Northern environmental NGOs and present their dilemmas in environmental terms. Martin Khor of the Third World Network captures this phenomenon well with the following comments:

Our goals in the South are about survival, humanity and dignity. And democracy. A great deal of energy has been spent in the South . . . in helping social movements regain their right to land and other resources, in order to promote their rights to good health and adequate nutrition, to safety, to housing, and to a sustainable environment. All these changes are necessary for both social justice and a sound environmental and development policy (1993:223).

As well as adopting the terminology of sustainable development, Southern NGOs are also fostering better links with their counterparts in both the North and other parts of the South. This is an outcome of both the information technology revolution and NGO participation in global conferences before, during and after the Earth Summit (McCoy and McCully, 1993; Krut, 1997). Information technology is also facilitating the communication of corporate abuses instantaneously via e-mail to the home countries of the international companies involved (Johnston, 1997). As a result, some Southern NGOs are also beginning to develop a new focus on market-oriented campaigns similar to the tactics of many Northern NGOs.

## ◆ NGO Diversity and Tension

Notwithstanding the above comments, the global NGO movement remains extremely heterogeneous, not merely along traditional environment-development or North-South divides. Whether one compares NGOs on a global or even on a national basis, there are no doubt many more differences in NGO philosophy, purpose and strategy than there are similarities. Despite considerable and worthy efforts to promote North-South NGO alliances and the idea of a global civil society, numerous tensions between NGOs remain. NGOs worldwide face many different and potentially competing courses of action.

There is the further problem of what some describe as the “commodification” of certain NGO activities into areas such as contractual service delivery and consultancy-type work (Uphoff, 1996). If this is a growing trend, as some commentators argue, then it may have implications for business-NGO relations. As and when greater numbers of NGOs begin to think and act more commercially, to what extent will they be able to remain effective corporate watchdogs? This may not be merely a matter of co-optation. The growing commercial orientation of certain NGOs may reflect a more general blurring of the boundaries between NGOs and business, similar to the emergence of activist companies such as The Body Shop and of entrepreneurial NGOs such as ORAP in Zimbabwe. If this is the case, then perhaps closer and more collaborative relations between certain businesses and NGOs are not only desirable but also inevitable.

Many NGOs would challenge this assumption. Notwithstanding the value of closer co-operation between all three sectors of society—government, commercial and civil—there remains a need for a critical and independent NGO voice. NGO

protest continues to play a vital role in mobilizing citizens to promote sustainable development through policy changes at all levels of society. Without such forms of confrontation, meaningful forms of business-NGO partnership may never come to fruition.

## ◆ Case Studies of Business-NGO Relations

Academic inquiry into how NGOs influence corporate policies related to sustainable development is a relatively new venture. Scholarly debates about the potential for partnerships between business and NGOs in the South are even less common. Indeed, there is little empirical research on the nature of conflicts and alliances between NGOs and private sector companies that have led to environmentally and/or socially advantageous outcomes in both the North and the South. Instead, most research in this area focuses on the role of government in mediating conflicts between business and local communities, or on government-NGO relations. Information on direct relations between NGOs and business is largely anecdotal. In order to help fill this gap, we present three short case studies of business-NGO relations on sustainable development with examples from both the North and the South.

First, to illustrate the myriad relations between civil society and business, we provide a broad review of protest and partnership between various NGOs and companies involved in the tropical timber trade since the mid-1980s. Second, to reveal how co-ordinated global protest affects TNC activities in both North and South, we focus on relations between Shell and various NGOs in the 1990s. Third, to outline the politics and processes of complex multi-stakeholder North-South partnerships, we describe the Project to Eliminate Child Labour in the Pakistan Soccer Ball Industry. This case demonstrates the growing importance of environment, health and safety (EHS) standards for the many global companies that have shifted the manufacturing of finished products to factories in the South.

### *Planting Seeds of Change: Protesting and Partnering to Save the Tropical Rainforests<sup>2</sup>*

Deforestation emerged as a significant international policy issue and major Northern media story in the mid-1980s (Humphreys, 1997). Since that time the rates of forest degradation have shown little evidence of slowing. Despite lengthy consultations among governments, and rising concerns from the public reaching a peak at the 1992 Earth Summit, rapid deforestation continues unabated. According to some estimates, tropical forests are disappearing at the rate of nearly 1 per cent per year, with the annual deforestation rate in the Brazilian Amazon increasing 34 per cent between 1991 and 1994 (United Nations, 1997; Serrill, 1997).

The main causes of deforestation are logging, mining, iron smelting, cattle ranching, cash cropping, dam construction, road building, housing and hotel development, shifting agriculture and fuelwood collection. This case focuses on the causes and responses to the crisis that directly involve Northern countries and their companies, and specifically the international timber trade. Robert Repetto

<sup>2</sup> This case study is based in part on previously published material (Bendell and Sullivan, 1996; Murphy, 1996; Murphy and Bendell, 1997)

and Malcolm Gillis argued in 1988 that commercial logging was the top agent of deforestation, and around this time it was also popularly considered to be the case.

### **Government and industry initiatives for rainforest protection**

For much of the 1980s and 1990s, governments and various international bodies have attempted to respond to the worldwide concern about tropical deforestation. The first international instrument for tropical forests came with the 1983 International Tropical Timber Agreement (ITTA), which provides a framework for co-operation and consultation between tropical timber producers and consumers on a range of issues. In May 1991, members of the International Tropical Timber Organisation (ITTO) approved a “Year 2000 Target” for sustainable forest management. The general NGO feeling is that the ITTO has been too complacent about tropical deforestation in that it has avoided challenging “the destructive activities of the timber industry” (FoE-UK, 1992:5).

At the regional and national levels in the South, some governments have introduced new policy instruments to monitor logging company activities. The South Pacific Forum Code of Conduct for Logging of Indigenous Forests sets minimum standards for the preparation and implementation of work programmes by concession holders. Similarly, the Forestry Commission of Guyana has introduced a code of practice for the operation of natural forest concessions (Murphy, 1997b).

At the international level, the World Business Council for Sustainable Development (WBCSD) formed in 1995 by the merger of the BCSD and the WIC recently commissioned an independent study of the pulp and paper industry. The study recommended that the industry consider developing a code of conduct similar to the chemical industry’s Responsible Care, with the added feature of sector-wide monitoring of company performance (WBCSD, 1996).

The first global certification system for well-managed forests, however, was set up in 1993 by civil society working in partnership with business. This scheme, with a variety of NGO and industry members from the North and South, is called the Forest Stewardship Council (to which we will return later). The reasons why companies in the timber trade have collaborated with NGOs can only be understood by examining the role played by civil society in shaping the deforestation issue since the mid-1980s.

### **Civil society protest in the South**

One of the major stages for deforestation and conflict in the 1980s was Amazonia. The problem was particularly acute in Brazil, where the military junta was trying to “civilize” the region by facilitating billions of dollars of subsidies and tax breaks for entrepreneurs to buy up land and “develop” the forest (Revkin, 1990). Unions of rubber tappers led the fight against cattle ranchers and loggers. Meagre rubber-tapper livelihoods were being threatened because rubber barons realized they could make more money cutting down the trees and grazing cattle. The tappers decided to stage *empates*, whereby chain-saw gangs were confronted and asked to leave the land they were clearing. These protests raised the attention of the international media so that “by the mid-1980s . . . indigenous groups and tappers were considered legitimate participants in the debate” (Dore, 1996:15).

One protester who rose to international fame was Chico Mendes, the leader of the Xapuri Rural Workers Union. He soon became a symbol of the human dimension to the deforestation issue. Furthermore, with his involvement “the authorities could no longer dismiss efforts to save the rain forests as foreigners interfering with Brazilian affairs” (Rowell, 1996a:214).

The *empates* worked as a tactic: by December 1988, some 3 million acres of the Amazon had been saved (Hecht and Cockburn, 1990). After one particular incident, the authorities bought out the prospective rancher so that his plans could not proceed. In revenge, the rancher ordered the killing of Mendes in December 1988. Mendes was the ninetieth rural activist to be murdered in Brazil that year (Hall, 1996). After his death, the world’s news media reverberated with headlines and leading stories on the rubber tappers and deforestation. Following the international condemnation that followed Mendes’ murder, the new civilian administration of President Sarney established a new environmental control agency (IBAMA) to promote a new environmental policy (*Nossa Natureza*) and set up several protected extractive reserves (*ibid.*).

Grassroots action by Southern unions backed up by international concern, therefore, did bring some specific successes. Indeed, the combined protests of civil society groups in tropical forest countries in the 1980s began to shape a new international policy debate. In the 1970s and 1980s cattle ranching and logging were almost universally promoted as the best way to develop tropical forest regions. By 1990 they had become a symbol of destruction.

### **Civil society protest in the North**

With increased NGO campaigning and media coverage, the profile of environmental issues rose in most Northern countries in the late 1980s. As the struggles of indigenous peoples against tropical deforestation became known, the role of the timber trade became a key consumer concern. For example, a wooden product such as mahogany came to be associated with the murder of forest dwellers. At this time, local, largely autonomous Rainforest Action Groups (RAGs) in North America, Europe and Australia were formed.

In Great Britain, beginning in the spring of 1991, various RAGs started to take direct action against wood-product retailers. These groups organized mock chainsaw massacres outside do-it-yourself (DIY) home improvement and furniture stores, with protesters dressed as loggers graphically depicting the destruction of the world’s rainforests. Protesters distributed leaflets to customers and delivered anti-tropical timber pledges to store managers. The intention was to discourage customers from buying tropical timber products.

In 1991, local Friends of the Earth (FoE) groups in the United Kingdom built upon the initial RAG protests. On one November weekend, there were over 100 demonstrations, including 25–30 demonstrations outside the outlets of DIY market leader B&Q plc. Subsequently, on 11 December, FoE-UK claimed in a press release that its protests had prompted dramatic policy developments in the DIY retailers B&Q, Texas Homecare and Homebase, which were now committed to “stop selling environmentally damaging tropical rainforest timber” (FoE-UK, 1991b). The anti-DIY demonstrations proved to be highly successful and garnered considerable media and public attention. Customers began to write letters to the retailers and to confront store managers and employees with tough questions about

timber sourcing. For the most part, the companies took both the protests and customer letters very seriously.

Meanwhile, WWF-International was itself beginning to turn to industry, having become disillusioned with protracted international negotiations on a global forest convention and other international policy initiatives. In 1989, WWF had already announced its own 1995 target for the world's timber trade to be sustainable. At the 1992 Earth Summit, governments could only produce the "toothless" **Non-legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation and Sustainable Development of all Types of Forests**. Francis Sullivan, then WWF-UK forest officer, believed "you can't just sit back and wait for governments to agree, because this could take forever".<sup>3</sup> He felt certain it was right to try and work with people and companies who might be able to get things done.

### **The emergence of timber industry-NGO partnerships**

For the DIY trade, WWF-UK appeared to be a solution to a mounting business problem. Following WWF-UK's "Forests Are Your Business" seminar in December 1991, 10 companies committed themselves to reaching the WWF-UK 1995 target and launched the so-called 1995 Group. The cumulative effects of different forms of environmental campaigning seemed to have firmly taken root in the private sector. The "chainstore massacre" demonstrations and resulting consumer awareness were instrumental, as was the catalytic role of WWF-UK via its forest seminars. Internally, directors of the targeted companies were worried about the public relations and commercial implications of the protests, customer letters and media coverage. Other pressures from investors, insurers and lenders were on the horizon.

To join the 1995 Group, companies had to agree to phase out (by 1995) the purchase and sale of all wood and wood products not sourced from well-managed forests. In pursuit of this target they had to provide WWF-UK with a written action programme detailing how the company would reach the target and then submit regular six-monthly reports on their progress. It soon became apparent, however, that the participating companies needed a credible system for defining good forest management and for ensuring that products were from such forests.

What was needed was a standard-setting body with a system for verifying product claims. Following 18 months of preparatory work, the Forest Stewardship Council (FSC) was launched in 1993. The founding group consisted of environmental NGOs, forest industry representatives, community forestry groups and forest product certification organizations. Both WWF-International and B&Q provided financial and logistical support, among other organizations.

The FSC mission statement commits members to "promote management of the world's forests that is environmentally appropriate, socially beneficial and economically viable"—language consistent with the principles of sustainable development. The FSC accredits certification bodies to ensure that they adhere to FSC principles and criteria when certifying forests as well-managed, and allows them to issue the FSC logo once a chain of custody has been recorded from the forest to the company selling the end product.

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<sup>3</sup> Interview with D.F. Murphy, November 1994.

By the end of 1995, commercial support for the FSC had spiralled in the UK. The WWF-UK 1995 Group had reached 47 members, accounting for about a quarter of the British consumption of wood products. Although many of the companies did not reach the 1995 target, a significant number had purchased certified timber and had specified where most if not all their timber was coming from. The Group was consequently extended with the revised target that companies would purchase wood only from certified forests by the year 2000. As of late 1997, there were over 80 members in the new “1995 Plus Group”.

Partnerships between the timber industry and NGOs are growing in other countries. There are similar timber buyers groups or business-NGO partnerships committed to the FSC in Australia, Austria, Belgium, France, the Netherlands, Sweden and the United States. The Dutch “Hart Voor Hout” initiative dates back to early 1992, and many of its developments paralleled the British experience, namely the catalytic role of protest in leading DIY retailers to seek NGO partners (Murphy, 1996).

The impetus for Northern buyer groups, of course, comes from Northern consumers, campaigners, corporations and NGOs. However, members of Southern civil society also have a voice in the process through the FSC. Representatives of NGOs, such as the Foundation of the Peoples of the South Pacific (Papua New Guinea), FUDENA (Venezuela) and SKEPHI (Indonesia) participate in the FSC as either Board representatives or members of specialist working groups. At the national level in the South, FSC working groups have been established to ensure that the global principles and criteria are adapted to the local context (e.g., Brazil, Cameroon). Although only 25 per cent of current FSC members are from the South, the organization is supporting efforts to increase this number. Furthermore a special working group on social aspects of certification is attempting to find ways in which the social performance of the FSC could be improved (Colchester, 1997).

Before partnerships between timber companies and NGOs, there was no functioning mechanism whereby consumer power in industrialized countries could be captured to promote sustainable forest management around the world. As of December 1997, 5.5 million hectares of forest had been certified worldwide.

The absence of a significant number of partnership initiatives in the South suggests that many of the driving forces behind greater responsibility in the timber industry are peculiar to Northern countries. From the above, it is apparent that NGO and consumer pressure in a Northern context often has a profound effect on corporate public image and a perceived need on the company’s part to respond positively. Collaborating with a well-known environmental NGO also promises additional benefits to those normally gained from internal environmental management initiatives (Bendell and Warner, 1996). In addition to help with getting the job done, significant public relations benefits may be gained from collaborating with NGOs. For example, the participation of WWF in the FSC scheme has helped to reassure customers that participating company claims are credible.

### **Criticism of timber industry-NGO partnerships**

Notwithstanding the progress to date, there is considerable criticism about the role and contribution of the FSC scheme. Some have challenged the use of market

mechanisms for rainforest conservation by arguing that such schemes fail to address the underlying causes of deforestation and the infringement of indigenous peoples' land rights (Corry, 1993). Others are concerned about how commercial interests might undermine social and environmental matters in the certification process.

Criticism has also come from timber traders and producers who do not support the FSC form of certification. On a practical level, some companies argue that producer certification would be too expensive and bureaucratic to implement across the whole of the industry. Others have difficulty with the FSC in principle, suggesting that non-governmental bodies do not have the authority to "regulate" a company's forest management practices. This, they argue, is the role of sovereign governments or inter-governmental organizations (Harris, 1996).

Some critics in government, business and civil society argue that the championing of the FSC by Northern NGOs and companies is another example of the industrialized North imposing its perception of environmental problems and remedies upon the rest of the world. Whereas the social, political and cultural contexts in many Northern countries have produced a concerned retail trade and an impetus for certification, the situation in the East and South is different.

Japan, the largest importer of tropical timber and timber products in the world, has not yet become an advocate for a sustainable timber trade. Despite the presence of a well-organized environmental movement, there has been limited Japanese NGO pressure and consumer demand for certified wood products (Wadsworth, 1996). The rise of consumer concern and business response in most other Northern countries, therefore, may just serve to shift international trade patterns, with certified timber going to Europe and North America and non-certified timber going to Japan and, increasingly, South-East Asia.

The recent moves of companies from countries such as Malaysia, Thailand and Indonesia into the tropical rainforests of Latin America, the South Pacific and the Congo basin is worrying. To illustrate, in Papua New Guinea, Malaysia's largest logging company, Rimbunan Hijau, now controls at least 60 percent of the government's 21.5 million-acre forestry concession area through more than 20 subsidiaries (Ito and Loftus, 1997). Despite recent attempts to introduce codes of conduct, the prospects for influencing these concessions through legal or market mechanisms appear bleak. Faced with national debt and a need to attract foreign direct investment (FDI), most governments of tropical forest countries appear to be locked into a "race to the bottom" of environmental regulation.

### **New tools and tactics for forest protesters**

In response to the apparent inability of governments to curb the ongoing destruction of tropical forests, civil society organizations in both North and South are developing new tactics and using new tools to influence corporate behaviour (Collinson, 1996; Johnston, 1997). Many protests are aimed at the international timber, oil and mining industries. These protests differ from those in the 1980s in two significant ways. The first relates to the use of information technology and the second to a new focus on Northern markets. Together, these developments are leading to a new level of North-South co-operation in civil society.

The role of electronic information technology in Southern forest struggles first gained major significance during the Zapatista uprising in the forested Chiapas region of Mexico in 1994. Protesters could send their complaints, including those about the environmental degradation of the Lacandon Biosphere Reserve, around the world by electronic mail (e-mail). Journalists and activists on the appropriate e-mail lists thus received immediate accounts of the events unfolding: it was the first “on-line revolution” (Stea et al., 1997:218). Communication technology is also helping forge new alliances between local, national and international groups.

The second dimension to the campaigning of Southern groups is an increasing focus on Northern markets. The struggle of the Guarani and Tupinikim Indians in Brazil against the paper and pulp company Aracruz Cellulose is an example of such a strategy. The Guarani and Tupinikim Indians have been contesting the Aracruz operations on their traditional lands for many years. When the government announced that Indians could lay claim to their traditional lands there was hope that the Guarani and Tupinikim would benefit. In 1993 the executive commission of the two tribes submitted an application to annex 13,274 hectares. However, an adjustment to the law in 1996 allowed prospective logging companies to appeal against the claims of forest dwellers. Aracruz launched such an appeal and the Guarani and Tupinikim became concerned that their claim would be rejected. In response they began an international campaign to raise awareness of their cause.

In early 1997, representatives of the tribes, together with Dutch campaigner Winfred Overbeek, visited Norway and Great Britain to put their case to the customers of, and investors in, Aracruz Cellulose. In Norway, the group tried to talk with Aracruz shareholders Den Norsk Bank and the Lorentzen Group. “Den Norske Bank did not want to talk with the indigenous representatives”, explains Overbeek. Consequently, the representatives took their case to the government—the Bank’s major shareholder—and the media. Questions in parliament and reports on television and radio followed. In response, the Minister of Trade and Commerce stated that there was no way for the Norwegian Government to define how Den Norske Bank applies its money. The international campaign also included meetings with members of the WWF-UK 1995 Plus Group, the FSC-accredited Soil Association and the Paper Federation of Great Britain. The companies and organizations agreed to examine closely the decision on the demarcation of the disputed lands.

Meanwhile, in the South the benefits of establishing communication with Aracruz management seem limited. Against a history of violence—an activist for the tribes, Paulo Cesar Vinha, was murdered in 1993—prospects for dialogue with Aracruz appear bleak. Indeed, the international campaign of the Guarani and Tupinikim appears to have generated a retaliatory public relations campaign. Aracruz has contracted Burson-Marsteller, the world’s largest public relations (PR) company, to curb growing support for their international campaign. The Aracruz response appears to be the antithesis of many other companies who are engaging constructively and openly with civil society in order to help reduce deforestation.

### **The seeds of change?**

This case study has described varying degrees of corporate responsibility for tropical deforestation and a range of tactics employed by NGOs. It appears that some companies are either unable or unwilling to embrace environmental concerns. Further research is needed to reveal the variety of financial, political and

cultural factors that enable some companies to engage NGOs and indigenous peoples on the deforestation issue while others avoid, undermine or kill their critics. For those companies that have moved forward with NGO partnerships, progress appears to have been the result of both personal and organizational commitment. The motivation of key individuals seems to be particularly significant. WWF-International's Francis Sullivan explains:

Success has boiled down to the commitment of individuals and the support that senior management has given to those individuals. . . . You have some companies that are not particularly committed themselves, but you have got an individual in there who is unbelievably committed to actually getting the thing sorted out.<sup>4</sup>

The support that these individuals have received in different companies, organizations and countries illustrates how the boundaries of corporate social and environmental responsibility have been shifting dramatically, alongside rapid developments in the tools and tactics of NGOs. We have observed the role of protest, North and South, in raising public and consumer awareness about adverse effects of tropical deforestation. At the same time, market leaders have responded to this pressure as an opportunity to maintain leadership in a changing marketplace. This in turn has cleared the way for some of the more cautious competitors to follow, thereby planting the seeds of transformation in the timber trade.

### *After the Shell Shock: Protest, Partnership and the Global Oil Industry*<sup>5</sup>

The oil industry is one of the biggest sectors in the global economy, with an average daily production of 61.9 million barrels valued at over US\$ 1 billion (Tippee, 1997).<sup>6</sup> The 1997 **Business Week Global 1000** survey of the world's leading companies ranked Shell and Exxon first and second in profits at US\$ 9.3 and US\$ 7.5 billion respectively. In terms of market value, six oil companies were ranked in the top 50.

The Royal Dutch Shell Group is one of the top three corporations in the world in terms of size, comprising more than 300 individual companies based in over 100 countries. Shell's annual global turnover is in the vicinity of US\$ 100 billion. Until recently, Shell had a reputation as an environmental leader dating back many decades. Even before the birth of the contemporary environmental movement in the late 1960s, Shell had begun to respond to public concerns about the environment. Early examples of company initiatives in the United Kingdom include environmental education in the 1940s and a Shell Film Unit documentary on air pollution in the 1950s, following the introduction of the British Clean Air Acts. Shell also helped launch the Keep Britain Tidy campaign in 1954.

Suddenly in the mid-1990s, Shell became the focus of two high-profile campaigns by environmental and human rights NGOs that raised serious questions about the

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<sup>4</sup> Interview with D.F. Murphy, November 1994.

<sup>5</sup> This case study is based upon research conducted by D.F. Murphy for the New Academy of Business.

<sup>6</sup> These are 1995 figures based upon an average crude oil price of US\$ 17.24 a barrel.

corporation's commitment to sustainable development. As noted earlier, the first of these confrontations came in mid-1995 when Greenpeace opposed Shell's efforts to dump the Brent Spar oil platform in the North Atlantic. This was quickly followed by complaints about Shell Nigeria's use of lower environmental standards in the West African country's Delta region. The company was also accused of implicitly supporting human rights abuses given its perceived close association with the Nigerian military regime.

The fall-out from both of these episodes has had a negative impact upon the image and reputation of Shell and other companies in the global oil industry. Although the industry has long been a target of NGO and consumer campaigns, Shell's recent experience has brought increased pressure and attention. As a result, Shell and other oil companies are scrambling to find new ways of relating to NGOs, particularly in the South. This case reviews business-NGO relations in the oil industry with a particular focus on Shell's Nigeria experience.

### **Strong and aggressive criticism**

The oil and gas industry has historically been among the world's biggest polluters. Public opinion polls in the United States have for many years identified the industry as a major polluter (Erskine, 1971). Not surprisingly, the industry was also an early target of environmental campaigners in many Northern industrialized countries. In 1963, six oil companies formed one of the first industry environmental think tanks, Conservation of Clean Air and Water Western Europe (CONCAWE), largely in response to "strong and aggressive" criticism by environmentalists and the general public about the industry's "gross ecological negligence". CONCAWE was designed "to establish "hard facts" [through] professional analysis of the underlying nature of the chemistry and physics involved." CONCAWE member companies then planned to use this data "to define the steps needed to redress adverse ecological trends, mishaps and disasters" (Han Hoog, 1993:4-5).

Despite industry efforts to prevent environmental disasters, the oil and gas industry was implicated in at least 14 major industrial accidents (causing more than 50 deaths each) between 1970 and 1984. Of a total of more than 2,000 deaths, almost 1,500 resulted from accidents in developing countries including oil, gas, petrol and tanker explosions, offshore-rig collapses and gas pipeline fractures (Shrivastava, 1987).

In recent years, the industry has continued to face considerable public scrutiny. Both before and after the Earth Summit, the oil industry faced heavy international pressure about the impact of fossil fuel emissions on global warming. Implementation problems with the Rio climate change agreement have been linked to the political influence of oil lobby groups, such as the Global Climate Coalition and the American Petroleum Institute. Lobbying strategies include exaggerating costs of climate action, emphasizing scientific uncertainties and collaborating with governments hostile to action, such as those of the OPEC states (Newell, 1997a and 1997b). In the lead-up to the December 1997 Kyoto climate change conference, oil industry groups continued to argue against the adoption of tougher targets and regulations to reduce carbon emissions.

The idea of environmental injustice—a linkage between ecological degradation and human rights abuses—has gained worldwide attention largely as a result of the

activities of oil companies such as Shell in Nigeria, British Petroleum (BP) in Colombia and Texaco in Burma. Various environmental and development NGOs, from both North and South, are working together to challenge oil companies to promote environmental justice on a variety of fronts, often via the Internet.

### **Shell, the Ogoni and Nigeria**

Over the years Shell has faced NGO and consumer pressure over a range of social responsibility issues, most notably concerning its role in South Africa during the apartheid era. Despite considerable international protest in the 1970s and 1980s, Shell refused to pull out of its mining, chemicals and petroleum-related activities in South Africa, insisting that its employees did not suffer any racial discrimination. As noted earlier, on environmental matters the company did not face sustained and organized international protest until the Greenpeace Brent Spar campaign in 1995, which culminated in Shell's decision to abort the deep-sea disposal of the oil platform in the face of growing political and consumer pressure in Europe. Riding the Brent Spar wave, the media then discovered a much more complex and wider environmental and human rights campaign that had been raising serious questions about Shell's role in Nigeria since the early 1990s.

The Shell Petroleum Development Company is a joint venture between Shell (30 per cent), the majority shareholder Nigerian National Petroleum Company (NNPC; 55 per cent) and two other oil companies, Elf (10 per cent) and Agip (5 per cent). Shell Petroleum is the largest Nigerian oil and gas exploration and production company, with 92 oil fields generating one million barrels daily. The company has a 6,200-kilometre network of pipelines and flowlines spread over more than 31,000 square kilometres of the Niger River Delta. Shell employs 5,000 staff directly, including 300 non-Nigerians. According to Shell, more than half of its Nigerian staff comes from the Delta region (Shell International, 1995). Shell Nigeria's annual oil revenue is US\$ 11 billion. Nigeria's total oil revenues account for 90 per cent of its export earnings and 80 per cent of total government revenue.

*Protest begins*—The origins of Shell's recent problems in Nigeria lie in a history of considerable environmental pollution in the Niger Delta region. From 1982–92, 1.6 million gallons of oil were spilled from Shell's Nigerian fields in 27 separate incidents. Of all oil spills attributed to Shell worldwide, 40 per cent happened in Nigeria. Various Niger Delta communities have experienced Shell's gas flaring 24 hours a day for 30 years (Rowell, 1995).

Shell's main opponent in Nigeria has been the Movement for the Survival of the Ogoni People (MOSOP), an activist NGO with the linked goals of social justice and environmental protection. The Ogoni is an ethnic group of 500,000 people living in 82 communities covering 1,000 square kilometres in the Delta region in the southeast of the country. Most Ogoni are engaged in farming and fishing, with a minority working in the oil industry either for Shell or contractor firms. Shell estimates that from 1987–92 it spent about US\$ 2 million on the Ogoni area, about 16 per cent of the community budget for its Eastern Division's operation. By 1993, the company was extracting up to 28,000 barrels of oil per day from Ogoniland (Rowell, 1995).

The first demonstration against Shell was staged in 1987 by the Iko community in the Andoni ethnic area of the Delta. When Shell sought protection from the Nigerian Mobile Police Force, two people were killed, some 40 homes were

destroyed and more than 350 people were made homeless (Rowell, 1996b). By 1990, growing numbers of local Delta communities from various ethnic groups were demonstrating against Shell's activities in the area. Other companies were also targeted, but Shell was singled out as the largest and most visible player in the local oil industry. Shell officials acknowledged that there were 63 protests against the company in 1990 alone. At one demonstration in Ogoniland, 80 villagers were killed by the Nigerian Mobile Police Force. The judicial inquiry which followed criticized Shell on two major counts: first for the company's unfair acquisitions of Ogoni lands for its oil operations; and second for the environmental degradation caused and meagre compensation paid by the company to affected Ogoni communities (Goodall, 1994).

Ogoni leaders signed the "Ogoni Bill of Rights" in 1990, citing the environmental degradation and limited employment opportunities resulting from Shell's presence in Ogoniland. The Nigerian military regime was also strongly criticized in the Ogoni manifesto. Both Shell and the Nigerian government consequently perceived both novelist Ken Saro-Wiwa and MOSOP as direct threats.

In 1991, Saro-Wiwa became MOSOP's international spokesperson. Later that year, Ogoni leaders updated the Bill of Rights and authorized MOSOP to internationalize its campaign against the Nigerian government and oil companies operating in Nigeria (MOSOP, 1992). Meanwhile local protests against Shell and other oil companies continued.

The following year MOSOP presented its case to the United Nations Commission on Human Rights. MOSOP also officially submitted its demands to all oil companies operating in Ogoniland, including Shell, Chevron and the NNPC. The companies were asked to pay back-royalties and compensation within 30 days or cease their operations in Ogoniland. Local protests against Shell continued throughout 1992.

*Ogoni campaign goes global*—By 1993, the Ogoni campaign against Shell and the Nigerian government began to attract international attention. On 4 January, MOSOP organized a major rally of 300,000 people against the oil industry to celebrate the Year of Indigenous Peoples. Later that month, MOSOP was accepted as a member of the Unrepresented Nations and Peoples Organisation (UNPO). As a result, the Ogoni case received its first major media exposure with coverage by CNN, *Time* magazine and the British Channel 4. The latter's "Drilling Fields" launched a series of documentaries on the tensions between Shell and the Ogoni.

Around this time, The Body Shop took the issue up as one of the company's campaign issues, working in a loose alliance with MOSOP, Greenpeace International, and other NGOs. Various independent journalists and filmmakers also began to lend support to the Ogoni cause. The Shell-Ogoni story had gone global.

The full Shell-Ogoni story is long and complex. In the interest of brevity, the key events from 1993–97 are merely highlighted below:

- **1993:** As the MOSOP campaign against Shell intensifies, the company decides to withdraw its staff from the Ogoni area in late January, citing intimidation, attacks and the destruction of equipment. Under the protection of Nigerian

soldiers, personnel from Shell and a US subcontractor return to the area in April to begin work on a new pipeline. After Ogoni crops are destroyed, local protesters block the path of the bulldozers. Following many days of confrontation between the Ogoni and the soldiers, one person is shot dead and more than 20 are wounded. Shell finally ceases production work in Ogoniland in June. In July 1993, Ken Saro-Wiwa is elected President of MOSOP.

- **1994:** In January, three major oil companies announce losses in excess of US\$ 300 million during 1993 due to “unfavourable conditions in their areas of operation” (UNPO, 1995:51). They call for urgent action to resolve the situation. In April, the Nigerian military intervenes in a local conflict between the Ogoni and another ethnic group. Fifteen Ogoni people are arrested without being charged. Nigerian soldiers attack, raid and burn Ogoni villages. More than 20 people are reportedly killed. On 1 May, UNPO calls on Shell to use whatever influence it has to persuade the Nigerian government to release Ogoni prisoners. On 21 May, four traditional Ogoni elders are murdered by a mob at a local rally. Saro-Wiwa does not attend the rally. On 22 May, Saro-Wiwa and more than 50 other Ogoni men are arrested. Saro-Wiwa is accused of inciting a crowd of his supporters to kill the traditional elders. In July, Greenpeace International condemns Shell’s “misguided priorities” and public relations approach to the problems in Nigeria (1994:22).
- **1995:** In January, a military tribunal begins to hear the Saro-Wiwa/Ogoni case. In August, from his jail cell, Saro-Wiwa calls on the international community to boycott Nigerian oil. Throughout the year the pressure grows on Shell to use its perceived political influence to seek the prisoners’ freedom. On 1 November, the **Financial Times** publishes a letter from Anita Roddick of The Body Shop calling on Shell to publicly condemn the military tribunal “for the sham that it is.” On 10 November, Saro-Wiwa and eight other Ogoni are hanged. The World Bank withdraws its loan for Shell Nigeria’s planned US\$ 4.2 billion natural gas project. On 13 November, Shell announces it will proceed with the project. On 17 November, Shell organizes an informal Nigeria briefing for 35 British NGOs. Greenpeace is not invited. Global media coverage of the Saro-Wiwa execution focuses on Shell’s role and responsibilities. Shell’s response to the criticism is that “politics is the business of government and politicians” and the company “does not and should not have [political] influence” in Nigeria (NGO Task Force on Business and Industry, 1997:18).
- **1996:** Shell announces new initiatives in Nigeria, including a US\$ 850 million upgrade of two crude oil terminals and flow-line renovations to current standards. At Shell’s Annual General Meeting in May, the company announces that it will conduct a major international review of its Statement of General Business Principles. International protest against Shell continues, particularly via networks of linked activist Web sites on the Internet. Shell’s Internet critics range from large organizations such as Amnesty International, Sierra Club and The Body Shop to lesser known groups such as Oilwatch, Earthlife Africa, One World Online and the Public Media Centre.
- **1997:** In January the World Council of Churches (WCC) publishes a report, which argues that Shell has been justifiably criticized for its operations in Ogoniland. In March, Shell releases its revised business principles, which include for the first time explicit support for human rights. Amnesty International welcomes Shell’s move but argues that it is now up to Shell to prove its commitment through practical action. In May, Shell publishes its first public report on community and environmental issues in Nigeria. The report establishes new targets, including an end to gas flaring within 10 years. Shell

also launches a youth training scheme in Ogoniland. In September, the Canadian government introduces a voluntary policy initiative, the International Code of Ethics for Canadian Business, largely in response to Shell's controversial role in Nigeria (Ross, 1997). Meanwhile, various Internet sites continue to call on Web surfers to "Boycott Shell Now" until the company stops its practice of "double standards", and supports an independent environmental assessment of the Niger delta.

Shell continues to face considerable pressure from its critics even as it introduces new environmental and social policies and programmes. Shell has indicated that it will be placing new emphasis upon implementation procedures. One of the key lessons that Shell appears to have learned from the past few years is the need to enhance its transparency and communication with a wider range of stakeholders. Greater sensitivity to social and environmental concerns has, nevertheless, failed to stop the international protest against Shell. A remarkably diverse coalition of unions, environmental groups, human rights organizations, churches and businesses continues to single out Shell for its tacit approval of the oppressive military regime in Nigeria (Rowell, 1996b). Shell's critics continue to demand that the company stop practising "double standards". They typically argue that Shell's behaviour in Nigeria would not have been tolerated in countries with stricter standards (NGO Task Force on Business and Industry, 1997).

Such criticism has not deterred Shell's efforts to develop new relationships with other NGOs. In 1997, Shell attempted to apply the lessons learned from its Nigeria experience to a new gas project in the Camisea region of Peru. The proposed site is located in a pristine rainforest inhabited by indigenous peoples. Shell announced in May 1997 that it had signed an agreement with Red Ambiental Peruana (RAP), a social and environmental network, which empowered RAP members to monitor the social and environmental performance of the proposed project. Shell also supported an elaborate consultation exercise in the Camisea area, which aimed to increase the company's knowledge about local environmental, social and economic issues. These moves did not, however, stop protest against the project by other NGOs and indigenous peoples' groups both locally and globally.

### **Conflicting messages**

The oil industry's overall response to its critics has been mixed in recent years. Industry groups such as CONCAWE continue to believe that a rational approach is essential to the proper resolution of complex issues (CONCAWE, 1996). Underlying this argument is a belief that the industry can solve complex environmental problems if it merely gets the scientific facts right. At the same time, the industry has indicated that technically sound solutions need to be worked out in partnership with its stakeholders. However, CONCAWE fails to include NGOs in its list of the industry's stakeholders.

Cracks are nevertheless beginning to appear in the previously unified industry front. On the issue of global warming, the world's third largest oil company, BP, recently broke ranks. John Browne, BP's chairman, announced in May 1997 that his company accepted that there was sufficient evidence to indicate that the burning of fossil fuels is a significant factor in climate change. BP subsequently agreed to work with the Environmental Defense Fund (EDF) to develop a voluntary emissions trading system for greenhouse gases.

BP's new commitment to the precautionary principle<sup>7</sup> and partnership may reveal an oil industry trying to come to terms with the new politics of sustainable development. BP's lead on climate change came at a time when the industry and Shell were still coming to terms with the fall-out over Brent Spar and Nigeria. For its part, BP spent much of 1997 fending off accusations about its complicity in human rights abuses and environmental degradation in Colombia. This has prompted BP to initiate dialogue with a group of British development NGOs to explore issues of mutual concern regarding BP's current activities and future projects in Colombia. As market leaders, Shell and BP have found themselves both the primary targets of organized protest and at the forefront of industry response to the growing complexity of the corporate role in sustainable development.

As Shell's experience in Nigeria and Peru illustrates, enhanced dialogue and partnership may not be enough to improve the global image of the oil industry. Companies like Shell face a dilemma. They are in the business of extracting natural resources to meet a growing worldwide demand for energy. The opening statement on Shell's Internet Web site makes this clear:

Everyone must have energy to live. Shell's main business is drawing stored energy from the earth—as oil, gas and coal—and getting it in a useful form to where people want it (Shell International, 1997).

As a business argument, this seems to make good economic sense. However, it does not allow for any fundamental questioning of resource extraction, processing and transportation. There is also no recognition of the need for energy alternatives. Extracting resources and getting them to where some people want them may mean that other people and their environments are harmed in the process.

Many argue that without ongoing civil society protest, business will have little motivation or need to change. At the same time, many questions remain about how oil companies should best manage the diverse, complex and sometimes contradictory expectations of their stakeholders. Shell Group's Chief Executive C.A.J. Herkströter offers a useful starting point:

We must remain sensitive to the evolving needs and concerns of all our stakeholders. I fully accept that, in this process, we must be prepared to engage in wider debates—including on human rights issues (1996:14).

His counterpart at BP, John Browne, offers some additional clues as to the future social and environmental agenda of the oil industry:

We need to go beyond analysis to seek solutions and to take action. It is a moment for change and for a re-thinking of corporate responsibility (1997:3).

If market leaders like Shell and BP are serious about engaging in wider debates and rethinking corporate responsibility, then perhaps a time will come when the voices of those opposed to a potential project are more clearly heard. In such

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<sup>7</sup> The precautionary principle upholds the validity of taking action to protect the environment even in situations where scientific evidence regarding the cause and effects of environmental degradation is inconclusive.

cases, the most appropriate corporate response might be not to intervene at all. Whether oil companies are prepared to accept “non-intervention” as a possible solution in some cases remains to be seen.

### **Postscript**

In July 1998, Shell announced that it would not go ahead with the Peru gas project, despite having spent US\$ 250 million in exploration costs. **The Economist** reported that the Peruvian government and the oil companies could not resolve questions about distribution, pricing and exports. New drilling appraisals had also challenged original output forecasts. No mention was made of the possible role of civil society protest in Shell’s decision (1998a and b).

Meanwhile, the situation in Nigeria’s Delta region remains tense. In October 1998, local protesters seized two Shell helicopters, and occupied an oil rig and more than 10 oil relay stations. Local communities in Ogoni and other parts of the region continue to demand compensation from the Nigerian government, Shell and various other oil companies. MOSOP’s financial demands remain fixed at US\$ 30 billion, the estimated value of Ogoni oil extracted since 1958. MOSOP also wants Shell to clean up degraded Ogoni lands. Although Shell has made overtures to individual community leaders in Ogoni, the company and MOSOP have been unable to resolve their differences. As of early 1999, Shell’s exile from Ogoni continues. Although some Shell pipelines continue to cross Ogoni territory, the company has not undertaken any drilling or gas flaring activities there since its withdrawal in 1993.

Shell’s new development strategy for Nigeria includes a planned five-year investment of US\$ 8.5 billion to develop a number of large off-shore oil fields. BBC reports suggest that part of the project’s attraction is that off-shore development will be “much less prone to the disruption which has severely affected output in the Niger delta” (BBC Online, 1999).

### ***Just Do It—Justly! The Sporting Goods Industry, NGOs, Child Labour and Global Standards<sup>8</sup>***

The business response to sustainable development requires much more than policies and programmes for environmental protection. Social sustainability concerns such as poverty, health and child welfare are also affected both positively and negatively by commercial activities. At the international policy level, sustainable development encompasses environment, health and safety (EHS) issues in the workplace. In recent years, various United Nations agencies have lent impetus to calls for enhanced corporate environmental and social policy responses in both the North and the South.

In the 1990s, the EHS practices of sporting goods companies such as Nike and Reebok, particularly in Asia, have been under attack by labour and human rights NGOs in both the North and South. For example, the “Nike Fair-Play?” Campaign has resulted in meetings between Dutch activists and Nike officials, at which the company’s representatives admitted that the monitoring of its code of conduct was

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<sup>8</sup> This case study is based upon material published in a paper on corporate social responsibility prepared for the ILO’s Conditions of Work and Welfare Facilities Branch (Murphy, 1997a).

unsatisfactory. Nike's main competitor, Reebok, has also faced scrutiny, with NGO accusations and media exposés about unfair wages, health and safety violations and the use of child and forced labour in some of its supplier factories in China.

This case describes efforts by industry associations, member firms, manufacturers, United Nations agencies, NGOs and various local partners to develop strategies to prevent and eliminate the use of child labour in the production of hand-stitched soccer balls in Pakistan. The global soccer ball market is worth almost US\$ 1 billion in total retail sales. Pakistan produces about 80 per cent of the world's match-grade soccer balls.

### **The child labour issue**

In 1992, the International Labour Organization (ILO) established its International Programme for the Elimination of Child Labour (IPEC), with the aim of working toward the progressive elimination of child labour. Through collaboration with a wide range of actors, IPEC seeks to prevent child labour, to withdraw children from hazardous work, to offer alternatives and, in the interim, to improve existing working conditions for children.

Despite "unprecedented public awareness of the problem . . . and broad consensus on the need to do something about it", the ILO notes:

At the inter-governmental level, the problem of child labour has been caught up in a politically charged debate on human rights, labour standards, ethics and international trade. This partly accounts for the relatively slow progress being made towards concerted international action to tackle the problem, even in its most extreme forms (1997b:233).

As of December 1997, less than 60 countries had ratified ILO Convention 138, an international agreement that sets minimum age standards for different kinds of work.<sup>9</sup>

**The State of the World's Children 1997** (a UNICEF report) focuses on child labour and makes links to global corporate irresponsibility. UNICEF cites the growing impact of a liberalized global economy driven by TNCs as a major contributor to the problem of exploitative child labour. Global competitive pressure brings children into the workforce in many Southern countries. Terry Collingsworth insists that government regulation on child labour needs to be safeguarded:

The child labor issue should drive the larger struggle to regulate fundamental rights in the global economy. As nations lose their sovereign right to prohibit child labor (through stealth provisions in complex trade agreements), there must be a plan to ensure that the global economy does not force countries with reasonable child labor prohibitions to scrap those protections and offer up their children as a source of extra cheap labor in the global marketplace (1997:2).

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<sup>9</sup> Pakistan is a signatory to three of six ILO conventions related to child labour: No. 59 on Minimum Age (Industry), No. 29 on Forced Labour and No. 105 on the Abolition of Forced Labour (ILO, 1996).

Implementing social protection programmes on the ground, however, remains highly problematic. Despite the existence of national regulatory frameworks on child labour in many Southern countries, “the weakness of enforcement mechanisms” remains a major obstacle to effective legal protection largely due to “the nature and scale of the problem” (ILO, 1997b:241). Monitoring the use of child labour in the large informal sector is particularly difficult.

The general United Nations message to governments and industry groups is that all extreme forms of child labour must end now. Rather than trying to stop child labour outright, consumers, companies and campaign groups are asked to “target the intolerable” and seek to eliminate all work which is detrimental to the health, safety and future development of children (ILO, 1996, 1997a; UNICEF, 1997). The ILO estimates that some 250 million children are currently working worldwide.

### **A partnership response**

Officially launched in February 1997, the “Project to Eliminate Child Labour in the Pakistan Soccer Ball Industry” is a multi-stakeholder collaboration that primarily involves the following organizations, some as direct partners and others as project supporters:

- *Bunyard Literacy Community Council (BLCC)*: a Pakistani NGO that provides non-formal primary education mainly for girls and women.
- *International Labour Organization (ILO)*: a specialized United Nations agency with a tripartite structure, which allows for representation from governments, employer organizations and worker organizations.
- *Pakistan Bait-ul-Mal (PBM)*: an organization created by government statute which assists needy widows, orphans, people with disabilities, and the chronically ill, by providing them with assistance for education, housing and rehabilitation.
- *Save the Children-UK (SCF)*: the United Kingdom’s largest international NGO concerned with children’s rights and welfare. SCF works in partnership with children, parents, governments, local authorities and NGOs in over 50 countries.
- *Sporting Goods Manufacturers Association (SGMA)*: the trade association of North American manufacturers, producers and distributors of sports apparel, athletic footwear and sporting goods.
- *Sialkot Chamber of Commerce and Industry (SCCI)*: one of Pakistan’s largest and oldest association of business enterprises, based in the Sialkot District of Punjab Province. SCCI represents local soccer ball manufacturers.
- *United Nations Children’s Fund (UNICEF)*: a specialized United Nations agency dedicated exclusively to meet the needs of children. It works with other United Nations agencies, governments and NGOs to provide a range of health- and education-related community-based services.
- *World Federation of the Sporting Goods Industry (WFSGI)*: the Switzerland-based association of national sporting goods manufacturers that together represent over 12,000 companies worldwide, including leading brands such as Nike, Reebok, Mitre, Adidas and Umbro.

The partnership project has four main aims:

- to prevent and progressively eliminate child labour in the manufacture or assembly of soccer balls in Sialkot District and its environs;
- to identify and remove children under the age of 14 in the manufacture or assembly of soccer balls and provide them with educational and other opportunities;
- facilitate changes in community and family attitudes to child labour, including the soccer industry; and
- to encourage the Government of Pakistan, the business community in Sialkot and other institutions to explore effective ways to eliminate child labour (quoted in SCF, 1997b:73).

Two programmes are being developed to enable project participants to achieve these goals. First, the Prevention and Monitoring Programme is a voluntary scheme open to all soccer ball manufacturers. Participating firms are expected to meet formal registration requirements concerning use of contractors, stitching locations and proof-of-age documentation for workers. Second, the Social Protection Programme is designed to provide affected children and families with educational and financial support, and to raise local awareness about child labour and the need for alternatives.

### **Project origins**

The roots of the Pakistan project lie in the emergence of child labour as a significant political and consumer issue in Northern countries in the late 1980s and early 1990s. In 1992, US Senator Tom Harkin introduced a bill that would have placed import restrictions on products manufactured by child workers. Media coverage initially focused on large numbers of young girls employed in the Bangladesh garment industry and horrific cases of bonded child workers in the South Asian hand-woven carpet industry. One case proved to be particularly significant. Pakistani Iqbal Masih was sold into slavery in 1986, when he was only four years old, for less than US\$ 16. After Masih escaped from a carpet factory in 1992 he became a champion of child workers, spoke at international labour conferences and helped close dozens of Pakistani carpet factories. Over the course of his campaign Masih received numerous death threats and in early 1995 was shot dead in his home village. Although most independent evidence suggests that Masih was not killed by carpet industry assassins, his death and the outrage that followed drew worldwide attention to child labour and, in particular, to the situation in Pakistan (Associated Press, 1995; CEP, 1995; Marcus, 1997).

The specific focus on the soccer ball industry originated in the United States in the aftermath of the locally hosted 1994 World Cup. The American Federation of Labour (AFL-CIO) had already been campaigning on the general issue of child labour since at least 1993. By focusing on child labour in the soccer ball industry, labour and consumer groups helped raise awareness about the issue with politicians, athletes, sports associations, parents, children and, perhaps most importantly, within the business community.

In early 1995, WFSGI approached SCF with a proposal to develop a labelling scheme for soccer balls, similar to the Rugmark Foundation's labelling scheme. Established in 1994 with the support of the ILO and a group of South Asian and European NGOs, Rugmark primarily targets European and North American importers and South Asian producers of handmade carpets. The scheme certifies participating producers according to a set of labour standards and related criteria.

Rugmark inspectors monitor factories on a regular basis. Child welfare NGOs are provided access to certified factories to ensure that children are not being employed.

SCF declined the WFSGI offer, due to concerns that labelling would shift the focus away from the root causes of child labour in the industry. SCF worried that such schemes were more concerned with meeting the needs of Northern consumers rather than a direct response to the problems facing child workers. SCF feared that a labelling scheme might lead to an “ethical” labelled segment of the market, aimed at niche consumers, with the same companies continuing to market unlabelled, “unethically” produced products to other consumers. This would enable a participating company to be lauded for the ethical label without implementing ethical policies for all products and activities. Furthermore, SCF expressed doubts about potential monitoring problems. Rugmark was experiencing some difficulties in this regard (Hilowitz, 1997).

Throughout 1995, the child labour story attracted increasingly attention from foreign journalists. In their efforts to get their story, some of these reporters were attacked and beaten up by local people in Sialkot, who feared the potential loss of income as a result of adverse publicity in the international media. Local manufacturers also complained that anti-child labour campaigns had an underlying agenda of promoting adult labour unions internationally.<sup>10</sup> The news reports from Pakistan nonetheless continued to reach their intended audience, particularly in the United States.

Near the end of 1995, in response to growing consumer and political pressure upon the soccer ball industry and individual companies, a new working committee within the WFSGI was established in co-operation with the International Olympic Committee (IOC). The new Committee on Ethics and Fair Trade was launched in early November at the first WFSGI conference on human rights, which was attended by representatives of the industry, United Nations agencies and NGOs. In the conference report, the new president of WFSGI, Stephen Rubin, admitted that WFSGI had been “a passive organization frightened to upset its member associations and individual member companies, lest they cease to be members”. It was time, Rubin argued, for the organization “to become proactive, to stand up and be counted”. He went on to say “it is equally important that NGOs and other public sector organizations should back us up” (WFSGI, 1996:1, 76).

In early 1996, the FoulBall Campaign was launched in the United States by the International Labor Rights Fund (ILRF). The campaign targeted soccer balls originating from Pakistan, China and Indonesia and claimed that these countries use child labourers extensively. The campaign attracted support from average citizens and policy makers alike:

[Y]outh soccer leagues in the U.S. were quick to pick up on it and join. The US Secretary of Labor, Robert Reich, was much interested in it and threw his influence into publicizing the effort, as did a number of members of the US Congress (Harvey, 1997).

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<sup>10</sup> Informal sector, home-based handstitching is “notoriously hard to unionise”, which may explain why many labour groups have campaigned against the use of child labour in soccer ball manufacturing (Marcus, 1997:1).

By mid-1996, coinciding with the UK-hosted European Cup of Football, the British Trade Union Congress, the International Textile, Garment and Leather Workers Federation and International Confederation of Free Trade Unions launched an initiative with the Fédération Internationale de Football Association (FIFA) to target the soccer ball industry. The trade unionists were attempting to raise spectator awareness and to get FIFA to phase out the use of balls produced by child labour.

Meanwhile, the FoulBall Campaign in North America was succeeding in getting its message across to the so-called soccer moms who were accompanying their children to the growing numbers of community soccer programmes. At Nike's 1996 Annual General Meeting, Chairman Phil Knight acknowledged that the company had recently purchased a shipment of Pakistani soccer balls which were "found to have been manufactured . . . using child labour in *horrible conditions*" (Nando.net and Associated Press, 1996). In many respects, however, working conditions for most child stitchers in Sialkot were not as bad as those faced by child workers in other industries in Pakistan and elsewhere. Nonetheless, the soccer ball story continued to capture public attention largely because of its media-friendly nature (Marcus, 1997). Consequently, the sporting goods industry continued to face growing consumer and activist pressure, particularly in North America and Western Europe.

### **Seeking solutions**

In July 1996, representatives of Mitre, one of the largest soccer ball brands, organized a visit to Pakistan and invited SCF to accompany them. This visit enabled both Mitre and SCF to develop important contacts on the ground in the Sialkot District, where the Pakistan soccer ball industry is based. In particular, SCF initiated discussions with the local industry body (SCCI) about the need for complementary efforts to ensure that children removed from work do not find themselves in more dangerous and exploitative work environments.

Mitre asked SCF to become involved in a monitoring and labelling scheme, but again SCF declined for reasons similar to those outlined above. However, SCF agreed to undertake a detailed study of the child labour issue in Sialkot. Although three other quantitative studies had already been done, few had gathered qualitative data and all lacked significant attention to the perspectives of children and their families.

During the autumn of 1996, the soccer ball industry continued to feel the pressure of the various NGO campaigns. In September, the FIFA-labour group coalition mentioned above produced a broad and ambitious code of conduct that left the industry scrambling to respond. Trade associations such as WFSGI and the Soccer Industry Council of America (SICA) were increasingly concerned about the impact of NGO pressure upon the industry's image and the potential loss of markets. In an effort to help it find solutions to the growing storm of controversy, the WFSGI organized a conference in London in November 1996, bringing together industry representatives, many of its critics and other interested parties.

At the conference, WFSGI announced that it was committed to developing a code of conduct for the production of all sporting goods. But the code failed to address "the full range of labor rights enumerated in the FIFA code" (Harvey, 1997). WFSGI also indicated that it had reached agreement with the Pakistan-based

Steering Committee on Child Labour (a joint initiative of SCCI and the All Pakistan Sporting Goods Association) to develop a programme to help eliminate the use of child labour in the soccer ball industry. Another outcome of the conference was that SCF agreed to undertake a detailed situational analysis in Sialkot, re-affirming its original commitment made during the Mitre visit.

### **Partnership agreement signed**

Following the London conference, formal negotiations continued between WFSGI, ILO, UNICEF and SCCI in order to finalize a joint project response to the child labour issue. This culminated in the formal announcement in Atlanta on 14 February 1997 of the Project to Eliminate Child Labour in the Pakistan Soccer Ball Industry. Although the official “Partners’ Agreement to Eliminate Child Labour in the Soccer Ball Industry” was signed only by ILO, UNICEF and SCCI, SCF was invited to become a full partner on the Project Co-ordinating Committee. At the Atlanta launch, the WFSGI, SICA and Sporting Goods Manufacturers Association (SGMA) were identified as project facilitators. FIFA and the US Youth Soccer Association were listed as project supporters. FoulBall criticized the Partners Agreement as an industry attempt “to pre-empt legislation and truly independent monitoring” (ILRF, 1997:1).

After the project launch, SCF began field research in Sialkot. The major purpose of the four-week study was to provide SCF and other organizations with a reliable baseline before introducing social protection programmes to assist children displaced from football stitching. SCF decided to participate in the partnership because it was concerned that “emotive responses in the past have caused more harm than good”, with banned child labourers often “forced to take on harmful, less well paid work, including prostitution”. SCF wanted to ensure that “sustainable solutions” would be developed to help overcome poverty, a root cause of child labour (SCF, 1997a:1). In particular, SCF was worried about the loss of family income as a result of the decision to eliminate the use of child stitchers. This explains why SCF remains opposed to blanket bans on child labour. On a more strategic level, SCF’s motivation for participating in the Pakistan project was

. . . to use [its] experience of child labour programmes elsewhere in a constructive partnership with the private sector—a new experience for [SCF]. . . [SCF] also saw this as an opportunity to link work at the micro level—in Sialkot—with macro level lobbying and advocacy on corporate social responsibility, [an area of increasing involvement] in the UK (Marcus, 1997:2–3).

Between March and April 1997, the ILO undertook a mission to Pakistan in its capacity as lead agency on the project. One of the major ILO tasks was to finalize the Partners’ Operational Framework. The only major change to the original terms of reference concerned the issue of independent third-party monitoring in the Prevention and Monitoring Programme. In response to concerns expressed by the SCCI about third-party monitoring, the partners agreed to designate the ILO as external monitor. The SCCI was mainly concerned that the expense involved in hiring a commercial auditor would be excessive for local manufacturers to bear. The SCCI also felt that the ILO had the capacity and experience to fulfil the role. In particular, the SCCI pointed to recent ILO monitoring and verification experience in Bangladesh. Since 1995, the ILO has been working with Government of Bangladesh, UNICEF and the Bangladesh Garment Manufacturers

and Exporters Association (BGMEA) to remove underage children from BGMEA factories and to place them in appropriate education programmes.

The Partners' Operational Framework was agreed in late June 1997. In addition to providing operational definitions, immediate objectives, long-term goals and specific project elements, the framework outlines the proposed roles of the on-the-ground partners. Furthermore, it specifies the implementation guidelines and successor arrangements for sustainability.

The overall project is being managed by the Project Co-ordinating Committee, in which the SCCI, ILO, UNICEF and SCF are represented. Project partner representatives on the ground have formed the Sialkot Implementation Team to facilitate co-ordination between the two general programme areas and individual components within these programmes.

The SCCI, ILO and participating local manufacturers are implementing the Prevention and Monitoring Programme. As noted above, the ILO is responsible for external monitoring and verification, whereas local manufacturers carry out internal monitoring. The SCCI is expected to communicate progress achieved to its members and also to raise member awareness about their roles and responsibilities in the prevention of child labour. The ILO, UNICEF, SCCI, SCF, PBM, and BLCC are implementing the Social Protection Programme. The Board of the PBM has made a commitment to assume responsibility for the continuation of the programme upon its estimated completion date in 1999.

As of December 1997, the project was under way, with SCF having formed a partnership with the National Rural Support Programme, a Pakistani NGO that will implement related social mobilization activities and a credit and savings scheme. In order to protect women's jobs and family incomes, the SCF is also organizing groups of women stitchers into units that will be inspected by ILO-trained child labour monitors. Furthermore, the SCF has initiated a social monitoring component to provide detailed tracking of the impact of the overall programme upon local families and communities (Marcus, 1997).

### **More hurdles ahead**

The project partners have made substantial financial and in-kind commitments to date. For organizations such as the ILO and SCF, there are important questions about their capacity to respond to demands for similar partnerships in other industrial sectors around the world. This raises concerns about both the sustainability and replicability of such elaborate and ambitious monitoring and verification schemes, not to mention the vital social protection programmes. There are also questions about the capacity of the partners in Pakistan to provide the necessary financial support for the long-term needs of the project and its beneficiaries. For local communities and industries dependent upon the preferences of global consumers, such projects bring hope for the future but leave many socio-economic and political issues unresolved. Many Pakistanis continue to challenge anti-child labour campaigns by suggesting that their underlying aim is to destroy foreign competition and protect Northern jobs. There is nevertheless a feeling among some members of the Pakistani middle class that global child labour standards are needed and that intellectual arguments to the contrary should be challenged (Marcus, 1997).

The most important lesson for other industry sectors appears to be the fundamental importance of corporate transparency and a willingness to accept independent monitoring. The credibility of the Pakistan partnership depends upon ongoing NGO support, both in the North and in Pakistan. The active role of the ILO in the monitoring programme also offers hope that United Nations agencies may be able to assume new governance roles as arbiters of global corporate standards. The SCF's leadership on the ground and through its advocacy work at home suggests that Northern-based development NGOs can play a significant role in promoting global corporate responsibility for sustainable development.

Meanwhile, various companies within the sporting goods industry continue to face the scrutiny of civil society everywhere. Despite its support for the Pakistan initiative, Nike remains a major target of protest. When former United States Ambassador to the United Nations Andrew Young, on behalf of Good Works International, reviewed Nike factories in China, Indonesia and Viet Nam in mid-1997, his findings were mixed. Young found no evidence of "systematic abuse or mistreatment of workers", yet he discovered that most workers knew little about their rights or Nike's code of conduct (quoted in Himelstein, 1997:44). Furthermore, he called on the company to introduce a comprehensive third-party independent monitoring system because of the prevalence of absentee factory owners and limited Nike on-site supervisors. Although some of Young's recommendations echo the demands of many campaign groups, the response of company critics has not been positive. Global Exchange called the report "meaningless" as it avoided any consideration of wages, "what may be the most important concern of Nike's foreign workers" (ibid.).

In late 1997, FoulBall's Internet Web site claimed that Nike and other industry players continued to demonstrate "foot dragging, deliberate confusion and no strong leadership" in Pakistan and elsewhere. FoulBall suggested that "only the potential for a World Cup boycott [in 1998] seems to be seriously getting the attention of the industry" (ILRF, 1997:2). At the same time, action also depends upon the on-the-ground leadership of the Pakistani industry. SCF's Rachel Marcus (1997) has argued that long-term success will depend upon local ownership.

Despite some forward movement on the child labour issue in the Pakistan soccer ball industry, the bottom line for many critics is that Northern-based sporting goods companies continue to promote double standards. Whether one is talking about EHS standards in the workplace or wider environmental impacts, companies such as Nike continue to source goods from the South that are often produced under conditions that would be unacceptable and often illegal in most Northern countries. The end result is that people and their environments are often inadequately protected, particularly in the South. Pakistani families who depend upon their children's income, however, remain concerned about the consequences of eliminating child labour altogether. In the words of a father of child stitchers: "It is not good for children to work, but if they don't, how shall we live?" (quoted in SCF, 1997b:26).

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## TOWARD AN UNDERSTANDING OF BUSINESS-NGO RELATIONS

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One of the goals of this paper is to offer a clearer understanding of why and how business-NGO relations on sustainable development have begun to change in recent years. It is hoped that this will promote new thinking about the future role of corporations in the sustainable development of the South. As noted earlier, research on the specific area of business-NGO relations on sustainable development has, until recently, been limited. The literature on environmental management, civil society, conflict theory, public-private partnerships and inter-organizational collaboration offers important insights of relevance to this discussion. Recent action-oriented research on business-environmental group partnerships presents additional useful perspectives. Before considering what the three case studies reveal about the characteristics of business-NGO relations, we review briefly some of these theoretical perspectives.

### ◆ Theoretical Perspectives on Business-NGO Relations

Despite the growing prominence of the idea of business-NGO partnership, environmental and socio-economic conflicts continue to dominate the global, national and local political landscapes. With reference to the United States, Denise Lach notes that “environmental conflict appears to be increasing exponentially”, with most communities facing difficult choices and decisions related to “cleanup, restoration, preservation [and/or] management” (1996:211). Lach describes multiple sources of conflict:

Conflict arises when interests about resource allocation diverge as they inherently do in our heterogeneous society. Conflict arises when those who benefit from the status quo are challenged by those who seek change. And conflict arises when affected stakeholders differ on their definitions of the problem. . . . [E]nvironmental decision making exists at the junction of science, politics and economics, each with its own criteria for distributing resources (1996:212).

Rather than seeing conflict as an obstacle to sustainable development, many social scientists would agree that it is a central feature of political and social processes:

[N]ot only is conflict always with us, it contains the seeds of beneficial change as well as destructive consequences. Contrary to the common view that conflict is always a negative force that must be managed to resolution, conflict can be a driving force for social change. . . . Fundamentally, conflict forces all of us to clarify and adapt our perspectives in response to changing human interests and environmental conditions (Lach, 1996:212).

As agents of conflict and controversy, radical activist groups have been reviled as “naïve and dangerous” proponents of “extreme positions” (Lewis, 1995:250). However, the absence of such a critical voice can also be a potential impediment to sustainable development. The confrontational tactics of radical environmentalism play an essential role in identifying the need to change the unsustainable nature of global industrial society:

[T]he words and deeds of radical environmentalists today may be a window to the future state of the world. And to the chagrin of those who now control the Earth's ecology, whether that window shows a living green world or a wasteland may very likely depend on the success or failure of radical environmentalism (Manes, 1990:12).

Despite what Christopher Manes describes as a “surlly symbiosis” between radical and moderate environmentalists, even Earth First! founder Dave Foreman acknowledges that less radical groups and methods are needed (Manes, 1990:19).

Although the idea of partnership has a long history in the world of business, there has been limited theoretical work to date related to business-NGO partnerships. Social science researchers have examined public-private or social partnerships in the United Kingdom and the United States (Waddock, 1988; Mackintosh, 1992; Bailey, 1994). Others have looked at the general field of inter-organizational collaboration (Gray, 1989; Gray and Wood, 1991; Wood and Gray, 1991). In terms of broader societal issues, Riane Eisler envisions “a new integrated partnership politics that factors in matters that have been largely ignored in most analyses of how to move to a humane future” (1996:565).

Even less work has been carried out on the specific area of business-NGO partnerships for sustainable development. To redress this gap, a small but growing body of action-oriented, generally non-academic research on business-NGO environmental partnerships has begun to emerge in recent years from which four broadly different partnership typologies can be identified:

**McKinsey and Co. (1992):** In its work for the United States President's Commission on Environmental Quality, McKinsey and Co. proposed a way of analysing partnerships according to their intended impact on regulation. They attempted to determine whether partnerships pre-empt, inform or respond to environmental legislation. Despite its legislative focus, their framework did not consider how partnerships might result from disenchantment with the legislative or regulatory process.

**Frederick Long and Mathew Arnold (1995):** In their work for the Management Institute for Environment and Business (MEB), Long and Arnold identified four types of environmental partnerships:

- *Pre-emptive partnerships* attempt to defuse an already or potentially confrontational situation.
- *Coalescing partnerships* bring together traditional rivals with different motivations but shared goals that can be achieved together.
- *Exploration partnerships* attempt to research issues of joint concern.
- *Leverage partnerships* are initiatives that aim to pool resources to allow partners to reap higher returns than would be gained alone after modest investments of time and money, similar to the partnering approach in the business world.

**SustainAbility (1996):** In its strategic review of British Petroleum's relationships with environmental NGOs (ENGOS), SustainAbility outlined nine types of company-ENGO relationships based on the degree of commonality in goals between actors. Business-NGO relations range from those where there is no

commonality (“challenge”) to those characterized by high commonality (“strategic joint venture”). In between, there is a range of types including “sparring partner”, “charitable support”, and “strategy dialogue”. This approach provides business leaders with analytical tools to better understand existing and future relations with NGOs.

**Murphy and Bendell (1997):** In our book **In the Company of Partners**, we offer three models of business-NGO partnership where NGOs attempt to influence business policy or operational issues:

- *Process-oriented partnerships* involve NGOs with internal company management processes in some way. They often focus on broad issues such as environmental policies, eco-efficiency strategies or improving the performance of suppliers.
- *Project-oriented partnerships* focus on discrete projects to achieve objectives with significant implications for core business practice. They differ from process partnerships, as the relationship does not necessarily involve NGOs with internal management decisions.
- *Product-oriented partnerships* involve NGOs in specific product development and/or endorsement. The difference between these partnerships and process-oriented initiatives is that they do not involve the NGO with internal company management decisions. Unlike project-oriented partnerships, they focus on delivering improvements in products or product sales.

Together the above frameworks describe a range of existing business-NGO relationships, including those involving other actors. Although the SustainAbility typology describes a larger number of interactions, neither it nor any of the others fully explains the diversity of business-NGO relations on sustainable development. Most, if not all of the typologies, are very Northern-centric and fail to consider the contingent relationship between conflict and partnership. They also appear to be more concerned with the nature of the relationships and the benefits accruing to the partners rather than considering the extent to which business-NGO relationships affect the inter-organizational problem domain of sustainable development. In this regard, there are related questions about the extent to which business-NGO partnerships actually embody sustainable development principles. Furthermore, most of the research to date fails to explore the wider implications of closer and more collaborative business-NGO relationships, namely for democracy, governance, regulation and global social change.

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## CONCLUSIONS: THE CHARACTERISTICS OF COLLABORATION

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Researchers such as Donna Wood and Barbara Gray (1991) argue for a comprehensive theory of collaboration. However, it should be remembered that “partnerships are highly contextually specific . . . [and] must be developed within the political and organizational culture of specific localities” (Stewart and Snape, 1996:5). The more specific area of business-NGO partnerships for sustainable development embodies a wide range of industrial sectors, NGO types, geographical contexts, political cultures and organizational forms. Given this diversity, it seems unlikely that any one model of collaboration would be an adequate, let alone appropriate, analytical tool. Instead we offer some general

characteristics of business-NGO collaboration, which, for the most part, appear to be shared by all three case studies. These characteristics are presented as preconditions for interactive processes and outcomes.

## ◆ Preconditions

It is important to understand the factors that give rise to partnerships, namely the preconditions that motivate organizations to seek out partners or to accept offers to collaborate (Gray and Wood, 1991). These may include external and/or internal issues unique to one organization or shared by the partners. The specific origins of the formal partnerships and other collaborative forms of business-relations in each of the case studies are obviously unique. Below we offer a preliminary list of partnership preconditions that emerge from the case studies and other research. It is not exhaustive and should not be seen as a partnership formula. Relevant preconditions include the following:

- emergence of sustainable development as a new—albeit contested—global-local problem domain where both business and NGOs are relevant stakeholders;
- perceived and actual decline in the effectiveness of state regulation and global governance related to the enforcement of environmental and labour standards;
- acknowledgement on the part of NGOs of the increasing political and economic power of global corporations as agents of unsustainable development and as potentially positive agents of socio-economic and environmental change;
- proliferation of North-South “double standards” in corporate social and environmental policies and programmes;
- impact of different forms of sustained, often widespread NGO campaigning, including direct action, consumer awareness and information dissemination via new technologies, upon corporate reputation, market position and business responses to sustainable development;
- recognition by beleaguered companies of the growing power and legitimacy of NGOs as agents of social change and potential partners to help solve business problems;
- need for more inclusive and accountable models of society, governance, problem solving, standard setting, regulation, community development, etc.;

## ◆ Interactive Processes

Another aspect of understanding the business-NGO partnership phenomenon is to consider the various interactive processes that take place as part of the development and implementation of such initiatives in different contexts. These may include interactions within the organizational boundaries of the partnership concerned, as well as external influences. The following list is not a definitive checklist for the business-NGO partnership process, but rather initial perceptions based upon the case studies and other relevant material.

Interactive processes include the following:

- capacity and willingness of partners to cope with the diverse perspectives and paradoxical goals from the outset and throughout the process;
- commitment of partners to principles of shared responsibility, mutual symbiosis and joint ownership;
- articulation of honest and realistic expectations by partners;
- development of a flexible structure consistent with the purpose and functioning of the partnership;
- organizational commitment of business partner(s) to change unsustainable practices through specific policies, concrete actions and ongoing support for the partnership;
- ability of NGO partner to maintain organizational independence and integrity;
- ongoing pressure from other NGOs and activists related to the problem domain;
- capability of business and NGO partner(s) to respond appropriately to such ongoing pressure;
- capacity to broaden partnership scope and participation in some cases to include relevant UN and governmental agencies (e.g., Pakistan);
- ongoing tensions between businesses and NGOs about the potentials and limits of partnership in different geographical, political, social and cultural contexts.

## ◆ Outcomes and Consequences

A third general way of understanding business-NGO partnership is to consider their outcomes and consequences. Gray and Wood suggest that partnership outcomes can be identified by considering “whether problems were solved . . . whose problems were solved . . . whether shared norms were achieved” and whether the partnership survived (1991:18). Another way of reviewing partnerships would be to consider some of the wider implications of closer and more collaborative business-NGO relationships. Given that most of the examples cited are still evolving and the newness of this specific area of study, the following list of partnership outcomes offers a tentative picture of an emerging phenomenon:

- partnering NGOs are gaining greater credibility as important resources for both business and society;
- some partnering businesses are being recognized for their more proactive approaches to social and environmental matters;
- other NGO and consumer pressure on partnering businesses and/or industry sectors does not necessarily end and is often maintained;
- shared norms are emerging around the general idea of sustainable development although it remains a contested and controversial problem domain;
- many specific problem areas addressed by business-NGO partnerships remain complex and multi-faceted, and therefore require ongoing dialogue and negotiation in order to identify medium- and long-term solutions.

Seen from a wider perspective, business-NGO partnerships constitute part of a changing global political and economic context which is giving rise to new models of corporate accountability and stakeholder engagement. This context is characterized by a number of international developments including the globalization of business, trade and finance; advances in communications technologies; and a growth in the number of NGOs and the scope of their activities. Many would argue that this context also includes unacceptable yet

deepening levels of environmental degradation and human poverty. The perceived and actual decline in the role of the state in the face of globalization raises additional concerns about governance and regulatory gaps nationally and globally. We should remember that stories of NGO-driven corporate environmentalism are fresh straws of hope in a rotten haystack of unaccountable and irresponsible global capitalism. The unsustainable reality for billions of people on Earth today nonetheless compels us to grasp at these straws, as potential catalysts for more sustainable and equitable world futures. This is our reason for venturing a new theory of corporate environmentalism based upon civil regulation.

## PART 2: TOWARD CIVIL REGULATION

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### INTRODUCTION

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What is corporate environmentalism, *really*? What can it offer the many people in less industrialized countries, today and tomorrow, who seek secure and sustainable livelihoods? Is the idea of growing business responsibility for the environment of developing countries our common future, or our shared fallacy? Some observers stress that it is largely a public relations exercise or “greenwash”, so that companies can continue to plunder the planet. Others have insisted that it is a real and rational business response to ecological constraints and market opportunities. The “rational business response” argument suggests that self-compliance is an adequate strategy for sustainability. The “greenwash” argument demands greater legal compliance from business if we are to reverse environmental degradation. These diametrically opposed analyses have generated much heated debate on the issues of sustainable development, corporate regulation and global governance.

In contrast, the changing business response to NGOs, described in part 1, cannot be adequately explained by either side of this debate. Corporations are increasingly being compelled to take action by civil society, not by government. These phenomena are examples of neither self-compliance nor legal compliance, and the evidence we have presented contributes neither to the “rational business response” argument nor the “greenwash” argument. However, it is important to remember that the instances of NGO-driven business responsibility for sustainable development are limited in both number and geographical scope. As in nearly all cases the force for change has come from well-financed Northern NGOs; the potential role of NGO-driven corporate environmentalism in the South is currently unclear.

Part 2 investigates the potential for the wider replication of NGO-driven corporate environmentalism in developing countries. This is done by placing the initiatives described above within the context of global processes, including the globalization of business, trade and finance, and advances in communications technologies. This leads us to develop a theory of how corporations are regulated for social and environmental goals in a globalizing economy and to chart appropriate corporate, NGO and governmental strategies.

Our argument is this. First, corporate responsibility for environmental protection is a political process. This is not to dismiss the commercial win-win arguments for environmental management, which are now well established. Instead, we point out

that many environmental management initiatives go beyond eco-efficiencies and tackle issues where financial outlay does not generate immediate returns. Second, civil society organizations are increasingly important actors in determining the political-economic context within which business must operate. These very diverse organizations, called NGOs, are linking globally through communications technology and are able to generate ethical responses from consumers. Third, the emergence of consumer politics and the growth of these NGOs is allowing a new model of regulation to develop. While the “rational business response” and “greenwash” analyses suggest policies of either self-compliance or legal compliance respectively, our analysis leads us to describe the phenomenon of “civil compliance”—or what we will call *civil regulation*.

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## THE POLITICAL DIMENSIONS OF CORPORATE ENVIRONMENTALISM

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The Gramscian concept of hegemony is one theoretical framework which can be used to analyse the politics of corporate environmentalism. Antonio Gramsci (1988) argued that in most societies there is a coalition of groups that dominates social, political and economic expression. This coalition of business, government, professional and intellectual elites is interested in protecting the status quo and is therefore constantly managing and incorporating opposition to its “hegemonic control”. Accordingly, if levels of environmental degradation become socially unacceptable and engender civil protest, then industry and other hegemonic groups must respond to maintain confidence in the current political-economic system.

Employing this framework David Levy (1997) argues that most environmental management is an exercise in political, not environmental, sustainability. Levy draws upon evidence that much environmental management cannot be explained on a purely financial basis. Rather, environmental initiatives, projects and codes of conduct go further than narrow eco-efficiencies and therefore have a strong stakeholder relations—or political—element. This is environmental management as corporate responsibility. For example, environmental consultants at McKinsey and Co. believe “win-win situations . . . are very rare and will likely be overshadowed by the total cost of a company’s environmental program” (Walley and Whitehead, 1994:46). In addition, research in a Northern context shows that corporate environmentalism is primarily motivated by regulatory and public pressure rather than opportunities for financial savings, competitive advantage or green premiums (Ashford, 1993; Dillon and Fischer, 1992; Rappaport and Flaherty, 1992).

The industry response to tropical deforestation described in part 1 demonstrates a political motivation for corporate environmentalism. Although there is a strong business case for ensuring future supplies of timber, and therefore the conservation of productive forests, the commercial pressures posed by NGOs, such as boycotts, were more immediate and therefore more significant.

Similarly, developments in the oil industry suggest that the political motivation for environmental management is becoming more widely recognized by company managers. Since the Brent Spar and Nigeria episodes, Shell’s president wants the company to replace its “technological arrogance” with a more co-operative

approach, which recognizes that environmental issues are “social and political dilemmas” with “a range of possible answers” (Herkströter, 1996:9). Similarly the chairman of BP now believes that society’s concern about global warming provides enough justification for action, even though there may be ongoing scientific disagreements about its causes and consequences (Browne, 1997). Whereas in the past a faith in science and certainty governed business decisions, the emerging approach of senior management in oil, timber and other international companies is to put people in the centre of the debate and therefore acknowledge the political nature of corporate environmentalism.

This political dimension to environmental management is reflected in the emerging emphasis on stakeholder management and the concept of social capital. The theory of stakeholder management says that companies can only succeed if they pay attention to all those who affect or are affected by the company’s operations. This includes customers, staff, shareholders, suppliers, interest groups, local communities and regulators. Depending on the scale and impact of the business, even the entire population of planet Earth may be seen as stakeholders in a company (Wheeler and Sillanpaa, 1997).

Whether it is the primary purpose of a business to satisfy its stakeholders or only to do this in order to maintain dividends for shareholders is widely disputed. Supporters of the former position generally recognize the importance of social capital—a valuation put on the business benefits of “stakeholder management”, such as trust and motivation. Francis Fukuyama (1995) believes the economic value of trust is considerable and should be valued in the same way as other capital assets. Social capital is therefore a valuation of the ability of people in groups and organizations to work together for common purposes.

Many individuals involved in the business-NGO partnerships described earlier champion stakeholder consultation as a sound way of finding socially acceptable solutions to sustainable development issues and, therefore, of protecting social capital. Senior managers from wood product retailers have committed their companies to meeting targets and implementing policies largely defined by WWF-UK. Executives at both Shell and BP have sought political and technical advice from many of their critics in their efforts to revise company policies and operational guidelines.

Many of the participants in business-NGO partnerships are known to the authors personally, and we can say that a fresh sense of purpose and optimism surrounds their partnership activities. However, stepping back from the specific initiatives, some commentators voice a concern with the political implications of what is occurring. From the Gramscian perspective mentioned earlier, Levy (1997) argues that the political nature of corporate environmentalism is worrisome. The concern is that political expediency rather than environmental necessity determines environmental management. This produces a business-first attitude to environmental and social problems, which often undermines more fundamental approaches to environmental sustainability:

[Corporate environmentalism] can be understood as an integrated response on the practical and ideologic levels that serves to deflect more radical challenges to the hegemonic coalition (Levy 1997:127).

The deflection of more radical approaches to environmental management is an issue that is addressed by Richard Welford (1997). “Eco-modernism”, he argues, is becoming the dominant industry discourse on the environment, and it treats the environment as another technological problem to be overcome in the pursuit of progress. To the eco-modernist, pollution is an economic opportunity for prevention and clean-up technologies and certainly not an indication of fundamental problems with the current economic system.

Levy and Welford may take different approaches, but they arrive at the same conclusion—that corporate environmentalism embodies a strong political element. Levy believes environmental management to be an overtly political process, as most companies actively go beyond eco-efficiency and deal with community and stakeholder issues. Welford believes environmental management’s narrow focus on eco-efficiency marginalizes more comprehensive and ambitious sustainability management approaches.

We agree that environmental management is becoming a more political process, but not only because of business attempts at better stakeholder relations or because more radical discourses are being undermined. We believe that civil society organizations are also playing significant roles in promoting environmental and social management (Murphy and Bendell, 1997). The evidence of anti-logging, anti-oil and anti-child labour protests illustrates that NGOs are increasingly setting the political agenda within which business must work. The challenge is therefore to seize the opportunities afforded by corporate environmental politics, not lament its existence. The next section describes the ways in which NGOs are playing this increasingly political role.

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## NGOs AND THE POLITICS OF PRESSURE IN A GLOBALIZING ECONOMY

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The increasing size, notoriety and apparent uncontrollability of transnational corporations (TNCs) coupled with the spread of information technology are leading to a new NGO-driven politics of pressure. In recent years NGOs, in both the North and South, have focused increasingly on the activities of TNCs and the sensitivities of consumers to ethical concerns. This development is the result of a number of factors, which we describe below.

The first dynamic is the emergence of the global economy and the perceived decline in the role of the nation state. The 1990s have seen the rapid development of global money markets. Private investment in the developing world spiralled from 44 billion dollars in 1990 to over 167 billion dollars in 1995 (World Bank, 1996). During the same period, official development assistance (ODA) fell slightly, to a total of 59 billion by 1995 (OECD-DAC, 1996). Today private money is influencing the levels of environmental protection in the South as much as, if not more than, ODA.

From an environmental perspective, how the hundreds of billions of private capital are spent matters far more than how the few billion dollars of official assistance devoted to environmental investments gets dispensed (Esty and Gentry, 1997:2).

The globalization of trade and finance may be proceeding apace, but the globalization of governance is not. As capital and industry become increasingly large and mobile, the power of many national governments to set their own policy agenda has weakened (Korten, 1995; Camilleri and Falk, 1992). In a global market, if a TNC does not favour the policies of a particular government it may choose to locate elsewhere, particularly if the country in question has a relatively small internal market. These types of investment decisions by TNCs are increasingly important, as they control 33 per cent of the world's productive assets (UNRISD, 1995). If the international money markets anticipate a withdrawal by a number of TNCs, then confidence in a country's economic performance and therefore its currency may decline, leading to an economic downturn. Consequently governments have been involved in a process of competitive deregulation.

The second dynamic relates to the role that some major corporations are beginning to assume in the psyche of people in developed and developing countries. With global expansion, certain brands have become well known throughout the world. A brand image is an aggregate of the thoughts customers or investors associate with a particular company symbol, from a product logo to a stock market listing. Brand image has become so important that changes to it can have significant effects on company profitability or value. Environmental and social issues hold both positive and negative potentials for companies with global brand images. Meanwhile, many NGOs carry public opinion with them on environmental and social issues, which means they have the ability to affect corporate brand image in these areas.

A third dynamic is the development in telecommunications and information technology. The types of protests described in part 1 remind us that information dissemination is crucial in allowing the development of NGO pressure politics. Global access to computers, fax machines, modems, satellite communications, solar powered battery packs and hand-held video cameras has provided many civil society groups with greater knowledge, voice and power. Although the vast majority of the world's poor and powerless do not have direct access to information technology, growing numbers of NGOs and activist groups do. The flow of information around the world during political uprisings and following the disappearances or murders of notable campaigners lends added political weight to these events. "Thanks to cyberspace, absolute control over information access is no longer possible" and atrocities can no longer be covered up easily (Johnston, 1997:336). Gramsci (1988) argued that "hegemonic power" is maintained as much by manufacturing consent through the media as it is by coercion or force. Absolute control over information is one of the keys to controlling thought and behaviour, as information influences and shapes cultural belief systems and legitimizes political authority. From this perspective, the communications revolution is fundamental to the power of civil society.

In the North, lack of government capacity and will to effect change, coupled with the iconic nature of major corporations and the communications revolution, are providing NGOs with added reasons to focus on corporate practice. This change in strategy is part of "third wave environmentalism" for environmental NGOs and the social market movement for development NGOs (Murphy and Bendell, 1997).

In the South, NGOs have also begun to focus on the market. There are similar reasons for this change in focus. First, in many countries progress through lobbying their own governments has been difficult, whether they are democratic or not. The pressures of foreign debt and structural adjustment programmes often limit the scope of governments to act on ethical issues such as environmental protection and fair pay. Second, intergovernmental agencies have been slow to act, disillusioning groups in the South in the same way as is happening in the North. Third, Northern NGOs have begun to reach out to Southern groups and involve them in new market-oriented campaigns. For example, the World Development Movement in the United Kingdom often sponsors and organizes visits by Southern campaigners. These initiatives are facilitated by the communications technologies mentioned above.

Focusing on corporations and the market is also natural to many Southern campaigners. Many are fighting for economic justice as well as environmental justice, and have identified the activities of certain corporations as the problem from the outset. The MOSOP campaign against Shell in Nigeria is one example of a Southern movement that linked environmental degradation, economic hardship and social exclusion as negative outcomes of irresponsible business behaviour. This presentation allowed the campaign to appeal to activists, as well as Shell's customers and investors, in Europe. The focus on markets is also illustrated by the international campaign of the Tupinikim and Guarani. Fearing that the Brazilian government would be swayed by the financial pressures and opportunities associated with a decision on Aracruz Cellulose access to indigenous lands, the Indians have appealed to European markets for support.

Given increasing concern with and ability to affect market behaviour, civil society organizations have developed a number of tools to change corporate policy. This is leading to new forms of market-oriented activity by NGOs, activist and community groups. Consequently there is now a wider spectrum of relations between companies and NGOs, from direct action protest to dialogue and partnership.

One of the best known market-oriented NGO tactics is the corporate boycott. Boycotts of sports goods companies such as Nike, timber retailers such as B&Q and oil companies such as Shell have prompted companies to take seriously the ethical concerns of the public. Growing NGO support for ethical investment, where investments are screened against social and environmental criteria, is also a form of systematic boycotting of "unethical" company shares. Although these tactics have worldwide implications, they do not appear to be a viable option for NGOs in countries where consumer and investment power is less influential.

A second confrontational tactic of NGOs is direct action protest, where groups deliberately sabotage the commercial operations of a company. In the South, the forest peoples of the Oriente in Ecuador have, on numerous occasions, blocked the building of new roads by the oil company ARCO (Collinson, 1996). In the North, activist attendance at annual shareholder meetings to demonstrate or table controversial motions is another form of direct action protest, which has affected companies such as Shell.

A third tactic is collaboration, as evidenced in the partnership initiatives described above, in the oil, timber and sports goods industries. Similar partnerships are developing in other industry sectors, relating to other social or environmental

problems. In 1996 WWF-International launched a partnership with Unilever Corporation, the world's largest buyer of frozen fish, to create economic incentives within the seafood industry for sustainable fishing throughout the world. The new Marine Stewardship Council (MSC) is the result of their endeavours. The Fairtrade Foundation, a coalition of international development, consumer and fair trade organizations, has launched a pilot project to work with British companies to develop codes of practice to guide relationships with their Southern suppliers. These partnerships differ from previous collaborations based on corporate charity, as the NGOs are helping business with internal operational issues. NGOs are increasingly involved in the development of systems which imply civil regulation; these include multi-stakeholder agreed and independently verified codes of conduct for ethical business practice, such as the Forest Stewardship Council (FSC) system.

With a variety of campaigning tools at their disposal, NGOs—North and South—are creating a new politics of pressure to which business must respond. In her review of the state of the environment and human rights at the end of the millennium, Barbara Rose Johnston concludes that:

Perhaps the strongest evidence of progressive political change is found in the informal “civic organization” sector, where the ability to organize, communicate, create networks, and form coalitions has meant the emergence of a political force whose power and impact cannot be overstated (1997:332).

The emergence of this new political force demands more analysis so we might understand the true extent of its power and impact. A comparison with the characteristics of political movements in the past may throw some light on the subject.

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## FROM PRODUCER POLITICS TO CONSUMER POLITICS

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It is widely understood that worker unrest with factory owners and other capitalists in most Northern industrialized countries at the turn of the last century led to the establishment and legal protection of trade unions and a democratic political force for workers. This was an incorporation of worker demands that served to head off the kind of revolutions against capitalism that occurred in some other countries. Critics of capitalism argued for the development of a “producer politics” where workers unite in order to control capitalist access to labour. The social democracies that emerged from this period embodied the notion that capitalism worked best if there was a counter-balancing force to capitalists through strong government and trade unions: capitalists needed the workers while workers, it was argued, needed the capitalists.

This social democratic system has led to, or coincided with, a huge expansion of many economies during the twentieth century. At the close of the century the balance of forces embodied in this system has been lost. Governments pursuing neoliberal policies have largely rejected the social democratic model, rolling back the state both internally and externally by promoting international free trade. Trade

union power and influence have also declined. The result is that global business does not have an effective counter-balancing force of globally organized producers. Increasingly the offer of the lowest pay and working conditions wins the capitalist investment.

Meanwhile in most Northern countries, work has changed. People are changing jobs more frequently than before. Family members no longer do what their parents did. Personal identity is not determined so much by one's work but increasingly by how one spends one's money and spare time. Thus the political issues of our time are leading to different outcomes. In Western industrialized countries, environmental concern has not led to workers uniting to demand better corporate performance, but consumers uniting to do so. Whereas the establishment of trade unions and powerful political parties incorporated the workers movement, the establishment of NGOs has incorporated the environmental movement. Usually supported by financial donations and voluntary labour, NGOs are the organizational expression of "consumer politics".

Whereas producer politics gained its power through controlling access to labour, consumer politics gains its power through controlling access to customers. Corporate boycotts and direct action protests are the confrontational outcomes of consumer politics, in contrast to the strikes and lock-outs of producer politics. Business-NGO partnerships are the co-operative tools of consumer politics, in contrast to the business-union deals of producer politics. Whether consumer politics can exert the same counter-balancing force as producer politics did in the past is still open to question. Business needs both workers and consumers. Consumers and workers both need business. The power of the worker resulted in a dialogue between employer and worker organizations. It seems that the power of the consumer will result in a dialogue between business and NGOs (consumer and environmental groups).

The scope for genuine environmental dialogue comes down to power and influence. Certain groups of consumers (and their advocates) do not have the same power as other consumers. Consumer power is directly related to spending power. In consumer politics it is one dollar, one vote—not one person, one vote. This poses major problems for people with little, or no, consumer power: citizens of Southern countries have far less of this political power than their counterparts in the North. At first sight, this suggests that there are fundamental constraints on the ability of consumer politics—and therefore civil regulation—to ensure business responsibility for environmental protection in the South.

However, in consumer politics, as with producer politics, we must remember that power is not gained by an individual's worth but through collective action and collective bargaining. Thus co-operation and camaraderie between civil society in the North (especially consumers) and in the South (including producers) may be able to deliver the necessary counter-balance to international business and create a favourable socio-economic environment for sustainable development. We return to this point later.

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## BEYOND LEGAL VERSUS SELF-COMPLIANCE

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In the face of increasingly powerful consumer politics in most Northern countries, many companies are beginning to introduce new environmental and social policies for their operations in Southern countries. These initiatives range from codes of conduct and certification schemes to purchasing policies and partnerships. As noted earlier, Shell has added support for human rights and sustainable development to its Statement of General Business Principles. BP is collaborating with a group of British development NGOs to improve its social and environmental performance in Colombia. Wood product retailers throughout Western Europe and North America are committing themselves to sourcing only from FSC-certified forests. Leading sporting goods companies are working to eliminate the use of child labour in the production of soccer balls in Pakistan. Many other examples of new corporate environmental and social policies affecting the South can be found in other industrial sectors, including chemicals, clothing and food production.

Many would characterize these changes as evidence of the self-compliance agenda—a second stage business response to sustainable development which is currently the dominant paradigm of environmental management. Self-compliance is championed as a way of promoting sustainable development by allowing flexibility in addressing environmental issues and by creating incentives for environmental innovations (WBCSD, 1997). However, self-compliance is criticized by both environmentalists and academics for not going far enough and for being used by industry as a means of discouraging new environmental legislation (Welford, 1997; FoE-UK, 1995). The United Nations Research Institute for Social Development (UNRISD) has also voiced these concerns, contending that “international business cannot be expected to author their own regulation: this is the job of good governance” (UNRISD, 1995:154 and 19).

We do not believe that all the corporate environmental initiatives which are not demanded by governments are “voluntary”. Certainly, some of the impetus for the changes is coming from the business community itself, through organizations such as the WBCSD and the ICC. Key individuals within companies are also playing instrumental roles in the process of change. However, we believe it is the catalytic roles of Northern and Southern NGOs as business provocateurs and partners that are driving these changes.

Northern NGOs are playing major roles in challenging the environmental and social impacts of Northern-based businesses operating in the South. Greenpeace International has been one of the leading NGOs in the worldwide campaign against Shell’s activities in Nigeria. Key Northern catalysts for public awareness about the destruction of tropical forests included the Rainforest Action Groups (RAGs) in the United Kingdom, United States and Australia, Friends of the Earth (FoE) groups in the United Kingdom and Netherlands, and numerous other grassroots campaign groups throughout Western Europe. On the partnership front, WWF-International, with numerous national affiliates, has been the lead collaborator with business on forest-product certification and labelling. Likewise, SCF-UK and Oxfam-UK have been the first development NGOs to embrace partnership with sporting goods manufacturers and clothing retailers respectively.

The process of “civilizing” global corporations also depends upon the active participation of Southern NGOs. On both social and environmental fronts, Southern NGOs have raised global awareness through their activism and networking. Only when rainforest protests by Southern trade unions and NGOs encountered a violent backlash during the 1980s did the deforestation issue gain greater prominence in the international political arena. The recent work of the Tupinikim and Guarani and the subsequent media attention in Norway shows the power of Southern activists to transform local struggles for land rights and conservation in the South into tangible consumer and political issues in the North.

Our argument is that these initiatives represent the emergence of a new form of regulation for international corporations, called civil regulation. Civil regulation occurs where organizations of civil society, such as NGOs, set the standards for business behaviour. Companies then chose to adopt or not to adopt these standards. For those that adopt the standards a number of commercial and non-commercial benefits are available (credible marketing, staff motivation, etc.). For those companies that choose not to adopt these standards, the confrontational tools of consumer politics can be expected from civil society (boycotts, direct action, etc.), with deleterious effects on company sales, costs and social capital. Whereas government fines for pollution violations now rarely affect company value, consumer politics brings greater financial risks. Although governments may have the purported monopoly on force—and therefore the “final say”—in reality the ability of civil society organizations to regulate business behaviour through financial carrots and sticks is rapidly becoming more powerful.

In our discussion of the politics of corporate environmentalism in part 1, our intention was to question the current stand-off between those who argue environmental management is a rational business response and those who argue it is only greenwash. In putting forward a theory of civil regulation, we aim to move the debate on effective corporate policy responses to sustainable development from the current self-compliance versus legal compliance divide to something more empowering. We believe that conceiving of corporate environmentalism as a political process—and seeing the changing relations between businesses and NGOs as the emergence of civil regulation—offers new policy opportunities for businesses, NGOs and governments, which may vary depending on whether they are based in the industrialized North or less-industrialized South. In the following sections of this paper we turn to these policy options.

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## THE CASE FOR CIVIL REGULATION

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The fact that partnerships between businesses and NGOs are increasing rapidly is evidence in itself that there are strong commercial and campaigning reasons for civil regulation. In the following section we describe some of the benefits and some of the problems for participating businesses and NGOs in both the North and South.

## ◆ The Corporate Rationale for Civil Regulation

We believe there is a strong business case for welcoming the emergence of civil regulation. Many managers, campaigners or governmental officials following social and environmental issues in the world today would recognize that there is a global race to the bottom of environmental and social regulation. While profitability may rise in the short term as a result of lax regulation, this is not a stable social climate for business in the longer term. Civil unrest in the South can be understood as a reaction to the inadequacy of the state and to corporate malfeasance.

Individual companies cannot respond to this emerging social and environmental crisis alone. To do so, for example by unilaterally pulling out of a gas development project in Peru, might affect investor confidence in the competitiveness of the company. If companies collaborate to improve environmental and social standards, they may succeed in creating a more favourable business climate in the long term. To achieve this, business requires an external force that can push reluctant companies forward. In the twenty-first century, it does not appear that governments will have sufficient capacity to play this role. Instead, inter-governmental bodies and civil society organizations must take on greater responsibility for maintaining a level playing field. This is the business case for new global governance mechanisms, and consequently, civil regulation.

Managers are beginning to recognize this need for an external force to drive all companies toward improved environmental and social management. For example, BP's Chris Marsden has said that if Greenpeace did not exist, BP would need to create it—and that, overall, “there is a major part to be played by NGOs, interest groups, local communities and public sector bodies in helping companies to make their best possible contribution to the well-being of society as well as to their shareholders” (Marsden, 1997, personal communication). This “help” can take the form of protest or partnership.

Given that the costs of confrontation are so high, especially when boycotts are involved, a number of companies are seeking constructive engagement with NGOs. There are many reasons why partnerships with NGOs are becoming an increasingly popular strategy for companies in the North. Understanding these reasons may give some indication of whether there will be new opportunities for partnership in the South. The reasons for working with Northern NGOs broadly relate to environmental public relations, eco-efficiency and organizational learning. We cover each in turn.

For reasons of marketing, recruitment, employee motivation and risk management (preventing store boycotts and protecting share prices), it is prudent to cultivate the public impression of a socially and environmentally responsible business in a society with established consumer politics. The need for credibility is one factor. A recent study by the Investor Responsibility Research Centre (IRRC) for the Global Environmental Management Initiative (GEMI), **Environmental Reporting and Third Party Statements**, outlines how environmental reports and claims by companies continue to suffer from a credibility gap in the eyes of a variety of stakeholders (SustainAbility et al., 1996). “Faced with this credibility challenge, active dialogue and stakeholder partnerships assume unprecedented importance” (SustainAbility, 1996:21).

Northern retailers of products from Southern countries are particularly in need of credible information to reassure consumers. Credibility comes from independent standards and assessment. Government or NGO involvement is therefore required. The case study of retailers of tropical timber products presented in part 1 illustrates this point clearly. Companies such as B&Q faced a crisis of credibility over their environmental performance as consumers became aware both of rainforest destruction and the early attempts at greenwash by a number of retailers. Both the British and Dutch governments were unable to provide suitable policy alternatives to empower retailers to respond to consumer concerns.

By working with NGOs, some companies are generating a level of interest in their environmental policies which hitherto has only been experienced by the likes of the eco-conscious Body Shop. The experience of many companies in the WWF-UK 1995 Group was that partnership with one NGO helped to reduce the attention of other NGOs. This has not been the experience of BP, which continues to face direct action from Greenpeace even while it engages development NGOs on other fronts. For the most part, however, collaboration with NGOs helps business to promote an environmentally responsible public image.

In addition to these benefits there are the more “non-political” benefits which should not be overlooked. Financial and natural resource savings—or eco-efficiencies—can be achieved through partnership with NGOs. Companies in the 1995 Group saved on expensive consultancy fees by working with WWF-UK. With complex supply chains and often strained buyer-supplier relations, the DIY retailers have benefited (and continue to benefit) greatly from WWF-UK’s free advice in implementing their forest product sourcing and certification programmes. Similarly various sporting goods companies and their trade association, WFSGI, are learning from child welfare and labour standards experts with SCF-UK and ILO. Despite its ongoing problems with Greenpeace in the United Kingdom, BP is no doubt gaining a much needed critical perspective on its role in Colombia via the Interagency Group of British NGOs.

The Shell case referred to earlier reminds us that huge TNCs with a variety of subsidiaries have a major internal governance challenge. Newly adopted or revised policies relating to environmental protection, stakeholder management and social capital will take time to be implemented at the operational level. The global network of NGOs may be able to help with introducing managers of subsidiaries to new ideas and ways of working.

This brings us to another important benefit of partnership for participating companies, which relates to organizational learning. If profit-making organizations are to meet growing social and environmental demands, they will need to undergo profound organizational change. Corporate strategies need to consider fundamental questions such as “who really needs this product?” and “will the community be healthy and prosperous enough to produce and to buy our products in the future?” In order to address such concerns, business needs to work with other sectors of society. A collaborative approach to solving the social and environmental problems caused by business may be the most progressive and relevant organizational learning strategy of all. By embracing partnership strategies, business and NGOs have the potential to define the future of private enterprise.

For companies based in the South, the benefits of partnership and proactive support for civil regulation are less clear. Further research is needed on the potential benefits of working collaboratively with local community groups, national and international NGOs. In addition, research could focus on the success of privately owned companies as opposed to worker co-operatives founded upon partnership principles. In the absence of this research, we can only speculate on the potential benefits for Southern companies.

First, there is a very real possibility that governments faced with illegal enterprise will license more foreign companies to exploit national resources. This is already happening in Latin America, where faced with illegal logging and mining governments are turning to international corporations to exploit resources and police the concessions licensed to them. The governments concerned anticipate that these corporations will have better environmental management policies than national companies—due in part to pressure from Northern NGOs. Southern companies may, nevertheless, be better placed to understand local communities and to develop more appropriate sustainability management policies than their Northern counterparts.

Second, growing numbers of Southern companies export to Northern countries. With increased market awareness in the North about the social and environmental performance of Southern suppliers, there are new commercial threats and opportunities. If Southern suppliers fail to adopt environmental management policies or to improve factory conditions, for example, they may lose major contracts. On the other hand, if Southern companies work with local and international NGOs on improving performance, they may secure longer term contracts and higher or more stable prices.

Third, by collaborating with NGOs companies may be able to access new sources of finance. The recent commitment of the World Bank to lend millions of dollars to forestry companies that seek independent certification suggests that, in the future, sources of finance may be tied to demonstrable sustainable development management policies. Partnerships with civil society are one way of proving this commitment.

Fourth, local communities have a lot to offer global and national business. Local resources, both human and natural, are essential ingredients in a long-term commercial strategy. Companies have much to gain by encouraging the active participation of local people as company employees, suppliers, sub-contractors, customers and other beneficiaries. Despite the limited development of consumer politics in the South, there are also considerable business benefits in maintaining good community relations. To earn a reputation as a good corporate citizen, companies are expected to provide financial and material assistance to community development projects. As the experience of Shell in Ogoniland aptly illustrates, poor corporate community relations can lead local people and activist groups to obstruct and sabotage business activities.

It would be unwise to give the impression that the emergence of civil regulation provides only opportunities for the companies that respond positively. However, the business pitfalls with civil regulation are less easy to identify at present. The main problem for management in adopting a principle of complying with civil society is that it is difficult to know what the full implications may be. Business

may find itself restricted by the often commercially unaware nature of campaigning groups, as illustrated by certain companies' frustration with the slow, cumbersome nature of the FSC decision-making process. Major soccer brands, such as Umbro and Mitre, and their Pakistani suppliers may eventually become impatient with the potentially bureaucratic nature of the monitoring and verification programme, particularly if it becomes too expensive and difficult to implement.

One of the major problems facing business is that NGOs have widely different campaign strategies and priorities. As the impetus for civil regulation grows, there will no doubt be competing or contradictory schemes emerging from a growing list of potential NGO partners. Even if the end result is a long list of schemes on different themes, difficult choices lie ahead. In the future, Company X may find itself fully complying with Scheme A, while failing to making the grade on Scheme B. A related problem is that some civil regulation schemes may have uncompromising demands which would likely be incompatible with the commercial objectives of most companies.

Even if a company manages to collaborate successfully with NGOs, it risks being undercut by other companies that are not pursuing the same management agenda. The benefits of civil regulation will only be realized if NGOs and activist groups are able to organize, obstruct and protest when a company fails to perform. In political systems where civil liberties are not ensured, companies can silence their critics and externalize more costs than companies pursuing civil regulation strategies. In practice, the same is often the case with regulation. Companies that choose to obey the law while other companies evade it may face a commercial disadvantage. In some contexts and countries, it makes better commercial sense to pay a small fine in order to realize a larger financial gain. However, in principle, legislation applies to all companies whereas civil regulation remains voluntary and seems unlikely to achieve universal commitment.

## ◆ The NGO Rationale for Civil Regulation

In outlining civil regulation as a new system of regulation, we do not mean to imply that there is a universal awareness of this system by campaigners working for NGOs with business-oriented campaigns. Unfortunately there is little appreciation of how the confrontational and collaborative campaigns of NGOs on a diverse set of single issues, North and South, are together providing a new context for international trade. With the increasing power and diversifying roles of NGOs, there is a need for campaigners to acknowledge the links between confrontation and collaboration, between environment and development and between North and South.

Despite the rise of global NGO networks since the Earth Summit, there remains a surprising lack of understanding between the Northern environmental movement and local communities in the South. Many initiatives by Northern NGOs have been unable to overcome the environment-development or North-South divide. Northern conservation groups are still accused of ignoring indigenous peoples' needs; one example of this is the establishment of national parks which have expelled people from their former homelands (Anderson and Grove, 1987). The FSC, for example, was founded with the aim of promoting socially beneficial forest management. Four years after its formation, however, membership by development NGOs and

trade unions is almost non-existent, with Northern environmental groups continuing to dominate. In addition, Southern representation has yet to exceed 25 per cent of the total membership. Conversely, many Northern-based development NGOs, working on a variety of different issues and in different countries, have not yet fully integrated environmental issues into their work.

The absence of a strong holistic vision for sustainable development by Northern NGOs may restrict their ability to pursue a comprehensive strategy for promoting greater corporate responsibility. This should be of particular concern for environmental groups in the North:

Making the environmental movement something more than a dim reflection of developed country environmental concerns will only happen once the immediate impact of environmental degradation on peoples' daily lives is addressed (Kaimowitz, 1996:31).

For civil regulation to become a powerful progressive force for environmental sustainability and social justice, different NGOs pursuing different campaigning tactics must maintain their links. Those involved in business partnerships should seek transparency with the wider NGO movement. As noted in part 1, civil regulation requires confrontation as well as co-operation. Grassroots action will remain important in pushing business toward greater responsibility for environmental protection and social development. Protest is crucial for the empowerment of civil society, for stopping malpractice by alerting governments and citizens, and for reforming business toward sustainability by promoting the adoption of more effective environmental and social policies.

Partnerships are also crucial for effective civil regulation, particularly where they lead to systems of multi-stakeholder agreed and independently verified codes of responsible business practice. This is how NGOs can help harness consumer support for environmental goals. Despite its many limitations, a more sustainable form of consumerism represents one way in which individuals can express their concern for the environment and promote positive change. By becoming involved in the development of consumer information systems and eco-labelling, we believe NGOs have the potential to restore consumer confidence in environmentally preferable products and hence the consumer's sense of agency. This may help to politicize the market in favour of sustainability goals and ensure that consumer concern is translated into substantial social and environmental improvements. As noted earlier, NGOs can also play a validating role for voluntary initiatives, thereby lending them added credibility and the necessary "bite" to deliver more substantial change in business behaviour.

Dialogue and partnership with business is also a catalyst for the greater environmental education of society. Business managers, who may have never previously engaged constructively with sustainability issues, are now doing so. Given their global reach and commercial power, many corporations can reach far more people than an individual NGO. By promoting their environmental policies to customers and staff, many people are learning more about the role of business in solving environmental and social problems. In addition, the demonstration of workable partnership solutions can be an effective means of encouraging governments to pursue innovative policy alternatives. This need for new models is essential given the apparent reluctance and/or inability of governments to

introduce new and stronger environmental laws or to ensure compliance with existing legislation.

Business-NGO partnerships concerned with core business practices are a new phenomenon, one with which most NGOs are unfamiliar. Partnerships with business thus present a number of strategic problems for NGOs. In the various forest-related partnerships outlined earlier, almost no attempt has been made to develop systems to evaluate the partnership's direct contribution to the achievement of specific environmental goals. Today the main quantitative analyses of an NGO's success are based upon membership levels and the extent of media coverage. Third-wave environmentalists need new ways to judge performance. Indicators such as "the percentage reduction in waste per dollar spent", or "the acres of forest saved per dollar invested" are required if we are to truly know the full costs and benefits of business partnerships for participating NGOs.

Some of these concerns appear to be addressed within other initiatives. Although it is too early to evaluate the Pakistan soccer ball partnership, the project's plans include both monitoring and verification of industry compliance and a wide range of social protection activities for children, their families and local communities. SCF-UK appears to have been instrumental in ensuring that the project will not just phase out child labour, but that it will meet important social development needs as well.

This leads to another concern with business-NGO partnerships: the opportunity costs. With an increasing amount of time and finance spent on working with business, other means of achieving environmental and social goals, such as litigation or strengthening government capacity, may be compromised. In addition, media work may focus increasingly on the general public's role as green or ethical consumers rather than on citizens committed to conservation, social justice and sustainable communities.

Then there is the question of independence. NGOs run the risk of being co-opted by business, which seeks to improve its image by selling certified and labelled products endorsed, directly or indirectly, by an NGO. There is a concern that single-issue partnerships may prevent an NGO from publicly criticizing its business partner on other social or environmental matters. In the case study on the sporting goods industry described above, SCF-UK rejected invitations by the industry to become involved in a labelling scheme, because it did not want to endorse a company's child-free soccer balls while the same company continued to sell other unethical products. This example reflects a widely held belief on the part of many NGOs and activists that tools such as certification and labelling are too incremental and fail to address the underlying causes of social injustice and environmental degradation.

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## THE POTENTIAL OF CIVIL REGULATION FOR THE SOUTH

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Much of the evidence provided for the emergence of civil regulation as a driver of corporate responsibility for environmental protection in the South involves Northern NGOs and transnational business. Although many of the corporate responses to environmental issues have occurred as a result of protest by groups and communities in the South, the role of Northern NGOs in facilitating civil regulation has been key. We have argued that in most cases it is consumer politics in Northern industrialized markets that compels companies to take action. Therefore one must question the potential for civil regulation to be replicated in different countries, particularly for businesses involved in domestic or international trade where the market does not feature well-developed consumer politics.

There are some signs that consumer politics is beginning to penetrate parts of the non-Western world. A joint Chile/Japan project to educate Japanese consumers on the problems with the woodchip trade is one example. Another is the growth of national eco-labelling schemes in Taiwan, Japan and South Korea. These examples suggest that some progress is being made in building consumer and corporate awareness in these key markets.

However, there is much evidence to the contrary. In the case of forestry, Northern business support for the FSC has not stopped Asian companies with poor management practices from increasing their logging activities in tropical forests. The growing demand for timber in the emerging economies does not appear to be matched by growing consumer politics. Even as Northern-based companies in other sectors develop higher social and environmental standards for their operations in the South, their Asian or Latin American competitors are likely to continue to cut corners when supplying Southern markets. This means that civil regulation, as expressed through certification and labelling schemes, may merely serve to shift international trading patterns and have little affect on environmental protection or sustainable development in the South.

Despite the limited extent of consumer politics, Southern NGOs are beginning to become involved directly in civil regulation schemes (rather than contributing to Northern NGO-administered civil regulation through protest and conflict). The case of Shell approaching the Peruvian NGO RAP to monitor its operations in the Camisea region suggests that the civil regulation model is beginning to emerge in the South. At the same time, however, many other NGOs, activist groups and indigenous peoples' organizations continue to challenge Shell's activities in Nigeria and Peru. More research is needed on the capacity and desire of Southern NGOs to take on such monitoring roles.

More research on the business response to citizen action in South is also necessary. Charles Reilly's review of Latin American NGOs notes "complex sets of national and international relationships" but offers no examples of formal business-NGO collaboration (1995:248). However, Brian Loveman suggests that "environmentally-focused NGOs" in Chile are more likely to "make demands upon

government and nongovernmental actors (e.g. business) as a lobby . . . or interest group” (1995:126).

Throughout much of the South, many differences still remain between the commitment and capacity of national versus global business on environmental matters. A 1995 survey on public perceptions of economic reforms conducted by the Consumer Unity and Trust Society in India and Nepal “came across a universal opinion, not withstanding Bhopal, that TNCs are better at environmental management than domestic entrepreneurs, because of their track record and circumstances at home” (Mehta, 1997, personal communication).

This seems logical, given our argument that much of the impetus for corporate environmentalism comes from the growing strength of civil society and consumer politics in the North. Where there is limited demand for environmental responsibility in the home nation, companies are more likely to continue to behave irresponsibly. It could be said that the forest communities of Papua New Guinea and other South Pacific countries are suffering the consequences of limited environmental awareness and consumer politics in Malaysia, Indonesia and Japan.

Meanwhile, most Southern NGOs continue to have little or no experience of co-operative relations with big business, either national or global. There is also little evidence in the literature of Southern business embracing civil society as allies. Mutual prejudices will take time to overcome. Co-Chair for civil society on the Philippine Council for Sustainable Development, Nicanor Perlas, explains that:

The thawing of the lines between business and civil society is fairly recent. Bridges are still being built. Trust is still being developed. Common policy agendas are still being nurtured. It may be some time before actual partnerships emerge (Perlas, 1997, personal communication).

In a similar vein, Miguel D. de Oliveira and Rajesh Tandon believe that: “in the countries of the South, NGOs . . . have so far had little contact with the emerging initiatives of corporate philanthropy” (1994:3). As and when Southern businesses expand their efforts in the areas of corporate community involvement and environmental protection, Southern NGOs and base groups may find themselves in the company of new partners.

In addition to developing collaborative relations with industry, to be effective, civil society needs to perform a watchdog role competently. However, the ability to organize, take direct action and speak loudly and freely is often not protected by government. In many countries, governments actively undermine NGO efforts to take on these roles:

The recent murders of green activists in Honduras, Columbia and even Costa Rica (a country which prides itself on its environmental awareness) are reminders that environmental campaigns can strike at the heart of political and corporate power (Collinson, 1996:1).

Without the ability to wield the “stick”, Southern NGOs and communities will not be able to realize the benefits of civil regulation. Helen Collinson argues that the main failure here is government inability or unwillingness to exercise responsible force:

One reason why Latin American environmental campaigners are more vulnerable than their fellow activists in Europe or North America is that Latin America's democratic and judicial institutions are still weak and protesters often have limited recourse to the law (1996:1).

This reminds us that NGOs do not have the same power as governments, as they do not have a universal monopoly on the use of force. They do not have the ability to impose fines or other penalties. The power of NGOs lies in the use of the marketplace to boycott a company's products, or affect its staff morale or investor confidence. This market power is usually limited to societies with well-organized consumer politics. It also depends on the ability of NGOs to communicate their message effectively to consumers, and this usually requires substantial resources. Where NGOs do not have sufficient financial and communications resources, they may be constrained in their capacity to use the "stick" of consumer boycotts or mobilizing dissent. This may not be only a matter of limited access to information technology. Unlike many large Northern NGOs, most Southern NGOs do not have the in-house public relations capacity to challenge slick corporate PR campaigns—such as Burson-Marsteller's recent efforts to undermine the indigenous peoples' campaign against Aracruz Cellulose.

It appears, then, that for Southern NGOs to become active in civil regulation they need to be linked with supportive NGOs in countries with developed consumer politics. The Shell Nigeria example also reminds us that Southern campaigning on its own is not always effective in changing corporate practices. Protests by local Delta communities against the operations of Shell began in the late 1980s. Shell's responsibility for the plight of the Ogoni became an issue for consumer politics in the North much later. Global civil society alliances backed up by activist companies and an attentive media are also key determinants of effective NGO campaigning and civil regulation.

The need for North-South alliances between NGOs is an indication of the democratic deficit Southern civil society currently faces with civil regulation mechanisms. The cases examined in part 1 demonstrate that the power to regulate corporate activity in the South resides in the North. To influence the behaviour of global corporations or their subsidiaries, Southern civil society must make contact with Northern civil society and then persuade them of their grievances and their alternatives. Many Southern NGO campaigners argue that Northern NGOs impose solutions on them, demonstrating an approach which could be described as ethical imperialism. In order to overcome this problem, Southern NGO participation in policy development must be facilitated. This poses a logistical and financial challenge that many Northern NGOs appear reluctant to meet. However, as the civil regulation agenda develops, more questions will be asked of Northern NGOs relating to their legitimacy in negotiating on behalf of developing country communities: unlike pandas and whales, people can speak for themselves. Therefore NGOs seeking greater legitimacy for collaborative business campaigns will require greater Southern civil society input in the future.

Despite the many concerns about the limits of civil regulation outlined above, this new policy instrument holds some promise for reducing the social and ecological footprint of Northern economies on the rest of the world. Other complementary measures will no doubt be needed to regulate companies in the future, particularly those based in the South. Although many political battles may lie ahead,

particularly in multilateral bodies such as the WTO, the ILO and the United Nations Commission on Sustainable Development, there is growing recognition of the need for a wider range of regulatory tools to monitor corporate performance on social and environmental matters.

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## GOVERNMENTAL POLICY FRAMEWORKS FOR CIVIL REGULATION

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As mentioned earlier, governments are finding it difficult to provide a regulatory function in a global economy. The declining desire and capacity of the state to regulate, police and enforce is illustrated well in the case of deforestation. Against a history of land disputes and illegal logging, in 1997 both the Brazilian and Venezuelan governments announced that they would privatize forests in order to conserve them. The assumption is that major international corporations have greater resources than governments to police forest management in their concessions. There are concerns that the governments may not be able to regulate such companies effectively. It seems likely that the “regulatory” power of NGOs will be required to ensure that forests are not being managed irresponsibly.

In this section of the paper, we consider the role of governments in civil regulation and the need for supportive policy frameworks at the national and international levels.

### ◆ Government as Facilitator

There is a range of opinion on the role of government in promoting greater business responsibility for environmental protection in the South. As the role of NGOs in greening business is closely related to the inability of governments to regulate effectively on environmental and social matters, a number of NGOs may be tempted to ignore what government has to offer. The go-it-alone attitude can be found in the new fourth generation NGO strategies, which include a focus on building capacity in the NGO sector for facilitating sustainable development (Korten, 1990). The broad NGO coalition now arguing against an international forest convention for reasons roughly summarized as “it would be a distraction”, is one example of this new thinking in civil society. Many of their partners in industry believe that the role of legislation is a limited one and that market-based mechanisms should prevail. However, a number of managers of companies involved in business-NGO partnerships do not believe that partnerships and voluntary initiatives should replace flexible and efficient legislation.

We believe that governments and inter-governmental bodies should actively promote global social and environmental responsibility in the business sector. To begin with, governments could support the ability of their citizens to promote civil regulation. This could be achieved by strengthening civil society through protecting the ability of people to organize, to speak freely, to protest and to suggest alternatives. Much of the violence against those campaigning for land rights or against particular development projects can be linked to the activities of companies or entrepreneurs. Many governments are equally culpable in the

repression of environmental and social activists in the South: the violence of the Nigerian regime against the Ogoni is one example.

The problem appears to be that governments are seeking economic development in very narrow terms. The big and modern is valued more than the small and appropriate. The environment is seen as something to be dominated rather than worked with. Consequently, environmental issues are seen as a barrier to economic progress, a view which can be challenged on many fronts.

A fresh approach would see governments recognizing environmental challenges as opportunities for economic success. Given the growing power of civil society in the North, there are increasing opportunities for Southern governments to lever new funds to help exporters access new markets, and to work in partnership with foreign companies to promote cost-effective resource management. Southern entrepreneurs that recognize the social and environmental demands of Northern markets and adjust their strategies accordingly may be able to achieve greater success. Governments can support such efforts by obtaining additional financial resources for commercial projects that support sustainable development. One example is the partnership between WWF-International and the World Bank, which aims to provide millions of dollars of credit for timber projects that are independently certified as well-managed.

Southern governments could also assist their national companies to access new markets. There is a widely held belief that the Northern “green” consumer is only a niche market. However, green consumerism is not dictating the size of the green market. Instead it is the buying power of corporations, adjusting to the pressures and opportunities of consumer politics, that provides the real opportunity. For example, about 25 per cent of the British and 50 per cent of the Dutch timber markets are not niche markets. To help Cameroonian companies supply these growing markets, the Cameroon Ministry of Forestry recently began working with the European Commission and environmental NGOs.

Furthermore, governments could work in partnership with foreign companies to promote cost-effective resource management. Faced with huge costs to enforce environmental regulations in remote areas, granting natural resource concessions to companies that meet independently monitored environmental and social standards could prove an effective tool for sustainable development. Currently this strategy is being frowned upon by many campaigners and commentators. However, if the standards used were to be developed in consultation with a variety of stakeholders, including local communities, then this strategy might be widely welcomed. New systems of globally applicable, multi-stakeholder negotiated and independently monitored environmental, social or ethical standards for business offer Southern governments new economic opportunities and regulatory mechanisms.

## ◆ Toward Global Private Regulation

The FSC is perhaps the best current model of a civil regulation organization. It sets global multi-stakeholder standards for forest management, based on a democratic decision-making process. Compliance with these civil standards is then independently monitored, which is similar to the way compliance with legal standards is measured. One of the possible problems with this model is that the business pays the civil regulation bills. This could compromise the independence of the regulator. To combat this, accreditation is used. The actual monitoring and certification is performed by companies or organizations (certification bodies) who are paid for the regulatory service. These certification bodies are then accredited by the FSC to ensure that they uphold the standards and criteria of the FSC. Whereas the certification bodies might be vulnerable to compromised independence, the accreditation process ensures the credibility of the system.

The standard-setting process is paid for by donations from governments, companies, trust funds and so forth. Companies pay for the actual certifications, and eventually pass on the costs to the end consumer. In this way, companies or individuals pay for the regulation of a particular product when they buy that product. Independent certification of business against multi-stakeholder defined sustainability standards represents a privatization of the regulatory function of government, while protecting the democratic participation of citizens. We believe that this system could become the new regulatory framework for business in a global economy. We call it *global private regulation*.

## ◆ Other Policy Options and Obstacles

As we mentioned above, Southern governments have the opportunity to invite global corporations to invest, with the proviso that their operations are independently certified against standards set by a variety of national and international stakeholders. For the government this is free regulation; and it offers the potential for international trade to promote sustainable and equitable future incomes. Northern governments should also promote this process, as it allows for further politicization of the market and therefore the effective translation of consumer politics into beneficial social change.

However, the option of developing countries welcoming foreign direct investment (FDI) on the condition that it meets civil regulation standards appears threatened by the possibility of a Multilateral Agreement on Investment (MAI), of the type which was being drafted within the OECD until negotiations broke down in October 1998. It aimed at smoothing the international rules governing foreign direct investment. As we described earlier, FDI is now a critical determinant in development. Many NGOs were concerned that the OECD initiative would rule against the use of environmental conditions on FDI (Coates, 1997, personal communication). Other analysts believe that an investment agreement could, in principle, strengthen the ability of governments to place environmental conditions on FDI, and even propose a code of conduct for companies investing in developing countries (Esty and Gentry, 1997). Developing countries that sign such an agreement in order to attract greater inward investment may therefore be prevented from facilitating sustainable development through a fresh approach of partnership with business and civil society. Our hope is that if a global investment agreement

is eventually negotiated, it should contain an exemption so that signatory governments can require investing companies to meet globally recognized environmental and social standards.

The concern with how the MAI would affect government policies for sustainable development reminds us of the importance of intergovernmental agreements. No matter how effective corporate environmentalism, civil regulation or global private regulation could prove to be, international co-operation and mechanisms of global governance are urgently required. United Nations agencies could provide these mechanisms. The Pakistan case referred to in part I suggests a new activist role for United Nations agencies in the area of civil regulation. A revitalized UNEP may be able to assume the kind of monitoring and verification role currently being undertaken by the ILO in the Pakistan child labour project. As part of the United Nations Secretary-General's plans for reform, there is promise of future action to "develop new measures" to reorganize and strengthen UNEP. Kofi Annan wants UNEP to re-affirm its role as "the environmental agency of the world community" and promises to ensure that it has the "status, strength and access to resources" needed to fulfil this task (Cohen, 1997, personal communication). In Annan's words: "Without good governance—without the rule of law, predictable administration, legitimate power, and responsive regulation—no amount of funding, no amount of charity will set us on the path to prosperity" (Annan, 1997).

Although we have argued that both government and intergovernmental agencies do have a role to play in a changed global economy, this role is not widely recognized. At the same time, the role of consumer politics, civil regulation and global private regulation in facilitating the contribution of the business sector to sustainable development is largely overlooked. Companies and governments are wary of NGOs, while activists remain wary of managing directors and politicians. Many Southern government ministers see calls for the inclusion of environmental or labour standards in trade and investment agreements as attempts at protectionism by Northern countries, rather than as opportunities for sustainable development. Negotiation toward a free trade area of the Americas is one example, where trade ministers of certain Latin American countries have stalled attempts by Costa Rica to discuss environmental standards and trade. Southern ministers still view weak environmental and social standards as a competitive advantage. Until this changes, the potential for civil regulation in the South will not be realized. One country that is seeking the opportunities afforded by sustainable development is the Philippines:

Philippine Agenda 21 [PA21] is the country's blueprint for sustainable development. It holds great promise for "another" development. PA21 clearly defines the parameters for the involvement of FDI in the Philippine economy. The Philippines has realized, at least some segments of the Philippine bureaucracy, that if it does not clearly define its own vision, it will be defined from the outside by ODA and FDI. The real test will come when we clearly specify . . . investment parameters connected to productivity, profitability, equity and sustainability, among others. Then we will see if FDI will be willing to work under these new parameters, and not simply flow where the labor is cheap, or the resources plentiful and unregulated (Perlas, 1997, personal communication).

The behaviour of FDI in the Philippines over the coming years will indicate whether corporate environmentalism extends to accepting the will of the people—and acting on it.

## ◆ Conclusion

In part 2 of this paper, we have argued that:

- corporate environmentalism is a political phenomenon;
- through the politics of both pressure and engagement, NGOs are creating the new agenda for business, as much as companies are themselves;
- the political power of NGOs is not a passing fad but an expression of a new form of consumer politics which is the result of social, economic and cultural change;
- by describing a continuum of protest and partnership relations between business and NGOs we can observe a new form of regulation for global business, called civil regulation;
- civil regulation organizations, like the FSC and MSC, will probably be replicated in other industrial sectors and come to be known as systems of global private regulation;
- these developments rely on the sensitivities of Northern markets, thereby limiting the extent of their impact on the developing world;
- changes in the global economy mean that governments need to assume a greater role as leaders and facilitators, but they are in danger of negotiating that role away through trade and investment agreements such as the MAI;
- the uncertainty that surrounds the issue of corporate environmentalism suggests the need for greater international collaboration in this area.

This paper has explored the potential and limits of business-NGO partnership and civil regulation as new tools to promote corporate responsibility for sustainable development. At the close of the twentieth century, the jury is still out on the role of such initiatives—and indeed of business itself—in the sustainable development process. It could even be said that the jury is still hearing the evidence for and against. Those who wish to prosecute business can present a catalogue of environmental disasters, human rights abuses, worker health and safety violations, etc. Those who wish to defend the role of partnership can present a growing array of policy statements, environmental and social projects, civil regulation schemes and other fledgling initiatives. What this paper shows is that we cannot deliver a verdict at this time, and there is a need to collect more evidence for a fair trial. Eventually we may find that “business” and “partnership” should not be the only ones on trial but instead a cadre of company managers, government officials, United Nations experts, NGO campaigners, voters and consumers, who individually and collectively could be doing much more to promote a more sustainable and equitable future.

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