



Corporate Social Responsibility in the Americas

by Richard Feinberg

Can private corporations save market capitalism from itself? That was the central question facing participants at a major gathering on corporate social responsibility in the Americas, held in Miami on September 22-24, 2002.

The conference grew out of the April 2001 Summit of the Americas held in Quebec City, Canada. Responding to criticism that the proposed Free Trade Area of the Americas (FTAA) might benefit corporations and the wealthy more than poor people, the leaders mandated that a special conference consider the broader responsibilities of the private sector.

The meeting, which drew over 500 people to Miami, was organized by the Inter-American Development Bank (IDB), the Organization of American States (OAS), and the World Bank and was sponsored by the government of Canada.

The very phrase "corporate social responsibility" (CSR) implies that firms have rights -- the protection of their intellectual property and other assets -- but also must accept responsibilities. These responsibilities extend beyond making profits to encompass obligations to their workers and communities and protection of the environment -- in a word, to behave as good corporate citizens.

Most participants agreed with Peruvian businessman Henry Day, who argued that "You can do well and do good at the same time." Or, as the executive vice president of the International Finance Corporation (the private sector arm of the World Bank), Peter Woicke, asserted, CSR "is not something you do *to* the bottom line but rather *for* the bottom line."

While there is no consensus on a defined set of corporate social responsibilities, one common reference point is the United Nations' "Global Compact," whose nine principles encompass human rights, labor standards, and the environment (see box inset).

More specifically, the UN Global Compact calls for business to respect internationally proclaimed human rights, eliminate child and compulsory labor, eschew discrimination, uphold the right to collective bargaining, and encourage environmentally

[The Nine Principles of the UN Global Compact](#)

HUMAN RIGHTS

1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
2. make sure they are not complicit in human rights abuses.

LABOR STANDARDS

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labor;
5. the effective abolition of child labor; and
6. eliminate discrimination in respect of employment and occupation.

ENVIRONMENT

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

friendly technologies and promote environmental protection.

But why should corporations spend time and resources on social goals? One argument is that their workers will be more loyal if they are well trained and paid and if they feel good about their firm's reputation for good social works. A second argument is more defensive: firms that behave badly risk the wrath of activists whose criticisms can drive away consumers, frighten investors, and attract the attention of government regulators.

Many major multinationals have signed onto CSR codes of conduct. For example, Citigroup publishes a glossy brochure cataloguing its implementation of CSR principles. To hold corporations' feet to the fire, some non-governmental watchdogs publish report cards that monitor corporate adherence to CSR goals. There are now so many codes of conduct and so many monitoring exercises that experts are pleading for a consolidation of efforts.

CSR is a response to the failure of governments to overcome the gaping inequalities that plague their societies and the inability of globalization to conquer poverty fast enough to meet popular expectations. But Washington, D.C.-based National Planning Association expert Susan Aaronson cautioned that, by themselves, corporations cannot overcome these vast social deficits. Governments must still lead the fight against poverty.

Indeed, Aaronson was joined by many other speakers who argued for tripartite alliances -- among private firms, governments, and civil society organizations -- to join forces in support of socially responsible, sustainable development. Government agencies can write regulations and incentives that encourage good corporate behavior. They can also reform judicial systems so that companies know that the law will be impartially and swiftly enforced.

For their part, corporations can consult with community-based groups before undertaking major investments. Firms can continue to promote more traditional yet valuable philanthropic activities in local education, health, sports, and culture.

CSR has become such a hot-button topic that it has spawned a small industry of consultants who assist firms in designing their own CSR strategies that are then mainstreamed into their day-to-day operations and in developing early warning systems to reduce the risk of activist attacks or to manage media coverage when all else has failed.

Collaboration among firms, civil society organizations, and governments is not always easy. After all, as Harvard Business School professor James Austin pointed out, business, civil society, and government leaders live in separate cultures, have different constituencies, and sometimes pursue conflicting goals. Consultant Catherine Stevens of Environmental Resources Management opined that good interpersonal skills are often the critical factor in bridging these gaps and making tripartite alliances really work.

So far, Europe and North America have taken the lead in the CSR movement. Signatories to the various global codes of conduct typically contain only a scattered sample of firms based in Latin America, partly because mainly large multinationals have joined the CSR bandwagon to date.

Smaller Latin American firms may feel they are too overwhelmed with mere survival to worry about complex social goals. And as Beatrice Rangel of the Venezuelan-

based Cisneros Group suggested, many Latin American firms do not yet feel obliged to adhere to a social contract.

The OAS Secretary-General, César Gaviria, noted that Latin American governments have yet to focus on the social responsibilities of firms. This stands in sharp contrast to the situation in the United Kingdom, where the cabinet includes a minister for Corporate Social Responsibility. In Latin America, looking to the government to solve social problems remains a very strong tradition.

However, Latin American citizens may be ready for the CSR movement. In a public opinion survey conducted by the World Bank Institute, nearly 80 percent of the respondents from Latin America and the Caribbean said that the private sector, government, and civil society organizations ought to focus more on social and environmental goals.

Already, some progressive Latin American corporate executives have joined forces in Forum EMPRESA, an alliance of business organizations seeking to promote corporate social responsibility. Active members include the Instituto Ethos of Brazil, Acción Empresarial of Chile, Fundemas of El Salvador, and Peru 2021. Forum EMPRESA receives support from the Ford, Hewlett, and Kellogg foundations.

The pace of the CSR movement in Latin America will depend in part on whether the international financial institutions put their muscle behind it. The Miami conference was an important first step in legitimizing CSR, but it remains to be seen whether the IDB and World Bank -- and especially their private-sector windows -- will fully integrate CSR goals into their own programs, loans, and equity partnerships.

One final fascinating question: Should the Free Trade Area of the Americas and corporate social responsibility goals be integrated into a single understanding? Should firms that benefit from the FTAA be asked to sign a CSR compact? Such a comprehensive accord might go a long way toward assuring that freer trade benefits communities as a whole.

#####

Richard Feinberg, who attended the September 22-24, 2002, "Americas Conference on Corporate Social Responsibility," is a faculty member at the University of California, San Diego, and a senior fellow at the Dante B. Fascell North-South Center.