Corporate Social Responsibility and Developing Countries

Article published 2009 in *Corporate Social Responsibility and Environmental Management*. Volume 16, pp. 237-249

(Submitted: May 5th, 2009. Revised: May and June, 2009. Accepted: July 2nd, 2009)

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Abstract: This article gives attention to several CSR questions in developing countries: 1) Illustrations from e.g. South America and Africa, including African voices critical to foreign aid, show that societies are different in many respects. This implies different capacities of organizations and their managers to understand and address pressing CSR issues in different cultural contexts. 2) Weak institutional environments, such as in developing countries, often harbor illicit financial outflow from poor countries to rich ones. This strips developing nations of critical resources and contributes to failed states, a point hardly ever discussed in the CSR literature. We argue for corporate actions in areas such as enhancing capacity in detecting tax fraud, antitrust and the unveiling of corruption cases. Obviously legislation is a task of politicians, governments and international governmental bodies. However, if business enterprises can 'legally misuse' the system, then the matter should be seen as a CSR issue also. There is thus an urgency for concerted efforts by the private sector, public sector and NGOs to develop structures and institutions that contribute to social justice, environmental protection and poverty eradication.

Keywords: corporate social responsibility (CSR), developing countries, context dependency, illicit money transfer, inclusive markets, fair trade

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Acknowledgements:

The task of editing a special issue would be cumbersome if there would not have been scholars who volunteer with excellent reviews of submissions, some of which have been published in this issue and some of which have not been published. We are therefore grateful to the collegial support for this special issue by Pontus Cerin, Bob Doherty, Susse Georg, Andy Gouldson, Kate Kearins, Gerard J Lewis, Lassi Linnanen, Fredrik von Malmborg, Anja Schaefer, Stefan Schaltegger, Knud Sinding, Susanne Sweet, Takuya Takahashi, Miles Watkins, Evan Williams and Bjarne Ytterhus. Thank you!

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Introduction

It goes without saying that there is far more research on corporate social responsibility (CSR) in developed than in developing countries. Yet one could claim that the need of CSR is more pronounced in the latter since there are gaps in social provision and governance, in other words constituencies and institutions providing social goods are in general less in developing countries than in their wealthier counterparts. Under these circumstances companies tend to come under heightened requirements and expectations to fill those gaps (cf. Baughn *et al*, 2007).

As CSR by definition is concerned about the responsibilities of companies with regard to other actors in society, it needs to be studied in the light of the context where it is being practiced. Looking at studies of CSR or sustainable development in the context of developing countries or transition economies, little is done (Luken, 2006). This further suggests that much of the abundant CSR research originating from Western country contexts may well be inapplicable for developing country contexts (Prieto-Carrón *et al*, 2006; Fox, 2004) This special issue is one of the attempts to give attention to CSR questions in developing countries.

Before scrutinizing the above in more detail, let us define CSR for the purposes of this article. According to a recent online study (Dahlsrud, 2008), the most commonly used definitions of CSR come from the Commission of the European Communities in 2001 ('*A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*' as found in (Dahlsrud, 2008: p. 7)) and from the World Business Council for Sustainable Development in 1999 ('*The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life*' as found in (Dahlsrud, 2008: p. 7)). Both organizations have more recent definitions, but they have not been in use for long (for more on different definitions, please see: Dahlsrud, 2008).

From this we can take that corporate social responsibility is founded on the notion that corporations are in relationship with other interests in for instance economic, cultural, environmental and social systems because business activities affect – and are affected by – such interests in society. These relationships may have a strong economic dimension, but they may also have a primary focus on social and environmental concerns. For business, on the one hand, CSR involves understanding and managing these relationships; in a recent survey of businesses and their stakeholders in Hong Kong, factors like environment, health, safety, governance, corruption and human resource management ranked highest when given priority in CSR activities with only minor differences in ranking between those factors of businesses and non-business stakeholders (Welford *et al*, 2007). Academic scholars, on the other hand, seek to understand why the phenomenon is important, how and why it is being managed, how CSR may change in different context and have different consequences (Halme *et al*, 2009b), what disciplines such as for instance business ethics, economics, sociology or political science contribute to our understanding of the character of these relationships, and the consequences that derive from the strategies and activities of companies (Dobers, 2009).

CSR not only concerns the relationships between firms and other actors that can be studied empirically. It also has a normative content that addresses what responsibilities corporations might have in our changing social and economic context. That societies are different in many respects implies that CSR can have different faces in different societal contexts (Halme *et al*, 2009b). This is found as different agendas for CSR in different parts of the world (Welford *et al*, 2007), in the different CSR responses by companies to those agendas, and, the differential capacity of organizations and their managers to understand and address those issues.

'Development', 'Developing Countries' and Different Contexts

'Development' is an important word when relating to 'developing countries'. An overview article on the role of CSR in development within literature has formulated three schools that each may be critiqued (Michael, 2003):

- *the neoliberal school*: focussing on self-regulation by industry in accordance to the risks and rewards of CSR activities but failing to address the resource misallocations and unintended consequences by CSR
- *the state-led school*: focussing on international and national regulation and cooperation but failing to address the underlying politics behind government encouraging CSR
- *the 'third-way' school*: focussing on the roles of not-for-profit and for profit organisations but failing to address the self-interests of participating individuals involved in CSR

A good albeit still not sufficient indicator is given by Human Development Index (HDI) which combines monetary and non-monetary indicators of human development. It contains three elements: life expectancy at birth, a composite of school enrollment and adult literacy and GDP. Instead of looking at monetary indicators only, it also includes health and education (UNDP – United Nation Development Programme, 2008). The HDI has spawned the UNDP's Human Poverty Index, which measures population below the poverty line, availability of water sources, proportion of underweight children under the age of 5 and probability of death before 40 (UNDP 2008). Together these indicators have been able to shift ideas about social development.

To go beyond a polarized view on 'development' meaning economic growth or colonial exploitation means to take on a view incorporating many aspects, and 'development' could then mean:

> 'the desired change from a life with many sufferings and few choices to a life with satisfied basic needs and many choices, made available through the sustainable

use of natural resources' (Rosling *et al*, 2006, p. 13 while refering to Sen 1999; Sen, 1999).

In such a broad understanding we include basic needs for development such as water and the provision of food, housing and other forms of material welfare, health services and education, human rights and gender equality, democracy and freedom, a fair distribution of economic growth while considering the sustainable use of natural resources. Thereby, these basics needs are both an end in themselves, and a means to achieve progress. Economic growth has for long been held as *the* prerequisite for development in the world, but several non-economic dimensions of development are today considered as crucial for a functioning market economy and a safe human development (Rosling *et al*, 2006: p. 37ff), like for instance: human capital (a healthy and educated population), public institutions (police, courts, tax authority, legal property register, etc.), civil society (trades unions, religious organizations etc., with strong values), and good governance (ruling in the interest of the majority without corruption). Rosling et al (2006) describe a more nuanced view on the term of 'developing countries' and taxanomies used like North – South, industrialized countries – developing countries. They suggest to expand the term of 'developing' into newly industrialized, developing and least developed countries, or even go beyond these terms and talk flatly about the economic status (GDP per capita for instance) and talk about high-income, middle-income, low-income and collapsed or war-torn countries (Rosling *et al*, 2006: 48).

It is well noted that these taxanomies focus on different issues. Our illustrations below, from different regions of the world, focus on regions and countries in the lower end of these taxanomies.

South America – Competing Economic Systems?

South America is a continent that is haunted by high inflation rates since mid 1950s that results in high interest rates and low investment rates. Every since the successful liberation of Columbia, Peru, Bolivia but also Venezuela and Ecuador from the Spaniard colonist regime in the late 1810s and early 1820s by the still popular 'libertador' Simón Bolívar, the economic power and exploitation of the region comes from natural resources. Especially international oil companies devastate areas of high natural interest since late 1960s and are only resisted and fought back by a few examples such as the 120 families of the Indian village of Sarayaku in Ecuador (Schmidt-Häuer, 2007).

In current times, the neoliberal economic policies of the late 20th century in countries such as Chile, Peru and Argentina seem failed, and most countries south of the Panama Canal have left-oriented governments. New social democratic governments in Brazil, Chile, Uruguay and Peru are not heard of, while Bolivia and Ecuador follow the demagogic socialist populism of Hugo Chávez in Venezuela. Chávez maybe more than any other embody the new hopes of the continent for the future.

Before Chávez came into power many industries have been privatized and made profitable. The telecom corporation Compañía Anónima Nacional Teléfonos de Venezuela (CANTV) for instance, in 1991 had 24.000 on the payroll, customers had to wait for eight years to get a working telephone line and losses were huge. A few years in the ownership of the US telecom corporation of Verizon (partnering with the Spanish Telefónica), the number of employees was slimmed to 8.000, the number of customers doubled, and profits had returned. There are thus not any economic factors to nationalized many crucial industries.

Despite this, the nationalization of predominantely the oil industry and the large national oil corporation of PDVSA, has turned Chávez into an economic leader with clear socialist politics in mind (and more recently Brazil according to the Brazilian oil corporation of Petrobras with its massive oil reserves in the Santos area outside of Sao Paolo and Rio de Janiero). Chávez economic aid of billion of US dollars are not only addressed to Kuba, Argentina, Brazil or Nicaragua, but also to China, Africa and even to USA and London (Thumann *et al*, 2007). Chávez aid by delivering substituted Venezuelian heating oil reaches the poor neighborhoods of Boston and New York, and the public transportation of Ken Livingstone's London is run on substituted Venezuelian gas to enable poor people large discounts.

This populism but indeed many good actions gives him credit and many popular votes, in Venezuela as in many other South American countries. He can therefore challenge the leadership of Brazilian leaders such as the current president Luiz Inácio Lula da Silva (a leadership that is given Brazil by the sheer size of the Bazilian economy, about five times that of Venezuela in terms of GDP). The two worlds of ideological socialism and market-based pragmatism clash, embodied by Chávez and Lula da Silva, and what economic policies the South Americas should have. The platform that has the most crucial role internationally is the Mercosur, the Southern Common Market, a regional trade agreement founded in 1991 by Argentina, Brazil, Paraguay and Uruguay. Venezuela has applied for a full membership, and to some the nation is welcome with its high oil reserves, but its role in Mercosur is debated since Venezuela stands for socialism rather than market economy.

BRIC Countries – An Emerging Economic Bloc?

Brazil is hardly mentioned in the illustration of current economic and political situation in a few leading countries in South America. However, together with Russia, India and China, Brazil forms a group of nations called BRIC; a quartet of fast-growing developing economies that some economists believe one day may take over the leading economic role from the OECD countries (Wilson *et al*, 2003). These nations cover over 25% of the world's land and have 40% of the world's population. In almost every way to measure, they would be the largest economic group of nations on the global stage.

At the beginning of 2000 we could not foresee that the BRIC nations would organize themselves into an economic bloc or a formal trading association. In June 2009 however, the leaders of the BRIC nations met for their first official summit in Yekaterinburg in Russia. They discussed how the four nations can better work together and how developing countries, such as the current members of BRIC, could be better involved in global affairs in the future and be represented better in the IMF (International Monetary Fund) or the United Nation. They demonstrated an increased self-confidence in that they suggest to establish a multipolar world order and when they asked for a new global reserve currency that is stable and predictable, which they perceive that the US dollar has not delivered in the current global economic turmoil.

Although they share a common interest in opposing the economic dominance of the USA, their economic power is built on different systems. China and Russia have an autoritarian state-run economic system, whereas Brazil has opened up for a liberal market economy with little state interference, and India is a diverse economy without the necessary growth in economic sectors beyond the software and digital industries.

At first, their outstanding and sometimes two-digit annual economic growth was a rescuer to the old industrialized countries and their growing number of retired and non-working population, and descending number of working people. An insight had developed that the current retired generation of US, European and Japanese economies increasingly had to rely on capital investments rather than on the labour productivity of their children and grandchildren. How can mature markets of these old industrialized economies create so much economic wealth? There were just not enough interesting investment opportunities with high growth potential in these economies, and therefore, fast-growing and large nations like the BRIC countries were a blessing for the large amount of fund capital of retired people in need of investment opportunities with high growth potential. The thoughts were that young people in Brazil, Russia, India and China would ensure a pleasant pension for retired people in the USA, Europe and Japan.

Africa – A War-Torn Continent With Corrupt Leaders?

Africa, a continent that is not represented in the club of BRICs, is a continent plagued by wars, fights between clans, corrupt leaders, misguided international economic aid, AIDS and other health problems, just to name a few of the challenges. With about 850 million people, many ethnicities, about 2000 languages and 53 nations, the African Union is the second largest international union after the United Nations. AU has as goal to advance the social, economic and political integration of the continent; to support and defend common positions to the African nations; to create and maintain peace and security in Africa; and to endorse good governance, human rights and democratic institutions.

All African nations but Marocko are members, but a few nations have been suspended because of coup d'états or political crisis. New in recent years is that the AU can intervene in cases of genocides, and if necessary with military forces. Many nations have a history of totalitarian regimes and the development toward democratic rules is still slow. After more than 25 years under president Mugabe, Simbabwe has in early 2009 in Morgan Tsvangirai a premier that is opposing Mugabes dictatorship. Kamerun is an illustration of a nation rich of natural resources, but full of corruption that prevents necessary economic development to take place. European and Asian fishermen have overfished the sea outside of Tanzania, Kenia and Somalia, leaving some of the increasingly desperate African fishermen no other options than to turn to piracy.

Africa is being helped, no doubt about that. African nations have a long history of accepting international development aid from Europe and other parts of the world. Every since the famine in Ethiopia in 1984 and the Band Aid and Live Aid initiatives of Bob Geldorf and the longterm commitment to the African continent by U2 lead singer Paul David Hewson (mostly known under his stage name Bono) have stars and celebrities created philantropic projects to help villages, regions and nations in Africa: Bill Gates is fighting AIDS, George Clooney is fighting the genocide in Darfur, Leonardo DiCaprio is fighting global warming. These initiatives however do not create fundamental change in how the African nations govern and manage their nations and economies.

In this situation of dispair with only a few good illustrations of democratization, social and economic development that is shared by all people living in a nation, China has in recent decades risen to become the most prominent trade partner of Africa. About 750.000 Chinese persons have moved to Africa to engage in business, medicin, agriculture, energy and large-scale production (Blume *et al*, 2008). The Sino-African trade will tenfold in the first decade of the 21st century and is thought to surpass that of US-African trade in 2010 with over 100 billion US dollars. Early 2008, the Industrial and Commercial Bank of China announced a 5,5 billion US dollar investment to gain a strategic 20% share in the South African Standard Bank. This illustrates that China's economic interest in Africa is beyond merely natural resources and has gained a wider interconnectedness with the African economy. In Nigeria for instance, an economic region has been created with China's help in which Chinese corporations produce with tax breaks and other economic incentives.

An Illustration of Developmental aid and its Unintended Consequences: Critical African Voices

Albeit good intentions underlie their engagement, just as it does international aid programs by nation-states and global nation-state-organisations – important, but what counts should be large scale results – their unintended consequense is that they stabilize the power of black elite politicians, according to Axell Kabou, a Cameroonian economist and development expert (Kabou, 1993; Kabou, 1991). A consultant to the United Nations Development Programme in West Africa her critical thesis answers the question: 'What has happened since the liberation from colonialism?'. 'Not much' she argues and suggest Africans and African elites to be unwilling and inable to make development of the continent their own task without relying on foreign aid. According to Kabou, development aid brought together naivety and a readiness to support local rulers (Kabou, 1993; Kabou, 1991). The primary actors were foreigners (nations or individual philantropists), who assumed the victims were always black waiting eagerly to be compensated for decades of slavery and colonial abuse. Clearly, when writing this in the early 1990s, she broke tabus of the traditional view on African development.

Since her book from 1991, several African scholars have joined her in the self-critical view. Large scale aid projects sometimes stabilize the dependency on foreign aid and help pacify African entrepreneurship. In the words of Chika Onyeani, the mentality of the '*Capitalist Nigger*' is still that of the beggars that are only consuming but not producing any goods and services (Onyeani, 2004). Africans must escape from their victim mentality. True reforms must therefore start with self-critique, which leading politicians do not want to hear since they become co-responsible for the current situtation (Mazrui, 2006; Mazrui, 2004). Two generations after liberation, Africa is a continent still in chaos, and since economic freedom has been denied to its nations, first by foreign colonial powers, and more recently by indigenous leaders, economic infrastructure is crumbled and needs to liberate also from its own history and some of its current indigenous leaders (Ayittey, 2005; Ayittey, 1999).

Context dependency of CSR

Contextual factors such as these described above (South America, Africa or the BRIC countries), and different institutional environments influence norms and practices of corporate social responsibility. Gjolberg (2009) has studied CSR practices and CSR performance of companies from 20 countries including a number of Western European countries, Canada, USA and Japan (Gjølberg, 2009). Even if the comparison is only between developed countries, Gjolberg (2009) concludes that the country of origin matters to companies' CSR practices. Thus, there is a high likelihood that the differences become even more pronounced if we were to compare companies from less developed countries (Gjølberg, 2009). A reading of studies in sustainable development and corporate social responsibility in developing countries further illustrates the context dependency of CSR:

- in Central and South America (Guerin, 2007; Adams *et al*, 2006; Weyzig, 2006; Vives, 2006; Anderson *et al*, 2005; Haslam, 2004),
- in Africa (Buch *et al*, 2009; Kehbila *et al*, 2009; Keitumetse, 2009; Mitchell *et al*, 2009; Wahba, 2009; Edoho, 2008; Short, 2008; Ite, 2007b; Ite, 2007a; Ofori *et al*, 2007; Rinzin *et al*, 2007; Alemagi *et al*, 2006; Dunfee, 2006; Idemudia *et al*, 2006; Visser, 2005; Ite, 2004),
- in Asia (Birkin *et al*, 2009; Cheung *et al*, 2009; Naeem *et al*, 2009; Sobhani *et al*, 2009; Windell, 2009; Baughn *et al*, 2007; Guerin, 2007; Frost *et al*, 2006; Virtanen, 2006; Chapple *et al*, 2005; Frost *et al*, 2005; Sahay, 2004; Koolhaas, 2001),

in East Europe and Middle East (Ray, 2008; Guerin, 2007; Jamali, 2007; Jamali *et al*, 2007; Küskü, 2007).

CSR is located in wider systems of responsibility in which business, governmental, legal and social actors operate according to some measure of mutual responsiveness. CSR theories, concepts and ideas primarily originate from market economy countries with relatively strong institutional environments in which regulation is efficient and fairly enforced. Yet in a number of emerging economies and developing countries with weak institutional environments underlined by arbitrary enforcement of law, bureaucratic inconsistency, insecurity of property rights and corruption, corporate social responsibility may get a very different twist (Kuznetsov *et al*, 2009; Jamali *et al*, 2007).

Unlike in market economy countries with strong institutional environments, where CSR is typically considered as policies and activities going beyond the immediate economic and legal requirements, Jamali and Mirshak (2007) have noted that in developing countries a range of economic and legal factors deserve attention in the pursuit of CSR. In weak institutional environments, where non-compliance, tax evasion, and fraud are a norm rather than an exception, abiding by the rules and regulations may well be manifestations of a responsible corporation. In such environments the contribution of companies is called for in areas such as enhancing capacity in detecting tax fraud, antitrust and the unveiling of corruption cases (Jamali *et al*, 2007). This point is hardly ever discussed in the CSR literature with the seriousness it would deserve. In the following section we will therefore scrutinize what not only outright tax fraud, but also other forms of illicit money transfer do to the economies of developing and emerging countries.

The CSR Blindspot: Illicit money transfers from the poor to the rich

Illicit financial outflow from the poor countries to rich ones is ten times bigger than inflow of global foreign aid to developing countries. In his cutting-edge book *Capitalisms achilles heel: Dirty money and how to renew the free-market system* Raymond Baker, director of Global Financial Integrity (GFI), shows that the problem of illicit financial flows, and the financial infrastructure supporting it, is enormous (Baker, 2005). GFI estimates that $500 billion a year comes out of developing and transitional economies into western accounts, constituting the most damaging economic condition hurting the poor. Illicit capital flows enable tax evaders (and drug cartels and terrorist organizations[1]) to move cash around the globe. This undermines the goals of the World Bank and other lending institutions, strips developing nations of critical resources, and contributes to failed states. There is a tendency to blame the corrupt elites of developing countries for moving money out of their own countries to accounts in the Western countries, but according to the estimates of GFI only 3 per cent of illicit cross-border financial flow are transactions of corrupt elites. Some 30 to 35 per cent is crime, while an absolute majority, 60 per cent, is tax evasion conducted by companies by various means. For example, some 70 tax havens and secrecy jurisdictions are in operation across the globe and millions of dummy corporations shield owner's identities. Despite all the CSR and other anti-corruption efforts, the situation is not improving. Indeed, global corruption has not diminished despite ten years of effort, assets now stashed in tax havens around the globe are estimated at $11.5 trillion, and non-bank cash deposits outside the country of origin are rising.

From the corporate social responsibility perspective we should be particularly concerned about commercially tax-evading money that arises through mispricing, abusive transfer pricing and fake transactions. Transfer pricing in multinational corporations refers to the use of trade to shift money at will between parents, subsidiaries, and affiliates operating in dozens of countries. According to Baker (2005) exaggarated transfer pricing is a standard procedure, a major part of global strategies to minimize taxes and maximize profits. Fake transactions on the other hand are a technique for billing and receiving payments for goods and services never delivered. According to Baker's (2005) most modest estimate, these types of commercial "dirty money" cross-border flows from developing and transitional economies is $350 billion.

It is painfully clear that despite massive amounts of foreign aid streaming into transitional economies, many countries fail to develop to the point that they no longer

[1] As long as loopholes for tax evasion and other "legitimately illicit" money are left in the systems, it means that also criminal money drug and terrorist activity can use the same routes (Baker 2005; Kar and Cartwright-Smith 2009).

need aid. Baker's (2005) book argues that one reason for this is that illicit capital flows inhibit a country's ability to grow out of poverty. For every $1 poor nations receive in foreign aid, an estimated $10 in dirty money flows illicitly abroad. With such great amounts of capital draining from weak economies there is little hope of significant development or of curtailing poverty. Without mechanisms to curtail illicit cash flows, the benefits of foreign aid are undermined and, furthermore, the potential for drug cartels and terrorist groups using the banking system to their advantage is greatly increased.

The above is perhaps the biggest blindspot of the CSR practice and research alike. Why do we not discuss illicit money in CSR reports, research articles and popular press? How is it possible that the CSR debate most of the time misses what Baker calls "legitimization of illegitimacy" – of which the above brief discussion is just a tip of the iceberg? Mechanisms designed in Western countries help to bring hundreds of billion euros or dollars annually from poorer countries to the West. Baker (2005) further argues that North American and European countries, as well as other states maintain legal loopholes that encourage illegal inflows. Gaps are left in statutes that keep open the doors to tax-evading money[2]. Obviously legislation is a task of politicians, governments and international governmental bodies. However, if business enterprises can "legally misuse" the system, then the matter should be seen as a CSR issue also, not only a legislative issue.

Toward Inclusive Markets

In recent years it has become evident that globalization as usual will not lift all developing countries and the poor parts of their population from poverty. On the contrary, the gap between the rich and the poor has kept widening. This fact sometimes still remains hidden behind the enthusiasm raised by China's ability to improve the living standards of considerable number of poor people – in absolute, not relative terms (Stiglitz, 2002). Also the inability of development aid to combat poverty has become strikingly clear (Easterly, 2006). Partially as a result of the incapacity of the above two to remove poverty, a movement toward inclusive markets has emerged. The basic idea of this movement is that the global market economy must be made to work also for the benefit of the poor.

One of the leading constituencies behind the "Inclusive Markets" movement is United Nations Development Program and its Growing Inclusive Markets (GIM) – programme, and the movement is supported also by business stakeholders such as the the World Business Council for Sustainable Development (WBCSD - World Business Council for Sustainable Development, 2005). Within the corporate sector roughly the same ideas were preceeded by the Bottom of the Pyramid (BOP – later Base of the Pyramid) business developments. In essence, the thrust of the BOP and GIM approaches is an attempt to manifest that companies can conduct profitable business with the poor and solve poverty related problems by new business models. This is an

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[2] And thereby also help criminal money flows such as drug and terrorist money, which can use the same mechanism and facilities that the tax-evading money does (Baker 2005).

alternative to trying to change legal institutions of global trade and financing, such as the WTO, World Bank or the International Monetary Fund. The GIM and BOP hypotheses suggest that companies could create "win-win" business models that also benefit the poor. In a nutshell, BOP and GIM approaches try to persuade companies to innovate new products, services and business models within which poor people are customers, entrepreneurs, suppliers and partners rather than only cheap labour (Kandachar *et al*, 2008; UNDP – United Nation Development Programme, 2008; Prahalad, 2006).

From the CSR perspective too this is a new approch: instead of polishing their existing business toward more socially responsible direction, companies are asked to go for what has been termed "CSR Innovation" (Halme *et al*, 2009a), i.e. to take a social problem (such as lack of water, food, shelter, sanitation or financing objectives) as a source of innovating new business (such as Cemex's Patrimonio Hoy housing concept for the poor, Grameen or Wizzit micro-finance Banks or Danone's and Grameen's yoghurt for children of Bangladesh) (Richardson *et al*, 2008; Prasso, 2007; Prahalad, 2006). Interestingly, not only companies but also international non-governmental organizations are increasingly adopting and applying these ideas in their own activities, particularly as comes to enhancing entrepreneurship concepts of the poor rather than providing direct aid. Taken together, this proposes a fundamentally different line of action by which companies should bear their responsibilities with regard to the developing countries.

The GIM and BOP concepts go beyond and complement the ideas of Fair Trade, a strong critique of traditional global inequalities and a promising concept that favouring alternative globalization ideas, practices and institutions that are based in social justice and ecological sustainability (Raynolds *et al*, 2007b; Young *et al*, 2005; Moore, 2004). Fair Trade was a grassroots movement in the 1970s-1980s, new institutions such as the Fair Trade Labelling Organizations International (FLO) and the European Fair Trade Association (EFTA) were created in the 1990s, currently we find the movement in a strong mainstreaming phase (Nicholls *et al*, 2005). While Fair Trade take the interests of Southern producers and Northern traders and consumers, the GIM and BOP concepts want to empower Southern producers to climb the value chain latter and go beyond natural recource based business models of producing and selling, for instance, fair trade labelled chocolate and coffee (Adams *et al*, 2006; Doherty *et al*, 2005; Golding *et al*, 2005; Parrish *et al*, 2005; Taylor *et al*, 2005).

Different to GIM and BOP, the Fair Trade concept originated in the social movement's sphere; therefore the concept today finds itself in an inherent contradiction of operating *against the market* when suggesting reforms to current trade practices and challenging North – South inequalities, and operating *within the market* when help shaping more fair and equal trade between Northern traders and consumers and Southern producers (Rice, 2009; Raynolds *et al*, 2007b). The development of the Fair Trade movement seems however to move from a social and development oriented movement to a commercial, market and corporate reform oriented movement (Raynolds *et al*, 2007a).

Where all three concepts of Fair Trade, GIM and BOP converge however, are in the view that trade and globalization actually can help the poorest nations and help them develop capacities of their own to build up crucial industries beyond a basis in natural resources: trade rather than aid can be good for development (Stiglitz *et al*, 2005). As mentioned earlier in this article, we should however never loose sight of that the pace at which poorer countries open their markets to innovative business models and trade encouraging the base of the pyramid should happen together with the development of new social institutions, infrastructure as roads and banks, and educational capacities (Rice, 2009; Stiglitz *et al*, 2005).

This special Issue on Corporate Social Responsibility

This special issue wants to shed light on CSR practices that relate to so called 'developing countries'. In their article 'The UN Global Compact and the Enlightenment tradition: A Rural Electrification Project Under the Aegis of the UN Global Compact', Niklas Egels-Zandén and Markus Kallifatides mirror and discuss CSR practices of a large multinational with the ten principles of the United Nations Global Compact (Egels-Zandén *et al*, 2009). To Asea Brown Boveri (ABB), the United Nations Global Compact is one of many progressive groups and coalitions for a responsible business practice that they have joined. In one of ABBs CSR projects together with World Wild Foundation Tanzania, Access to Electricity, rural electrification was established in the Tanzanian village of Ngarambe. Egels-Zandén and Kallifatides describe that the business practice in this case left the underlying principles of the United Nations Global Compact unquestioned, while challenging the local institutions and how life and society is organized there. Their article is thus an important empirical illustration of previous critical writings arguing that sustainable development and CSR is a construct of Western Hegemony and could be seen as ideological movements intended to legitimize and uphold the power of large corporations (Devinney, 2009; Banerjee, 2008; Morse, 2008; Banerjee, 2007).

In their article "ISO-lating" Corporate Social Responsibility in the Organizational Context: A Dissenting Interpretation of ISO 26000', Birgitta Schwartz and Karina Tilling critically examine the development of ISO 26000, a world wide standard for CSR of the International Standardization Organization (ISO) (Schwartz *et al*, 2009). Standardization and transnational regulation occur in many fields and take place between and across nations in a world of blurring boundaries (Djelic *et al*, 2006). Since the standard of ISO 14000 has gained much interest among mainly large corporation in Western economies to improve their environmental management, the ISO 26000 standard aims at improving the social performance of organizations such as poor working conditions, corruption, weak regulation compliance. Schwartz and Tilling take on the important task to critically examine the rationality behind developing standards such as ISO 26000. They illustrate that by formalizing and standardizing corporate social responsibility, knowledge of local conditions are lost, that are crucial for developing relevant corporate social responsibility (Halme *et al*, 2009b).

In their article 'Facilitators and impediments for socially responsible investment: A study of Hong Kong', Emma Sjöström and Richard Welford describe socially responsible investments (SRI) in Hong Kong, one of the world leading financial centres (Sjöström *et al*, 2009). Financial markets have a central role in our economy in that the allocation of resources through these markets helps shape the development of society. The way we invest today has an effect on the way society will function and produce in the future. Even a small shift in the behaviour of the financial markets can have significant consequences on other sectors of society. Understanding the regional institutional conditions enabling SRI is important. With their study of SRI in Hong Kong, Sjöström and Welford show that many taken-for-granted conditions in Western economies such as an active NGO sector, an acceptance of CSR in the financial community or SRI regulations for pension funds, lack in financial markets in Hong Kong for instance. The vital role that the financial sector plays in the economy has resulted in an increased interest in and awareness of this role in SRI studies and practice. Sjöström and Welford thus add to the increasingly important line of research in how SRI may expand int the mainstream investment community (Cerin *et al*, 2008).

In their article 'CSR & the Environment: Business-Supply Chain Partnerships in Hong Kong & the PRDR of China', Dennis Cheung, Richard Welford and Peter Hills take on the issue of moving pollution sources geographically by relocating the production lines of Hong Kong corporations to the Pearl River Delta Region (PRDR) of China (Cheung *et al*, 2009). Nine partnerships between businesses and their supply chains in Hong Kong and the PRDR of China to improve their CSR and environmental management have been studied. While such partnerships for those involved seem to be a good tool for upholding and improving CSR, they are as of yet not wide-spread among the many newly established cross-border relations between suppliers and corporations. Therefore, the study of Cheung, Welford and Hills is valuable in that it provides an understanding for drivers and barriers for partnerships, and the role of government and business associations in fostering these partnerships.

Discussion

While there is evidence of successful corporate social responsibility projects in developing and emerging contexts (Baskin, 2006), the observation still raises an interesting question about the capacity of corporate social responsibility to contribute to development and solve some pressing problems in the neediest parts of the globe. Especially when intentional CSR activities on behalf of predominantly Western corporations remain a construct of Western hegemony, corporate initiatives for CSR and sustainable development may indeed be worse, given that most of the global sustainability problems have been driven by consumerism and industrialism in the West and in high growth developing economies like the so called BRIC countries: Brazil, Russia, India and China (Banerjee, 2008; Morse, 2008; Banerjee, 2007). These critical voices argue in the line with Luke (2005) that 'The real political agenda of sustainable development [*and CSR; our addition*] is obscured for clear reasons that serve important ideological and political purposes' (Luke, 2005: 236).

There is thus an urgency to develop structures and institutions that contribute to social justice, environmental protection and poverty eradication. Not many would argue that these goals can be achieved by corporate activity alone. That calls for concerted effort by the private sector, public sector and NGOs (Jamali *et al*, 2007), be it through intentional development-related CSR or more subtly through immanent development-related CSR. What is more debatable is the type of CSR input companies need to contribute. While these issues set out above are primarily the task of governments, the international research and political communities should pay attention and evaluate the

CSR initiatives and efforts of companies more on the basis of their ability to contribute to structural and institutional development rather than on the basis of single visible activities such as building hospitals or roads or the like

Secondly, the debate about CSR should be globalized to incorporate developing and emerging countries' (southern) perspectives. So far the CSR discussion has been dominated by US and European perspectives whereas incorporating developing countries' perspectives should reflect the experiences 'from the ground' in the global South. This argument, that the local is always right, stems from post-development theory that also states that it is 'all too easy for the rich and the experts to dominate not just in terms of the instruments for the doing of SD [sustainable development] but also and more fundamentally in terms of what [sustainable development] SD means' (Morse, 2008: 348; Escobar, 1996; Escobar, 1995). This calls for examining which types of problems get addressed and which not, whose interests are focused upon and whose are overlooked, what works and where, what gets measured (CSR activities or impact), and what is the interplay between CSR and other governance mechanisms and institutions by the states and supra national bodies.

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