

Trading Accountability

**Business, Trade and Investment Policy
and Sustainable Development**

Helen Campbell & John Sabapathy



A Responsible Competitiveness Consortium Project

Acknowledgements

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Perspectives on Trade Policy Interventions and Sustainable Development

“The social clause (relating to labour standards) “was a pernicious way of robbing our comparative advantage... a manoeuvre by wealthy nations to force our wages up and undermine our competitiveness”.

Murasoli Maran, Indian Minister of Commerce and Industry¹.

“Glaxo Smith Kline’s ability to provide preferential prices to the developing world requires a sustainable framework. Our commitment to preferential pricing must be combined with commitments from others to prevent product diversion and to avoid referencing developed country prices against preferentially-price medicine. Clearly diversion threatens this framework.”

Glaxo Smith Kline: The Impact of Medicines: CSR Report 2002.

“Our only chance to survive in Cambodia was to build on the image of safe sourcing”.

Van Sou Ieng, Garment Manufacturers Association of Cambodia.²

“The WTO green light should be welcomed as a clear demonstration of coherence among international rules. It shows that WTO rules are sufficiently flexible to accommodate the implementation of a UN mandated activity. Carefully drafted trade measures can and do support development”.

Pascal Lamy, EU Trade Commissioner, on the WTO waiver permitting Kimberley Process countries to prohibit the import and export of conflict diamonds, 16 May 2003.

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Executive Summary

Since the failure of the World Trade Organisation (WTO) meeting in Cancún in September 2003 to secure an agreement on the negotiating mandate for the 'Doha Development Round', there has been considerable speculation about the future of the overarching 'architecture' of multilaterally negotiated trade rules and the ability of a "Development Round" to promote sustainable development.

However looking beneath the headlines to the 'plumbing' that underpins everyday trade and investment decisions provides a far more practical basis for determining how approaches to trade and investment policy can support sustainable development within competitive international markets. Furthermore, parts of civil society have assumed a strong focus on these stratospheric levels of trade policy architecture which can encourage and even entrench a narrow view of formal trade policy measures. This perspective creates an unnecessarily limited view of how broader trade and investment policy tools can promote sustainable development. It would overlook:

1. The growing company-level practice that uses Corporate Responsibility (CR) as a form of civil regulation; a source of economic value; and so as a growing component of core business strategy.
2. How governments themselves are using a broader range of 'in-market' measures that include at the one end, tax credit incentives (such as within the EU Carbon Trading Scheme) to creating new institutions (such as the European Commission's Sustainable Trade and Investment Centre which advises trading partners about how to promote sustainable development).

Furthermore an exclusive focus on formal trade and investment policy measures, such as tariffs, quotas and subsidies also encourages a view of policy where government dictates, business enacts and civil society pressures. This characterisation once surfaced is recognisably limited.

By exploring how the interaction of individual companies working with civil society groups and interacting with government ultimately *produces* effective trade and investment policy tools, it is possible to see the four different types of interaction or cluster where policy tools can be applied.

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1. **Challenge clusters** tend to be initiated by civil society actors. They are characterised by antagonistic relationships between its participants forming at least the initial basis for the development of competitive advantage as targeted companies respond to criticism and pull away from the norms of their peers.
 2. **Market-making clusters** are often led by one or more companies. They involve remoulding competitive conditions from the inside out, by innovating more sustainable products, services or business processes.
 3. **Partnership Clusters** involve formal, multi-sectoral partnerships creating an environment where collective action helps to eliminate the risk of free riders. Partnership clusters are often the outcome of challenge clusters that have been stabilised and established a neutral territory within which companies, civil society and others can take forward a particular CR issue.
 4. **Statutory clusters** involve public policy interventions focused on corporate responsibility standards and practices that seek to establish competitive advantage on the basis of particular CR practice. Statutory clusters can be seen at a variety of different stages in cluster development and are perhaps best viewed as interventions within the formation of challenge, market-making or partnership clusters.

Looked at like this effective policy interventions on trade and investment issues can be evaluated for the extent to which they are:

- **Embedded** in conversations ongoing within markets, rather than imposed.
- **Accountable** to those whose participation is required for a successful outcome.

This paper assesses a range of different types of policy intervention and voluntary initiatives that affect trade and investment against these criteria. These include:

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- Formal policy measures, including trade policy instruments, investment policy instruments including those affecting inward investment and access to credit.
 - Voluntary initiatives characterised by cluster type, including examples of sector specific initiatives, labelling initiatives, and non-mandatory government initiatives seeking to create a policy space for stakeholder dialogue and consultation.

For both formal policy and voluntary interventions, the most successful are those which:

- Are embedded in an in-market conversation between relevant stakeholders
- And which are accountable to all required participants for the successful implementation of the policy or voluntary intervention.

For policy measures and voluntary initiatives seeking to influence the way in which trade and investment is undertaken, the risk is that 'cross-border' accountability will only exist at parts of the value chain needed for its successful implementation of a policy tool. Where an intervention does not account for values and interests in one part of the value chain, it may be perceived as undesirable and not supported. This can be exemplified by early Kazakhstani responses to the Extractive Industry Transparency Initiative (EITI), where corruption is a less material issue for Kazakhstani industry and some elements of government, than for stakeholders of multinational oil and gas companies.

Why do trade and investment policy matter for Sustainable Development?

Since the failure of the World Trade Organisation (WTO) meeting in Cancún in September 2003 to secure an agreement on the negotiating mandate for the 'Doha Development Round', there has been considerable speculation about the future of the overarching 'architecture' of multilaterally negotiated trade rules and, within civil society, their ability to promote or support sustainable development. This high level debate is not the only point of departure for evaluating how trade and investment policy tools can support sustainable development.

Defining Trade and Investment Policy Tools

"Trade and investment policy tools" are used here to refer to the range of mechanisms used by governments, investment groups (such as the World Bank), and other non-state actors with the ability to influence corporate practice through their own policies (such as Stock Exchanges and or sectoral associations) to manage international trade in goods and services and investment, from both domestic and foreign sources.

Trade and investment policy tools can be defensive, such as trade defence instruments, which seek to address unfair competition from imports or pre and post entry inward investment requirements, or pro-active, that seek to promote the competitiveness of exports and investment opportunities in-country or in foreign markets through combating barriers to trade and investment or creating new opportunities in those markets.

"Trade measures" are used here distinctly to refer to formal actions by a government or an inter-governmental body (such as the WTO) with respect to trade policy.

Instead, looking beneath the headlines to the 'plumbing' that underpins trade and investment decisions on a day-to-day basis, we evaluate the scope for interpreting, applying and even developing new approaches to trade and investment policy that can support sustainable development within competitive economic environments. The thrust of this approach is to explore the *dynamic* relationship between:

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- Voluntary initiatives and the way in which they foster markets shaped by ethical, environmental and developmental considerations; and
 - The impact of trade and investment policy in enabling this.

The principle question therefore is, *‘What are the circumstances in which public policy interventions affecting trade and investment can enable companies to build responsible business practices into their business strategies?’* The recent upsurge in the practice of ‘Corporate Responsibility’ provides a valuable frame for answering this question.

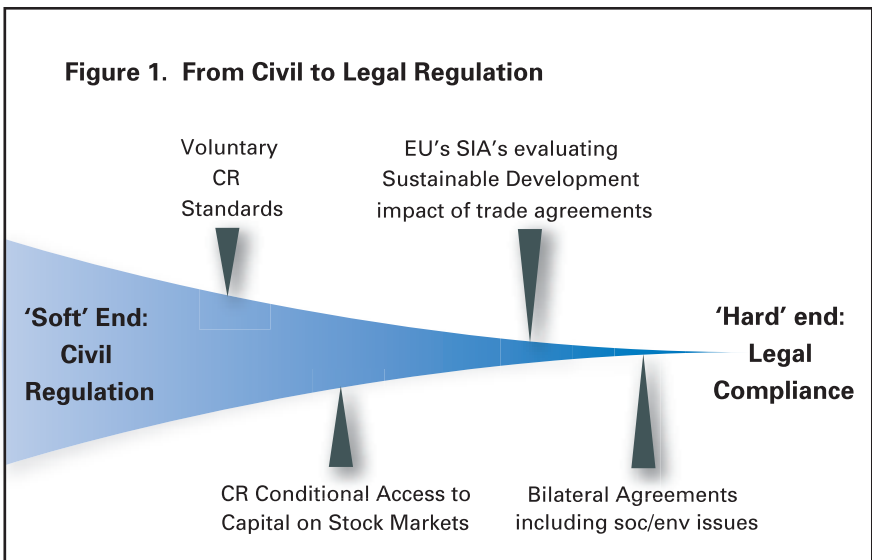
Corporate Responsibility as Market Rules

The trade and investment rules being debated as part of the Doha Round are crucial, but only a part of the wider international trade story. Equally important is how trade and investment policy tools impact on new practices, new civil norms for business practice rules that are being negotiated *in and through* the market. It is in this latter sphere that ‘Corporate Responsibility’ (CR) has emerged as an increasingly important factor (see box below).

What is Corporate Responsibility?

Corporate Responsibility is used here to cover *“why, when and how business actively manages its social, environmental and economic aims and outcomes, as part of its business strategy, activities and performance”*. It therefore focuses on business’ strategic and operational options and the choices they make and justify to their stakeholders. Importantly, this formulation goes beyond compliance³, and very much includes businesses’ role in shaping public policy and regulations.⁴ CR is not just something that a company does because they are exceptional or ‘nice’, but it can establish new market ‘rules’ or trends that frame and influence the strategies and practices of the wider business community.

Corporate Responsibility as a business phenomenon has increased massively over the last five years, with groups such as the Global Reporting Initiative promoting and massively expanding corporate sustainability reporting; groups such as the Dow Jones Sustainability Group have developed sustainable investment vehicles; and groups such as the British Standards Institution have created management systems such as SIGMA for companies to apply and use. In this way a range of corporate business practices have become established as accepted and recognised within the market. Incrementally negotiated 'civil regulation'¹⁵, while by no means universal lies at the opposite end of a spectrum running to hard-wired trade measures embedded in intra-national legal agreements. However, the irony as later cases show is that some apparently hard-wired trade policy interventions demonstrate a very limited impact. Binding is not the same as effective. A focus only on binding measures impoverishes our view of what a broader range of trade and investment policy tools can achieve (see figure 1).



Market Rules, Policies Rule

With business' involvement and participation in the formulation of both hard and soft rules, policy makers face new challenges in considering how and when policy interventions should be shaped and made, and what role rules can play in different socio-economic contexts.

Trade, competition and investment policies themselves can be variously framed as a set of principles, processes, regulations and laws on the way in which companies can interact and operate across borders. Much of the debate around the linkages between trade, competition, investment, development, health and environment issues has largely been defensive, as seen at Cancún.

Social, environmental and developmental outcomes have not been seen historically as a relevant concern of international trade policy. Most markets have evolved to reward business models that effectively externalise costs associated with negative social and environmental outcomes. Trade and investment policy interventions form part of the framework conditions that establish minimum acceptable government behaviour in their cross-border and international activities. Trade and investment policy interventions shape the business environment in which trade flows and investment occur. It has been traditionally argued, that these policy tools should not discriminate between countries on the basis of the non-economic impacts that trade and investment flows lead to, but notable exceptions have included trade sanctions or conditionality to achieve explicitly political and socio-economic outcomes, such as economic embargos (South Africa or Cuba), product bans, such as on alcohol during the US Prohibition period, or restrictions imposed by some Islamic countries on imports of non-halal meat.

Such exceptions are becoming trends. In the longer-term the growing importance to business success of intangible assets, supply and distribution chain management, and sensitivity to markets' shifting needs will require more responsive views of where state policy affecting trade and investment can and should intersect with business behaviour across national contexts.⁶ Combined with the persistent growth in civil society's interest and ability to influence business behaviour across borders, this contributes to CR being (and being seen as) a business enabler. If

economies are to contribute to the global sustainable development goals, policy makers must be attuned to getting best non-financial performances from the private sector.⁷ As parallel research demonstrates there is evidence that states' failures to provide enabling environments supportive of corporate responsibility and sustainability will as a direct result damage their future growth prospects.⁸

A strictly rules-based paradigm that is solely focused on binding interventions therefore ignores the growing company-level practice that uses CR as a form of civil regulation; a source of economic value; and so as a growing component of core business strategy. This tension between a rules based paradigm and more organic civil regulation is exemplified by the WTO ruling on the Kimberley Process. The Kimberley Process itself is an instance of the civil regulation that Corporate Responsibility fostered – a multi-stakeholder scheme that grew out of civil pressure to end trade in conflict diamonds and now has widespread government support. But the WTO can only *permit* the Kimberley process, it cannot initiate or support it more actively. The WTO's waiver allowing Kimberley Process participants to prevent the import or export of uncertified diamonds until the end of 2006 is important for its effects in restricting commerce in conflict diamonds.

But the Kimberley example is as important in showing the relatively constricted way in which large scale trade vehicles (such as the WTO) are able to use formal trade measures to create spaces for the social, environmental and economic outcomes that governments and societies want.

A narrow definition of trade measures will therefore ignore most of the promising emerging practice that companies themselves, with governments and civil society are developing outside of these formal areas. Unsurprisingly therefore our focus extends also to those more informal spaces, where business in both developing and developed markets is negotiating new ways of supporting sustainable development within competitive international markets.

Many developed and developing countries have sought to recognise the interrelationships between social, economic and environmental development goals, such as through articulation of the Millennium Development Goals and the Rio Summit targets. If these two sets of goals are not to

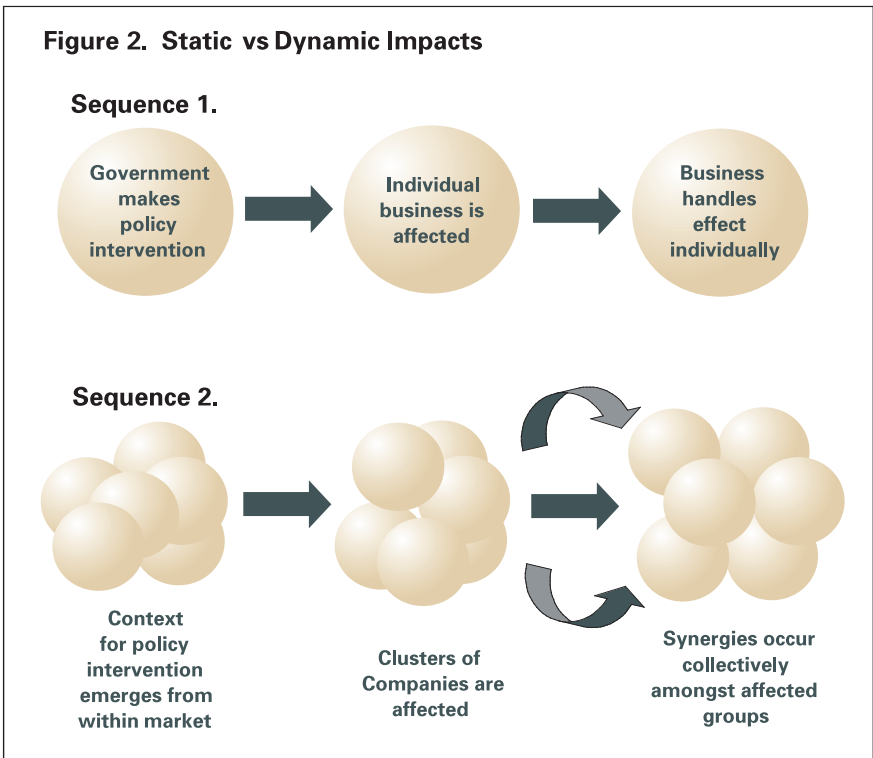
prove irreconcilable (or indeed mutually contradictory) some *rapprochement* is required. In particular from examining a broader set of trade and investment policy tools it is clear that policy interventions can be constructed and implemented in ways that:

1. Recognise and reward responsible corporate behaviour;
2. Support rather than undermine competitiveness and;
3. Make an enhanced contribution to sustainable development objectives.

Understanding why these tools are effective however is dependent upon an analysis of how the concerns of companies, civil society, government give form to them. In particular, an analysis is required that goes well beyond a simplistic framework which only conceives of public policy impacts on individual companies to one which anticipates the dynamic effects on clusters of companies, both within and across sectors.

Corporate Responsibility Clusters

The interaction of individual companies working/in conflict with civil society groups and interacting with government ultimately *produce* effective trade and investment policy tools and norms of corporate behaviour. Understanding how this happens generates a frame against which to evaluate trade policy and investment tools. While policy makers themselves practically recognise the dynamic effects of policy tools introduced into markets, much analysis of Corporate Responsibility has been static and failed to present a picture that can conceive of collective effects on companies which themselves foster knock on effects (see figure 2).



Earlier work conducted as part of AccountAbility and The Copenhagen Centre's *Responsible Competitiveness* programme identified the phenomenon of **corporate responsibility clusters** as a means of exploring:⁹

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1. How collective approaches to handling corporate responsibility issues (i.e. 'clusters') emerge *within* markets;
 2. Whether there were distinct types of interaction between companies, civil society and government.
 3. Whether a broad sequence for the evolution of these clusters could be observed.

From Micro to Macro – Scaling up our understanding of Corporate Responsibility's macroeconomic effects¹⁰

The concept of clusters is sandwiched between analyses of CR's impacts on individual firms (where most analyses has rested to date) and an analysis of the more diffuse effects of CR within economies (where least analysis exists). The three levels therefore comprise:

1. **Micro-level business cases** describe the benefits that companies have derived from aligning their social and environmental performance into their business strategy.¹¹
2. Applying the concept of 'clusters' to the CR field has led to the description of multi-sector, multi-stakeholder '**corporate responsibility clustering**'. Such a clustering methodology can be used to analyse how collective corporate action caused by civil pressure, market openings, or governmental regulation can lead to more efficient ways of promoting responsibility and sustainability within markets, in particular by addressing 'free rider' issues.¹²
3. The broader effects of **corporate responsibility practices on institutional flexibility and innovation**, where corporate responsibility builds skills and relationships across sectors at the macro level. This enables business to learn more readily from social shifts, thereby allowing it to establish new institutional relationships with both the public and non-profit sector.¹³

The concept of corporate responsibility clusters, or groups of companies, sometimes in collaboration with government and/or civil society organizations seeking to address shared non-financial objectives collectively, is deliberately designed to move beyond individual firm level analyses (see box above) and is offered for its analytical rather than its econometric potential.¹⁴ Furthermore, it is designed to allow for geographically focused clusters (as Porter's original analysis assumes) but also to encompass clusters that may form up and down a supply chain in quite disparate contexts. Thus, the strength of concerns about South African labour standards in the UK have been channelled down supply chain resulting in a strong labour rights profile for the South African wine industry.

Four broad types of clusters have been posited, each characterised by different dynamics, cross-sectoral configurations, and sources of leadership:

- ❑ **Challenge clusters** tend to be initiated by civil society actors. They are characterised by antagonistic relationships between its participants. This forms at least an initial basis for the development of competitive advantage as targeted companies respond to criticism and pull away from the norms of their peers. Examples of this would include the Clean Clothes Campaign's pressure of groups such as Adidas-Salomon and Nike. Clearly in these cases first mover advantage can quickly revert to a free-rider problem if other companies are not pressured to join the cluster and leadership companies remain both ahead of the pack and under fire.

- ❑ **Market-making clusters** are often led by one or more companies. They involve remoulding competitive conditions from the inside, by innovating more sustainable products, services or business processes. Examples would include the mid-90s poster child for CR, The Body Shop, whose innovative 'organic' production processes and market positioning have been adopted by numerous competitors. The development of cleaner transport fuels is a current example.

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- ❑ **Partnership Clusters** involve formal, multi-sectoral partnerships creating an environment where collective action helps to eliminate free rider risk. Partnership clusters often evolve from challenge clusters that have been stabilised. They establish a neutral territory within which companies, civil society and others can take forward a particular CR issue. Again, in relation to labour standards, the Ethical Trading Initiative (ETI) and the Fair Labor Association can be seen in part as partnership clusters that had developed from challenge clusters such as those created by the Clean Clothes Campaign.

 - ❑ **Statutory clusters** involve public policy interventions focused on corporate responsibility standards and practices that seek to establish competitive advantage on the basis of particular CR practice. Statutory clusters can be seen at a variety of different stages in cluster development and are perhaps best viewed as interventions within the formation of challenge, market-making or partnership clusters. They can for instance be documented at the more mature end of cluster evolution – e.g. Health & Safety legislation. They may be instrumental in moving from a challenge to a partnership cluster – as in the case of the UK Department for International Development’s support for the Ethical Trading Initiative. Equally, statutory clusters may be promoted at formative stages precisely to overcome free rider problems or market dysfunctionality within market-making clusters. In the case of the Association of British Insurers’ (ABI) Guidelines on Responsible Investment, issuing the guidelines themselves resulted in more institutional pension funds disclosing what social, environmental or ethical risks they considered. The ABI thereby encouraged the market to correlate management of these ‘non-financial’ risks with more robust and therefore more competitive insurance practices and helped to strengthen the emerging market for socially responsible investment.

Indeed Statutory Clusters are perhaps least helpful where they are not an intervention within other cluster types since this indicates their disconnection from any real conversation happening in the market between companies, civil society and government. There has for instance been

considerable speculation about the likely positive/negative effects of France's pending New Economic Regulations which will require listed companies to report on a wide range of prescribed CR issues.¹⁵ Context is critical here, since while a number of international French companies do report, significant numbers do not. It is unclear whether current levels of reporting experience are sufficient to mean that the French regulatory environment can support *meaningful* sustainability reporting at such levels.¹⁶ In this instance the success of the regulations will tell us whether or not we are looking at a successful intervention in the formation of a market making cluster (where the international competitiveness of French companies is improved by their enhanced transparency and accountability). If the attempt is unsuccessful in the medium-term we may conclude that part of the reason for the failure of the exercise was that the public policy intervention was insufficiently embedded in markets and ultimately unaccountable to the private sector that it was aimed at.

This leads us to the hypothesis that the most successful public policy interventions are typified by their:

- **Embeddedness** in conversations ongoing within markets and therefore the outgrowth of these conversations rather than an exogenous intervention in them.
- **Accountability** of these public policies to those whose participation is required for a successful outcome.

Corporate Responsibility Clusters & Trade and Investment Policy Tools

This approach lends itself to an evaluation of the circumstances under which trade and investment policy tools are successful. In no small part this is so because of governments' and other public policy actors'¹⁷ active participation in 'market testing' with business and civil society how to promote sustainable development outcomes through Corporate Responsibility vehicles.

This itself reinforces the earlier observation that a concentration on formal trade measures:

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- a) Creates an unnecessarily limited view of how trade and investment policy tools can be to promote CR and sustainable development;
 - b) Is an outdated view of how governments themselves are using a broader range of 'in-market' measures that include at the one end tax credit incentives (such as within the EU Carbon Trading Scheme) to creating new institutions (such as the European Commission's Sustainable Trade and Investment Centres which advise trading partners about how to promote sustainable development).

Between Public Policy and Corporate Responsibility

Formal Policy Measures

Formal trade and investment policy measures, applied unilaterally or agreed between governments, have typically sought to establish minimum and/or maximum levels of acceptable policy behaviour by governments. Under such a framework, companies are required to comply, but policy interventions have not explicitly sought to create a business environment that both rewarded responsible corporate behaviour and had positive impacts on economic competitiveness.

Trade Policy

In the context of trade policy interventions, at the multilateral level, enshrined in the GATT, and more recently the WTO, primary considerations were whether policy measures discriminated between foreign products (Most Favoured Nation - MFN) or between local and foreign products (national treatment). Rules were principally intended to create a level playing field and prevent anti-competitive or discriminatory policy and regulation, with less regard for how they might impact on company level behaviour apart from whether they complied with minimum conditions. There has been increasing debate amongst WTO members and other sections of society, over what the relationship between trade policy rules, as enshrined in legally binding WTO Agreements, and the environment and labour issues, such as evidenced in discussion over the precautionary principle, should be.

Nonetheless, a range of trade agreements incorporated sustainable development outcomes at the macroeconomic level. These have principally been driven by the US and EU, while agreements such as the ASEAN FTA (AFTA) do not address non-trade issues. Examples of agreements that do recognise and seek to encourage more sustainable social, environmental and economic behaviour by member countries include:

- US-Jordan Free Trade Agreement (FTA) – a party can take action against trading partner based on labour standards with a prior finding by a neutral panel.

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- North American Agreement on Labor Cooperation allows panelists to impose fines if violations are found. If a country fails to pay a fine, then trade benefits may be revoked.
 - EU Generalised System of Preferences – conditional tariff preferences.
 - US-Cambodia Textiles Agreement – quota access conditional on labour standards.

In a few cases, agreements have also recognised the role of businesses in delivering these outcomes, such as the Vietnam-U.S Bilateral Textiles Agreement (2003-4).

US Vietnam Textiles Agreement

The agreement between the Vietnamese and U.S. Government establishes Vietnam’s quota allocation for the U.S. textiles market and sets out the rights and obligations of both parties of how the quota is realised. This specifies product classification, shipment, visa arrangements, information and data exchanges, administrative arrangements and other arrangements under which Vietnam can realise the quota.

On corporate responsibility, the Agreement says “The Parties also support the implementation of codes of corporate social responsibility by enterprises on a voluntary basis and in compliance with domestic laws and regulations, as a means to improve working conditions in the textiles sector.” The agreement also recognises cooperation between the respective government ministries responsible for labour issues, as established in a Memorandum of Understanding (MOU) (2000). The MOU covers a range of technical assistance programs aimed at improving working conditions in the textiles sector in Vietnam. Key elements of the US funded cooperation program are:

Skills Training and Employment Services
Social Insurance and Safety Net
Employment of the Disabled
Industrial Relations and Labor Law Program on Child Labor
HIV/AIDS Workplace-Based Programs

While the MOU is a government-to-government agreement, elements of it, such as the IR and HIV/AIDS programs rely on direct engagement with companies. Business involvement in programmes is determined by a range of criteria, including business interest, a balance of state owned and privately owned enterprises, a number of companies that export to the US market and so on. In its current form, this most closely approximates a partnership cluster.

It should be noted at the outset that the Vietnamese Government was opposed to including references to labour standards in the Bilateral Trade Agreement (BTA), and discussion over labour issues delayed signing of the agreement for more than a year. The US –Vietnam textiles agreement was only negotiated after conclusion of the BTA, and was a priority area for the Vietnamese Government. Reference to the existing technical cooperation program in the agreement was a second best outcome for Vietnam, which did not want labour issues referenced in any trade agreements, and the US Government, which sought stronger language on labour standards.

The US-Vietnam Textiles and Labor agreements build on business-driven momentum to address labour concerns following the Nike experience in the mid-1990s. The key business driver for Vietnamese producers remains customer demand.¹⁸ Since then, elements of the Vietnamese government have been exploring how best to support these efforts given the characteristics of the domestic industry and political imperatives, and international market factors. Given the large number of textiles producers in Vietnam, the cultural and business implications of increased involvement of North Asian invested textiles production which are less amenable to voluntary labour standards initiatives, and the characteristics of international demand for textiles products, the government assessed that seeking to closely monitor and regulate factory level behaviour was too resource intensive.

Efforts by sections of the Vietnamese government, and US and other donor technical assistance programs have resulted in increased business attention to and uptake of core labour standards by engaging with individual companies. This is not without its critics within the Vietnamese government, many of whom perceive the CR agenda as an agenda imposed by the U.S.

While most attention has been devoted to the textiles and footwear industries, there are early signs that other manufacturers are responding to market signals demanding improved labour standards. In a survey of Vietnamese textiles companies, those implementing labour standards codes were found to have higher growth rates than others between 1998 and 2002. Similarly, labour productivity code implementing companies increased by 18.3% compared to 11.6% for those that didn't. Those implementing corporate responsibility standards exported almost all their products and have enjoyed stable export growth, while others occupy a reduced level of export share over between 1998 and 2002.¹⁹

Establishing causality between the Vietnam - US Textiles Agreement and MOU and improved labour standards is difficult given Vietnam's recent integration into the world economy, but it is unlikely it would have had any impact had it not been supported by mechanisms establishing a direct relationship with the companies in the sector it sought to influence. Certainly, more responsible Vietnamese businesses have recognised that exports and export opportunities to US and EU markets are enhanced by more responsible corporate policies, and this recognition has, to a large extent been driven by foreign customers and proceeded under more stable, formalised quota allocations. In 2000-2001, many Vietnamese textiles companies sought SA8000 certification, but the Ministry of Labour, Invalids and Social Affairs (MOLISA) publicly announced that the impact of certification was not significant on export prospects. MOLISA has not issued guidelines for companies on seeking to codify labour standards.

US Cambodia Trade Agreement on Textiles and Apparel

A three year agreement, since extended for another three years, was reached between the US and Cambodian governments in January 1999. The Agreement established an export quota for garments from Cambodia to the US market, and a conditional quota increase (14% in the first agreement and up to 18% in the current agreement) if Cambodia demonstrated compliance with its national Labour Code and international labour standards. The Cambodian Government, driven by civil society concerns, and the need promote its deeply conflictive textiles industry's capacity to contribute to national economic development, took the decision to promote trade through enhanced labour standards. However, in the first agreement, there was little specificity on how labour standards would be assessed.

Since 2001, the US Government annually assesses the level of progress made in working conditions on the basis of independent ILO monitoring reports, to determine whether or not conditionality for increased market access has been met.

Following the release of the first ILO report in late 2001, the three-year extension was signed, with a 15 percent quota increase: a six percent annual increase plus an additional nine percent in return for improvements in labour standards. U.S. Trade Representative Robert B. Zoellick concluded that Cambodia had seen "positive links between trade, economic growth, and labour standards". This agreement was the first of its kind, linking market access with social standards.²⁰

Cambodian textiles producers increasingly recognised that their advantage over competing regional producers, was "safe sourcing".

"Companies will always go to China for their profit....Yet profit alone is not always the basis for business. Image-conscious multinationals will continue using Cambodia because of our high labor standards"
Sok Siphana, Secretary of State at the Ministry of Commerce.²¹

Cambodian Government representatives had high hopes that the incentive of enhanced market access to the US market, might galvanise the industry, unions and NGO's to address longstanding and often violent grievances.²² With involvement from government, business and unions, Cambodian efforts to realise quota expansion could be characterised as a partnership cluster.

Unlike the Vietnamese textiles sector, the Cambodian industry is more geographically localised and much smaller in terms of numbers of textile factories. Cambodian civil society, including labour, has greater freedom and is more active than its Vietnamese counterparts. For these reasons, the US favoured an independent ILO monitoring program as the most credible on which to base assessments of national performance. The US Government did not accept use of private codes and monitoring systems. Nonetheless, there have been criticisms of both the ILO and US government's approach to labour standards issues in Cambodia, claiming that monitoring of around 30 of over 200 factories was not representative of industry labour standards, and the criterion by which the US government determines what level of progress has been made²³. Moreover, there are claims that these processes parallel the national Labour Inspectorate, whose reports have reached quite different conclusions from those of the ILO, should be strengthened.

Studies of international financial institutions efforts to condition their loans on far-reaching internal policy reforms are rarely effective unless the country is receptive to reforms and is seeking external assistance to implement them.²⁴ The conditional quota expansion contained in the US-Cambodian agreement is sectorally focused, and was broadly acceptable to the Cambodian government, companies, labour and NGO's who recognised the importance of both generating export earnings and improved labour standards. Given the relative small number of textiles companies in Cambodia, industry organisations were able to secure a critical mass of support for labour standards adherence to enable companies to secure quota advantages. Such mechanisms may not be feasible in more populous industries. If a company, or national enforcement agency is to secure a sector wide advantage by complying with core labour standards, it can only secure a tariff or quota advantage or avoid a similar disadvantage if most/all of its competitors also comply. There are free rider risks that should be considered in developing macro-

economic assessment and mechanisms addressing labour standards issues.

Enhanced transparency in industrial relations enabled the sector to address a range of labour standards issues, ensure that unions appropriately represented their member's interests and improve the performance of the sector internationally.²⁵ Industrial relations have substantially improved the ability of Cambodian textiles producers to export. In 1999, total textiles exports were USD 553 million, rising to 1.35 billion in 2002. Of this, exports to the US increased from USD 516 million to USD 961 million. We cannot conclude causality, but again point to both the importance of creating a realisable incentive for business that accounts for any free-rider issues, as well as providing the mechanisms through which companies could demonstrate fulfilment of conditionality requirements.

There is inconclusive evidence on causes and strategies to redress poor labour standards. The effectiveness of traditional trade policy interventions creating incentives for companies to improve labour conditions and compliance with standards is indeterminate - depending on whether and how they interact with individual businesses and relevant stakeholders. In the case of Cambodia, the quota did provide an incentive, and later, an agreed mechanism by which business could capture benefits.

Free rider questions can affect macro-economic policy instruments intended to impact on labour standards. Individual employers, and some sectors, are unlikely to perceive direct benefits from conditional market access improvements. For those companies who do, the structure of the industry and nature of competition will inform whether their actions alone, or in partnership with other companies, NGO's and/or government, would suffice to reach the national levels of compliance required to capture market access benefits. This free rider logic also applies to the EU Generalised Systems of (Tariff) Preferences (GSP). Under the EU's GSP, developing countries are eligible for additional tariff reductions under the Special Incentive Scheme (SIS) for implementing ILO conventions related to core labour standards. Under this scheme, tariffs that would otherwise apply under WTO on a range of products are reduced by 7% for GSP eligible developing countries that meet international labour rights standards, and 3.5% for those that don't. Whether or not this is a sufficient incentive depends on the market in question and the extent to which such

a concession might constitute a commercial advantage. It is therefore unclear whether tariff preferences act as an incentive at the company level.

Cambodian perceptions of and performance in creating a positive relationship between labour standards and international competitiveness raises questions about two keenly debated issues:

1. Race to the bottom arguments that suggest countries chip away environmental, social and economic assets to compete for investment and export markets on the basis of cost/price.
2. That inclusion of labour standards in trade policy is always a protectionist device. In the case of textiles, this may be a matter of semantics as the examples given above take place within a deeply protectionist international trading system, but Cambodian exporters did increase market access dramatically under the bilateral agreement. With the dissolution of the international quota system at the end of 2004, there have been suggestions that more open competition will lead to increased concentration as the textiles sector seeks to reap economies of scale driven by technological considerations and becomes more concentrated. Smaller exporting nations are at risk of investment moving elsewhere.

Determining what are appropriate levels and forms of competition within and between countries varies. Competition policy, as it is applied to companies operating in a particular national market, is determined at the national level and reflects local political and economic considerations. Some anti-competitive export strategies – such as dumping – are reflected in national, regional and multilateral trade policy anti-dumping provisions, in both cases interaction with business is generally as a punitive measure for anti-competitive behaviour. There is no overarching architecture addressing competition between nations for FDI and international investment flows of the type that some commentators expect following the expiry of the Multi-Fibre Arrangement (MFA).

At the national level, competition may be shown to contribute to net gains in social welfare. In EU competition policy, social welfare is defined as

individual consumer welfare, which is a consequence of reduced costs to consumers through reduced production costs and/or other synergies.²⁶ There is little evidence that notions of welfare beyond individual consumer welfare, such as environmental, social or economic impacts are recognised by competition policy and law.

As competition policy is more likely to be applicable to companies that occupy market share, to understand the implications of competition for responsible competitiveness, we need to know:

- Which companies are most likely to act responsibly and to what extent is CR an MNE phenomenon?
- Does MNE's exercise of market power enable it to exert CR up and down its value chain?
- The extent to which anti-competitive CR behaviour precludes more widespread adoption of CR behaviour.

The Duales System Deutschland (DSD) AG case is an interesting case. A group of hair-care product manufacturers and a waste disposal contractor seeking to organise a self-management system for the collection and recycling of packaging of products used by hairdressers, made a formal complaint to the Commission on the anti-competitive behaviour of DSD (Green Dot) for the abuse of its dominant market position. In finding against DSD, the Commission found DSD's requirement that customers had to pay fees corresponding to the volume of packaging bearing the Green Dot trademark (a fixed cost) rather than fees corresponding to the volume of packaging for which DSD is actually providing a take-back and recycling service, was anti-competitive and precluded other businesses from entering this market.

In this case, competition policy effectively addressed anti-competitive behaviour to result in increased scope for additional players to establish responsible business practices and internalise some of their externalities.

The relationship between anti-competitive behaviour and responsible corporate behaviour is indeterminate and depends on factors specific to each case.

Investment Policies

In the context of this paper, there is a raft of international endeavour that point to the potential of using both inward and outward investment policies to enable CR behaviour. Foreign direct investment creates a direct relationship between a host government and the investor.²⁷ There is no multilateral architecture governing investment, or indeed competition, as there is for trade. Many governments have sought to prevent proposals to link investment and competition policy to WTO disciplines and prefer to discuss related policy issues unilaterally, or in regional fora.

In the case of formal policy interventions, requirements for companies to observe socio-economic or environmental impacts are most usually seen in inward investment regimes. While these enhance scope for governments to prescribe non-financial performance for both domestic and foreign investors, they also enhance scope for rent-seeking behaviour if not contained within appropriate governance mechanisms.

Uganda: Clean Development Mechanism

The Ugandan government's requirements for inward foreign investment provide the framework conditions under which FDI into Uganda is permitted. Inward investor requirements can potentially affect business incentives to act responsibly through formal licensing requirements, rather than through cluster effects.

In addition to pre-investment environmental impact assessments, the Uganda Investment Authority (UIA) now assesses projects under the Clean Development Mechanism (CDM). The mechanism allows industrialized countries to meet their Kyoto emission reduction targets in part through "carbon credits" bought by subsidizing low-carbon projects in developing countries. In the Ugandan case, the CDM requires that projects should meet sustainable development criteria determined by national authorities – that project proposals should be consistent with the national Poverty Eradication Action Plan.

Investment proposals are evaluated in terms of the environmental sensitivity of the investment, public health implications, as well as economic impacts. Economic impacts of business activity include the ability to generate new earnings or savings of foreign exchange, utilisation of local goods and services, technology transfer and contribution to balanced socio-economic development. While there are no quotas or weightings for these criteria, there is an assessment made on whether an investment will contribute to economic development.

Environmental impacts are subject to more extensive scrutiny, and environmental impact statements must be approved by the National Environment Management Authority (NEMA), following a process of stakeholder consultation. Priority sectors are energy, agriculture, forestry, waste management, and cleaner production in manufacturing and transport. This is intended to be an explicit and direct incentive by policy makers to attract responsible investors.

While creating a direct relationship between the investor and government can potentially create mechanisms through which more responsible business practice is favoured, there are well documented concerns, such as those surrounding the Bujagali dam project, that policies do not contain appropriate accountability to stakeholders and counter rent-seeking behaviour.

There are some attempts to formalise outward investor behaviour through instruments such as Foreign Bribery or Corrupt Practices legislation in a number of OECD member countries.

Investment and access to capital issues are fundamental to business activity, and there is a wide range of domestic policy instruments used to influence the conditions under which both domestic and foreign investment can take place, in both host and home countries of investors. In both the policy context and a range of initiatives, there is considerable scope for the inclusion of responsibility 'standards' for business into mechanisms as businesses enter into a direct relationship with implementing agencies. This is the case for companies seeking access to export credits and insurance as well as investing abroad. By virtue of this relationship, there is considerable scope to influence company behaviour.

Having looked at inward investment requirements, efforts to encourage outward investment to be managed in a responsible manner have taken place in a range of fora. Notably, the OECD has developed Multinational Guidelines, and has undertaken significant work on export credit policy. The latter has resulted in members' agreement to make environmental and ethical considerations a factor in accessing export credits and insurance administered by national agencies. Properly implemented and enforced, they can create a direct incentive, an export 'supply' condition that can reward responsible behaviour in the environmental and ethical fields.

OECD Common Approaches

Export credits typically comprise medium to long-term finance facilities, access to political risk insurance, and export insurance. Export credit policies are managed at a national level. There has been considerable work done in the OECD context to develop common approaches in considering the environmental impact of projects when providing officially supported export credits. Initially agreed in 2001, a review of this work began in September 2003. The main elements of the proposal of common approach on environmental standards are:

Review of projects, including scrutiny of Environmental Impact Assessments in sensitive sectors and locations, in order for Members to evaluate whether to cover or decline official support and, if support is to be provided, the extent of any mitigation requirements.

Benchmarking of projects against international standards such as those contained in the guidelines of the World Bank Group

Exchange and disclosure of information with relevant stakeholders and with other Members

Reporting and monitoring and a review no later than the end of 2003

Screening of all projects with a repayment term of 2 years or more

Classification of projects in one of three categories, according to their potential effect on the environment, in order to indicate the extent of the information required for the subsequent environmental review.

By requiring that applicants engage in projects that have appropriately considered environmental guidelines, export credit policy contributes to an incentive structure that recognises and rewards more responsible business impacts in those markets. *“Export credit policy can contribute*

positively to sustainable development and should be consistent with that objective, while creating a level playing field for healthy international competition."²⁸ This is premised on the assumption that companies seeking medium to long term credit arrangements for trade related to projects designated as environmentally sensitive are likely to face (sufficiently) higher credit or insurance costs if they sought to do so commercially.

The Netherlands Government decision to require companies to pledge commitment to the OECD Guidelines for MNE's to be eligible for export credits is an interesting example. The Netherlands Government plans to evaluate the impact of this initiative in 2004. As the Common Approaches were only agreed in 2001, and exports underwritten are often for sensitive and long term projects, it is too soon to isolate, let alone determine the impact of the common approaches on trade financed by OECD Export Credit Agencies (ECAs).

The likelihood of ECA's approval of export insurance for exports associated with a particular project is one aspect of broader project financing considerations undertaken by banks. Bank decisions on project finance have also been subject to increased scrutiny and there is a growing number of banks adopting the voluntary codes and principles such as the Equator Principles. At this stage, we can surmise that, in the case of projects designated as sensitive, companies already demonstrating a commitment to good environmental performance are more likely to meet export credit agency requirements than those that do not.

Progressive harmonisation of approaches to export credit policy with respect to large, environmentally sensitive projects has been achieved but much trade does not fit project type/site related issues that require ECA screening. There is a well-debated tension, particularly in WTO consideration of agriculture, between the extent to which export promotion activities can be regarded as WTO-inconsistent export subsidies. Perceptions of misuse can easily be construed as non-tariff barriers to competing countries.

There is a proliferation of voluntary initiatives that will influence the types of projects that have access to both public and commercial funding. The Equator Principles are one example, to which 18 financial institutions have signed onto. These are confined to project finance and, by definition cover

projects defined as 'large'. While the Equator Principles are strong on environmental impacts, there are less stringent and generally qualitative criteria for social and economic impacts, reflecting the lack of agreed standards in this area. Voluntary initiatives focusing on access to project finance do not generally apply to smaller investments. In the case of investment banking or export financing for infrastructure projects, the same criteria apply to both foreign and domestic investors.

The Cotonou Agreement: Investment and Private Sector Development

The underlying premise of the Cotonou Agreement investment provisions is that more open economies will stimulate competition and business activities, leading to increased domestic and foreign investment. The new ACP-EU partnership, ratified in April 2003 sets out three sets of stimulants to FDI:

- Domestic regulatory reform to boost investor confidence
- Business initiatives encouraged and policy decisions should be referenced against private sector interests and recognise the private sector as a partner in economic development
- Regional economic integration to create larger markets and market opportunities for investors.

While the Agreement does not specifically acknowledge CR, it does recognise business role in contributing to economic development, and set out a range of mechanisms to support business in this role. Policy mechanisms designed specifically to promote investment in ACP countries include the Investment Facility (INFAC) managed by the European Investment Bank (EIB).

European Investment Bank: Investment Facility (INFAC)

INFAC was formally launched in June 2003 comprising a €2.2 billion revolving facility. This represents a €1.2 billion increase of funds made available under the Lome IV allocation. In addition, the EIB has allocated €1.7 billion available on commercial terms. INFAC builds on previous financing arrangements to provide added stimulus to regional and international commercial investment and support the development of local capital markets.

The main difference between loans under this facility and other EIB loans is that the EIB will accept higher credit risks and set prices to reflect those. Investment guarantees and protection provisions could mitigate perceived risk associated with investment.²⁹

Unlike finance arrangements under Lome, the INFAC is a revolving facility that will require it to be financially sustainable – it is not anticipated that funds will be replenished. It can use a range of financial instruments, ranging from senior debt finance to equity participation. Large projects are eligible for direct finance, while smaller projects will have access to INFAC credit lines or equity facilities with local financial institutions. In effect, projects that are most 'bankable' are likely to be financed under the facility.

For infrastructure projects in least developed or post conflict developing countries that will assist private sector input into a project, and projects with substantial social or economic benefits, the EIB can consider subsidising interest rates on loans by up to 3% p.a. In the first case, the subsidy will be structured so that it accrues to the ACP State so that it reduces the debt servicing obligations of the State.

Credit facilities under INFAC can be characterised to generate market making clusters by shaping the financial conditions under which large investment projects are negotiated and implemented internationally. As for export credit policies, the long life cycle of project finance projects means that it is too early to detect the impact of INFAC on investor behaviour. However, environmental outcomes and non-quantifiable social effects are considered early in the project appraisal process.

The EIB negotiates its contribution of project finance to projects that conform with environmental legislation, rules and best international practice. However, for projects in some developing countries, best international practice may not be met in all cases. The Bank usually includes non-quantifiable effects, such as legal, governance, procedural and other requirements, in its loan documentation, very often as conditions precedent to first or subsequent disbursement in the course of project implementation. The Bank assesses calculated economic and financial returns according to benchmarks established on the basis of its financing experience. These benchmarks are specific for project-type and sector.

Civil Regulation - The Role of Voluntarism

Voluntary action, including by states, business and civil society, has emerged as a transit point into more formal hardwired measures, such as the ETI. For other initiatives, formalization of initiatives adds questionable value. This is an issue of 'extended subsidiarity' – at what level of society, not just government, can issues best be addressed? At what level, and when can public policy interventions be most effective?

At minimum, voluntary initiatives evolve within a framework of officially sanctioned rules and laws, including those reflected in the trade and investment policy agenda. In some cases, the role of government may change from providing a policy framework to becoming a participant in various forms.

There are a number of CR initiatives by pharmaceutical companies to reduce drug prices and provide health infrastructure in developing countries. In the case of Anti-Retroviral (ARV) drugs to treat HIV AIDS, pharmaceutical companies have offered steep discounts to developing country governments. Many commentators suggest that the possibility of compulsory licensing (largely untested), provided for under the TRIPS Agreement, and increased competition from generic brands, has created a structural incentive for companies to review their pricing policies in developing countries.³⁰ Progress in this area will remain difficult. Creating an incentive structure for business to more systematically address access to health issues is complex and trade policy levers are only one part of the equation. Other considerations include national pricing practices across countries, the effectiveness and efficiency of national health systems in addressing health issues and broader regulatory risks for the sector.

Voluntary Sectoral Initiatives

Vietnam Business Linkages Initiative (VBLI)

Textiles and footwear is one of Vietnam's key export industries. In this case both multinational contractor and Vietnamese suppliers have sought to develop a competitive cluster that effectively delivers improved labour standards in footwear factories, thereby reducing private social audit and potential reputation costs to high-profile, branded clients.³¹

Following a DfiD report (1999), the International Business Leaders Forum (IBLF) was asked by DfiD to develop a strategy to address the issue of occupational health and safety issues affecting workers in the Vietnamese footwear sector. The IBLF consulted extensively with all interested parties - including the local and international footwear industry, worker representatives, government departments, research bodies, multilateral agencies and health and safety organisations. In January 2000, 21 organisations including multinational companies confirmed the Action Programme and agreed to support it through the provision of information and resources available within their organisations. As a result, the Vietnam Business Linkages Initiative (VBLI) was established and received its operating licence in October 2000 from the Vietnamese Ministry of Planning and Investment (MPI).

Since its establishment, the VBLI has been managed by a Steering Committee which has a representative from each of the participating organisations who attended the Workshop.³² This includes the Vietnamese Ministry for Labour, Invalids and Social Affairs (MOLISA), and the Ministry of Technology, Science and Environment (MOSTE). While not a Steering Committee member, the Ministry of Industry (responsible for textile state owned enterprises and industry policy) has also participated throughout the process.

In the VBLI, the role of MOLISA is to clarify legal and regulatory matters, guidance on Government policy; sharing existing research

and information on occupational health and safety issues; as well as existing training material; assisting with identifying and implementing additional research and information requirements; providing access to state owned and private Vietnamese-owned factories and helping to ensure their participation in the Programme; co-ordinating the communication between the Programme, its Co-ordinator and the various government departments; releasing the appropriate amount of time of skilled staff to assist with training; assisting in the dissemination of information.³³

Current activities of the VBLL create direct relationships with factory managers in Hanoi, Ho Chi Minh City and Haiphong, through the provision of training on a variety of health and safety issues; workshops introducing the SA8000 labour standard certification system; support for the development of a governmental inspection and monitoring agency. Future activities will include engagement with major Taiwanese and Korean investors in the Vietnamese footwear and garment industries and consideration to extend the initiative to include the garment industry in 2004.

The VBLL is a sectoral partnership initiative. Over its lifetime, the VBLL has moved from being developed by the IBLF, to the Vietnamese Chamber of Commerce and Industry (VCCI)(a government funded body), which represents parties participating in the VBLL and holds the Chairmanship of the Steering Committee. The IBLF maintains an advisory role to VBLL.

Given the role of the government in the Vietnamese economy, both as a regulator and as an economic actor in the textiles sector, government involvement in the process has been crucial. Government support for the VBLL has been critical in securing active participation by state-owned enterprises. Private sector companies have also responded well to the initiative and have realised incremental progress. There are 315 footwear factories in Vietnam and around 60% of them participate in the VBLL programme activities, compared to 20 factories at the start of the process.

The VBLL was built on strong stakeholder consultation in Vietnam, and has seen a growing level of participation by Vietnamese textile producers. Starting small, it has built activities and ownership amongst stakeholders

in Vietnam, drawing on their respective knowledge and resources. Impetus to behave more responsibly relies heavily on customer requirements, but there is likely to be overarching changes to the international textiles market on expiry of the Multifibre Arrangement in 2004. Plans are now afoot to explore whether this partnership model could have positive impacts in the apparel sector as well.

There is a growing recognition by both Vietnamese textiles and footwear sector and government that labour standards form a key aspect of demand in a number of international markets. But market access to the US textile market through a formalised quota system has also resulted in a changing industry structure that both voluntary and government efforts need to consider. There is a history of different cultural and business values with respect to labour standards held by North Asian investors in Vietnam which have been widely reported in local media and have raised concern in Vietnam over the past decade. Moreover, cultural attitudes of North Asian investors on appropriate roles for business and government also differ, as does willingness to engage in voluntary initiatives. This raises questions of who is the most appropriate actor(s) to manage labour standards issues in a different cultural mix, and through what mechanisms initiatives can be accountable to stakeholders at all relevant points in the value chain? Questions on how government policy should evolve over time to address issues emerging as the patterns of foreign investment respond to Vietnamese economic integration remain.

The EITI is a sectorally based partnership cluster. The objective of the Extractive Industries Transparency Initiative (EITI), a multi-stakeholder partnership, is to increase transparency over payments and revenues in the extractives sector in countries heavily dependent on these resources.

Extractive Industries Transparency Initiative

The EITI was launched at the World Summit on Sustainable Development, in Johannesburg, September 2002. The Department for International Development led the initiative, which encourages governments, publicly traded, private and state-owned extractive companies, investors, international organisations, NGOs and others with an interest in the sector, to work together voluntarily to develop a framework to promote transparency of payments and revenues.

Participants' actions, consistent with their individual functions and objectives, will include:

- developing and testing methods of payment and revenue disclosure and publication in the extractive industries in countries heavily dependent on natural resources, wherever the government has decided to do so;
- working at the country level to implement reporting guidelines consistent with EITI principles, agreed between each host government and companies working in its country, along with support from civil society, international institutions and other relevant players;
- developing effective links to other initiatives and actions designed to tackle corruption and improve transparency
- incorporating the principles of EITI into relevant, guidelines or operational policies, wherever appropriate;
- mobilising, where appropriate, technical advice, expertise and support for capacity building to help stakeholders implement and review the EITI;
- considering in what other ways, the objectives of the Initiative may be pursued.

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- encouraging, whenever appropriate, companies, governments, and other interested parties to join the Initiative to develop effective and lasting solutions.
 - keeping progress of the Initiative under regular review.

The World Bank has made explicit its support for the EITI which will comprise involvement in the EITI consultative process, including the design of technical mechanisms for reporting; include EITI in dialogue with client countries where appropriate; will, in individual country contexts, and working with other stakeholders, promote transparency in revenue reporting; will promote linkages to other ongoing governance and transparency initiatives within the World Bank Group; assign high priority to the development of in-country capacity to implement the objectives of the EITI in terms of both technical expertise and funding from World Bank and other donor programs.

Apart from DFID's ongoing involvement in establishing guidelines and leadership from Transparency International, focus has moved to engage national governments and industries. It is envisaged that the initiative will be increasingly managed at the national level as it evolves. One country participant is Kazakhstan. The Kazakhstan Government has unilaterally taken steps to improve governance of public resource management. This includes foundations for a civil service and the creation of the National Fund to save part of the inflows to the budget from oil and other extractive industries.³⁴ The Kazakhstan Government recently announced the Programme for Industrial Innovative Development that envisages the early establishment of an Industry and Investment Fund, an Innovation Fund and a Corporation for Guaranteeing Export Credits, with millions of dollars deriving from the oil and gas sector.

"In all these efforts to implement the strategy, transparency is an indispensable element from the outset. We realise the importance of transparency as a tool to provide and ensure sustainable development. We want to see a multiplier effect from the development of the extractive sector, to see the multiplier effect for the development of downstream and adjacent indus-

tries and sectors in our economy, as I said to make it modern, self-sustainable and strong.”³⁵

While there has been strong support from parts of the Kazakhstan government, work remains to ensure that it engages with appropriate and empowered stakeholders in the national context. Finding pathways through which to engage Kazakhstan Government and business, including key players such as KazMunayGas will be crucial to the initiative’s success.

First steps in the process at national level provide insights into specific issues that government, business and civil society needs to address if “imported” voluntary initiatives are to take root locally. At a recent EITI workshop in Almaty chaired by Transparency International, securing appropriate Kazakhstani engagement proved a challenge. Most participants were from the international donor and NGO community despite earlier agreement to participate by senior Kazakhstani officials and business leaders. The meeting demonstrated the importance of understanding cultural perspectives on the role of, and confidence in, civil society to address governance and business issues, different relationships between government and business, as well as the relationship between the Ministry of Energy and KazMunayGas in setting the agenda for the gas industry.

The role of foreign investors in the Kazakhstani industry and their willingness to disclose information about their relationship with the Kazakhstan Government, is subject to broader considerations, including the term under which they are permitted to invest (joint venture), the Kazakhstan Government’s preferences, in addition to pressure from their home country stakeholders to address these issues. This exemplifies difficulties in ensuring cross-border accountability, where stakeholder pressure in the North requires behaviour that is unacceptable to in-country vested interests.

Tailoring the EITI to each of the partner countries will pose a distinct set of challenges in each case. In the Kazakhstani case, it is clear that the objectives of the EITI can contribute to Kazakhstan’s development objectives and efficient allocation of natural resource earnings to wider development objectives, but negotiating that will require innovative strategies by all involved. For now, a policy space in which these issues can be

addressed has been created by the initiative, as well as increased scope for informal discussions between government officials and investors, that might otherwise not have been possible.

Labelling and PPMs: Government Procurement and TRIMS

Apart from provisions on prison labour, the multilateral trade orthodoxy does not recognize the distinction between traded products based on criteria that are not embodied in the products themselves – or non-product related product and process methods (PPMs). These have taken a range of forms, including labeling schemes and production management systems such as Proudly South African. Another instance is the voluntary experimentation in social and eco labels in the mid-nineties which has led to the Belgian government-supported social label and the EU eco-label, which, while not mandatory demonstrates the range of roles governments can assume beyond formal trade interventions.

For voluntary labelling initiatives, the Technical Barriers to Trade (TBT) Agreement is only applicable if they can be said to “approved by a recognized body”.³⁶ Unraveling the PPM issue in the multilateral context would undermine the assumptions on which the multilateral trade policy legacy is based. Negotiating bilaterally to have non-product related PPMs understood as an issue of quality and untapped export opportunities provides a tough, but far easier path for policy makers.

There has been considerable attention and public debate surrounding both mandatory and voluntary labelling schemes in recent years. Debate has centred on perceived tensions between enhancing information and therefore consumer choice and whether they act as non-tariff barriers. For a range of reasons, many outside the scope of this study, labelling schemes have had mixed success.

Proudly South African

It was agreed at the Presidential Jobs Summit in 1998 that a Made in South Africa (initially called Buy South Africa) campaign would be established with the aim of promoting demand for South African products and services that embody acceptable standards and quality, with the consequent creation of jobs. DTI was identified as the driver of the process in cooperation with the South African Bureau of Standards (SABS), the South African Accreditation System (SANAS) and the National Economic Development and Labour Council (NEDLAC) partners. NEDLAC has four social partners, Government, Labour, Business and Community representatives. Proudly SA is a Section 21 company (not for gain) led by a Board of Directors representing the social partners. The South African Government is represented by the Director General of DTI. The role of directors is to ensure broad and active participation by their constituencies in the campaign.

A key component of the campaign has been the establishment of a new label for qualifying products and services. Environmental and labour standards and sufficient local content South African Development Community (SADC) countries included are taken into account before the label is awarded to specific company applicants.

Proudly SA is a partnership cluster. Extensive negotiations and research led to the establishment of the Proudly South African organisation and campaign in the course of 2001. This campaign has both a consumer and business-to-business/business-to-government dimension. As part of this wider commitment, the NEDLAC constituencies have agreed to explore the options for incorporating/addressing this and other local content promotion initiatives, into South African local procurement practices.

Following the launch of the campaign, having assessed the value of the campaign, business have embraced it and there are 512 members listed on the campaign website. The campaign aims to deliver market opportunities to government buyers to its membership by promoting the label as a criterion for government procurement decisions, but this remains under consideration.

Examples of developing country producers supporting indigenous labelling initiatives, either in response to external pressure to do so, or in recognition of long term consumer demand and marketing trends have had mixed results.³⁷ It appears that developing country businesses, with an established export tradition and higher levels of GDP/capita, are most likely to recognise the marketing opportunities of distinguishing their goods and services as being more sustainable, than their counterparts in least developed economies.

DTI and the South African Parliament have debated these questions over trade and investment policy concerns about the campaign's ambitions to include the label as a criteria for government procurement.

While such initiatives are not inconsistent with South Africa's WTO obligations, and current work on Government Procurement in the WTO does include (unhidden) preferential treatment for local suppliers, they can lead to potential bilateral or regional trade irritants. These measures have not been challenged in trade law, but in the context of WTO Trade Policy reviews, essentially a peer review which is unenforceable, South Africa has defended its general approach to preferential government procurement policies as being based on the desire to employ it as an instrument to achieve socio-economic objectives.³⁸ While these objectives are legitimate, these practices are often perceived to be non-tariff measures (NTMs) by trading and investment partners.

Potential exists for restrictions to be placed on procurement policy and practices through bilateral trade and economic cooperation agreements. The US has indicated its intention to place government procurement on the agenda of US –SACU (Southern African Customs Union) Free Trade Agreement negotiations. This is a trend which is emerging in other bilateral agreements, as is demonstrated by the EU's recent bilateral trade agreements with Chile and Mercosur. There is also some expectation in terms of the SA-EU Trade Development and Cooperation Agreement that government procurement will be discussed in future.

Public procurement is one of the most direct ways in which governments affect the way in which companies do business. There has been a great deal of discussion on the issue of green procurement internationally, the extent to which environmental objectives vary within and amongst

nations, what are legitimate purchaser requirements, whether procurement processes can recognise non-product related PPMs, and whether administrative procedures to become an accredited supplier discriminate against third country suppliers.

This debate has been heated in the European context. Calls for legal clarification and strengthened provisions, and case of the 'Helsinki Concordia bus case'³⁹ has resulted in calls for public authorities in the EU to use social and environmental criteria when awarding contracts for public tender. Having failed to pass the second reading in the European Parliament, the revised draft government procurement directive is presently before a Conciliation Committee. A number of key issues remain to be resolved by 10 December 2003, following which it will be put to the vote. Outstanding issues include those relating to PPMs and life-cycle assessment, and how economic advantage should be defined and for whom.

A longer-term policy consideration is the rules on Trade Related Investment measures (TRIMs). These relate to investment measures that affect trade flows. Specifically, they refer to restrictions to the activities of foreign companies operating within their borders, such as local content requirements or trade balancing requirements. Under the TRIMs Agreement, countries are required to notify all TRIMs and phase them out over a timeframe determined by level of development – 7 years for developing countries. This also depends on whether local content requirements embodied in such a labelling scheme were voluntary or compulsory.

There is a strong and growing positive relationship between trade facilitation and CR business behaviour in Europe and a number of other developed countries. At the same time, levels of concern about the misuse of technical measures to create barriers to trade have grown and frustrated export efforts of a number of developing countries. In the trade facilitation policy context, the policy concept of authorised traders is a clear example where trade facilitation policy can reward responsible corporate behaviour.

Trade facilitation measures comprise a range of functions at border points, including customs and import duties and meeting sanitary and phyto-sanitary (SPS) requirements. There has been considerable work in the World

Customs Organisation (WCO) and OECD over the last 10-15 years to improve the functioning and effectiveness of trade facilitation measures, particularly the way in which they intersect with business activities.

European Union: Authorised Trader model

At the national level, there have also been important national level efforts to implement processes through National Trade Facilitations Boards. This model was pioneered in the UK and has been drawn on in a range of countries, including India and some Latin American countries to improve customs service provided to traders, to improve transparency of trade facilitation policy and its implementation. The policy concept of 'authorised traders' is a clear example where trade facilitation policy can reward CR behaviour. This concept was developed and is most advanced in Sweden and has subsequently formed part of a broader risk assessment approach to customs policy and implementation. Swedish Customs authorities have worked with businesses in piloting the Stairway model. In doing so, IKEA's customs procedures have been accredited and are managed electronically. IKEA assessed that it has saved 50% on compliance costs through participating in the programme.⁴⁰ Criteria on which companies are assessed varies from country to country, but in most programs, companies are required to demonstrate that they trade regularly, have a record of paying duties in a timely manner and in full, no criminal background and transparent accounting procedures.

In return, they are benefited by reduced border transactions costs that are not available to companies who do not enter into MOUs with their national customs authority. The EU Chile Trade Agreement includes references to cooperate to establish an authorised trader system in Chile.

At the WTO level, the EU has made proposals for members to simplify import and export procedures, both in response to business demands for reduced border costs and delays, as well as increasing resource pressure on national customs authorities to manage increasing trade and flows. In doing so, the EU has proposed that a mechanism be agreed at the WTO level, that *“identify and reward efficient and compliant traders with additional facilitation measures, and through which the traders themselves support the regulatory goals of the customs.”*⁴¹

Non-mandatory Government led processes

Governments have sought to market test approaches to responsible business behaviour, not necessarily with a view to eventual incorporation in trade or investment policy interventions, but certainly with a view to shifting the base competitiveness landscape within which businesses function. The UK’s support of the Ethical Trading Initiative is a justly celebrated instance of this – where the institutions existence acts as both a provocation to poor business practice and a capacity building mechanism for business. This may eventually prove amenable to incorporation in trade or investment policy interventions, but should have ‘stand-alone’ value in and of itself.

Equally, policy makers could actively track other groups’ voluntary activities with a view to their potential relevance. For instance numerous developing country stock exchanges are introducing sustainable development criteria, which if they provide acceptable ‘indigenous’ definitions of responsible/sustainable behaviour may provide viable entry points for the discussion of sustainable development and trade issues.

Sustainability Impact Assessments

The European Union's Sustainability Impact Assessment (SIA) is "a process undertaken during a trade negotiation which seeks to identify economic, social and environmental impacts of the trade agreement.... SIA's should also provide guidelines for the design of possible flanking measures, the sphere of activity that can exceed the commercial field (internal policy, capacity building, international regulation), and which will make it possible to maximise the positive impacts and to reduce any negative impacts of the trade negotiations in question."⁴²

The SIA process is a conceptually attractive policy tool and process, conducted by independent researchers, but does not constitute a direct incentive for business to act responsibly. In its present form, it cannot be characterised as a Corporate Responsibility Cluster either in intent or through its mode of operation. SIA's have been conducted for the current round of WTO discussions, the EU Chile Agreement, and now the EU-Mercosur negotiations, among others being launched by DG Trade, but the impact of them is indeterminate.

In developing SIA methodology, DG Trade has specifically recognised the potential for the private sector to identify economic, social and environmental impacts and share responsibility for addressing these impacts. The process, conducted independently, is open to all stakeholders. Companies and business organisations participating in the process have tended to view the SIA process as an adjunct to their formal trade policy lobbying efforts rather than as a conduit to explore stakeholder issues. Policy makers and stakeholders face the challenge of developing appropriate mechanisms to steer sustainability impact issues and information emerging from the process to stakeholders that have the necessary expertise, influence and incentive to address them. SIA's could play a potentially significant role in shaping trade and investment policy tools *if* their conclusions informed trade policy makers as well as development officials.

In addition to issues the SIA process identifies, SIA consultation processes themselves may lead to the establishment of relationships amongst

participants that may provide a basis from which businesses may explore their particular sustainability impacts in a particular market. This is more likely to be so in cases where negotiations are 'smaller' and participants will continue to have an impact on each other through their trade and investment activities.

While in most SIA's conducted to date, researchers have recognised that sustainability impacts of trade agreements may occur at local, regional, or national levels, and may have differential effects across different parts of society (e.g. gender), and across time, the SIA refers primarily an assessment of macro-economic sustainability impacts.

It is also important to recognise that in many cases, it is very difficult to determine what the impacts, and therefore, what the appropriate flanking measure might be. DG Trade specifically acknowledges the role of voluntary initiatives as a complement to 'hard' regulation, and seeks to "promote synergies between private and public activities" seeking to enhance the sustainability of trade agreements.⁴³ The SIA process may provide a forum in which stakeholder influence can support existing and potential CR initiatives.

An important issue in the SIA process is that negotiating partners accept that the issues raised through SIA processes are legitimate areas of concern that reflect the government's national economic and development objectives. Some developing country representatives have expressed concern that the SIA process has been developed to skew negotiating agendas and a 'smokescreen for protectionism'.⁴⁴ The challenge for developed and developing countries alike is to understand differing notions of accountability to domestic stakeholders in trade and investment negotiations and reaching mutually acceptable, and accountable outcomes.

Lessons Learned

Voluntary and formal trade and investment policy tools are most successful in enabling more responsible business performance when they draw on and reflect in-market conversations and interests, and take account of the views of all required

participants. When initiatives are developed at a global or macroeconomic level, ensuring appropriate mechanisms and engagement at the national or sectoral level is key to their success, as evidenced by the performance of the Cambodian textiles sector since ratification of the US-Cambodia Bilateral Trade Agreement.

The added complexity of negotiating formal and voluntary initiatives that impact across borders adds the further risk that accountability will only exist at parts of the value chain needed for the successful implementation of a policy tool. Successful initiatives, whether public, private or some form of hybrid share similar characteristics. At the most basic level, to be successful, “both (public and private initiatives) must be designed, monitored and enforced”.⁴⁵

The implications of this argument are that voluntary initiatives to change the standards of business practice draw on the same intangible social assets – consensus and consent.⁴⁶ These concepts are culturally defined. The globalisation debate and concerns of developing countries in response to developed country private codes and initiatives, reflect concerns that these initiatives, institutions and governments have sought to ‘export’ their values to developing countries that infringe on, or displace their indigenous values and opportunities, rather than find a mutually agreeable accommodation of values for all partners. In the context of trade and investment, it is policy interventions and voluntary initiatives that, however technically perfect, do not reflect local values and considerations are most likely to be regarded as protectionist.

To understand where public policy and voluntary initiatives to enhance business impact for sustainable development might be mutually reinforcing, consideration should include:

- 1. Is it a shared conversation on an issue of agreed importance or are there groups within a value chain that cannot or do not want to engage with the issue?***

While there is scientific evidence available to support trade and investment policy interventions intended to enhance environmental impacts at regional, national and multilateral levels, and in cases where evidence is lacking, there is the precautionary principle, no clear relationship between core labour standards and sector trade patterns or export performance has been established.⁴⁷

Distinct and often opposing perspectives on what constitutes a desirable relationship between trade policy and labour standards are well rehearsed, and, on balance, inconclusive. Under current international institutional architecture, promotion of commitment and adherence to core labour standards has not been a principle domain of trade policy officials. The ILO has played the leading role in addressing labour standards, with varying levels of support from member states over the years, and has relied on a mix of supervisory mechanisms, technical assistance and peer pressure.

Responsible corporate initiatives on labour standards include adoption of codes of conduct, internal and external verification processes and participation in partnerships such as the VBLI and the Ethical Trade Initiative as well as policy interventions to enhance CR. The ETI case also makes the point that trade and investment promotion does not necessarily mean expanding the duties of the state, as much as changing its direction.

Experience shows that it is difficult to replicate projects without regard for the specificities of each socio-economic context. Public policy processes and voluntary initiatives can offer greater clarity on definitions of non-financial business impacts, and their relevance and legitimacy in cross-border business transactions. The role of government in creating space for discussion around the way in which business operates both in their home market and across borders, is exemplified through initiatives such as the ETI, EITI and the SIA process.

While there are arguments that any system of voluntary self-regulation is unlikely to achieve widespread adoption of labour rights and standards, there is little agreement on what specific interventions governments can make to generate improved labour standard performance at the macro-economic level.

The extent to which voluntary and policy interventions reflect a consensus around political, social and economic values will have an important bearing on their effectiveness. Apart from cultural considerations, the level of economic development, socio-political factors and capacity of a society or economy to 'own' voluntary initiatives are a critical consideration in evaluating whether initiatives can be scaled up to have broader macro-economic impacts. The responses of Cambodian and Vietnamese civil society to US-lead negotiating positions on labour standards in bilateral textiles agreements demonstrates the importance of domestic support from stakeholders able to effect the desired outcomes for these mechanisms to become an integral part of a defined business community's operating environment. Where policy interventions do not appropriately reflect and account for local values and accountabilities, they risk protectionist charges. Moreover, they may not work.

The difficulty of acknowledging 'sustainable' or 'responsible' process or production methods under WTO rules is often held up by advocates of sustainable development as an undesirable barrier to its promotion. On the other side, many governments resist incorporation of sustainable/responsible production processes into trade policy rules as potentially protectionist. A number of developing country governments are looking at responsible production processes' ability to strengthen the competitiveness of industry. These have typically taken place in export oriented sectors in specific countries, but have not extended into domestically traded areas of the economy, reflecting the lack of domestic agreement or convergence around the issue in question. Nor have examples of voluntary initiatives in least developed economies been documented. What appears to be significant is who or what is being protected and whether that is regarded as legitimate.

2. Having defined the issue, understood its dimensions and causes, the next step is to ascertain at what level it can be appropriately addressed. What is the cluster dynamic being played out within the conversation, and who should be engaged in the consequent range of relevant policy options? Is the trade and investment policy tool or initiative accountable?

At the government level, European policy makers have typically invoked the notion of subsidiarity in determining appropriate governance structures and mechanisms – devolving responsibility to the lowest feasible level of government. As relationships between government and business become increasingly varied, including one of joint actors, we can extend the notion of subsidiarity to include non-government actors. If asked “What is the source of a problem and what are its impacts?” the following scenarios result:

- a) Driver and scope of impacts are sub-national or national requires policy action at the domestic level, either at regional or national levels.
- b) Driver is national, but impacts extend across borders
- c) Driver is outside national borders but impacts nationally
- d) Driver outside national borders with no national impacts.⁴⁸

Following this logic, trade policy tools and initiatives, which work across borders, are most likely to be effective policy mechanisms to support corporate behaviour in scenarios b and c than in a and d. For both competition and investment policy, scenarios a b and c are theoretically possible, although in practice, government have much more restricted policy scope to manage externally driven investment impacts simply due to the lack of multilateral investment architecture.

It is important to note that what policy or voluntary initiative works in one national context, may have no impact, or even be counter-productive in another. For example, we have seen that initiatives evolving within markets are more likely to be successful than those that are imposed without being accountable or providing the mechanisms by which they might be achieved.

Trade and investment policy instruments have potentially further options - cross border impacts may be across one or more borders. Accordingly, locating trade and investment issues at a level at which policy interventions or initiatives can be both accountable and effective in addressing the issues is vital. An extended notion of subsidiarity is relevant here in

determining at what level and issues should be addressed, but can also inform at what level issues can be addressed and shared values developed in an accountable manner.

Following Cancun, significant quantities of ink have been spilt on the future of multilateral trade agreements. The actual space within this architecture to create sustainable development outcomes per se, has however, always been contentious to say the least. Post Cancun, increased attention on bilateral agreements, has been depicted as a bad development outcome, allowing more powerful states to 'pick off' less powerful ones in one-on-one trade negotiations. "The EU and US are in a much better position to extract favourable trade terms through bilaterals and this runs counter to the developing countries", CAFOD.⁴⁹

On the other hand there is scope in a bilateral negotiating context to jointly develop mechanisms to encourage more responsible business behaviour and business impacts, and to develop appropriate and relevant interests and accountabilities of resulting agreements. *"I think that perhaps it is more useful to pursue these (temporary workers in the U.S.) in bilateral arrangements than at a multilateral level. If it is a competitive advantage, then I may have no interest in eroding that in a multilateral context. I may have an interest in taking advantage of it in a bilateral context"*, Ransford Smith, Jamaican Ambassador to the WTO, 8 May 2003.⁵⁰

The sustainable development effects of many bilaterally agreed trade and investment agreements have not been clear, and many have been politically, rather than commercially or economically motivated. For this reason, their sustainable development outcomes remain unproven at the macro economic level. From the accountability perspective, and as a forum in which stakeholder consultations are institutionally less complex, bilateral agreements appear to provide a technical point of entry to explore the role of formal and voluntary trade and investment policy initiatives. Bilateral and regional trade and investment agreements offer a policy space in which responsible companies can be harnessed to contribute to sustainable development objectives. The level at which this might take place, whether unilaterally, in the context of bilateral or multilateral agreements should be as much about subsidiarity – devolving decision making to the level at which it can be best effected – as much bilateral political considerations.

Governments and businesses face shared questions in understanding how to address sustainable development issues. Determining what, how and who should act to address issues should guide all actors and will lead to new and evolving relationships between traders and investors and the policy makers.

Conclusions

The challenge for trade and investment policy has traditionally been to maximise both short term and long-term market access and opportunity for national economic interests. But with evolving geo-political, political, economic and business interests, more is being demanded from these policy measures. More than simply being accountable to national interests, cross border policy instruments are being required to be accountable to the interests of societies beyond their own national borders. The proliferation of voluntary initiatives that seek to influence agendas at different points along corporate value chains also raises questions of accountability on what and how influence is exercised. From our survey, we have seen that the voluntary initiatives that are embraced by communities along the value chain are the most successful. This may be due to shared values and support for an initiatives objectives and processes, or it may reflect recognition by business that there is a business case for their participation. This is perhaps most clearly the case in the Cambodian textiles sector, where industry leaders recognised that the future of the sector depended on its image as an employer. Public policy can influence business and civil society perceptions of the value of participating in voluntary initiatives through provision of information and, if necessary, reshaping new incentive structures, as well as the mechanisms through which individual businesses can capture advantages. Successful export of an initiative requires all participants to perceive the initiative being accountable to their interests.

In this context, the dichotomy between mandatory and voluntary interventions is unhelpful, and more so when seeking to influence the impact of trade and investment flows across borders. Both formal trade policy interventions, investment regimes and voluntary initiatives have been charged with being ‘protectionist’ where they are not perceived to be accountable to trade or investment partner country interests.

For trade, WTO rules do not preclude countries reaching arrangements at the national, bilateral and regional level that identify and reward economic actors that behave responsibly. Inward investment requirements, whether through formal licensing processes or stock market listing requirements, offer further potential in this regard. Finance and access to credit initiatives are starting to explore these issues on ‘big-ticket’ projects – whether through project finance initiatives – such as the Equator Principles – or export credit policy. These initiatives are yet to demonstrate tangible

results, but is creating incentives for business to consider more rigorously their socio-economic and environmental impacts.

With accountability the crux of successful cross-border adoption of voluntary business initiatives, how can trade and investment policy support more responsible business behaviour. That depends on the issue, and the scope of its causes and effects. Many initiatives and non-trade issues will not be well served by the WTO. In light of recent international trade policy developments, it is timely to revisit how trade and investment policy processes can be formulated unilaterally and bilaterally to adjust the incentive structures in which trade and investment flows take place to reward those that enhance 'responsible competitiveness'.

Trade and investment policy interventions that establish a direct and conditional relationship between policy implementation and companies, such as the authorised trader scheme, export credit policies, and in the cases of investment policies, investment (non-trade) licensing conditions, provide the most direct route to recognising and providing incentives to businesses to act more responsibly. In the case of business decisions focused on socio-economic impacts, such as labour standards, measures applied at the macro-economic level are less likely to create incentives for companies to behave responsibly unless they have complementary enterprise level support. Unsurprisingly, this is also true for successful voluntary initiatives. Company level environmental considerations are different and given the scope of their cause and effect, may be more amenable to influence from macro-trade policy tools. Given the diversity of sustainable development challenges across countries, it is unlikely that the best sustainable development results will be realised with standard format bilateral and regional trade and investment agreements.

What is ultimately unsustainable is concluding bilateral and regional trade and investment agreements or formulating initiatives, with stated sustainable development objectives, that do not contain the mechanisms to deliver sustainable growth and development opportunities.

Appendix: Key Publications

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The Responsible Competitiveness Consortium

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|  AccountAbility institute of social and ethical accountability | www.accountability.org.uk |
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The Responsible Competitiveness Consortium was created to clarify the strategic role of 'corporate responsibility' in contributing to the competitiveness of nations and communities. Its overall goal is to increase the impact of such corporate responsibility practices on sustainable development and competitiveness.

The Consortium has emerged from a growing recognition of the:

- Urgent need to amplify the positive impact of business on sustainable development through corporate responsibility;
- Potential offered by aligning these impacts with how nations and communities create economic wealth and;
- Risk that the resources and leverage available through corporate responsibility will become irrelevant if not amplified through this route.

The Consortium will undertake and communicate the results of research into the strategic dimensions of corporate responsibility, focusing on the links between company-level practices and macro-level competitiveness and development processes and outcomes.