# Corporate Social Responsibility and Sustainable Development in Asia: a Growing Awareness

Philippe Debroux

## Introduction

Corporate social responsibility (CSR) has the explicit sense of voluntary, self-interest driven policies programs and strategies by corporations addressing issues perceived as being part of their social responsibility by the companies and/or its stakeholders. CSR is about management initiatives and systems, and about how companies manage the social impact of their activities. CSR was closely associated from start to the idea of sustainable development, as identified at the United Nations Rio Earth Summit in 1992, namely, as development that 'meets the needs of the present without compromising the ability of future generations to meet their own needs'.

The CSR-related management expertise they have accumulated overtime explains why Western multinational corporations (MNCs) are still the dominant actors in Asia in term of scope and sophistication of CSR policy.

However, recent initiatives from Asian companies show that they become more active in this respect. For the time being, the focus on environmental issues is dominant but a growing number of Asian companies are starting to adopt CSR practices and reporting standards embedding a broader definition of CSR including responsibility vis-à-vis workers and human rights. In a still small but growing number of them CSR activities are now internalized in the companies' organizational mechanisms. They also engage actively with their stakeholders on increasingly complex projects related to disease, biodiversity, or other issues requesting broad and diversified knowledge and experience.

## Corporate Social Responsibility and Sustainable Development – Concept and Phenomenon

### From Public Relations and Defensive Action to organizational Changes and Business Opportunities

CSR is about what management does, in principle unilaterally, although the actions may be undertaken with one or several stakeholders. In principle, CSR activities are not reserved to

MNCs. On the contrary, it is recognized that solutions to sustainable development issues requires business involvement down to the lowest level of informal labor markets and local communities. One important driver of CSR is the idea that there is a 'business case' for responsibility, i. e., responsible behavior in business activities can be financially sound. CSR may be directly related to main activities or consist in peripheral activities loosely or not at all linked with core businesses. For instance, Toyota participation to reforestation projects in China are outside of its main activities but they involve a number of employees of the company, requires managerial decisions, implies technological transfers, may lead to the development of specific techniques to achieve result, and have an impact on the level of skills and knowledge of employees and locally involved manpower. Therefore, it can be considered as CSR activity（Toyota, 2006）although a number of companies would still call it philanthropy or a 'philanthropic type' of CSR, as opposed to CSR utilized as a way to develop new markets or cultivate existing ones.

Development in corporate governance, according to which not only the financial performance can be objectively measured, but the non-financial one can also be analyzed, reported, even audited and certified, led to the 'triple bottom line' reporting. This idea is directly inspired from the 3-dimensional sustainable development concept, which links financial, environmental and social performance of companies（von Stokar, 2004）. Agreeing on what a company could report to the public about the social impact of its activities or its contribution to society can be seen as one important form of standard-setting. The response to negative publicity related to the exploitation and abusive labor practices at the subcontractors of famous brands led to the launching of 'codes of conduct' They are adopted by companies and meant to be applied to the labor practices of their subcontractors but also to the relations with the other stakeholders, such as the customers and employees. These codes are important to the evolution of CSR because they address questions of business responsibility by 2 significant and long-term developments. The first are the new forms of business organization due to the large-scale outsourcing and subcontracting practices. The second aspect is related to the increased importance of intangible assets, such as brand names and reputation in determining the worth of a company.

### The Positioning of the United States and Europe on CSR and Sustainable Development

In the American approach, CSR is considered as a process that is not consistently controlled by anyone. CSR activities are expected to enhance the motivation of the employees, together with a positive perception of the company on the part of the stakeholders. CSR should be voluntary because it is the source of its dynamism and innovative characteristics. To shift from responsiveness to pro-activeness requires freedom to develop original policies that can lead to new types of sustainable competitive advantages. Companies, instead of resisting the enforce-

ment of imposed rules will comply with a strict code of conduct because they can see a rationale in the choice. This will induce a spontaneous and self-sustaining pattern of diffusion of the best practices, from large companies, down to SME, from the rich to the poor countries, leading to effective market economy, liberal democracy and active civil society. It means that soft laws independent with respect to state law could emerge in some cases as more appropriate than state law to globalization.

The example of the SA8000 norms shows that trade unions can be involved in CSR projects in collaboration with business and NGOs. But the majority of US companies active in CSR do not give them a privileged role. Commitment of employees and defense of their interests can be better assured through flexible HRM policies fitting with global strategies requiring constant worldwide adjustments. There is a preference for social labeling and adoption of private norms such as the SA8000. Likewise, participation to initiatives such as Global Reporting Initiative and Global Compact are favored because they do not impose regulatory constraints while responding to the new societal norms of accountability explained here above.

In Europe the new CSR concepts are grafted on a tripartite system institutionalizing relationships among 'social partners', i.e., the public authorities, companies and trade unions. On the one hand, CSR concepts are perceived positively as tools to help to the revitalization of the welfare state and adapt it to globalization. Business cannot substitute to the state but its input is considered as essential to solve specific issues such as unemployment, regional development and education. Business is also expected to participate to a co-regulation process with the other stakeholders. This should help the shift of rules from bureaucratic to business enabling mechanisms.

On the other hand, CSR linked to standards privatization is perceived as a potential threat. Soft law can weaken worker's rights in substituting to legitimate standard-setting functions of the ILO and governments. Because of the increasing strains in the welfare state model, the solution promoted by the European Union is to reinforce through institutionalized forum the mutual understanding of the key stakeholders. It should result in the elaboration of clear norms and standards of core CSR practices complementing public regulations. CSR remain a freely developed activity. But, the question is not anymore 'why CSR' but 'how CSR'. Companies have a legal obligation to behave responsibly to society. The best example of it is the legal requirement for reporting of social and environmental performance imposed on publicly listed companies in France, United Kingdom, Norway, and Sweden. In the new 'Companies Act' in England and Wales, enacted in 2006 the changes in the law create a link between the financial bottom line of a company and its impact on society and environment. It recognizes that directors will be more likely to achieve long-term sustainable success for the benefits of their shareholders if

their companies pay attention to society and environmental impact of their activities. In so do-
ing, it could be said that the law goes as far as to enshrines in statute the idea of 'enlightened
shareholder value' (Lyon, 2007a).

## Where does Asia Stand in the Pursuit of Sustainable Development and sensible CSR policies ?

### Major Environmental and Social Challenges Facing Asian Economy and Society

A number of Asian countries have made fast progress in reaching a number of the Milleni-
um Development Goals established by the United Nations (ADB, 2007). The number of poor
people has declined in countries such as Malaysia, Vietnam and China. In Thailand and Malay-
sia, a long-term policy of poverty alleviation coupled with a concern for environment has put
those countries on a more sustainable growth path (Barbier, 2005). But it is not the case of In-
donesia, a country supporting rich biodiversity in its rain forests but whose resources have not
been managed in a sustainable or equitable manner so far. Nor, is it the case of China and oth-
er countries where environmental and social problems are such that unless rapid and sustained
actions are not taken on a large scale, they are bound to lead to major social, economic and po-
litical crisis (ADB, 2007).

Population increase exerts pressures on natural resources and the environment. 500 million
out of the 850 million of the chronically food insecure people in the world live in Asia. Of devel-
oping Asia 1.7 billion' labor force, at least 500 million are unemployed or underemployed. An-
other 250 million will enter the work force over the next decade. Therefore, Asia needs to cre-
ate 750 million good jobs over the next 10 years (ADB, 2007). Asian economies must grow but
current growth patterns are unsustainable due to their high level of resource inefficiency and
dependence on a fast growth in fossil fuel consumption. Need for oil in the next 10 years will
increase by 3.4% a year in China 3.4%, 2.9% in India 2.9% and 3% in other developing
Asian countries (IGES, 2005). In the last 25 years, Asia has lost 50% of its forests and 1/3 of
its agricultural land has been degraded. Asia's rivers contain a much higher quantity of pollut-
ants than the world average. The rapidity of the urbanization process in Asia is unique in the
history of humanity. Urbanization is linked to growth of wealth but of the world's 15 most pol-
luted cities, 13 are in Asia. A considerable number of Asian urban inhabitants live in slums de-
void of basic facilities. About 1/3 of Asian people has no access to safe drinking water, and
50% of them has no access to sanitation services. It is projected that 2.4 billion Asian people
will suffer from water stress by 2025. At least 1/3 of a billion tons of solid waste across Asia
remains uncollected each year. At the same time, large quantities of hazardous waste are
placed untreated in dumpsites, threatening groundwater and local food supplies (ADB, 2006).

Many Asian countries have taken strides towards the education of their population but universal literacy, especially for women, has still not been achieved in many of them. It is estimated that Asia is losing about $45 billion annually due to gender gaps in education, resulting in lower productivity of female workers (Welford, 2007). Countries such as Thailand, the Philippines and Indonesia and all of South-Asia suffer from structural youth unemployment (World Bank, 2007). The AIDS crisis, notably in South and South-East Asia is still serious despite some recent progress (ADB, 2007). Disrespect of labor laws leads to labor-related abuses. It is estimated that 180 millions children below 14 years are working in Asia. More than a million children under 18 are affected annually by sexual trafficking, mainly in South and South-East Asia. Gender discrimination, exploitation of migrant labor, uncontrollable human trafficking, and child prostitution are ripe all over the region. Unequal distribution of the fruit of growth threatens the stability of the socio-economic and political fabric, even in countries that are considered as economic success stories such as China, India, Vietnam and Cambodia. Developed Asia from Singapore to South-Korea and Japan also suffers from growing labor instability, and social and economic alienation of some part of their population.

**The Limited Resources of Developing Asia**

Japan's average expenses on environmental protection are around 2% of GDP, followed by South-Korea with 1. 3–1. 6%, Singapore with 1. 2–1. 5% and Taiwan with 1–1. 2%; Malaysia and Thailand invest about 1% of GDP on environment (Boyd, 2002). This contrasts with Vietnam (0. 1–0. 3%), and China, Indonesia and the Philippines that are in the range of 0. 5–0. 7%. The total cost for implementing Agenda 21 adopted at Rio in 1992 in developing countries was estimated to be over $600 billion a year. With regard to Asia and the Pacific, the ADB (2002) estimated the annual investment costs required to achieve environmentally sound development based on 2 scenarios. Under the first one implying no major changes in environment and development policies, the cost would be $12. 9 billion/year. Under a more ambitious scenario with the goal for developing countries of Asia to achieve the best practices of OECD countries by 2030, the cost would be $70 billion/year. In addition, it is estimated that repairing the damage done to the land, water, air and living biotope in Asia would require $25 billion/year (ADB, 2006). National environment funds were established in the 1990s in several Asian countries but they are mostly underfinanced. Therefore, the financing gap for the Asia-Pacific countries to attain sustainable development is estimated to be around $30 billion per year.

**A Need for a Comprehensive CSR Policy**

The sustainable development 3-dimensional model is difficult to apply. Painful trade-offs are

required between economic growth, preservation of the environment and creation of good jobs. It is pointed out that the most common approaches, full cost accounting, policy mix and multi-stakeholders processes cannot be applied easily without taking into account the different context in individual countries, localities and situations（IGES, 2005）. In the case of social issues such as those of child labor, unsustainable work hardship, human trafficking and prostitution, intervention is required at levels much lower in the production chain than those that are of reach of public authorities in developing Asia Moreover, the high level of indebtedness of some of them such as Indonesia, Laos, Myanmar and Vietnam, makes it difficult to divert significantly higher financial resources to environmental facilities and infrastructure, and to assure the monitoring of the laws that would solve the social issues（IGES, 2005）.

From climate change to international rivers, marine eco-system, air pollution, the problems have almost always both an international dimension and a local one. This calls for a close collaboration between Asian states at sub-regional and regional levels to provide the necessary institutional framework. At the same time, grass-root activities are also necessary because long-term solutions require the involvement and acceptance of the actions by local people. But to make a multi-stakeholders forum successful requires the right framework of norms and standards, something that will need institutional strengthening and capacity development. The Asian Development Bank opinion on the issue is that governments of developing countries in Asia have often a problem of implementation of regulations, due mainly to factors such as: the lack of regulatory resources to enforce standards; uncertain laws with few penalties for non-compliance; corruption and inadequate infrastructure and human resources to collect evidences for non-respect of the law by companies（ADB, 2005）.

### A long Tradition of Philanthropic Type of CSR

In Asia, it is pointed out that less codification of social relations was observed traditionally in business activities with more reliance on cultural mechanisms and guiding principles（Tanimoto, 2004）. This may explain why Asian companies have not been so far active players in efforts of self and reflexive regulation. Asian corporations were never oblivious to their social responsibilities, though. But they were fulfilled as implicit obligations embedded in business practices and institutional frameworks. In view of less developed systems for health, pensions and other social commodities in many Asian countries corporations have taken over for a long time a significant amount of responsibility for these issues. However, responsibility was most often that of the owner of the corporation and it did not imply the creation of organizational mechanisms.

For instance, both in the Chinese and Japanese traditional social hierarchy the position of the merchant and entrepreneur have been traditionally low（Dana, 2007）. Their roles in society

had to be legitimized by their responsible attitude to compensate their inherently low status. In Japan, it was illustrated by the 'shonindo', the 'way of the merchant' as a counter point to the 'bushido', the way of the samourai. The 'shonindo' meant that work had to be disciplined, honest and efficient to provide services to society. The message was that businessmen were morally equal to the samourai. This led to a business culture where companies were (and still are) expected to bear a benevolent responsibility towards those with whom they had direct relations: employees, subsidiaries, business partners and customers, and the community surrounding the workplace, shopkeepers and service providers, i.e., the 'stakeholders' in modern CSR language. A similar way of thinking was found in China, with the same emphasis on honesty, integrity and respect of ethical values by businessmen (Ho, 2006). The core of values in Japanese and Chinese societies was 'faith' and 'trust', drawn from Buddhism and Confucianism (Ho, 2007). Business gains could be obtained owing to society and people, so that successful owners and managers should turn a certain amount of them to society beyond any kind of contractual agreements. Doing something 'good' for society was a source of social reputation, and it was regarded by people as a symbol of them being 'successful persons', deserving high respect, different from the contempt reserved for the mere 'money-seekers'.

In other Asian countries as well, from Buddhist to Islamic influence, up to minority groups such as the Parsi who founded the Indian Tata Group, or the Christians entrepreneurs spread over the whole region who have been active social reformers, there is all over Asia a traditional impact on social responsibilities coming from philosophical and religious doctrines. This is true as well today: it is pointed out that there is an overlap between the tenets of Islam and the concept of CSR as represented by the principles of the UN Global Compact (Zinkin, 2007). Likewise, the current revival of Confucianism in China and in Hong Kong is typical of the perceived necessity of giving a moral legitimacy to the social and economic order (Ho, 2006).

Following such tradition of business ethics the Indian Tata conglomerate, the leading software house Infosys, and other companies all over Asia indulge in community development, health, safety, and philanthropic activities. For instance, the Infosys Foundation runs orphanages, hostels, hospitals, libraries, relief shelters and homes for destitute and mentally retarded women, and invests in tribal welfare (Raja, 2004). This implies large investments that have a significant economic and social local impact. Most of the activities are often externalized at start and it may remain as such as in the case of Infosys. But, in the case of other companies like the Tata Group for example, they have acquired characteristics that are close to a systemic strategic pattern implying changes in the internal dynamics in the organizations. In that sense, the Tata Group interpretation of the concept of CSR is close to the way of thinking that is at the core of modern CSR thought as interpreted in the Western companies (Hindu Busi-

nessLine, 2007). A number of Japanese (The Economist Unit, 2005) and Korean companies (Ki-Hoon Lee, 2005) have also created well-endowed foundations that promote long-term partnerships with local communities in educational projects, infrastructure building and/or poverty alleviation. In those companies the nature of the CSR activities is most often unrelated to core business. Moreover, although these forms of involvement tend to increasingly institutionalize CSR in company management they remain reluctant to integrate them into business strategy (Keizai Doyukai, 2003).

However, this does not preclude stakeholder engagement as exemplified by the numerous projects of Japanese companies and some Korean ones (Ki-Hoon Lee, 2005) in collaboration with NGOs and international organizations like the WHO and UNICEF. This level of engagement does not seem to be as widespread in South-East Asia. CSR retains a paternalistic overtone, close to the former patterns found in Japan and China, that of personal responsibility of top leaders, rather than organizational responsibility of a corporation.

## Tensions, Contradictions and Adjustments Required by the Adoption of CSR Concepts

### A Top-down Government Driven Approach of CSR in some Countries

In China CSR is imposed from the top. The regime must reinforce its legitimacy in a society with more diverse needs and aspirations. High economic growth will be an imperative for the next decades. But the sustainability of the current growth pattern is put in question by the public authorities themselves (Ijuin, 2007). Growing social instability and severe environmental damage must be dealt with rapidly lest the whole development objective would derail. The launch of the slogan of creation of an 'harmonious society' that current Chinese leadership promotes (Leng, 2006) is accompanied by a flurry of CSR-related activities, the enacting of laws and regulations on labor and environment, and the condemnations of culprits of corruption, labor exploitation or environmental damage. CSR is thought to enhance the Chinese companies' image of its companies and improve their governance standards. At the same time the development of Chinese CSR-standards is crucial to keep control of CSR and avoid dependence on Western countries that could have negative political consequences (Ho, 2005). A parallel can also be made with the CSR policy in Indonesia (Lyon, 2007b). In macro-economic term Indonesian economy has recovered after the financial crisis in the 1990s but in creating wide social unbalance liable to create political instability. Indonesia also faces major social and environmental challenges and is considered as one of the most corrupted country in the world (World Bank, 2007). So, as in China, CSR laws are imposed from the top as a means of restoring a legitimate societal governance system mixed with the willingness of reinforcing economic competitiveness.

CSR policies are likely to continue to be largely driven by the State in those 2 countries but also in Singapore and in Vietnam. At first glance their approach shares similarities with the European willingness to codify rules or laws defining the corporate responsibility. However, there are also differences, notably in the development of social partnership including organized labor. Vietnam and China have no independent unions as communist States. The recent involvement in CSR of the All China Federation of Trade Unions remains 100% under control of the Communist Party. In Singapore the tripartite system is also controlled by the State although unions representatives are members of the board of the Singapore Compact, the public organization in charge of CSR (Singapore Compact, 2006). Japan is the only Asian country to have also developed balanced tripartite structures although the relationships between management and unions are not as close as in Europe in term of international collaboration. So far, there is no Japanese company to have concluded a framework agreement, i. e., an agreement on basic shared principles between international trade union organizations and MNCs, something that can be seen as the start of international collective bargaining (ICFTU, 2004). In Malaysia and Indonesia freedom of association has long been curtailed in the export-oriented industries (Caspersz, 2006). Active labor unions have emerged in Indonesia, the Philippines and Taiwan the last 15 years. But those countries are characterized by anti-union behavior from the political and business environment. In Korea trade union movements also reemerged as part of the process of political liberalization and economic development but relationships with companies remain antagonistic (Landsbury, 2006). Therefore, in those countries the development of a tripartite system with trade unions playing an important role is unlikely. Most Asian large companies are close to the US firms on this point. At best, trade unions are just one stakeholder among the others. Partnership with them on CSR does not fit with their business strategy. Like their Western counterparts they want flexibility to deal with a diverse workforce responding to their constantly evolving needs in term of human resource management.

**A Priority given to Environment**

Asian companies disclose more detailed non-financial information than before related to social and environmental issues. In adopting the triple bottom concept, they recognize the necessity to protect the intangible assets considered as key competitive advantages. They are also aware that evidence of the emergence of shared workplace values is appearing in the corporate codes of conduct arena where multi-stakeholder efforts such as the Ethical Trading Initiative and SA 8000 are gathering ground (Roche, 2005). Pressure from the EU and the US is mounting to raise the CSR and environmental standards of the products imported to their markets as ethical consumption is gaining ground. But CSR social dimensions are still often viewed

as the necessary cost of doing business without fearing to be ostracized.

Environmental issues are considered easier to manage without affecting companies' internal dynamics. Moreover, such CSR activities respond directly to the market demand. For instance, Western companies such as HSBC, Mark & Spencer, Tesco and Wal-Mart have either pledged to become carbon neutral or at least to substantially reduce their carbon emissions. This is bound to have a strong impact on their Asian suppliers (Crow, 2007). But there is also a strong pressure from inside. A few Asian countries have introduced government policies to encourage the purchase of environmentally-friendly products. Japan enacted the Law on Promoting Green Purchasing in 2000, requiring the national government, its affiliated organizations and local governments to purchase more environmentally-sound products. South-Korea followed suit in enacting a 'Green Purchase Act'. Consumers' awareness to environmental issues does seem to be growing in Asia, especially in Japan. A Green Purchasing Network (GPN) was established in 1996. It consists of corporations, local governments and consumer organizations, and provides information on environmentally-friendly products through printed materials and a web-database. Local GPNs are now emerging in Japan. South-Korea formed a GPN in 1999, Malaysia in 2003, and Taiwan and Thailand in 2005. Networking of national GPNs, such as the international GPN is underway, which is expected to accelerate further the GPN movement in Asia (IGES, 2005).

Social labeling is almost completely unknown and Fair Trade has not penetrated the Asian markets as it has in Europe (The Fair Trade Federation, 2005). For instance, in the case of sneakers while consumers are concerned about child labor and dangerous work conditions, they are  indifferent to issues of unionization and living conditions. Especially Asian consumers in developing countries tend to frame these concerns as economic development issues (Auger and alii, 2006). But many Asian countries have developed eco-labeling schemes. In Japan, South-Korea, and Thailand, they apply to various products, including organic food. Some Asian companies have introduced their own systems of environmental accounting as a management tool to identify costs and effects of environmental conservation. Environmental management system (EMS) use, such as life-cycle assessment (LCA), environmental reporting, environmental accounting, and the application of ISO 14001, has also grown in other Asian countries. National organizations to certify these standards have been established in Malaysia, Singapore and Thailand. Japan is well ahead in term of ISO 14001 certificates issued, followed by China and South-Korea. All 3 countries rank in the top 10 countries worldwide in the number of ISO-certified issued. Taiwan, India and Thailand have also increased their number of certified companies and growth rate in Asia tend to be higher than elsewhere (ISO World Inc, 2007).

### The Pressure Coming from Change in Corporate Governance

In most Asian countries, a weakening is noticed of the traditional dominant owner-shareholder. Japanese companies have now a shareholding structure close to that of Western companies. In most other Asian countries, stable shareholding ownership remains in place but it protects much less companies from the presence of other, mostly Western-style shareholders (Roche, 2005). It is true in the Korean chaebols as well as in the family-owned South-East Asian conglomerates. In Singapore and Malaysia the state does not curtail its role of dominant stakeholder but it intends to act as a shrewd entrepreneur, prioritizing efficiency and profitability. In China, state owned enterprises are important to preserve the power base of the regime. So, it seeks to retain presence and control, but to make companies competitive and to meet global standards, is impossible without bringing in private capital.

Since the 1980s, demand for accountability and transparency spurred a shareholder activism in the United States and, thereafter, in Europe, that was unknown in Asian countries until very recently. Whilst having the objective of defending shareholders' interest it has also been utilized to foster social and human rights-related causes. Such activism has yet to blossom in Asia but it is likely to emerge with the changes in corporate governance. The decision of the California Public Employees' Retirement System (Calpers), one of the biggest pension funds in the world, not to invest in China a few years ago and to withdraw from countries such as Thailand and Indonesia is a case in point (Association for Social and Responsible Investment in Asia, 2002). The pressure exerted by Free Tibet on British Petroleum to get out of a pipeline project to Tibet in collaboration with PetroChina is another one (Dodd, 2004).

The evolution towards a more shareholders' centered model imposes management decisions that often go against traditional practices and may seem contradictory to decision-makers. Companies receive messages from shareholders telling them that optimizing shareholders' value should be their priority, but they are also told that they have to show more concern for the other stakeholders too. Protection of shareholders' rights is still an important issue in the region (Welford, 2005) although investors Relations (IR) are now a high priority in Japanese and Korean companies (Roche, 2005). Lack of transparency impedes the access to information and participation to decision-making of small shareholders. As a consequence, they are often deprived of their legitimate rights as investors (Welford, 2005). In the case of outsiders such as the NGOs Asian companies are reluctant to engage with them and accept any kind of agreement that would imply an impact in management decisions. A case-by-case collaboration on specific projects is the best that can be accepted for the time being.

Asian companies must also respond to the rise of the Socially Responsible Investment Funds (SRI). The structuring of investment funds against criteria and standards of SRI could hold

considerable potential for Asia although the SRI initiatives still represent only a small part of the money flow. It is estimated that there are about 150 SRI-related funds in Asia, draining 20 to 30 billion US＄. Japan has been the forefront runner of such initiatives. Since the end of the 1990s, around 50 funds have been established. In other Asian countries private investors are now seeking guidance through organizations such as the Association for Sustainable and Responsible Investment in Asia, in order to make informed decisions about SRI. SRI funds still account for a negligible part of the Japanese market（2–3%）, though. This compares to 15% in the USA and 12% in the United Kingdom（SiRi, 2004）. In the rest of Asia, the number of SRI funds also remains small. This seems to reflect the limited interest so far of Asian companies to be listed on the socially responsible financial market indices that have been developed to measure corporate sustainability: the Dow Jones Sustainability Index（DJSI）and the FTSE4Good. Except for Japan, only a few Asian companies have this far been included in these evaluations（Van Heeswijk, 2004）.

In the United Kingdom, SRI only became active after the government revised the Pension Act so that trustees of pension funds disclose information on the extent to which social and environmental considerations are taken into account in the selection of investments. In Japan some pension funds have also started the same practice by setting up a shareholder voting right policy and an investment policy. Other Asian countries have not experienced this kind of development but it can be expected that Asian pension funds will also start to include the SRI option in their policies in view of the ageing of the population and the inadequacy of the pension provision in almost all Asian countries（Roche, 2005）.

## A Pragmatic Approach of Implementing CSR Practices

### CSR with National Characteristics

Different national systems of business-society relations develop their own styles or systems of CSR and therefore no uniformity in the CSR of Asian countries should be expected. A recent survey（Baughn, 2007）shows that in general term, the internal CSR policies are more advanced in Japan and South Korea than in Singapore and Hong Kong, Malaysia and Thailand. However, it should be pointed out that in no country do more than a third of companies engage in socially responsible employee relations as part of their CSR. The issue of salary and working hours is generally put into written form in Japan and South Korea but is largely neglected in Singapore and Hong Kong. Although they are developed countries very little is done in terms of recognition of workers' rights and standardization of the working hours in those two latter countries. This reflects their long-standing support for flexible labor markets, unimpeded by bureaucratic rules. Nevertheless, in both countries recent CSR initiatives show that concern for

welfare of middle-aged unemployed and low skills people is growing. In analyzing the modes of CSR which companies adopt it is possible to distinguish those which use the relatively traditional philanthropic mode from those which better institutionalize and embed the ways in which their CSR is deployed. In the countries examined in the survey majority of community involvement issues were addressed through the philanthropic mode but the very large majority of product responsibility issues were addressed through codes, suggestive of the sort of development in Western countries. Conversely, a large majority of employee responsibility issues were addressed through philanthropic modes, in contrast with the Western trend towards codification.

### Beyond the Codes of Conduct

It is pointed out（Welford and Frost, 2006）that a majority of CSR initiatives in Asia related to supply chain management focus on large suppliers. This is although much of business in Asia falls outside of the first tier of the supply chains. Moreover, they do not cover primary industries, such as mining, agriculture, forestry and fishing, where the majority of children and informal workers are occupied. The need for CSR-related capacity-building in small companies in the supply chains and in the non-covered industries is recognized by large companies. But because of the cost and more importantly because of the difficulties to establish contacts with very small concerns, companies narrow the number of suppliers with whom they work on CSR policy implementation. The intention is to create a critical mass of suppliers offering good wages and working conditions, and to engineer ripple effects reaching the levels below. Without doing that CSR would end up concerning only a limited number of companies regrouping a small minority of the workers. This would go against its very principle and would not bring structural solution to labor-related and environmental problems.

To reach levels below the first layers in the supply chains, the use or co-opting of traditional community sources of power may be more effective than a top-down policy. In most developing Asian countries the development of NGOs as grass-roots organizations may offer an alternative responding to the need for community level contacts. For instance, in Indonesia and the Philippines NGOs play an important role in the rebuilding of the labor movement. But beyond purely labor-related issues they have shown the ability to develop broader local issues into international campaigns and to collaborate with multinational corporations（Ford, 2006）.

For instance, one of the most pressing problems in Asia is the protection of forests and the people living out or in them. The development of large-scale mono-crop plantations in countries such as Indonesia and Malaysia most often neglects the rights and concern of local people by owners and government. They are also the source of major environmental damage because of

intensive irrigation and use of pesticide detrimental to the surrounding ecosystems. The sustainable development model supposes the development of more socially acceptable large plantations coexisting with smaller locally-managed plantation models Local people have also precious know ledge about the preservation of the environment that is most of ten neglected For community forestry to succeed, individual schemes must be finely-tuned to reflect local circumstances. Successful community forest requires secure land tenure, a voice for marginalized groups in decision-making and strong institutional support. It can only be done with the help of NGOs included into a multi-stakeholders structure.

In this respect, the sophistication of the external and internal monitoring systems that companies like Nike（Suk-Jun Lim and Phillips, 2007）and British Petroleum（Dodd, 2004）have put in place show that it is possible to successfully transform a competitive, arms-length market structure into an economically securer relationship with the buyer in the global value chain. Nike approach goes beyond the mere request of applying a code of conduct. It requires the search of innovative solutions using information, incentives and knowledge transfer in order to obtain a superior compliance of the code of conduct and, eventually, have key suppliers develop an independent ethical commitment to CSR（Suk-Jun Lim and Phillips, 2007）. In the same way British Petroleum pursues in Vietnam a longstanding multi-pronged policy of education, poverty alleviation and defense of the environment that makes it a recognized corporate citizen in that country（Dodd, 2004）. And the active bottom of the pyramid（BOP）market development followed by Hindustan Lever（2005）, Danone（2006）and others allows them to reinforce their future constituency on emerging markets, to acquire further market expertise while providing jobs, skills and knowledge to local people.

### A Multi-levels Penetration of CSR Concepts

In Japan, the Ministry of Environment has developed a set of guidelines for SMEs and formulated a registration and certification programme called 'Eco-action 21'. At the regional level, the ADB has suggested a 'greening' of the supply chain strategy, based on the establishment of environmental objectives and a programme of regular monitoring. To cover the cost, MNCs in the advanced economies could assist SMEs by providing hardware, such as pollution abatement technologies, specific guidance on moving up the value chain and other professional services （IGES, 2005）. It must also be added that many Asian SMEs are active in their own way in establishing stable and trustful relationships with their employees and the local community. They also care about the environment in their own traditional way and have often accumulated precious resources and knowledge about the best manner to protect it. So, they take what UNIDO （2002）called a 'silent responsibility' that should furthermore encourage public authorities and

large companies to look for innovative solution to involve them in CSR schemes.

The same structured European-style multi-stakeholders' system has no equivalent in Asia. Regional cooperation has traditionally relied on a more informal approach with frameworks amalgamating the organizations and countries with different policy preoccupations and varying socio-economic conditions. The Roundtable on Sustainable Palm Oil is a good example of what is developing in Asia in this regard and of the limitations of the approach. It has been set up to bring the commercial sector together and involves the producers, civil society groups, governments and other stakeholders. But, so far only principles and criteria for sustainable palm oil production have been discussed and loosely agreed upon. It allows flexibility and push for consensual decision-making. But, it has the disadvantage of not usually having sufficient permanent institutional support mechanisms or appropriate financing mechanisms for implementing policy measures and activities that are collectively supported by the countries concerned in the region (Crow, 2006).

As the British example indicates, in the most progressive legal systems there is an increasing appreciation of the emerging field of sustainable development law. For the time being, there is no sign indicating that Asian governments intend to follow European countries and impose legal requirement for reporting of social and environmental performance for publicly listed companies. But, at national level, policy documents have been developed in most Asian countries for pursuing sustainable development in accordance with the Agenda 21 adopted at the Rio Summit in 1992. An increasing number of Asian countries are enacting laws that require environmental impact assessment (EIA) for all major projects. Some of them have applied EIA to existing and planned industrial activities as a part of industrial environmental pollution control methods.

It is estimated that in Asia and the Pacific, system losses in energy and water supply turn around 30–40% on an average, which translate into some $5 billion a year. The fact that charges and taxes can induce changes in the behavior of businesses and consumers is a crucial side effect. For example, China first introduced a pollution charge system in 1982 and it has been an effective economic incentive for pollution control (IGES, 2005). Common economic instruments applied in Asia are various environmental taxes, subsidies, emission charges, user fees, custom exemptions and duties to promote clean technology. Despite their advantages economic instruments are applied in a very uneven and limited manner, though. The ADB (2004) considers that there are good models in Asia for integrating values and charges on resource use and pollution. Several options exist for applying broad-based pollution charges in respective sectors, including an economic resource value model for valuing coastal resources in the Philippines, or China's approach to wastewater charges that apply to all pipes water supply consumers. The

Chinese approach, in addition to rising revenue, enables cross-subsidizing of low-income house-holds（IGES, 2005）.

Thailand, the Philippines and China have undertaken major reform in water management. They strengthened water ministry in creating an apex body set up for coordination. It goes alongside with decentralization because the key success factor is the delegation of management responsibility to local communities and the strong commitment generated among local water managers by an incentive system. Other environmental issues such as haze pollution, climate change and forest management pose a set of challenges to environmental governance: some are local in terms of the source of the harm and the impact; other are local in source but international in impact; others are international in source and impact. That is why Asian countries are placing greater emphasis on regional participatory approaches.

A 'Regional Action Programme for Environmentally Sound and Sustainable Development' has been adopted at the Ministerial Conference on Environment and Development in Asia and the Pacific, in Seoul, in 2005. It provides a framework for regional cooperation on sustainable development from 2006–2010. A similar commitment to collaborate has been obtained for the sharing of information on the environment through the UNEP（2005）Regional Resource Center for Asia and the Pacific. Specific action plans and policy integration have been formulated on biological diversity, combat desertification and mitigate drought. At the sub-regional level agreements have been achieved to combat acid rain, sand storms and haze control in South-East Asia. In this latest case a legally-binding policy instrument has been signed by the parties（IGES, 2005）.

The creation of the Mekong River Basin eco-system based inter-governmental body is another important regional initiative. It has set a prototype for effective eco-system based, natural resource management and an alternative sustainable livelihood development, in a region where few rivers and water bodies have been governed by legally binding agreements. The challenge to create a sustainable channel of commerce and prosperity in the Mekong River basin that contains 70 million people and encompasses the 230 million people of Cambodia, China's southern province of Yunnan, Burma, Laos, Thailand, and Vietnam, represents the 'last frontier' in the region. Balanced, sustainable development is pitted against purely economic objectives. In that sense, it is an important test: the Mekong project needs to be envisioned from broad perspectives recognizing the symbolic and pragmatic dimensions of the river development from being more than a transportation route or source of commodity water, to seeing it as an eco-system worthy of preservation and protection for future generations

Public-private partnership has developed considerably, especially in the water and sanitation sectors. In some cases at least, positive outcomes have been reported in the form of better ser-

vices and lower prices. Some failures have been registered, however. For instance, the Asia Development Bank spearheaded the world's largest water privatization scheme in Manilla. A French company won the concession through a deliberate low bid but rapidly asked for tariff increases. As a consequence, water tariffs in Manilla have risen considerably. The concession has run into significant problems, including environmental and quality standards and services in impoverished areas (ICFTU, 2004). So, it is difficult at this stage to judge the extent of the private-public partnerships effectiveness and benefits.

## Conclusions: the Challenges Ahead

As in Western countries it seems that there is a consensus in many Asian countries on the point that CSR should be both voluntary and regulated. Many companies in Asia are aware of the limitations of self-regulation: they often favor clearer regulations and better implementation of those regulations in order to create a more level playing field. In that sense, the position in Asia is not very different from that of the European Union. Trade-offs between industrial development and environmental conservation will always be essential, as there are limits to the availability of win-win scenarios. The eradication of monopolies, corruption and preserve subsidies will always be difficult and politically challenging. This is all the more true that long period of authoritarian regimes has created deeply rooted vested interests in some countries.

The problem is that for the time being, the incentive not to comply often outweighs the incentive to comply in an environment of regulatory failure. As pointed out by the ADB, sustainable results cannot be expected without more stringent enforcement of the existing laws and regulations to insure that companies become minimally responsible and to avoid free riding. However, doubts remain about the impact of 'CSR' from the top as China and Indonesia intend to develop. It is very unlikely that the orders from Beijing reach easily the hundreds of thousand of SME toiling at the bottom of the supply chains. Any long-term solution requires the understanding of the problems of all actors at all levels. Admittedly, while things may become relatively easier for first tier suppliers following a consistent code of conduct, the situation gets far harder for those companies operating as lower levels and facing the pressure from clients whose objectives are not to become 'good corporate citizens' but just to get a lower price. Only the use of a mix of regulatory measures, market-based measures, voluntary agreements, education and information measures can give results at time. Realistically, only a small number of big companies and large suppliers can commit themselves to voluntary initiatives that will cost a lot in the short term with uncertain long-term business benefits. This calls for the establishment of strong rewarding incentives, so that SMEs become enticed to provide information information on their environmental and social performance, and react accordingly. In this connec-

tion, a report from the United Nations Industrial Development Organization（UNIDO, 2002）points to the importance of turning CSR debates from a Western preoccupation into a global agenda that includes developing Asia.

CSR does not figure yet as a key source of competitive advantage on Asian markets. In the future, though, Asian consumers are bound to give more importance to the CSR issues in their purchasing behavior beyond environmental concern. This likely growing assertiveness to CSR can play in favor of Western MNCs eager to penetrate Asian markets. They have developed sophisticated CSR management skills that they already put in use in Asia. This represents a major challenge for Asian companies on their own markets. The fear of being dictated social and economic norms from outside is present in the recent initiatives in China but also in Indonesia, Singapore, Japan, and India not to let Western MNCS and institutions control the fields of CSR and sustainable development. Chinese government attacks on the 'irresponsible' behavior of MNCs in China must be understood in that line. The traditional fear of falling victim of non-tariff barriers that could be erected easily for alleged non-conformity to CSR rules is present（Zheng, 2006）. But, Asian countries have a more ambitious agenda. They are likely to become more assertive in the development of their own norms with the perception that CSR norms can become a key source of competitive advantage. The message is clear that Asian countries want to become 'rule makers' instead of 'rule takers' as it has been the case so far.

### References

Asia Development Bank.（2004）, Asian Economic Outlook 2004

Asian Development Bank.（2005）, Asian Economic Outlook 2005

Asian Development Bank.（2006）, Asian Environment Outlook Report

Asian Development Bank.（2007）, Asian Economic Outlook 2007

Association for Sustainable and Responsible Investment in Asia（ASrIA）.（2002）, SRI and Pensions in Asia

P. Auger, T. M. Devinney and J. J. Louviere, To what extent do consumer ethical belief differ among countries ? Journal of Business Ethics, 2006

Barbier, E.（2005）, Sustinable Resource-Based Development in Asia and the Pacific: Overcoming the Problem of 'Dualism within Dualism", The 5th Ministerial Conference on Environment and Development in Asia and the Pacific 2005, 'Achieving Environmentally Sustainable Growth', Seoul, South Korea March 26, 2005

Baughn, C., N. Bodie and J. McIntosh.（2007）, Corporate Social and environmental Responsibility in Asian Countries and Other Geographical Regions, Corporate Social Responsibility and Environmental Management, Volume 14, pp. 189–2007

Boyd, A.（2002）, Environmental Cost of Asia's Development, Asia Times, November 26

Caspersz, D.（2006）, The 'Talk' versus the 'Walk': High Performance Work Systems, Labour market Flexibility and Lessons from Asian Workers, Asia Pacific Business Review, Volume 12, No. 2, April

2006

Crow, L.（2006）, Business and NGOs – a force for change ? CSR Asia Weekly, Volume 2, Week 20, May 17

Crow, L.（2007）, Global Sustainability Targets: Will they have an impact in Asia ?, CSR Asia Weekly, Volume 3, Week 28, July 11, 2007

Dana, L.（2007）, Asian Models of Entrepreneurship, World Scientific: Syracuse

Danone.（2006）, Danone Social and Environmental Responsibility Report

Dodd, M.（2004）, BP in Vietnam: social involvement, an evolution, Doshisha Business School

Ford, M.（2006）, Labour NGOs: An Alternative Form of Labour Organizing in Indonesia, 1991–1998, Asia Pacific Business Review, Volume 12, No. 2, April 2006

Global Eco-labeling Network.（2006）, Annual Report

Global Reporting Initiative http://www.globalreporting.org/, October 20, 2007

Hindu BusinessLine, Tata Group and CSR, August 26, 2007

Hindustan Lever.（2005）, Annual Report 2005

Ijuin, A.（2007）, China Looks to be Entering Era of Unpredictability, Nikkei, Weekly, October 29, page 15

Institute for Global Environmental Strategies（IGES）.（2005）, Sustainable Asia 2005 and Beyond – In the Pursuit of innovative Policies

International Confederation of Free Trade Unions（ICFTU）.（2004）, A Trade Union Guide To Globalization

ISO World Inc. 2007.（2007）, World-Wide Number of ISO 14001

Institute for Global Environmental Strategies.（2005）

Ho, B.（2006）, Confucian Businessmen, CSR Asia Weekly, Volume 2, Week 43, October 25, 2006

Keizai Doyukai.（2004）, Corporate Social Responsibility in Japan, Selected Summary

Lansbury, R, Seung-Ho Kwon and Chung-Sok Suh.（2006）, Globalization and Employment Relations in the Korean Auto Industry: The Case of Hyundai Motor Company in Korea, Asia Pacific Business Review, Volume 12, No. 2, April 2006

Leng, J.（2006）, The Emerging Discourse of CSR in China, CSR Asia Weekly, Volume 2, Week 37, September 13

Lyon, E.（2007a）, British Companies in Asia – CSR is a legal Requirement, CSR Asia Weekly, Volume 3, Week 44, October 31

Lyon, E.（2007b）, CSR Law in Indonesia, CSR Asia Weekly, Volume 3, Week 30, July 25

Raja, M.（2004）Asia Times, September 30, 2004

Roche, J.（2005）, Corporate Governance in Asia, Routledge: London

Singapore Compact.（2006）, Annual Report 2006

Siri Group.（2004）, Green, Social and Ethical Funds in Europe 2003

Suk-Jun Lim and Joe Phillips.（2007）, Embedding CSR Values: The Global Footwear Industry's Evolving Governance, Journal of Business Ethics, October 10

Tanimoto, K.（2004）, CSR Keiei, Chuo Keizaisha

The Economist Intelligence Unit.（2005）, The Way of the Merchant, Corporate Social Responsibility in Japan

The Fair Trade Federation. (2005), 2005 Executive Summary: Fair Trade Trends in North America and the Pacific Rim, www.fairtradefederation.org

Toyota Jidosha Kabushiki Gaisha, Sustainability Report, 2006

UNEP. (2005), Asia-Pacific Outlook http://www.rrcap.unep.org, November 5, 2005

UNIDO. (2002), Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries, Vienna: UNIDO

United Nations Population Fund (UNFPA), State of World Population 2007

Van Heeswijk. (2004), Greening of Industry Network Conferwence – Corporate Responsibility for Environmental Performance. Manilla ADB

Von Stokar et M. Steinemann, (2004), Sustainable Development in Switzerland – Methodologicasl Foundations, Swiss Agency for Development and Cooperation, Bern

Welford, R. (2005), Corporate Governance in Asia, CSR Asia Weekly, Volume 1, Week, 37, September 14

Welford, R. and S. Frost. (2006), Corporate Social Responsibility in Asian Supply Chains, Corporate Social Responsibility and Environmental Management, Volume 13, pp. 166–176

Welford, R. (2007), Gender Inequality Causes Economic Losses, CSR Asia Weekly, Volume 3, Weekly 18, May 2,

World Bank. www.worldbank.org/id/environment, Environmental Issues in Indonesia, October 10, 2007

Zheng Y. and M. Chen. (2006), China Attempts to Enhance CSR in Multinational Companies, China Policy Institute, Nottingham University

Zinkin, J. (2007), Islam and CSR: A Study of the Compatibility Between the Tenets of Islam, the UN Global Compact and the Development of Social and Natural Capital, Corporate Social Responsibility and Environmental Management, Volume 14, pp. 206–218