

Corporate Social Responsibility: Towards New Rules for Transnational Corporations?¹

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Introduction

In the 1990s concerns over transnational corporations (TNCs)² once again appeared on the international agenda, just as it had in the 1970s. At focus, then as now, has been their growing power and the negative aspects of their activities, lately within a context of globalisation and the increasing importance of human rights in the international system (see e.g. Addo, 1999 and Frankental and House, 2000). The emergence of corporate social responsibility (CSR)³ in the 1970s was, among other things, manifested in three major events: the negotiations on a code of conduct for TNCs within the UN Centre for Transnational Corporations (UNCTC), efforts within the anti-apartheid movement targeting TNCs and in the Nestlé boycott on the marketing practices for breast-milk substitutes. With apartheid later dismantled, the Nestlé boycott proving successful in the adoption of an international code of conduct by the World Health Organization (WHO), and the UN negotiations unsuccessful (negotiations terminated), as well as the advent of the era of economic liberalisation in the 1980s, the once vibrant CSR activities of the 1970s faded. However, parallel to these events a new wave of concerns began to gain momentum in the 1980s that in the 1990s cascaded into numerous new organizations and initiatives mainly under the label of CSR. This involved various actors at different levels and in different sectors of the international system, but with the non-governmental organizations (NGOs) as the main advocates.

However, also other actors have increasingly become involved in the development of CSR apart from the NGOs. The TNCs themselves (including their associations), the prime target of CSR activities, have adopted codes of conduct, created new organizations to address CSR issues, and entered into dialogue and cooperation with various stakeholders in so called multi-stakeholder forum. Governments have become part of or contributed to the creation of these multi-stakeholder initiatives, but also e.g. undertaken legislative measures related to CSR. A number of intergovernmental organizations (IGOs) have started to address the issue, among these, the European Union (EU), the UN Industrial Development Organization (UNIDO), the UN Development Program (UNDP), the UN Commission of Human Rights (UNCHR), and the World Bank, some of which are now participating in the UN Global Compact. Another important international initiative was recently taken by the International Standardization Organization (ISO) to develop standards for social responsibility under the name of ISO26000, covering not only corporations but all organizations. The UN Global Compact and the ISO initiative confirm the increasing importance of CSR internationally, and at the same time give a status of legitimacy to CSR.

I see the various initiatives just mentioned as a manifestation of an international norm cascade and the beginning of a process of “internalization” of CSR, where the development of CSR has entered a new stage involving other actors, motives and mechanisms compared to the initial norm emergence of the 1970s (see section International Norm Construction below for a further discussion of these concepts). This development has mainly been driven by NGOs, occurring in a context of the transformation of the international system (globalization), and could be interpreted as an effect of a new cross-border solidarity (Sassen, 1998) giving voice to previously neglected individuals, and whereby corporate power is being curbed. However, from another perspective the very same acts can be interpreted as acts of misguided virtue (Henderson, 2001), where well-intended NGOs are wrongfully intervening in and

² Various terms are used to describe large internationally operating corporations, such as multinational or transnational corporations/companies/enterprises, as well as global corporations, etc. The more common terms are, however, multinational or transnational corporations. I will use the term *transnational corporations (TNCs)* through out the text, except in quotations, to cover both multinational corporations and TNCs without further definition, as they often are used interchangeably in the context of CSR for large corporations operating in foreign countries.

³ Corporate social responsibility (CSR) is a broad term that can encompass almost any responsibility that a corporation may have towards society. The term also has several close terms, such as corporate citizenship, corporate accountability, corporate responsibility, etc. I will use CSR as an umbrella term for all of these concepts, albeit a bit indiscriminate. My interest lies on what the organizations themselves include in CSR, given my delimitations, rather than establishing a definition of my own and therefore I choose to keep this somewhat vague.

adversely affecting the functioning of the market. CSR is thus an issue where different worldviews and perspectives are at odds and an area of contention in the international system.

The developments of CSR also directs our attention to the issue of global governance, in particular the role that civil society and NGOs are playing in shaping present and future international regulatory frameworks in various issue-areas (see e.g. Charnovitz, 1997). Although governments are found among the actors that have taken initiatives in the area of CSR, the majority of the actors and activities concern non-governmental voluntary regulation agreed upon between mainly TNCs and NGOs often within multi-stakeholder processes. This private authority that is emerging constitutes an interesting challenge to the idea of the sovereign state and the international system as a whole, with both opportunities and dilemmas.

A question that arises in relation to this development is: *How does the development of CSR interrelate with the transformation of the international system (actors, structures and processes), in particular the problematic issues related to aspects of sovereignty, democracy, legitimacy, transparency, and representation?* The changing role of the state has long been at focus in analysis of globalization in International Relations research, among other things related to the growing importance and influence of the “new” actors in the international system. The emergence of CSR can be seen as an element of this transformation, encompassing the complexity and tensions of the different and intersecting dimensions of sectors, levels, and structure that provide the setting within which CSR is negotiated.

The role of NGOs, by some seen as “a third force” in the international system (Florini, 2000), in bringing CSR on the international agenda, brings forth a number of questions. Which are these NGOs and what are their reasons for involvement? What are their aims and how do they go about to achieve these? Who do the NGOs represent and how is this representation played out? What is the content of the initiatives advocated by the NGOs and the basis for their construction? How does this relate to the already existing body of international instruments and procedures concerning the relation between TNCs and human rights?

I will in this paper explore a group of NGOs that address CSR, the Multi-stakeholder Approaches. CSR is here delimited to human and labour rights⁴, for several reasons. Human rights is normally seen as the prerogative of the state, a situation that has become challenged through the implications of non-state actors in human rights violations and the issue of humanitarian interventions, among other things. There is also a growing tension between the free trade and the human rights regimes, as human rights have become more established in the international system. Human rights have furthermore become frequently used for the “framing” of various issues or causes, and thus of interest also in the case of CSR.

The discussion here is not about providing evidence that NGOs have an influence in international relations, this has already been made elsewhere as e.g. in the case of the International Campaign to Ban Landmines.⁵ Nor of TNCs having radically changed their behaviour or adopted the norm of CSR and now fully comply with the CSR standards advocated by the organizations covered here. This paper is about the changing international norms regarding the activities of TNCs and the process behind this change.

⁴ Environmental issues, although often included in the concept of CSR, have already received fairly large treatment in the literature, and will not be dealt with. Nor will I discuss other related issues such as arms trade, organised crime, or the so-called sex industry. With human rights is intended the body of rights comprised in the Universal Declaration on Human Rights (UDHR) and the international conventions that have been created from the UDHR, but also the body of conventions created within the ILO (International Labour Organization).

⁵ See also the review of literature on transnational civil society and their influence made by Richard Price, “Transnational Civil Society and Advocacy in World Politics”, in *World Politics*, (2003: 55, 4).

A study of library catalogues⁶ can be illustrative of the abounding interest in CSR and reveal that writings on the “social responsibility of business” (index word used for cataloguing by the libraries) appeared already in 1960s, but also that similar topics are partly covered by other index words, mainly the social aspects of industries and business ethics. These latter headings show writings that date even further back in time. It is noticeable that the number of writings indexed under “the social responsibility of business” increases considerably from 1990 and onwards, when some 80-90 % of the titles under the heading were published. This may be taken in support of TNCs emerging as powerful actors in the international system and attracting attention regarding what responsibility this entails. A large part of research on CSR is found in Business and Management Schools and related academic institutions, but is also dispersed over many research disciplines such as Sociology of Law, Political Science, Bioethics, Peace and Conflict Research, Natural Geography, Economics and Management, Industrial Environmental Economics, Media and Communication, Economics, and Sociological Anthropology.

In the subject field of International Relations, CSR has not attracted any considerable attention, apart from the more recent writings on e.g. industry self-regulation (Haufler, 2001), or on specific CSR initiatives such as the UN Global Compact (Ruggie, 2000, 2003). A more general interest in private international authority and the role of non-state actors in global governance can of course be found (e.g. Cutler et al., 1999; Hall and Biersteker, 2003; Barnett and Duvall, 2005), related to the on going debate on transnational actors and globalization that has been present since the 1970s (see e.g. Carlsnaes et al., 2005: Ch. 13). This paper thus aspires to contribute to the research on CSR within International Relations.

International Norm Construction

The discussion of CSR in this paper is made within the subject field of International Relations, where I will apply a constructivist approach (see e.g. Wendt, 1999; Onuf, 2002; in particular Finnemore and Sikkink, 2001) in the form of the “norm life cycle model” developed by Finnemore and Sikkink (1998). This represents a “pragmatic” position between realism and postmodernism, or between rationalist and relativist approaches, referred to by Adler (1997) as the “middle ground”. In brief, this approach involves the study of the ways actors shape and are shaped by the context and the process by which their identities and interests originate and change, i.e. a process of mutual constitution.

The norm life cycle model

The “norm life cycle model” is based on the idea that transformation is a social construction project driven by a normative agenda, and where norms and institutions are defined as *regulative, constitutive*⁷ and *evaluative and/or prescriptive* (my focus is made on the two latter aspects). In three separate stages of this cycle, different social processes and logics of action are involved, each of them characterized by different actors, motives and mechanisms of influence. An important element of the model is the “norm tipping” that takes place between the first and the second stages. Norm tipping consists of a process where a certain number of states (1/4 or 1/3), including key states, are required to support the norm before norm cascading can take place. The first two stages may develop into a “prevailing standard of appropriateness against which new norms emerge and compete for support”, although this is not given.

⁶ A review has been made of mainly the catalogues of the Library of Congress, Washington, DC, US, the British Library, London, UK, Georgetown University Library, Washington DC, US, and the Royal Library, Stockholm, Sweden. Close to 400 entries under the social responsibility of business heading were found in Spring 2004 alone at the Library of Congress.

⁷ Creates new actors, interests and categories of action.

Table 1: The norm life cycle

	Stage 1 Norm emergence	Stage 2 Norm cascade	Stage 3 Internalization
Actors	Norm entrepreneurs with organizational platforms	States, international organizations, networks	Law, professions, bureaucracy
Motives	Altruism, empathy, ideational commitment	Legitimacy, reputation, esteem	Conformity
Dominant mechanisms	Persuasion	Socialization, institutionalization, demonstration	Habit, institutionalization

Source: Finnemore and Sikkink, 1998 p. 898.

Aspects of importance in defining which norms and under what conditions they will be influential in world politics include according to Finnemore and Sikkink the *need of legitimation* of a state, *prominence* of the states promoting the norm, *intrinsic characteristics of the norm*, if norms are focused on *formulation* (clarity and specificity) or on *substance and issues addressed* (content). This also evokes the importance of historic efficiency/functional institutionalism in the relationship between new normative claims and existing norms. The case of e.g. changing the concept “female circumcision” to “female genital mutilation”, is illustrative in this aspect showing how a new concept contributed to a better understanding of the difference in this practice in relation to male circumcision as well as facilitating mobilization of support. Also world historical events and “world time”, and the fact that the speed of normative change has accelerated are important aspects of norms, such as e.g. the so called “ITT-Affair” in Chile of the 1970s and football manufacturing in Sialkot, Pakistan by child labour of the 1990s.

I situate the development of CSR of the 1970s and 1980s within the first stage (norm emergence) of the norm life cycle of CSR beginning around the 1970s. This period also follows upon the period in the 1950s when the “modern era of CSR” is said to have began (Carroll, 1999:268, see also Bowen, 1953). In the 1980s a new wave of CSR initiatives and organizations emerged, that eventually contributed to a suggested norm tipping and norm cascade occurring in the mid 1990s when the new CSR organizations and initiatives surged onto the international agenda. The developments of the 1990s are, thus, seen to represent the second stage of norm cascade of the CSR norm life cycle.

The norm life cycle model just discussed assumes the central importance of states as well as state action and involvement in the process of norm construction. However, as CSR is mainly regarded as a phenomenon of private authority and regulation (sometimes referred to as self-regulation), and also involves multi-stakeholder processes, the implications of this on the norm life cycle model would suggest that the dominant status of the state needs to be modified or at least further discussed. If new actors supposedly are more influential in the international system and the traditional role of the state is undermined as a consequence of globalisation, this should also be reflected in the workings of the international system. My intent is therefore to explore whether the norm tipping could be understood in alternative ways that not only refers to the legitimacy and prominence of the states involved, by also bringing in other actors namely IGOs, TNCs, and NGOs into the model on this aspect.

In conclusion, the arguments of Finnemore and Sikkink on strategic social construction combine both rationality and norms. That is, norm entrepreneurs being rational in means-ends calculations (rational choice) in order to achieve normative commitments among the other players (constructivism). Thus, the common knowledge (or intersubjective understanding) as the bases of the calculations made by the actors is not static; it is the object of the game. Thereby a process emerges where the actors are creating the rules of the game by playing it.

The Matrix Model of Levels and Sectors in the International System

As a way of organising the analytical process and mapping the complex interactions involved (an “anchoring” of the norm life cycle model), I will also make use of another analytical model in the form of a “matrix” presented in the broadened system analytical approach of Buzan and Little (2000). The matrix model by Buzan and Little consists of five sectors (economic, political, societal, environment, and military) and five levels (individual, sub-unit, unit, sub-system, and system). My purpose of using the matrix is to serve as a “tool kit” (as Buzan and Little suggest) to locate and explain the complexity involved in the developments of CSR. By combining the norm life cycle model with the matrix model a better understanding of the different actors, motives and mechanisms involved can be reached when these aspects of international norm construction are mapped out into a context of the international system, analytically illustrated in the levels and sectors of the matrix model.

Table 2: Matrix of Levels and Sectors in the International System

Levels	Sectors		
	Economic	Political	Societal
System	<i>Global markets Global supply chains</i>	<i>UN Internatinal Criminal Court WTO</i>	<i>Transnational civil society</i>
Subsystem	<i>Regional markets Groups of corporations</i>	<i>IGOs Bilateral/Multilateral agreements</i>	<i>NGO coalitions</i>
Unit	<i>TNCs</i>	<i>States Governments</i>	<i>INGOs</i>
Subunit	<i>Sub-contractors</i>	<i>GOs*</i>	<i>NGOs</i>
Individual	<i>Employers Employees Consumers</i>	<i>Politicians</i>	<i>Activists</i>

* Governmental Organizations

Source: This matrix is a revised version of the original matrix by Buzan and Little (2000:77), main features added

Linked to this tool kit are also three sources of explanations (keys) to be applied to the matrix. The first is the social and technological *interaction capacity* showing “what can happen” and is a precondition for the other two keys. This refers to the interaction capacity of different levels as well as the system as a whole, and may e.g. involve the individual women worker in the export producing industries of the developing countries or the political opportunity structure for different NGOs. The second key is *process* (“what does happen”), where patterns of interaction provide the evidence of process (the norm life cycle). The third is *structure*, which is the context within which “it happens” (more static and positional).

I have revised the matrix model by Buzan and Little by focusing on only three of the five sectors in the original matrix. As can be seen, I have added some main features of relevance to CSR in the matrix to illustrate its purpose in the present analysis. I have two forms of political units, states and governments, as the following discussion on CSR will demonstrate a situation where states in some ways have been reduced to governments due to the transnational character of the processes involved. The levels are here not to be seen as separate delimited analytical categories but rather as continuums or different dimensions of a whole (not necessarily hierarchical or sequential) and the sectors more as partly overlapping spheres. Applying the constructivist idea of mutual constitution to the matrix, I understand the unit level as representing a mediating mode in a complex of continuums of spheres divided into “sectors” and “levels”. According to Buzan and Little the units in the international system are the cohesive entities with actor quality, such as states, TNCs and INGOs. This represents a

departure from the traditional realist view of the main actors in the international system being the states.

Corporate Social Responsibility in the 1990s

The CSR organizations and initiatives⁸ that surged onto the international agenda in the 1990s amounted to a veritable norm cascade and a new stage in the development of CSR. This norm cascade emanated from various levels and sectors of the international system, involving other actors, such as individual governments, IGOs, corporations and their business and trade associations. It also brought on other motives and mechanism than those dominated by altruism and persuasion prevalent in the first stage of norm emergence.

An inventory by the OECD (2001) revealed the existence of close to 250 different codes of conducts, a large majority of which have been issued by individual *corporations, and industry and trade associations* (the first by an individual corporation, Levi Strauss & Co, in 1991). Corporations have not only undertaken individual actions, but have also joined forces with other corporations in creating new organizations to specifically address CSR in different ways, such as the Caux Round Table, Business for Social Responsibility and the Prince of Wales International Business Leaders Forum (which I define as Business Initiatives). Corporations have furthermore become engaged in various multi-stakeholder approaches, involving dialogue, partnerships, and monitoring and labelling schemes. The emergence of CSR has thus compelled corporations to address the issue in one way or the other.

Among the first *government initiatives* of the 1990s was the Fair Labor Association established in the US in 1996 by the Clinton administration as a multi-stakeholder approach to fight sweatshop.⁹ In 1998, the UK government initiated the Ethical Trading Initiative (also a multi-stakeholder approach), appointed a Minister for CSR in 2000, and in 2002 mandated pension funds by law to disclose use of ethical, environmental and social considerations in investments. Other European governments, such as Finland in 2000, France and Germany in 2001, and Belgium in 2002, have also taken similar legislative measures. Many of the initiatives by the European governments started to develop in the late 1990s, prompted by the priority given to the matter by the European Council within the EU.¹⁰

IGOs have also taken initiatives or otherwise adjusted their policies in this area. The OECD Guidelines for Multinational Enterprises that were adopted in the 1970s was revised in 2000 after an open consultation process with civil society and non-OECD countries. The EU has since the late 1990s issued reports, held conferences and adopted policies on CSR (also in an open consultation process), and set in motion a range of activities among its member states just referred to above. Also the World Bank has in recent years adopted policies to advice and

⁸ CSR organizations are organizations that fall under the following criteria: (1) organizations who's primary or an explicit part of the aims are concerned with CSR, (2) organizations claiming to be international, having an international orientation according to their aims and being involved in activities in other countries on a regular basis, (3) only NGOs or so called multi-stakeholder organizations (with possible inclusion of corporations, governments and IGOs) are covered, (4) trade unions, trade associations and the like, have been excluded. CSR initiatives are the initiatives taken by these organizations to address the issue of CSR as well as by others, such as governments, IGOs or TNCs. For an extended discussion, see Segerlund, Lisbeth, *Corporate Social Responsibility and the Role of NGOs in the Advocacy of New Norms for Transnational Corporations*, Licentiate's Thesis, 20 May 2005, Department of Economic History, University of Stockholm, Sweden (accessible on <www.ekohist.su.se/personal/lisbethlic.pdf>).

⁹ Formerly the Apparel Industry Partnership, originated with initiatives launched in 1993.

¹⁰ Legislation in areas such as statements on environmental and ethical considerations for investments in annual business plans, reporting of social and environmental consequences of corporate activities, disclosure of social and ethical criteria for investments, social and environmental considerations in public procurement, and the issuing of a social label by the Belgian state. A number of other initiatives have also been taken. European Commission, *Corporate Social Responsibility: National Public Policies in the European Union*, Directorate General for Employment and Social Affairs, Industrial Relations and Industrial Change, (Brussels, 2004). Apart from the European Convention on Human Rights (1950) and the brief reference to social rights in the Treaty of Rome (1957), the earliest European initiative addressing labour rights is the European Social Charter of 1961 applicable to all countries in Europe. In 1989 the EU adopted a Community Charter of Basic Social Rights for Workers, followed by the Social Protocol and Agreement to the Maastricht Treaty on the European Union in 1992. (Workers in the Global Economy, 2001:8)

support developing country governments on CSR as well as other related activities. In 2004 the UN Human Rights Commission introduced a proposal for human rights norms for business. As a result of pressure from trade unions in the MERCOSUR countries a tripartite Mercosur Working Group on Labor Relations, Employment and Social Security was set up in 1992, which was followed by an Economic and Social and Consultative Forum and a Joint Parliamentary Commission. However, as the two latter are only able to make recommendations and give advice, and the governments and employers in the Working Group have been blocking proposals concerning progressive labour policies, no significant changes have occurred. (Workers in the Global Economy, 2001:11) The North American Agreement on Labor Cooperation (NAALC) adopted in 1994, a side agreement to the North American Free Trade Agreement (NAFTA), is the first agreement explicitly related to a regional trade agreement that includes sanctions. However, these only apply to a limited number of rights and no remedy against private employers and only a few complaints have therefore been filed. (Workers in the Global Economy, 2001b:13) Apart from the already mentioned initiatives of the UN Global Compact, another important international initiative was recently taken by the International Standardization Organization (ISO) to develop standards for social responsibility under the name of ISO26000, covering not only corporations but all organizations. Both of these two latter initiatives confirm the increasing attention given to CSR internationally, and at the same time give a status of legitimacy to CSR.

In spite of the various actors involved in the initiatives enumerated above, the main advocates of CSR are to be found among the NGOs. Although CSR has mainly been a phenomenon of the 1990s, the organizations that make up the present day CSR started to emerge already in the 1980s and some even prior to that. In the next section I will begin with a discussion of the group of organizations as a whole, before I turn to a discussion of the different categories of organizations and in particular the Multi-stakeholder Approaches listed in Appendix 1, with the focus organizations in Appendix 2.

Overview of the NGOs involved in CSR advocacy

There are some 80 international NGOs (or national NGOs with an international orientation) identified in my research so far to be involved in CSR. Although this does not pretend to cover all organizations, I am, however, suggesting that the organizations do represent the fairer share of the field of CSR organizations according to the selection criteria I have applied here.¹¹

Geographically the very large majority (close to 90 %) of these organizations are located in either North America or Europe, and the remaining part almost all in Asia. The organizations in North America are all but one found in the USA; this is also the single country with the largest number of CSR organizations. The organizations with offices in Europe are found (in order of frequency) in the UK, The Netherlands, Germany, Switzerland, Belgium and France. Furthermore, these organizations are mainly located in large cities or capitals, pointing to activities around CSR being very much an urban phenomenon as well as often appearing in NGO dens environments. This would suggest that the often-alleged domination of NGOs from the North in international relations in general also applies in the area of CSR.

The organizations in Asia are found in China, Malaysia, Thailand, Pakistan, India and Japan. Only two of the organizations are found in South America (Quito, Ecuador and Santiago, Chile), one organization is found in Australia and one in Africa. I have so far not come across a single organization located in the Middle East. This does not come as a surprise, given the investment and outsourcing policies of TNCs directed towards the Southeast Asia.

¹¹ See n. 8. A further inventory of relevant organizations will be made and therefore additions may appear at a later stage.

Most of these organizations have been established after 1980, and the overwhelming majority were created in the 1990s. This clearly points to a new or renewed interest in issues related to globalisation, and particularly in issues concerning trade and its effects.

Three Categories of Organizations Engaged in Corporate Social Responsibilities

The CSR organisations have been divided into three categories based on the (voting or non-voting) membership basis of the organizations, i.e. who participates in the organization apart from staff. The membership bases of the three categories are: individual activists or NGOs with individual activist members in the case of Activism and Campaigning, corporate members for Business Initiative and a mixed membership or participation for Multi-stakeholder Approaches.

Over half of the organizations (some 60 %) belong to the category of Activism and Campaigning; they are what one may consider traditional activist organizations engaged in activities such as protesting and demonstration, awareness raising through campaigns, influence of decision makers by lobbying, etc. Some 20 % of the organizations belong to the Business Initiative category, which covers organizations with a membership based only on corporations and emerged mainly in the 1990s. The remaining fifth of the organizations belong to the Multi-Stakeholder Approach category and started to appear mainly in the mid or late 1990s. The two latter categories represent a new development of the organization of initiatives concerning CSR, and illustrate both an interest and a need from the business community to approach the issue of CSR as well as a development of a more transnational direction for dealing with “global” issues.

When it comes to the aims and activities of the organizations,¹² there are some recurring themes in the self-image that the organizations want to portray of themselves. In general it can be said that there is a difference between the three categories of organizations in the aims that they claim to hold, and this is especially marked between the category of Activism and Campaigning and the other two categories, Business Initiatives and Multi-stakeholder Approaches.

The organizations belonging to the Activism and Campaigning category are, not surprisingly, to a larger or lesser extent more explicitly critical on various issues related to CSR. The Business Initiative category organizations are generally more moderate and positive in their arguments and rarely deal with the negative aspects of corporate activities at all or in less detail. Similarly the organizations in the Multi-stakeholder Approach category are more oriented towards the specific multi-stakeholder initiative at focus, rather than the different aspects of CSR concerns.

A similar distinction is true for the activities of the organizations. The Activism and Campaigning category organizations are involved in actions of solidarity, urgent actions, legal action and pressuring various target groups, etc., activities that are not found in the other two categories. Similarities between the three categories also exist, however, such as in areas of awareness raising, exchange of information and promotion of the aims of the organization.

Multi-stakeholder Approaches

The third category identified in my research at focus in the present paper are private voluntary regulatory frameworks that at times involve government or IGO representation, but are generally still considered as non-governmental efforts or so called hybrid organizations. These approaches involve the cooperation of “like-minded” as well as “non-like minded” individuals and organizations,¹³ with often-diverging views and interests, composed of various combinations of corporations, NGOs, IGOs, government representation and others. Most of

¹² This has been based on a study of the stated aims and activities presented by the organizations, mainly under the heading “About” on the Internet websites of the organizations in question.

¹³ In the case of groups of like-minded organizations, I refer to these as coalitions.

these organizations represent the developments of the norm cascade stage, i.e. of the mid to late 1990s. However, one may within this category also find early movers that can be seen as norm entrepreneurs. Two organizations from this category, Fairtrade Labelling Organizations International (FLO), and RUGMARK will be discussed here in more detail.

A parallel to but distinct from Multi-stakeholder Approaches are the hybrid organizations in the form of quasi-government or quasi NGOs (QUANGOs).¹⁴ These, however, often refer to a situation where government policy is implemented in alternative ways rather than through core government agencies, and involve arrangements such as contracting out, privatisation, and the establishment of quasi-autonomous organizations (van Thiel, 2001). Instead of bureaucratisation there is said to be a process of “quangocratization”, where complex networks of organizations replace governmental hierarchical structures. These organizations are involved in national/local, rather than international politics, but touches upon similar concerns of accountability, democracy, etc. as do the multi-stakeholder approaches.

The concept of stakeholders is linked to the modern stakeholder theory within management founded by Freeman (1984). The stakeholder theory is rather a collection of several theories with contributions from many disciplines (e.g. ethics, strategy, law, economics, organization theory and political economy), but in general aimed at understanding business activity seen as mainly consisting of value creation and trade (Freeman and Phillips, 2002:334). The stakeholder theory is thus different from what has been called the standard story of business activity, or shareholder or cowboy capitalism, with regard to attitudes towards individuals and groups as well as relations to the state. Freeman and Phillips (2002:333) define stakeholder theory as “a managerial conception of organizational strategy and ethics”, where the success of a corporation is dependent on its relations with certain groups in society, balancing and maximizing their interests over time. The primary stakeholder groups that corporations face according to the stakeholder theory are customers, employees, suppliers, communities, and investors.

In the concept of Multi-stakeholder Approaches intended here, there is no corporation that “manages” the other stakeholders. The Multi-stakeholder Approaches are ideally rather seen as self-managing governance structures within a specific issue-area of CSR, where the corporations involved are but one of the participating stakeholders.

Overview of the Category of Multi-stakeholder Approaches

The organizations included in this category started to develop in the mid-1990s, i.e. after the emergence of the organizations included in the Activism and Campaigning category and even somewhat after the organizations in the Business Initiatives category. The more recent development of CSR, beginning with the “second wave” in the 1980s, can in brief be described as initiating with Activism and Campaigning consisting of NGOs critical of TNC behaviour, followed by a response from the business community (the creation of Business Initiatives) and somewhat later by a development of Multi-stakeholder Approaches where the two former categories of organizations meet for dialogue and cooperation.

This group of organizations is mainly focused on *aims* relating to issues concerning reporting, accountability, standards and codes of conduct, certification, monitoring and inspection, i.e. on concrete schemes and mechanisms (tools) related to the enhancement of CSR. There is some mentioning of international labour standards, working conditions, child labour, fair trade, and sustainable development, however, but this is neither the only nor the dominating feature of these organizations. The scheme or tool used to achieve the aims is of equal importance and it actually becomes difficult to distinguish between aims and activities.

¹⁴ A definition of a quango is that it is an organization with the task of implementing public policies and funded publicly, but operating at an arm’s length and not directly linked to a government official or agency such as a minister or department. These can include government owned companies, public task and funding given to voluntary/charity organizations, public bodies (quasi-autonomous organization outside of government), and contract agency (quasi-autonomous unit within government) (van Thiel, 2001:5, 8).

An example of this is found in the overall aim of Fairtrade Labelling Organization International (FLO), which is “to improve the position of the poor and disadvantaged producers in the developing world, by setting the Fairtrade standards and by creating the framework that enables trade to take place at conditions favourable to them.” (FLO, 2002). For RUGMARK this is stated as “working to end illegal child labor in the carpet industry and offer educational opportunities to children in India, Nepal & Pakistan. It does this through loom and factory monitoring, consumer labelling, and running schools for former child weavers.” (RUGMARK, 2002a)

The above is also apparent in the *activities* of these organizations, which are focused on the development of specific systems for voluntary regulation. Furthermore the activities centre on dialogue and consensus building, connecting and convening the different stakeholders, and consultation, which are activities often different from the organizations in the Activism and Campaigning category. Some advocacy is of course present regarding the initiatives or the issues that the organizations are promoting, but is down played or presented in a more “neutral”, positive manner. For RUGMARK this is stated in “RUGMARK was one of the first labour monitoring programmes in the world. It combined independent inspection of carpet production facilities; rescuing and rehabilitating child weavers; social welfare programmes; and building consumer and industry awareness about the problem of child labour and the choice to purchase RUGMARK rugs.” (RUGMARK, 2002b) The activities (stated as their aims) of FLO are: “(1) defining international Fairtrade Standards, (2) certifying and auditing producer organizations and traders involved in labelled Fairtrade and (3) providing support to producer organizations that need external support.” (FLO, Annual Report 02/03)

The first organizations that emerged within this category were concerned with social labelling of Fair Trade, initially of coffee, and of hand-knotted carpets. These two social labelling initiatives were followed by others, but also by initiatives focused on developing other schemes such as for the monitoring of workplaces and remediation measures. Another stream of initiatives that developed in parallel to the just mentioned are initiatives regarding the management of CSR within corporations, such as accountability standards, implementation of codes of conduct, corporate governance, as well as sustainability reporting. Towards the end of the 1990s, these were complemented with initiatives on socially responsible investments and on information technology. Almost all of the organizations in this category have their main offices in North America or in Europe, many of them in the US.

Social Labelling

In economics labelling is seen as a way of creating a product for which higher prices can be obtained by dividing the market into niches, and is particularly common in the clothing sector with the different designer labels. The basis of this labelling is the idea of the economics of information, which allows for the determining of quality that might not even be visible. In the case of social labelling, we find NGOs applying these traditionally economic measures as tools for social change. A definition of social labels (Zadek et al., 1998:19) is that they

“are words and symbols associated with products or organizations which seek to influence the economic decisions of one set of stakeholders by describing the impact of a business process on another group of stakeholders”

Prior to the two labelling schemes discussed here, there have been similar social labelling schemes developed at a national level. Already in 1899, the US National Consumers League¹⁵ introduced the so-called White Label, assuring that stitched cotton underwear had been manufactured under decent working conditions and that no child labour had occurred. This was later replaced by trade union sponsored labels, especially widespread for clothing, and continued until imported clothes started to arrive in large volumes on the market. Other social

¹⁵ The organization was later to become involved in the campaign for introducing RUGMARK in the US.

labelling initiatives that developed have been of a more patriotic nature, such as “Buy American”, or taken an environmentally friendly character in “green” labels or “eco-labels”. (Hilowitz, 1997:216)

The first of the international social labelling initiatives to develop were that of social labelling in Fair Trade coffee within the category of Multi-stakeholder Approaches, developed by a Dutch organization by the name of Max Havelaar that eventually led to the establishing of the FLO. Some years later, child labour in the manufacturing of hand-knotted carpets was targeted in the development of RUGMARK.¹⁶ Although this category as a whole mainly represents a manifestation of the norm cascade of the mid 1990s, these two organizations represent activities of norm emergence in that they were early examples emerging ahead of the norm tipping and as such have influenced the developments of CSR. Below is a listing of existing international social labelling programmes (as of 1998).

¹⁶ Care & Fair is an organization of the carpet industry.

Table 3: Overview of international social labelling programmes

Programme (year started)	Product	Primary countries of operation		Leaders
		Producers	Buyers	
Care & Fair (1994)	Hand-knotted carpets	India, Nepal, Pakistan	Germany, UK, Netherlands, Luxembourg	E
RUGMARK (1994)	Hand-knotted carpets	India, Nepal, Pakistan	Germany, USA, other West European countries, Canada	NGO
Kaleen (1995)	Hand-knotted carpets	India	Germany, Nordic countries	E, G
STEP (1995)	Hand-knotted carpets	India, Nepal, Pakistan, Morocco, Egypt	Switzerland	E, NGO
Double Income Project (1995)	Textiles, handicrafts, jewellery	Kenya, India, Latin America (esp. Peru)	Switzerland	E
Abrinq (1995)	Footwear and other	Brazil	Brazil, other Latin America	E, NGO
Forest Stewardship Council (FSC) (1996)	Forestry products, incl. timber	Brazil, Mexico, Malaysia, Poland, South Africa, Sri Lanka, Sweden, UK, USA	Australia, Japan, West Europe, North America	W, E, NGO
Reebok (1996)	Soccer balls	Pakistan	USA, Europe, Latin America	E
Baden (1997)	Sporting balls	China	Primarily North America and West Europe, some in Latin America, Pacific Rim	E
Fairtrade Labelling Organization International (1997)*	Agricultural products	Africa, Latin America and Asia	West Europe, USA, Canada, Japan	NGO
Flower Label Program (1997)	Cut flowers	Ecuador, Israel, Kenya, Zambia, Zimbabwe	Germany, Austria, Sweden, Switzerland	W, NGO

W: Workers' organizations, E: Enterprise or entrepreneurs, G: Governments, NGO: Non-Governmental Organization

* Originated in 1988 with the Max Havelaar social labelling initiative.

Source: Table adapted from ILO, *Overview of Global Developments and Office Activities Concerning Codes of Conduct, Social Labelling and Other Private Sector Initiatives Addressing Labour Issues*, Working Party on the Social Dimensions of the Liberalization of International Trade, GB.273/WP/SDL/1(Rev.1) 273rd Session, Geneva, November 1998 (Appendix: Tables).

Fairtrade Labelling Organizations International

Fairtrade Labelling Organization International (FLO) is an international organization for setting Fair Trade standards. This includes certification of producers of mainly agricultural products¹⁷, and registration of trading companies for an authorisation to trade with FLO products. The target group to benefit from the FLO Label is disadvantaged producers, mainly small farmers but partly also plantation workers. The FLO was established in 1997, but the origin of the social labelling initiatives regarding Fair Trade¹⁸ date to 1988 with the creation of Max Havelaar in Amsterdam, The Netherlands.

The Fair Trade movement consists of four main groups of organizations, i.e. producer organizations, Fair Trade importing organizations, the so-called World Shops (shops specialised in Fair Trade) and Fair Trade labelling organizations (Krier, 2001:6). In Europe, the Fair Trade organizations are represented by three main organizations (apart from FLO):

¹⁷ The Fair Trade products of the FLO are coffee, tea, rice, fresh fruit, juices, cocoa, sugar, honey, sports balls, wine, and flowers. In 2002, FLO for the first time included non-food products in the scheme when it started to certify footballs (FLO, 2002).

¹⁸ A definition of Fair Trade was adopted in 1999 by the four major organizations of the Fair Trade sector (FINE). Fair Trade according to this definition is "an alternative approach to conventional international trade. It is a trading partnership which aims for sustainable development of excluded and disadvantaged producers. It seeks to do this by proving better trading conditions, by awareness raising and by campaigning" (Krier, 2001:5)

the International Federation for Alternative Trade (IFAT), consisting of both producer organizations and alternative trade organizations, *the European Fair Trade Association (EFTA)* for importing organizations, and *the Network of European World Shops (NEWS!)* for national World Shops organizations. Since 1996, these organizations cooperate under an umbrella organization named FINE. (Krier, 2001:6, 10) There is also an organization called *the Fair Trade Federation (FTF)*, consisting mainly of North American based Fair Trade organizations and their partner organizations in other countries, i.e. Fair Trade wholesalers, retailers, and producers. (L'Union des Consommateurs, 2002:12).

The Origins of Fair Trade in Coffee: Max Havelaar

Fair Trade¹⁹ began to develop with the activities of the churches in North America and Europe in the 1940s and 1950s, when sale of handicraft started in support of refugees and poor communities around the world.²⁰ This represented the start of a direct trade through alternative channels, later through alternative trade organizations, and to fair prices. This is what is called the first phase of the fair trade movement (Roozen and van der Hoff, 2001:277). Among alternative trade organizations still active today in the US are, Ten Thousand Villages established in 1946 and SERRV (Sales Exchange for Refugee Rehabilitation Vocation) established in 1949.²¹ (Ten Thousand Villages, 2004, TransFair USA, 2004a, SERRV, 2004) The first Fair Trade shop in the US opened in 1958 (Kocken, 2003). In 1986 the first US based organization to import coffee directly from small farmer cooperatives was created named Equal Exchange, today the largest importer of Fair Trade coffee in the US and the first to adopt the Fair Trade standards in the US in 1991. (Equal Exchange, 2004a, 2004b)

In Europe, it was Oxfam UK, a Dutch organization called Fair Trade Organisatie, and Dutch third world groups that began to sell handicrafts in the 1960s, among other things through "Third World Shops"²² (later the World Shops). The first Fair Trade coffee started to be imported in 1973 by Fair Trade Organisatie in the Netherlands. (Kocken, 2003) The expansion of European Fair Trade sale to other food products is partly contributed (Raynolds, 2002) to the act of solidarity in the sales of Nicaraguan coffee and bananas under US blockade after the overthrow of the government by the Sandinista guerrillas in 1979.

It was another Dutch organization that initiated the labelling of Fair Trade coffee under the name of Max Havelaar²³ in the 1980s, which later led to the establishment of the FLO. This is also seen as the start of the second major phase of organized Fair Trade (Giovannucci, 2003:39).²⁴ This developed out of the initiative of two individuals, Nico Roozen and Frans van der Hoff. Roozen was at the time working for a Dutch ecumenist development organization for Latin America by the name of Solidaridad (at present its Director). Van der Hoff is a Dutch priest who has been living in the village of Barranca Colorado, Mexico at the

¹⁹ There is also the term "sustainable coffee" that covers the tree main coffees, i.e. organic, Fair Trade, and eco-friendly coffees, but also partly corporate driven definitions of sustainability. (Giovannucci, 2003:15)

²⁰ Resulting from the contacts that missionaries had in developing countries.

²¹ Ten Thousand Villages is a program of the Mennonite Central Committee (MCC), a religious service, relief and development agency, and was initiated by a MCC worker called Edna Ruth Byler. Edna Byler brought pieces of embroidery home to sell to friends and neighbours after visiting MCC volunteers teaching sewing classes in Puerto Rico. The crafts were popular, and crafts from other parts of the world was added. In the early 1970s, the flourishing project moved out of Byler's basement and became an official MCC program.

²² The first one opened in 1969.

²³ The name Max Havelaar originates from the title of a novel by the Dutch author Eduard Douwes Dekker, or Multatuli (pseudonym), *Max Havelaar: Or the Coffee Auctions of the Dutch Trading Company* published in 1859. Multatuli is latin for "I suffered much" or "I endured much". The novel is built on the author's experiences as a Deputy Commissioner in Java, where he documented the corrupt practices of the colonial regime and submitted formal charges, for which he lost his job. Dekker opposed the situation in Java where the Dutch colonial rule forced a cultural system on the Javanese, where one fifth of the land had to be cultivated with certain crops because these were in demand in Europe. Causing oppression of the people and corruption with the local rulers. The book received a lot of attention in the Netherlands as well as Germany and England. The novel is a satire on the various personage, such as the Dutch bourgeoisie, the coffee broker, the prosperous business man, the colonial administration, and on government, but sympathetic towards the Javanese and with partiality for the native regent. (King, 1972)

²⁴ The development is seen to approach a third phase, needing new marketing approaches and new forms of cooperation. (Roozen and van der Hoff, 2001:277)

centre of the Union de Comunidades Indigenas de la Región de Istmo (UCIRI) since the 1980s. (Roozen and van der Hoff, 2001:9). UCIRI is a regional coffee producer organization consisting of indigenous communities, mainly small coffee producers. Van der Hoff had been involved in the creation of UCIRI in 1983, in the purpose of ameliorating the situation for the farmers in the area (among other things to circumvent the intermediary coffee dealers and release the farmers from their debts). (Roozen and van der Hoff, 2001:79). In connection with a journey Roozen made to Mexico on behalf of Solidaridad in 1985, he became aware of the need to increase the volume of coffee export from these farmers. At the time this coffee was only distributed through alternative trade channels like the “world shops” and church sales of the Fair Trade movement described above. (Roozen and van der Hoff, 2001:34)

When returning to the Netherlands, Roozen began approaching coffee roaster companies²⁵ and supermarket chains with the idea of making the coffee from UCIRI available for sale in the supermarkets. Although the coffee roaster companies were sceptical about the idea, their trade association agreed to meet with representatives of the UCIRI (mindful of a previous boycott that had occurred in the 1970s regarding coffee imported from the Portuguese colony Angola). (Roozen and van der Hoff, 2001:103) However, the largest coffee roaster company with 70 % of the market (Douwes Egbert), showed no interest. Douwes Egbert actually announced that the new initiative would be allowed to reach a maximum of 4 % of the market,²⁶ and if passing that level, the company would either chase the new label from the market or join the scheme (Roozen and van der Hoff, 2001:110). The largest supermarket (Albert Heijns), however, became interested and involved in developing the initiative further. However, at a later stage, Albert Heijns suddenly withdrew from the project, which later was explained by contacts at the highest level between Douwes Egbert and Albert Heijns. The withdrawal of Albert Heijns almost jeopardized the whole project, but the other larger retailers agreed to distribute the coffee as well as some of the smaller coffee roasting companies. Douwes Egbert furthermore tried to interfere in the project by the simultaneously launched of the Planters and Roasters Foundation, a separate competing initiative that also was to make direct purchases from the small producers, but without the price guarantee that Max Havelaar initiative included. (Roozen and van der Hoff, 2001:113). Some years later Albert Heijns decided to fully participate in the project²⁷, but Douwes Egbert is still not participating (Harmsen, 2004). In November 1988 the first package of Max Havelaar labelled coffee was finally delivered to the King of the Netherlands by the Nobel Prize laureate in Economics, Jan Tinbergen, as a formal launch of the initiative.

Other national Max Havelaar organizations soon developed from the Dutch initiative as well as other social labelling initiatives of coffee. The spread of the initiative to other countries was spontaneous and not due to deliberate campaigning by Max Havelaar in The Netherlands, although assistance was given in the sharing of information, material and experiences. The launch of Max Havelaar had involved the mobilisation of not only the NGO community, but also other parts of the Dutch society (politicians and others), and had received quite a lot of media attention and this contributed to inspire the development of similar initiatives in other countries. (Harmsen, 2004)

Coordination of the Different National Initiatives

Although the Max Havelaar initiative was successful and rapidly spread to other countries, this process was not without conflicts. Differences between those involved, apart from the scepticism and at times opposition of coffee companies, were also found both in the initial

²⁵ Among these the Executive Director of the coffee roaster company Simon Levelt, who had specialised in fair trade coffee and been pioneering in the ecological area.

²⁶ Studies were made stipulating an approximate future sale of 7-15 % of the new label.

²⁷ Although withdrawing from the project, Albert Heijns later tried to get deliveries of the Max Havelaar coffee as the lunch approached and public opinion grew in favour of the initiative. However, as all the deliveries were taken, they were not given any deliveries from Max Havelaar directly and had to approach one of its competitor who had agreed to participate and made advance orders.

development of Max Havelaar as well as between the different labelling initiatives that later emerged. Thus, influencing the market had repercussions on the Fair Trade movement itself.

Initially, when the Max Havelaar initiative was beginning to take form, there was a reluctance to cooperate with TNCs in general, an attitude that has significantly changed. There was also a fear for what the sale on the regular market would mean to the Fair Trade movement as a whole. There were concerns that the consumers would no longer come to the World Shops, i.e. that these shops would lose “market shares” and then have to close down, which would undermine the movement in the long run. As it turned out, the result was the contrary and the launch on the regular market increased the sale in the World Shops and strengthened the movement as a whole. (Harmsen, 2004)

As was mentioned, the national social labelling initiatives that followed upon Max Havelaar were developed individually and thus independent of Max Havelaar in The Netherlands and of each other. By time, a need for coordinating the activities grew; however, this coordination was not without problem. According to Roozen and van der Hoff (2002:137), the main obstacle for this was the German national initiative TransFair established in 1993 by Gepa (a German alternative trade organization established in 1975). There were at the time internal differences within Gepa on the proper strategies for the organization. The path chosen was to develop a German version of Max Havelaar, keeping the control over the distribution of Fair Trade labelled products within the alternative trade organizations and not cooperating with commercial coffee companies and distributors. There was also an interest in taking the lead in the launching of a European wide label and a European organization. Gepa also actively advocated for their version of Fair Trade labelling in Italy, Canada, the US, Japan and Austria. Gepa thus wanted to develop a labelling initiative within the system of the traditional alternative trade organizations, whereas the Max Havelaar initiative meant a new way of working that included working together with the coffee companies and by the use of commercial distribution channels.

These differences were eventually overcome and the different national initiatives were able to agree on the establishing of a common organization with the FLO in 1997 and a common European label in 2002. The reason behind the creation of FLO was, however, not only of a pragmatic nature, i.e. facilitate contacts between producers and consumer countries not having to deal with each and every national labelling scheme separately. There were also more strategic reasons for the participating national initiatives in that a common organization would give the labelling scheme a stronger profile and image, which in turn would be of help in e.g. obtaining funding from other NGOs, IGOs and others. (Harmsen, 2004)

In conclusion, the creation of FLO may be seen as an important aspect of this second phase in the development of Fair Trade. Together with the development of national labelling initiatives, other Fair Trade organizations discussed above and their coordination in FINE, one also finds support for the argument of a third phase in Fair Trade.

Present Functioning of the FLO labelling scheme²⁸

The organization of the Fair Trade labelling scheme of FLO is complex. FLO and its members (the national labelling organizations) have different roles in carrying out the aims and activities of the organization. The national labelling organizations work to encourage both the industry and the consumers to support the Fair Trade system (a delicate balancing of the advocacy involved), and contract the use of the FLO Fair Trade label with FLO licensee companies in each country. The main tasks of FLO are 1) standing as a guarantee for the standards, 2) facilitating business for the producer, 3) supporting the organization and production of producers (FLO, 2002).

The *guarantee for the standards* are made through certification, which includes control of compliance, the use of benefits, making sure that the Fair Trade price is paid, and the use of the labels. This control is made with the use of independent inspectors, whereas the control of

²⁸ This section is based on information from the Internet website of FLO <www.fairtrade.net>, unless otherwise indicated.

traders and retailers is made by the use of a trade auditing system. There are different standards for small farmers (cooperatives and similar), organised workers on plantations and in factories (concerning wages, trade unions, housing, health and safety, environmental standards, child or forced labour) and specific products.²⁹ The standards contain “minimum requirements”, a requisite for certification, and “progress requirements” to encourage improvements beyond the minimum requirements. For the traders the participation involves the following requirements:

- pay a price that covers costs of sustainable production and living;
- give premiums for investments in development;
- allow partial advance payment on demand;
- contracts that allow for long-term planning and sustainable production practices.

The requirements for traders are the core of the Fair Trade idea in general, i.e. they represent standards that manifest the terms of trade where producers are made equal partners with the importers and traders – a levelling of the playing field. In fact, it could actually also be interpreted as enhancing the market mechanisms, i.e. leveraging the position of disadvantaged market players being the small farmers. A brief look at the actors in the FLO Fairtrade Supply Chain³⁰ may explain the need for the Fair Trade label as a leverage:

- producers (small farmers)
- processors* (of the product in the country of origin)
- exporters*
- importers* (with the responsibility of paying the FLO Fairtrade Price and/or Premium to the country of origin)
- manufacturers* (in the consuming country)
- subcontractors (those only providing processing or distribution service to a trader)
- agents (only facilitates buying or selling for a commission)

* defined as traders (registered by FLO for specific products)

Only the producer organization as a whole is thus formally submitted to the standards, whereas the trader organization is submitted to requirements only for the Fair Trade part of its activities, not the organization as a whole. However, there are also so called maintenance criteria for traders,³¹ and FLO has the right to exclude traders that bring FLO Fair Trade into disrepute also for actions not directly related to Fair Trade, among other things serious and repeated contraventions of the core ILO conventions.³² It is thus possible for a company to benefit from the use of a single Fair Trade product to enhance the overall corporate reputation even though the remaining operations of the corporation do not fall under the Fair Trade standards.

²⁹ In the case of the standards for small farmers, these are especially based on the ILO Conventions, where in particular, the following aspects are noted: democracy, participation and transparency, non-discrimination, democratically decisions on the use of premiums, forced labour and child labour, freedom of association and collective bargaining, conditions of employment, and occupational health and safety, as well as export ability (including quality), and gradually acquiring export process responsibility. FLO, *Generic Fairtrade Standards for Small Farmers' Organizations*, January 2003 (Bonn, 2003a).

³⁰ The number of actors (as of 2004) involved in FLO are close to 400 certified producer organization representing over 800 000 families and workers in 48 countries, 350 registered traders and 550 licensees and authorised users of the Fair Trade label for final sale to the consumers.

³¹ Including compliance with FLO Standards, requirements in the FLO Trader Contract, and meeting criteria in the FLO Trader Application Evaluation Policy.

³² Including the Plantation Convention, No. 110 (1958) and the Occupational Safety and Health Convention, No. 155 (1981). FLO, FLO Trader Application Evaluation Policy, 22 May 2003, (Bonn, 2003b).

In order to manage the coordination of these activities and to fulfil the stated aims and tasks, there is a complex organizational structure designed so as to on the one hand consider stakeholder representation, and on the other the need for independent standard setting and certification. The more important bodies of FLO involve the governance structure and the standards and certification activities. The activities are furthermore made in compliance with the ISO Standards for Certification Bodies and the ISEAL³³ Code of Practice on Standards Setting, i.e. the standard setters themselves are submitted to standards. The requirements for certification and trade auditing activities in compliance with the ISO Standards also reduces the financial liability, it further creates better financial stability by diversifying the income, where all the stakeholders will be contributing to the financing.³⁴

The activities and governance structure of FLO is to some extent thus quite distant from the traditional ways expected from an NGO and rather brings to mind a combination of a corporation, a NGO and an IGO. The organization is partly concerned with profit making (for the producers and the commercial actors involved), but not profit maximization. At the same time there is a social change purpose with a focus on empowering the producers, yet a need to be attentive of the market mechanisms (supply and demand, marketing, including the market actors), and also take into consideration the national initiatives, producer organizations, and others, and still provide independent and transparent decision procedures - a complicated task.

At first hand, FLO might be seen as only focused on creating an alternative to the existing trade to benefit a certain group of producers, the small farmers, and thus a more inward looking organization. However, it also indirectly aspires to achieve a transformation of international trade as a whole towards more just terms of trade. This is where the role of the national labelling organizations is important and complements the more “technical side” of the activities of FLO in promoting the initiative both to corporations and consumers.³⁵ FLO constitutes a separate governance system for those involved in the scheme, transcending territorial boundaries, levels and sectors of the international system.

Effects of Fair Trade Labelling

The share of sustainable coffee (also including eco-friendly and organic coffee) to the total varies between 0.3 percent and 3.4 percent in the different countries in Europe, in share value the range is between 0,4 percent to 5 percent.³⁶ (Giovannucci, 2003:17) Similar market shares are reported for Fair Trade labelled products in Europe. (Krier, 2002:16) As can be seen, the Fair Traded products have so far not conquered any significant part of the markets in which they have been introduced. Although the proportion to the total is not very impressive, Fair Trade products involve a fair number of people in regular activities and not an insignificant amount of money.

Table 4: World Shops/Outlets, Employees, and Sales of Fair Trade products

	Europe	North America/Pacific Rim*
World Shops/Outlets	2 700**	12 000
Employees	1 250***	3 260****
Sales	Euro 260 million	Euro 251 million

* Including Australia, New Zealand and Japan

³³ For an explanation of ISEAL, see below.
³⁴ This includes the national initiatives (the largest share) through licensees for the use of the Fair Trade label, a part of which is passed on to the FLO. The producers contribute, though by a smaller share, through the fees for certification and the volume sold under Fair Trade conditions. The registered traders pay fees based on their total annual turnover, and finally, the consumers, through the higher price.
³⁵ As Transfair USA explains its second purpose that is to make Fair Trade a leverage for change in general in the area of CSR. US experienced a growth of 90 % between 2002 and 2003 of Fair Traded coffee. In spite of this progress, concern exists about the CAFTA and the possibilities of Fair Trade. (Funkhouser, 2004) An expansion of the role of the national labelling organizations will be made in the future study.
³⁶ The share of individual product segments can be higher. In the case of Fair Trade labelled individual products such as bananas, shares may reach up to 15 %. (Krier, 2002:16).

** Another estimated 43 000 supermarkets are reported to distribute Fair Trade products

*** An estimated 100 000 volunteers are reported active in Fair Trade activities

**** This also includes volunteers, estimated to approximate 2/3 of the total figure

Source: Based on data provided in Krier (2002:13, 16) and FTF (2003).

Although the sale of Fair Trade labelled coffee represents a small part of the total, there is a continuous increase in the sales. Between 1997 and 2002 the increase has been between 10 to 20 % annually, and between the year 2002 and 2003 the growth was over 40 %. In Belgium, France, Italy and the USA, i.e. countries experiencing especially high growth rates, the increase varied between 80 and 700 %. This growth has even made the headlines in *Wall Street Journal*, *New York Times* and *Time Magazine*³⁷ and also the World Bank has taken an interest in and supported a study of the sustainability coffee sector. The role of the consumer and of political consumerism³⁸ in this respect is important. There is from the NGO community an aspiring hope for that this represents an awakening of the “sleeping giant”, i.e. the large consumer group in general becoming aware and concerned about under what conditions their products have been made (a knowledge lost with globalisation). (Funkhouser, 2004) In the 15 years of the existence of Max Havelaar/FLO, the labelling initiative has spread to 18 countries,³⁹ most of these in Europe and North America,⁴⁰ Each national labelling organization is in general founded by NGOs, who also act as its members.⁴¹

An interesting effect of the development of Fair Trade labelling is also the labelling of the labelling organizations themselves, with the need to distinguish themselves from other labelling initiatives. As of 2004 the International Federation of Alternative Trade (IFAT) administers a Fair Trade Organization mark that identifies fair trade organizations and distinguishes them from other commercial organizations involved in Fair Trade. The mark is available only to IFAT members that meet the requirements for the FTO mark, a sign of the market mechanisms of competition entering the Fair Trade sector. (IFAT, 2004)

The growth of Fair Trade labelling has not only led to the need for coordination of the national labelling initiative, but of the Fair Trade movement as a whole. Apart from the various organizations mentioned earlier, these now also cooperate in two umbrella organizations, FINE and The International Social and Environmental Accreditation and Labelling Alliance (ISEAL)⁴². *FINE* unites the four major organizations within Fair Trade (FLO, IFAT, NEWS and EFTA), with the purpose of exchanging information and

³⁷ See e.g. Moskin, Julia, “Helping the Third World One Banana at a Time”, *New York Times*, 5 May, 2004; McLaughlin, Katy, “Is Your Grocery List Politically Correct? Food World’s New Buzzword Is ‘Sustainable’ Product; Fair Trade Certified Mangos”, *The Wall Street Journal*, 17 February, 2004; “Is Your Coffee Unfair?: Politically Correct Beans are Gaining Ground in the US. Is this Enlightened Capitalism – or Just Meddling in the Free Market?”, cover story in *Time Magazine*, April 2004.

³⁸ See *Political Consumerism: Politics, Products and Markets: Exploring Political Consumerism Past and Present*, Micheletti, Michele, Follesdal, Andreas, and Stolle, Dietlind, (eds.), (New Brunswick, New Jersey, 2003) for a discussion of the concept.

³⁹ National labelling initiatives are now found in the following countries (year of establishment indicated): Max Havelaar The Netherlands (1988), Max Havelaar Belgium (1991), Max Havelaar Switzerland (1992), Max Havelaar France (1993), Luxembourg (1993), Germany (1993), Austria (1994), UK (1994), Max Havelaar Denmark (1995), Italy (1995), Max Havelaar Norway (1997), Sweden (1997), Ireland (1998), Finland (1999), Mexico (1999), USA (1999), Australia/New Zealand, Canada, and Japan.

⁴⁰ There are also other sustainability coffee concepts and standards developing in parallel to that of FLO, including initiatives by NGOs involved in issues on agriculture and trade, governmental organizations, trade and industry organizations, retailers and individual coffee companies. “The great concern is whether reasonable sustainability standards will be adopted or whether the bar will be set so low as to render the efforts almost meaningless.” (Giovannucci, 2003:55)

⁴¹ In the case of the Fair Trade Foundation UK: CAFOD, Christian Aid, The National Federation of Women’s Institutes, Oxfam, Tradecraft Exchange, and the World Development Movement. (Fairtrade Foundation in the UK, Annual Review 2000/2001, London, 2001)

⁴² International Social and Environmental Accreditation and Labelling (ISEAL) is an organization of the prominent international standard-setting, certification and accreditation organizations within the areas of social and environmental issues. The aim of the organization is to promote “the interests of workers, communities and the environment in world trade”.

coordinating activities such as lobbying and awareness-raising initiatives. *The International Social and Environmental Accreditation and Labelling Alliance (ISEAL)*,⁴³ is a collaboration of the leading international standard setting, accreditation and labelling organizations not only for Fair Trade. This cooperation began in 1999, due to areas of overlap in their focus issues and similarities in the way the different organisations operate. The purpose of ISEAL is “to gain international recognition and credibility for their programs; to improve the quality and professionalism of their respective organizations; and to defend the common interests of private sector international standard-setting and accreditation organizations.” This could be seen as a further argument for a third phase of the Fair Trade development.

The “economic threat” of Fair Trade to the traditional trade is less important although not insignificant, yet it is the symbolic value of the labelling initiative that is of much greater importance. This is true both for the Fair Trade movement itself as well as for individuals and organizations involved in CSR in general or other issue-areas concerning economic and social justice. Examples of the influence of Fair Trade activities are e.g. a resolution passed in 2002 in the US Congress where it called upon the US government to address the coffee crisis and cooperate with coffee companies for a sustainable solution to the problems (FLO, 2002). Also well-known actors have publicly expressed their support for Fair Trade coffee (Fairtrade Foundation, 2003, TransFair USA, 2002) and there have been announcements of campus-wide switches to the consumption of Fair Trade coffee at universities, such as at Harvard University (Transfair USA, 2004a). The Fair Trade labelling is, thus, not just a concrete alternative for small farmers, but also a statement that alternative ways of trade are in fact possible and that small coffee producers and NGOs actually can create trade that is not conducted under conditions favourable only to large corporations.

RUGMARK

Another social labelling initiative is RUGMARK, dedicated to end child labour in the hand-knotted carpet industry that consists of monitoring, labelling and promotion of the RUGMARK label, as well as the rehabilitation of former carpet labourers. RUGMARK fulfils three functions at the same time; it is an international organization, a registered trademark and a Fair Trade label for hand-knotted carpets assuring that the product was not made by child labour. The initiative was first established in 1994 in India and consists of six independent RUGMARK organizations in both producer and buyer countries cooperating under the umbrella organization of RUGMARK International.⁴⁴

Initially the majority of children employed in the carpet industry are reported to have worked the carpet looms for their families, i.e. learning a handicraft in small cottage industry and producing for the domestic market. However, as a result of Iran’s decision to ban children from carpet weaving in 1975, India decided to expand its carpet production. When the demand for export increased, so did the need for carpet workers, and more children were employed to fill this demand for labour.⁴⁵ Schools once established under the Indian government auspices near the carpet-producing areas, eventually transformed into government-run carpet factories. The carpet production often also took place under forms of bondage or slave labour conditions. (ILRF, 1996:4) It is thus with the internationalisation of

⁴³ ISEAL includes Conservation Agriculture Network (CAN), Forest Stewardship Council (FSC), International Federation of Organic Agriculture Movements (IFOAM), International Organic Accreditation Service (IOAS), Marine Stewardship Council (MSC), Social Accountability International (SAI), Fairtrade Labelling Organizations International (FLO).

⁴⁴ The governance structure of RUGMARK is less complex than that of the FLO, with a multi-stakeholder (corporations, NGOs, IGOs, academics, politicians, and others) composition of the national Boards of Directors and representation from each national organization in the RUGMARK International Board of Directors. As in the case of the ILRF, the Board of Directors of RUGMARK USA includes key people, among others Senator Tom Harkin. (RUGMARK USA, Annual Report 2001).

⁴⁵ According to an article, the number of children working on looms increased from 100 000 in 1975 to 420 000 in 1989, Sharma, Mukul, and Bose, Tarun, “Special Report: Indian Carpet with a Smiling Face”, in *Labor File: A Monthly Journal of Labour and Economic Affairs*, Vol. 3, No. 1 & 2, January-February 1997, p. 7.

the carpet trade that the issue of child labour in the carpet industry has become an international issue.

Contrary to what one might expect, India does not lack legislation in this area. Labour legislation on child labour in India goes as far back as 1881, but was explicitly dealt with in legislation in 1933 and 1939 (AusAID, 1997:19, 41). In spite of this, child labour is significant.⁴⁶ India has the largest concentration of child labourers in the world, with an estimated total of some 55 million, i.e. one out of every four-child labourer in the world to be found in India (AusAID, 1997:17). It is therefore not surprising that it was Indian human rights and children's advocates that started the opposition against child labour in the Indian carpet industry. A key person in the more recent opposition and in the development of the RUGMARK label is Kailash Satyarthi, who together with other members of the Bonded Labor Liberation Front, in New Delhi, India, started a campaign against bonded labour and child servitude in the carpet industry in 1980. This work eventually also attracted media attention in Europe and in 1985 the working conditions of the child labourers in the carpet industry were revealed in a televised broadcast to the European audience. (ILRF, 1996).

In the late 1980s the campaign initiated by Satyarthi and the Bonded Labor Liberation Front had contributed to three simultaneous and interlinked processes. These processes involved advocacy around child labour in the carpet industry with various actors at the national, regional and international levels. In 1989 Satyarthi formed *a regional NGO coalition under the name of the South Asian Coalition on Child Servitude (SACCS)*, in order to better address the issue as raids to rescue and rehabilitate children only led to other children taking their place. There was at the same time a *consumer campaign* initiated in Germany,⁴⁷ which quickly spread to the rest of Europe and to the US. In the US Congress, a new bill was introduced in 1990, *the Pease-Harkin Bill*, to ban import of goods made by child labour. This created a drop in the carpet export and concern among producers and exporters, who approached the South Asian Coalition on Child Servitude (SACCS) for dialogue. (ILRF, 1996:7)

In the contacts that evolved between German NGOs, development agencies and the South Asian Coalition on Child Servitude (SACCS), the idea of a labelling system started to develop (ILRF, 1996:7). In 1991 this idea also received support from the UN Commission on Human Rights, and its Sub-Commission or Working Group on Contemporary Forms of Slavery (UNHCHR, 1991). The UN Commission on Human Rights was later to initiate work on the UN Human Rights Norms for Business.

As a consequence of these different processes and the approach made from the carpet industry, a working group with representatives of the Indian government, industry groups, trade unions, UNICEF, ILO and others, was formed in 1991 to further explore the proposed labelling initiative (ILRF, 1996:10). The Indo-German Chamber of Commerce took a leadership of the work and the working group began developing the labelling initiative, soon facing problems of an internal and external nature. The working group had the difficult task to make sure that the labelling initiative did not harm the carpet industry, and at the same time provide a better alternative for the children. There were also conflicting views on the initiative itself and the cooperation within the working group, as well as criticism towards the Indo-German Chamber of Commerce for undue foreign influence in the internal affairs of India. At some point when the threat of the Pease-Harkin Bill became less strong (i.e. when the bill did not seem to pass), the pressure on the working group to develop the labelling initiative grew weaker. However, in 1994 the working group eventually managed to conclude its work and a label was finally established.⁴⁸ The initial Board of Directors of RUGMARK India was composed of representatives from the Indian government, UNICEF, carpet exporters, and the

⁴⁶ The estimated number of child labour in the carpet industry is still large, in India there are some 300 000 child labourer in the carpet industry, in Pakistan this amounts to approximately 1,2 million child labourers. In Nepal there are some 1 million child labourers working in the carpet industry, agricultural sector and in the manufacturing of bricks.

⁴⁷ In 1995, Germany was the second largest importer of hand-knotted carpets after the US (ILRF, 1996:3).

⁴⁸ The registration of the trademark, the use of the logo and the name RUGMARK was finally formalized in 1996

South Asian Coalition on Child Servitude, among these were Kailash Satyarthi and Mrs. Maneka Gandhi (from 1996 a Member of Parliament).

The RUGMARK labelling initiative⁴⁹ was reviewed one year after it had been launched (ILRF, 1996:31). The positive aspects of the initiatives noted in the review dominated and stated that a growing number of licensees were complying, that the inspection system was effective, that criticism on the South Asian Coalition on Child Servitude for representing to few NGOs were unwarranted, that claims of corruption, nepotism or financial mismanagement had no basis, that funds to rehabilitation and education promised by government and industry had been granted, and that a sharp decline in bonded child carpet weavers in certain regions of India had occurred. However, it was also noted that there were new concerns for carpet industry development in other areas, and that some expansion of NGO ownership was needed. The review also came to the conclusion that the future success of the scheme depended on the marketing activities in buyer countries and the expansion of the scheme to other carpet producing countries. Although the review may have portrayed an optimistic view of an initiative that had just been launched after much hardship, it demonstrates the continuing difficulties experienced by the former working group and of the difficult task of addressing situations of extreme poverty even if address by a multi-stakeholder forum.

After the initial creation of RUGMARK India in 1994, the initiative spread to other producer and buyer countries. RUGMARK Foundation USA (RUGMARK USA) was formed in 1996 as a supporting and marketing initiative, one year after RUGMARK Germany.⁵⁰ Pharis Harvey, the Director of the International Labor Rights Fund (ILRF)⁵¹ at the time, and Terry Collingsworth, the present Executive Director of ILRF, were instrumental in the development of the RUGMARK initiative as a whole (including RUGMARK USA), and of RUGMARK Pakistan and RUGMARK Nepal respectively in particular. Both of them had experience from working in Asia, and child labour was an important issue for the ILRF. (Harvey, 2004)

The introduction of RUGMARK in the US was made in a consumer campaign initiated already in 1994 in connection with the production of the first RUGMARK labelled carpets in India and organized by the Child Labor Coalition based in the US. The campaign was hosted by the National Consumers League, and included a large number of organizations from various parts of society such as trade unions, professional associations of paediatrics and teachers, organizations working on issues concerning women, children, and youth, and religious groups (RUGMARK, undated). Worth noting is that the consumers organizations had already previously been involved in the US White Label and the Nestlé Boycott, both at the national and international levels.

Although the US was the largest single importer of carpets, all of the first close to 60 000 RUGMARK carpets were exported to Germany shortly after the launch of the initiative. Illustrative of the effect of the German campaign that had been initiated already in 1990 having raised the awareness among the consumers as well as the brought the involvement of the Indo-German Chamber of Commerce.

⁴⁹ RUGMARK is not the only initiative addressing child labour as was shown in the table on social labelling. Care & Fair is an initiative developed by a German professional trade association of carpet importers and retailers also introduced in 1994. This initiative does not have any formal monitoring; presence in producer countries or label applied to the individual carpets and thereby does not guarantee the absence of child labour. The initiative does sponsors rehabilitation and health-care projects. Another similar initiative is the Label STEP in Switzerland introduced in 1995, also with a monitoring system and a multi-stakeholder composition of the organization (carpet industry, NGOs and government), but no label on the individual carpets. There is also Kaleen labelling system of the Indian government introduced in 1995 (Hilowitz, 1997:225, Diller, 1999:105)

⁵⁰ The choice of RUGMARK USA as a focus organization instead of Germany is due to the need for obtaining material in English.

⁵¹ A US based NGO.

The RUGMARK organization is composed of six independent organizations, with three RUGMARK organizations in producer countries (India, Pakistan and Nepal)⁵², and three RUGMARK organizations in consumer countries (Germany, UK and US).⁵³ This enables each organization to apply a country appropriate approach in their work. RUGMARK International is an umbrella organization and the governing body for RUGMARK, consisting of a Board of Director composed of representatives of the six RUGMARK organizations. The main role of RUGMARK International is protecting the trademark, setting and ensuring standards, and coordinating communication and information between the otherwise independently working RUGMARK organizations and offices.

Carpet producers included in the system agree to not use illegal child labour, register all looms and permit random inspections, and pay a very small percentage of the export value to RUGMARK. The exporters are given the right to use the RUGMARK label on their carpets. The carpet importers agree to import exclusively from RUGMARK certified exporters in India, Nepal and Pakistan, market these carpets in accordance with certain standards, and pay a small percentage (approximately 0,5 % of the retail price) of the export value to RUGMARK (part is returned to the producer country and part is used for marketing expenses). The labelled carpet has a number that makes it possible to trace the loom on which it was produced. A portion of the price of the carpet goes to the rehabilitation and education of former child weavers. (RUGMARK, 2002a, Smith, 2004)

Both national and international law on the issue of child labour is relevant for RUGMARK. What RUGMARK really is doing is to make sure that existing child labour legislation is enforced. The legislation furthermore serves to legitimate the work of RUGMARK as well as a motivation for corporations to join the initiative (Smith, 2003). The work of RUGMARK is mainly based on three international instruments, two of them are the ILO Conventions on Minimum Age Convention (no. 138) first adopted in 1919 and revised last in 1973, and The Worst Forms of Child Labour Convention (no. 182) adopted in 1999. The issue of the worst forms of child labour has also been partly covered by other international instruments, such as the Forced Labour Convention, 1930, and in the UN Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery of 1956. The UN Conventions on the Rights of the Child adopted in 1989 is also important to mention.

Apart from national legislation in producer countries, also those in buyer countries are important. RUGMARK USA base their work on the Sanders Amendment to the Trade Act of 1930, adopted in 1997, clarifying that the prohibited import of products made with forced or indentured labour also covers child labour. There is also the US trade policy of the Generalised System of Preferences and the Trade and Development Act of 2000 (on trade benefits to Sub-Saharan Africa and the Caribbean Basin countries) with reference to the same prohibition.

Present activities of RUGMARK USA involve media outreach, advertising, organising events, such as hosting own events and participating in those of others, awareness raising among carpet importers and retailers, in interior design sector, human rights and labour groups and the general public (RUGMARK USA, 2001). In the case of the RUGMARK labelled carpets the target group is naturally a very limited group of consumers, i.e. those that may afford the price of hand-knotted carpet, groups that have always been more oriented towards charity. Other groups that also have been supportive of the RUGMARK cause are the interior designers, architects, and similar groups (Smith, 2003). There are also activities concerned with mobilizing other NGOs and student groups for campaigning as part of the support and

⁵² These are the countries where the problem of child labour in the carpet industry is the most severe. Other countries with reported child labour in the carpet industry Afghanistan, Tunisia and Morocco. China, one of the largest carpet producing countries, on the contrary, does not have reports on child labour in their carpet production. (Smith, 2004).

⁵³ The national organizations were created in the following order: India, 1994, Germany, 1995, Nepal, 1995, USA, 1996, Pakistan, 1999, and UK, 2001. RUGMARK Germany is also licensing carpet importers in Belgium, The Netherlands, Luxembourg, Sweden, Italy, Switzerland and the United Arab Emirates.

marketing activities of RUGMARK USA. The campaigning material directed towards these groups explicitly state that the work be concerned with positive campaigning, including e.g. the promotion of stores carrying RUGMARK carpets (RUGMARK, undated). This involves working with market incentives, rather than traditional pressure campaigns (Smith, 2004). The activities are characterised as walking the line between activism and business partnership, and the organization does not want to engage in “industry-bashing” although at the same time engage in campaigning activities (Smith, 2003).

The interaction of RUGMARK USA with other organizations is mainly made on a national level and include a broad range of NGOs (faith based organizations, activists, trade unions, etc.), as well as representatives of the trade and retail sectors, and the carpet trade associations. Cooperation is also made with shareholder groups and the socially responsible investment community (Smith, 2004). Contacts with IGOs, such as the ILO or UNICEF, and other international groups, are mainly made on the field with their local representation in producer countries. The participation of these IGOs in RUGMARK is not an effect of a central decision, but of the operations of the local representatives.

Although independent, there is a need for coordination between the six RUGMARK organizations and for more international outreach work, and there is an ongoing work to strengthen the profile of the RUGMARK system (perhaps with somewhat less independent national organizations in the future). This would also facilitate funding and partnership activities at a international level. (Smith, 2003, 2004)

There are 16 licensed US carpet importers,⁵⁴ and 300 stores in the US selling RUGMARK labelled carpets (Smith, 2003). The value of RUGMARK carpet import to the US was USD 422,5 million in 1998 (RUGMARK, 2002a). This represented only a very small part of (about 1 %) the total US market, but the share of US imports from producer countries where RUGMARK is active, as in the case of Nepal, the share of RUGMARK carpet import is about 25 % (Smith, 2003).⁵⁵ The activities of RUGMARK in general has since the activities started in 1995 led to some 2 300 children being offered educational opportunities, around 400 licensed exporters and producers in the three producer countries have joined the initiative and over 3 million carpets have been RUGMARK certified. (RUGMARK, 2002a) Another effect the RUGMARK initiative is the changing attitude of the business community towards the activities of RUGMARK USA that has become more open to dialogue, in contrast to activities of industry attempting to prevent the Pease-Harkin bill from passing in the 1990s (Smith, 2004). Partly seen as a measure to turn the RUGMARK initiative into formal legislation. Recently the carpet trade association even approached RUGMARK USA to discuss a donation to the organization (Smith, 2004)

Summing up the discussion above reveals that the organizations involved in Multi-stakeholder Approaches are in their aims and activities focused on the practicalities of CSR, i.e. how to achieve CSR in the workings of corporations (or in trade), whether in the production itself or in other aspects of the activities of corporations. Less emphasis is made on the problems of the present functioning of the international market or of the negative aspects of TNCs and more on the solutions (problem solving). In the case of the social labelling initiatives studied here, this involves adjusting for the unequal position in the market of small farmers or child labourers and in effect, one could paradoxically say, also for market imperfections.

These organizations are predominantly based in North America and Europe and evolved mostly in the second half of 1990s, and represent a more mature stage of CSR developments. The first initiatives that emerged within Multi-stakeholder Approaches dealt with social labelling and represented concrete and immediate measures to address unjust working conditions or terms of trade. The organizations here represent new ways of organising TNCs

⁵⁴ There is a total of 50 carpet importers in the US.

⁵⁵ These producers are at the higher end of the scale, producing fewer carpets at a higher price.

activities as well as support for development; it involves not only “trade not aid”, but also a further “Fair Trade not aid”.

The very early origins of the Fair Trade movement, the first phase, consisted of the activities of the churches selling handicraft as an act of charity of people active in religious groups, e.g. often by women, having access to networks worldwide that reached developing countries. The immediate origins of FLO, the second phase of Fair Trade, represent a continuation of the concern among people from a religious environment, but also added with other concerns related to issues of development and solidarity with Latin America, where individuals from these both settings were trying to find measures to alleviate the difficult situation for specific groups in developing countries. Charitable activities thus transformed to alternative trade and then to Fair Trade, linked both to a commercial setting with the coffee companies and retailers on the one hand, and the NGO community on the other. This mix of a social cause and business in the social labelling initiative has been a partnership that needed some time to establish a proper way of functioning and communicating. The Fair Trade labelling is however only one part of the Fair Trade movement as a whole, including also Fair Trade importers and the traditional alternative trade organizations in the form of World Shops where the non-commercial ideals are still intact.

The experience of the RUGMARK social labelling initiative points in a somewhat different direction. Firstly, the initiative initially emerged in a developing country context and only later became linked up with NGOs based in Europe and North America as well as involving local representatives of IGOs. It also is a more difficult labelling initiative to manage, child labour in the carpet industry being more mobile than small coffee farmers and involving a different dynamic (including slavery), and the representatives of the carpet producing country government and industry. This was not the case in the Fair Trade labelling of coffee, rather the opposite, with involvement of consumer country politicians. In the case of hand-knotted carpets the consumer campaigns and the threat of legislation meant a challenge to the industry, which it did not in the Fair Trade coffee apart from the reaction of Douwes Egbert. Also the apparent niche market of hand-knotted carpets makes this labelling initiative less widespread and targeting a rather limited group of consumers and other actors involved.

The concept of Multi-stakeholder Approaches draws on theories of stakeholders supporting the idea that there are different ways to manage a corporation and thus about how businesses can operate. A narrow focus on shareholders is replaced by a stakeholder perspective, suggesting a more democratic view of decision making in corporations as well as of its role in society. It upholds that corporations are but one of many interests in society and that the corporations must adjust to these other interests and not “manage” or externalise them. A precondition is, however, that a stakeholder group is not able to dominate the others or that such a dominating position becomes challenged. In absence of a supra state authority in the international system as well as the inability of governments to agree on international regulation (see e.g. the UN Code negotiations of the 1970s), a governance structure thus has needed to be formed to deal with these different stakeholder claims and where the Multi-stakeholder Approaches just discussed represents examples of this.

Implications of Multi-stakeholder Approaches for International Norm Construction and Governance

The 1970s in different ways marked the start of the norm life cycle and the emergence of CSR as a new norm in the international system. Of the three major events of this period, the UN Code, the anti-apartheid movement and the Nestlé boycott, the last mentioned Nestlé boycott represents a particular event. The Nestlé boycott case reached through all the three stages of the norm life cycle with the establishment of an international code of conduct by the WHO and as such points ahead of its time to a development that was to follow in the area of CSR. The Anti-apartheid case is a less obvious example of norm emergence, as the work against

apartheid also involved many other actors and actions and therefore is more difficult to distinguish from these other process. Still, the Anti-apartheid case also involved the development of CSR initiatives that we today see widespread, i.e. shareholder activism, ethical investments and the development and implementation of codes of conducts in multi-stakeholder forum. In the case of the UN Code, I see this as a manifestation of a setting where norm internalisation (the third stage in the norm life cycle) had already occurred (i.e. norms of colonialisation), and where the attempt to codify certain standards of appropriateness that had evolved under the previous colonial rule proved unsuccessful. It is against this setting and the attempt of codification that the newly independent, decolonised countries rebelled with the support of the socialist countries.

The new wave of early CSR organizations and initiatives that appeared in the 1980s also belongs to this initial norm emergence stage. I see these initiatives, as well as those of the 1970s, as examples of norm entrepreneurs in the issue-area of CSR that eventually contributed to the “norm tipping” and consequent norm cascade stage that followed in the 1990s. The actual norm tipping is difficult at this point of my research to pinpoint more precisely, but I propose this to have occurred somewhere in the mid-1990s. This is the time period when most organizations in the Activism and Campaigning category were established (the main advocates of CSR). At about this time, one can also find the involvement of the newly established organizations in the Business Initiative category and also of the long established organizations with high symbolic value in the international system such as Amnesty International that contributed to giving legitimacy to the issue.

In the following discussions I will discuss the interlinkages between the *process* of the norm life cycle, the *interaction capacity* involved at the various levels and in different sectors of the international system and *structure*, where structure is seen as the context within which the process of the norm life cycle and interaction capacity unfold (see Tables 1 and 2).

From Norm Emergence to Norm Cascade

The CSR organizations and initiatives that started to evolve in the 1980s and early 1990s did so in a context when economic liberalisation policies, including the much-debated structural adjustment programmes, dominated the agenda. At about the same time the resistance towards apartheid was gaining momentum and the Cold War period was about to reach its end. Another important aspect that paralleled the emergence of the organizations in the 1980s was the development of the information technology that facilitated the mobilization of these organizations. In different ways, the economic liberalisation as well as the new technology, spurred the development of the CSR organizations, one in contributing to the push for to reformulate the international agenda and the other to increase the interaction capacity of the organizations. With the end of both the Cold War and the apartheid regime, space was furthermore created and resource liberated for new issues to emerge.

The two focus organizations discussed here, FLO and RUGMARK, originated with the initiatives of individuals involved in human rights, development work, religious groups, and also with organizations in developing countries. These initiatives were furthermore taken in cooperation with representatives from other NGOs, at times involving like-minded key people in strategic places such as politicians. This also meant the involvement of corporations at various points in the process, although with some hesitation, and local representatives of IGOs. It is not surprising to find that the CSR initiatives promoted by these focus organizations involved the participation of trade union representatives, development workers and people with church background. These organizations have an extensive network already at their disposal with information and first hand experiencing from the ground of the consequences of TNC activities. In the case of people from a religious environment the establishment of new organisations and initiatives also represented a way to engage in what was seen as controversial issues (CSR), without the restraint of the more conservative elements of this environment.

FLO and RUGMARK, although being INGOs, differ both in size and organizational character between each other. FLO is the largest of the three focus organizations covered with some 30 staff persons, this excluding staffing at the 18 national labelling organizations and others involved in the advocacy of Fair Trade at the national level. The national labelling organizations in turn, being composed of various NGOs, also have access to a network of resources. In the case of RUGMARK, most of the staff employed is working in the RUGMARK program in producer countries and not in the national organizations, i.e. involved in the monitoring and rehabilitation activities. The difference between these two organizations and NGOs in the Activism and Campaigning category is the close cooperation with business and the involvement in the actual market process, which influences the organization of the social labelling initiatives. There is so to speak a price for getting business on board, perhaps not concerning the main aim, but the ways to reach that aim as well as regarding the ideology on which the initiative is based.

These social labelling initiatives have taken some time to develop and still represent a small share of total trade. This would suggest that the future expectations for this initiative to significantly change the situation for those affected by unequal terms of trade are minor. However, from another perspective, although the effect on trade is insignificant, it affects a large number of small farmers (around 800 000 families), who have seen their livelihoods improve. Also the spectacular expansion in sales in some countries, albeit from low initial levels, and the continued growth reported from most participating countries might suggest that the future expectations of the initiative might not be that bleak. Especially when considering the mobilization of key people (Nobel prize laureate, actors, etc.), “institutional consumers” in the form of workplaces as e.g. universities and the potential in the awakening of the sleeping giant, i.e. the consumer at large, through political consumerism.

The amount of work to arrive at a functioning system still limits the spread of this initiative to other areas of trade, unless the expansions of the existing social labelling initiatives proves successful and significantly increase their shares of the market, as seems to be the case with Fair Trade labelled food products. There is a learning effect in the launch of new food products (faster compared to the initial product of coffee) that transferred to other non-food products could make labelling in other areas to develop faster.

In spite of the limitations of the social labelling initiatives, this does not necessarily mean that they do not bear any importance for the market as a whole. Even small market shares may be perceived as a threat, especially when competition is strong. The potential increase of the Fair Traded products may furthermore create uncertainties about future trends that by itself may spur a greater interest from the corporations in these kinds of products. Various initiatives developed in the area of sustainable coffee described in the recent study by the World Bank (Giovannucci, 2003) that suggests the emergence of such an interest.

The coordination of the Fair Trade movement and their organizations in Europe under the umbrella organization FINE, that started in 1996 and that, as FLO has been well established and continues to expand, may have an important role in the further development of Fair Trade in general. Once again the challenge for CSR organizations may be the capacity to avoid competition and the ability to appreciate and make further use of the effect of each other's initiatives for the Fair Trade development as a whole. This also includes the commercial labels and how to relate to these.

Even considering future potentials, the social labelling initiatives have not been spread to other products at focus in CSR advocacy such as clothing or footwear. Instead, other attempts have been made to address the negative aspects of TNCs by creating and introducing mechanism in the existing operations of corporations instead of developing alternative trade. This involves the reporting procedures of corporations, standards and codes of conduct and their implementation, corporate governance systems and similar, i.e. developing various mechanisms for holding TNCs accountable. Fair Trade, however, still constitutes an important mobilising factor internally as well as externally in the CSR movement.

Apart from the norm entrepreneurs discussed here (the NGOs), with time other actors have accompanied the process (an important aspect in the shift towards the norm cascade stage). Sometimes the norm entrepreneurs have involved these other actors from the start, such as local representatives of IGOs and corporations in the case of RUGMARK. In other cases, these other actors have taken on the issue on their own initiative and acted independently of the norm entrepreneurs, although under the influence of the development of CSR organizations and initiatives. Apart from the Multi-stakeholder Approaches just discussed, the organizations included in the Business Initiatives category, individual governments (e.g. the UK), the European Union, and the UN Global Compact are examples of this.

The involvement of these other actors also suggests a support of the argument of there being a shift to the second stage in the development of CSR, the norm cascade stage. This does not only mean the involvement of other actors, but also of other motives and mechanism to drive the process forward. In this second stage, the process becomes less dependent on the initial norm entrepreneurs (whether individuals or organizations) and the altruistic and persuasive aspects of the process, but more of a self-generating movement involving mechanisms of socialization, institutionalisation and demonstration. The fairly rapid expansion of national labelling initiatives regarding Fair Trade coffee under the FLO scheme would serve as an illustration of such a development, whereas that of RUGMARK is less spectacular being restricted to a niche-market product. The many activist organizations following in the footsteps of the NGOs addressing CSR is another argument in support of this.

It is difficult to conclude on the role of states in the “tipping” involved in the shift from a norm emergence to a norm cascade stage at this point, but there is so far no indication in support of states dominating or being required for the process. It rather points to a situation of an interplay between the CSR organizations and initiatives on the one hand, and certain states, and IGOs on the other, i.e. between the “transnational” and the “international”. The involvement of governments and IGOs has in general occurred after CSR becoming widespread, i.e. the proliferation of these private voluntary regulatory frameworks have pulled certain governments and IGOs into the process, which in turn have led to a development of multi-stakeholder forum in turn pulling NGOs and TNCs into the process. This dynamic, however, needs to be explored further for any more definite claims can be made.

As has been seen, the whole group of CSR organizations is dominated by organizations in Europe or North America, with only a few organizations located in Asia and Latin America. In spite of them being important organizations, and some also well known in developed countries, these organizations seem to play a role as providers of information and viewpoints from the field (or “the South”), both directly to the NGOs in Europe and North America and through the dissemination of information through e.g. their own publications. They have not had a leading or prominent role in the development of CSR internationally. An exception is the case of RUGMARK, which developed out of the efforts of Kailash Satyarti and the Bonded Labour Liberation Front (BLLF) and later also including the South-Asian Coalition on Child Servitude (SACCS). The reasons for this have not been established at present, but suggest a bias of the focus of international relations on developed country actors and concerns also in the case of CSR. The location of IGOs in developed countries makes the access to these arenas by developing country organizations for “framing”, negotiations, and exchange difficult. The developing country NGOs naturally focus their activities on the local or regional context, just as organizations in the developed countries do, and thus do not always intentionally reach out into an international context. With the difference that the local and regional contexts in developed countries often happens to coincide with sites of IGOs headquarters and other international activities. The political opportunity structure of course also comes into play, in terms of space for e.g. trade unions and other NGOs to develop, and make use of their interaction capacity (resources, skills, etc.).

Altruism, Persuasion and Beyond

The focus organizations have in various ways mainly addressed the working conditions in developing countries or the unequal terms of trade, here particular those related to disadvantaged small farmers and child labourers in the carpet-industry. In general this has been a concern of third party interest, but partly also a concern for more related interests as in the case of trade unions and certainly also for the politicians involved, accountable to their home constituencies they are obviously also not only concerned about third party interest.

This leads us to a complex combination of “interest” (e.g. concern for developed country workers’ unemployment or the domestic economy) and “altruism” (concern for working conditions in developing countries), the latter being the main motive suggested for the norm emergence stage. Trade unions can of course be seen to pose credible and legitimate claims regarding concerns for international labour rights standards and participate in the creation of new CSR organizations and initiatives. At the same time, they are of course the representatives of workers at risk of loosing their jobs to low wage countries, and therefore legitimate also in finding new ways to promote these interests. This does not necessarily read protectionism, often suggested in the debate on CSR, since the concern in developed countries often is based on demands made by those afflicted in developing countries. Governments and elites (including local business) in developing countries claiming that protectionism is the real reasons behind CSR may use this argument to cover up lax implementation of internationally agreed labour standards or a deterrence of the development of a democratic political sector and of civil society. As was illustrated by Amnesty in the mapping of the corporate geography of risks, TNCs often operate or make use of sub-contractors in countries where human rights abuses of various kinds occur, countries where consequently the political opportunity structure for trade unions or other NGOs is expected to be fairly weak.

As in the case of Anti-apartheid, with the linkage to the civil rights activities of those involved, a parallel can thus be noted in the linkage of the transfer of production and loss of jobs from industrialised countries with a growing concern for labour conditions in developing countries. Trade unions have naturally been and still are a strong voice in this concern. The prominence of labour conditions among the CSR organizations in the Activism and Campaigning category would point to such a conclusion. Although the trade unions in developed countries participating in developing the new CSR initiatives may have influenced the NGOs to certain extent, also other considerations have been present. A number of other organizations with different experiences of and views on the problem, such as religious groups, and human rights organizations, have melded in with the trade union perspective on the issue, and thus expanded the field of action. When these other groups are concerned, the emphasis on a third party interest is more discernible. One could of course argue that it is the awareness of new human (economic) insecurities also in developed countries that has risen due to the increase in transfer or risk of transfer of production to low wage countries, is actually a self-interest reason for the concern of developing country citizens well being. Such awareness could also be interpreted as a precondition for the understanding of the working conditions of people in distant countries, and as such does not necessarily represent mere self-interest.

In general, though, one can still argue that the characteristics in the initial stage of norm emergence of the focus organizations have been that of attempting to introduce new norms into a particular context. A norm entrepreneur is in such a situation dependent on persuading its environment through the use of allusions to more altruistic or ideational arguments, rather than mechanisms of socialization, institutionalisation and demonstration. This can be seen in the initial activities of the organizations involved with the use of different activist and campaigning strategies. These activities involve both the traditional campaigning strategies as well as “activism”, and serve to engage society into a dialogue where the new norms can be launched, as well as the more direct actions intending to change the behaviour of TNCs in particular. This often involves presenting credible counter information in the form of results

from research and investigations, which then is used as a basis for claims directed to various target groups or “launched” in different contexts. This is in particular evident in the work of the NGOs in the Activism and Campaigning category, with an extensive activity initially around awareness raising through publications and conferences. Acts of solidarity is another form of persuasion, which simultaneously function as a mobilization of support and an occasion to express the concerns of the organization. There are also activities where other strategies of persuasion of a more or less coercive nature are employed, e.g. disclosing information on the exploitative nature of international trade and the TNCs. I interpret this partly as acts of deliberate inappropriate behaviour, so as to challenge the present order. However, I also see these acts, especially when concerned with activities such as the lawsuits undertaken by certain NGOs, as shifting towards mechanisms of socialization and institutionalisation. Here, it is the norm entrepreneurs that act as the representatives of the legitimate and appropriate standards in society to which the TNCs have to respond as alleged perpetrators of labour and human rights violators. The NGOs have thus in this case of lawsuits managed to turn the table so to speak.

With the involvement of more and different actors the motives have shifted to also involve other arguments, and thus a move towards the second stage in the norm life cycle. This is perhaps especially true for corporations in their concern for the reputation of their business. Amnesty International actually framed this accurately when using the concept of a “corporate geography of risk” referring to various human rights abuses in countries where TNC activities are frequent. CSR has thereby moved from being an issue advocated by a few norm entrepreneurs to involve many different actors and to represent a legitimate issue in international relations. An example of this is the involvement of corporations, e.g. as partners in social labelling initiatives (FLO and RUGMARK) at focus in this paper, as well as in the establishment of their own CSR organizations in the case of Business Initiatives. The involvement of INGOs such as Amnesty International or IGOs with the UN in particular, is supporting this argument.

The dominant mechanism involved in the activities of the focus organizations in their early work, was definitely that of persuasion. All organizations have in one way or the other had to convince those approached of the benefits of the initiative, a work that is continued. This persuasion has also at times been made with more coercive methods. This has meant that the organizations also adopt other strategies as there is less need for awareness raising, when the effects of socialization and demonstration are beginning to show effect. The introduction of new socially labelled products by FLO is e.g. made much faster today than with the initial products of coffee and tea. The measures taken by individual governments as well as IGOs, including the initiative by Kofi Annan to launch the UN Global Compact, are other examples of new mechanisms coming into play. There is more of socialization and institutionalisation in these latter measures, where all the actors might not necessarily be convinced of the cause but feel compelled to participate.

Concluding Remarks

I will not attempt to draw any definite conclusions of what has just been discussed, but to present some of the main features that have appeared in the discussion so far. One such feature is both the continuation and change of history, where in this case concerns over economic activities are continuously present in society but manifested in different ways in different time periods. With the past influencing later responses, but also the introduction of new aspects into the process that either challenges the standards of the past, melds into past standards to develop these or propose completely new ones. Another feature is the involvement of civil society and the development of social movements, including NGOs, in international relations, a development that has become especially noticeable since the 1970s.

This involvement of NGOs constitutes a new rivalry to the sovereignty of the state, but also to the TNCs that were the previous and continues to be rivals to the state.

I see the two cases of Anti-apartheid and the Nestlé boycott as example of where norm entrepreneurs began a development of new CSR organizations and initiatives that set in motion a process of norm emergence marking a continuation of the modern era of CSR when it comes to concrete activities on the issue. These two cases represent distinct processes compared to that of the UN Code in terms of actors, motives and mechanisms involved. From the two cases new ways of addressing the concern of the negative aspects of TNCs have developed, including a further development of both new organizations and initiatives represented by the focus organizations discussed here. This development coincides with the transformation of the international system labelled globalisation, where new actors are able to introduced new issues onto the international agenda.

This transformation includes partly a shift from the traditional workings of the international system to and the development of a transnational sphere, where cross level and cross sector as well as mixed actor interactions occur. This deterritorialisation of activities, previously constrained mainly within the realm of the state, includes the changing behaviour of the state (cooperation in IGOs), the IGOs (partly independent activities and interaction with TNCs and NGOs), TNCs (global production chains) and the NGOs (often internationally oriented though nationally located).

The consequences of the compression of time and space as a characteristic of globalisation has made developed country citizens more aware of conditions of production in developing countries, partly through the loss of jobs with the more concrete transfer of production to these countries by TNCs. In this transnational sphere NGOs have been able to navigate and take advantage of the characteristics of the dynamics of this new sphere in order to promote their aims, among other things greatly facilitated by the new information technology. This has been made also by developing new skills on how to organise their activities through new and innovating ways. In spite of this time and space compression, this development has been dominated by developed country NGOs although seemingly in closer cooperation with developing country NGOs.

A new development in this process has been the emergence of new kinds of organizations, the so-called Business Initiatives and the Multi-stakeholder Approaches. These are based on other membership bases and in the case of the Multi-stakeholder Approaches furthermore on other principles of organization. A renewed way of applying the stakeholder concept follows. With these also follows new motives for involvement among the actors and new mechanisms for the process as a whole, where the altruism and persuasion of the norm emergence stage are complemented by aspects of legitimacy and socialisation. I would therefore suggest that CSR is now found in a norm cascade stage but where uncertainty remains of whether a shift towards the third stage is under way. There are indications of such a development in the proposal by the UN Sub-Commission for Human Rights of a Draft Norm, although still only a draft. Another such tendency to be observed is the development of a CSR industry, including professional careers as CSR officers, banks and funds offering ethical investments, and the many consultancy firms offering advice to TNCs on how to manage CSR. Whether this development will take on a more intergovernmental, supra state or multi-stakeholder character of governance is yet to be seen.

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APPENDIX 1: List of the CSR organizations covered in this study

Organization	City	Country	Year est.
<i>Multi-stakeholder approaches (a total of 20 organizations)</i>			
Rugmark Foundation USA	Washington, DC,	USA	1994
STEP Foundation	Basel,	Switzerland	1995
Kaleen	New Delhi,	India	1995
Abrinq	Sao Paulo,	Brazil	1995
Verité (Verification in Trade and Ethics)	Amherst, Massachussetts,	USA	1995
AccountAbility, Institute of Social and Ethical Accountability	London,	UK	1996
Social Accountability International (SAI)	New York,	USA	1997
Global Reporting Initiative (GRI)	Amsterdam,	The Netherlands	1997
Fairtrade Labelling Organization International (FLO)	Bonn,	Germany	1997
Flower Label Program	Herne,	Germany	1997
Fair Labor Associations	Washington, DC,	USA	1997
Ethical Trading Initiative (ETI)	London,	UK	1998
Global Corporate Governance Forum (GCGF)	Washington, DC,	USA	1999
Global Alliance for Vaccines and Immunization (GAVI)	Geneva,	Switzerland	1999
California Global Corporate Accountability Project	Berkeley, CA	USA	1999
Workers Rights Consortium (WCR)	Washington, DC,	USA	1999
UN Global Compact Network	New York,	USA	2000
Ethical Shareholders of Europe	Cologne,	Germany	2000
Global e-Sustainability Initiation (GeSI)	Paris,	France	2001
European Sustainable and Responsible Investment Forum (EUROSIF)	Culemborg,	The Netherlands	2001

APPENDIX 2: Focus organizations

	Fairtrade Labelling Organizations International (FLO)	RUGMARK
Main office	Bonn, Germany	Cologne, Germany (the seat of RUGMARK International)
Established	1997 (originated in 1988 with the Max Havelaar Foundation)	1994
Type of organization	INGO	INGO
Governance	<p>FLO Board of Directors: representatives elected by The FLO Fairtrade Forum (composed of producers and traders), and the Meetings of Members (composed of the national labelling organizations)</p> <p>Executive Board of Directors: operational board (mainly responsible for financial and personal matters)</p> <p>There is one system for inspections in the field and one for the auditing of retailers and traders. Specific committees comprised of stakeholders also deal with decisions regarding certification and standards respectively</p>	<p>RUGMARK International Board of Directors is composed of representatives of the national organizations. The Council of Members is the decision making body with one vote per country</p> <p>RUGMARK International is the umbrella organizations for the six RUGMARK organizations in producer countries (India, Nepal, and Pakistan) and buyer countries (Germany, US and the UK). The national RUGMARK organizations are otherwise operating as independent organizations each governed by a Board of Directors.</p>
Aims	Improve the position of the poor and disadvantaged producers in developing countries by setting Fair Trade standards and creating a framework that enables trade to take place at conditions respecting their interest	End illegal child labour in the carpet industry and offer educational opportunities to former child labourers
Activities	<p>FLO: Guaranteeing the standards, business facilitation, and promoting producer support</p> <p>National labelling organizations: to encourage industry and consumers to support Fair Trade and purchase Fair Trade products</p>	Loom and factory monitoring, consumer labelling, and providing schools for former child workers
Income and expenditure	<p>Income: Euro 1.7 million (year 2002)</p> <p>Expenditure: International coordination, certification and inspection, standard setting, projects</p>	<p>Income: USD 1.0 million (year 2002)</p> <p>Expenditure: Inspection and monitoring, schools and social programs, public education and marketing, outreach to the carpet trade, fees to RUGMARK International</p>
Funding	Membership contributions, external grants for specific projects	Exporter and importer license fees, corporate donations, grants and donations (incl. in kind) from government agencies, corporations, foundations, NGOs, and members
Number of staff	27 persons (as of June 2003), not including the national labelling initiatives	-