

Corporate Social Responsibility (CSR) in the APEC: Another Common Denominator or Harmonizing Measure?

Byung-il Choi

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Wook Chae, *President*

APEC Study Series 08-01

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Executive Summary

This paper asks whether Corporate Social Responsibility (CSR) becomes another negotiating agenda, which asks all the APEC economies adopt a common set of discipline, or just a device for increasing peer pressure for the purpose of harmonizing business practices. The paper traces the process of CSR becoming an agenda at the APEC, and discusses several international CSR codes developed by other fora and their relation to the APEC. In the light of APEC's sensitivity to hidden trade agenda and voluntary nature of most international CSR codes, it is suggested that the best way to address CSR in the APEC be to undertake a dual-track approach: First, the APEC may set a medium-term goal of developing the APEC CSR code on voluntary basis; and Second, the APEC should continue to work on capacity building of CSR by stepping up efforts in the area of identifying best practice and dissemination, advocacy and public engagement, and networking.

JEL Classification: F23, F53, P45

Key Words: Corporate Social Responsibility (CSR),

UN Global Compact, OECD Guidelines on MNE, ISO

국문요약

본 논문은 기업의 사회적 책임(CSR)이 APEC에서 협상의제가 될 수 있는지 질문을 던지고 있다. 만약 CSR이 협상의제가 된다면, 이는 모든 APEC 회원국에게 기업활동을 규제하는 또 다른 공동의 규제를 부과하게 될 것이다. 만약 협상의제가 되지 않는다면, 회원국은 그러한 부담에서 자유로워질 것이다. 본 논문은 CSR이 APEC에서 의제가 되는 과정을 추적하면서 다른 포럼들 및 APEC과의 관계에 따라 발전된 몇몇 국제적 CSR 규범들에 대해 논의한다. APEC 회원국들이 가진 위장된 협상의제에 대한 민감성, 그리고 대부분 국제적 CSR 규범들이 자발적인 성격을 갖추고 있음을 고려할 때, APEC에서 CSR을 거론하는 가장 좋은 방법은 이원적 접근법을 택하는 것이다. 첫째, APEC은 자발성에 바탕을 두고 APEC CSR 규범을 발전시킨다는 중기적 목표를 세워야 할 것이다. 둘째, APEC은 CSR의 모범적 시행과 보급, 고취, 공적 약속 및 네트워킹이 무엇인지 정의하는 등의 노력을 기울임으로써 CSR 역량 증대를 도모하는 것이 바람직하다.

Byung-il Choi received Ph.D. from Yale University, and currently Dean of the Graduate School of International Studies at Ewha Womans University. Prof Choi has researched on international trade, corporate policy, trade and development, and conflict resolution. Prof Choi's book, *The Success and Failure of Trade Negotiations of Korea* (in Korean, 2004), earned him the Korean Academy of Arts and Sciences Award. His recent work, *Korea and International Conflicts: Case Studies* (2005), contains some landmark trade dispute cases including the screen quota and the Chinese garlic. His latest book, *'The KORUS FTA: Against the All Odds'* (in Korean) published in the middle of the Korea-US FTA talks, October 2006, was the national best-seller. He is now the President of the Korean Association of Negotiation Studies, and also of the Free Trade Academia.

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Corporate Social Responsibility (CSR) in the APEC: Another Common Denominator or Harmonizing Measure?

Byung-il Choi*

I. Introduction

Corporate Social Responsibility (CSR) is the commitment of business to contribute to sustainable economic development – working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development.¹⁾

Whether CSR helps promote corporate value has been contested for some time. To some, strengthening CSR is believed to benefit people directly and immediately by improving the conditions in which they live and work. They also believe that CSR leads to indirect and long-term benefits by enhancing corporate reputation and brand image and safeguarding community value. If companies

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The author is grateful to the research assistance of Yongjoo Song.

1) World Bank's working definition of CSR.

do not pay attention to CSR, they may be vulnerable to public criticism and negative publicity, thereby impairing corporate brand value.

Others take a view that CSR is undesirable tax on companies. They allege that CSR would only make corporate management inefficient and unfocused. At the same time, they argue that CSR would also make society pick up the bill, because some of such tax would be transferred to stakeholders.

Despite this contest, recently the discussion of CSR has forged ahead mainly due to accelerating globalization. Confronted by growing concern about some negative consequences of globalization as claimed by civil activists, some MNE responded by strengthening their management-labor relations, and some by strengthening their environment-related business practices. While these efforts are mainly voluntary and strategic, some international organizations have started to take up CSR as their agenda. ILO and OECD have dealt with CSR, and recently the UN and ISO have also undertaken CSR. In a regional dimension, the EU has also moved on with the publication of Green Paper in 2001.²⁾ Now, the APEC wants to address CSR as well.

In the APEC 2008, SOM is expected to engage in the discussion of CSR in close collaboration with the APEC Business Council (ABAC) with a view to presenting the outcomes to the Lima Economic Leaders Meeting in November 2008.

Discussion of CSR in the APEC opens the door for engaging civil society. If one recalls the mounting criticism on the mindless profit-seeking activities by the multinationals as ‘the race to the bottom’, discussion of CSR in the APEC offers a chance for the better

2) European Commission, “Promoting a European framework for corporate social responsibility.”

communications among policy makers, business community and the civil society.

On the other hand, there is concern that taking of CSR as a serious agenda in the APEC may play a Trojan horse for many local companies. Such a worry is not well articulated, but it is a cause for concern in many developing economies in the APEC.

Mindful of these observations, this paper will ask whether CSR becomes another negotiating agenda, which asks all the APEC economies adopt a common set of discipline, or just a device for increasing peer pressure for the purpose of harmonizing business practices.

For this research theme, the following questions will be asked:

- Why has the topic of CSR been taken by the APEC as an issue to deal with?
- How the APEC economies fare in regard to international CSR codes developed by other fora?
- What is the best way to address CSR in the APEC?
- What is the ideal division of labor for harnessing CSR discussion among government, business and civil society?

The paper is organized as follows. In section II, the brief overview of CSR literature is offered. Section III will discuss current state of play of CSR in the APEC. Section IV will discuss existing and on-going international discussion on CSR. Building on these analyses, Section V will discuss how to address CSR in the APEC. Section VI will conclude the paper.

II. Current Literature on CSR

CSR is a concept whereby organizations voluntarily adopt interests of the communities in which they operate. The concept of CSR, often referred to social responsibility (SR), was born in the 1950s. Pioneering work is Howard R. Bowen's book *Social Responsibilities of the Businessman* (1953). Bowen came up with the definition of social responsibility as "the obligations of businessman, to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."

In the 1960s work to understand the nature of CSR through elaborating definition continued. Keith Davis (1960) argued that CSR meant "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest."³) He also insisted that social responsibility was a nebulous idea, but should be seen in a managerial context. William C. Frederick (1960) stated as "businessmen should oversee the operation of an economic system that fulfills the expectations of the public."⁴) Joseph W. McGuire (1963) extended definition of CSR from economic and legal dimension to the social one.⁵)

The 1970 saw the most active research in the definition of CSR.

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- 3) Davis, K. (1960, Spring), "Can business afford to ignore social responsibilities?" *California Management Review*, 2, 70-76.
 - 4) Frederick, W. C. (1960), "The growing concern over business responsibility," *California Management Review*, 2, 54-61.
 - 5) McGuire, J. W. (1963), *Business and Society*. New York: McGraw-Hill.

Harold Johnson presents four different views on CSR in his book *Business in Contemporary Society: Framework and Issues* (1971); social responsibility is conventional wisdom, to add profits to their organization, utility maximization, lexicographic utility which provides orders of importance to the goals of the enterprise. The Committee for Economic Development (CED) proposed a pioneer perspective on CSR in *Social Responsibilities of Business Corporations* (1971), a three-concentric-circles definition. The inner circle includes the basic responsibilities for the efficient execution of the economic function, the intermediate circle defines responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities, the outer circle outlines newly emerging responsibilities that business should assume to become more broadly involved in actively improving the social environment.

George Steiner extended the meaning and circumstances under which CSR might be interpreted and applied. In his book *Business and Society* (1971), Steiner suggested an idea of certain sphere where CSR might be appeared and designed models and criteria to determine the social responsibilities of business.

A debate over the meaning of CSR, sponsored by the American Enterprise Institute, is summarized in *The Modern Corporation and Social Responsibility* (1972) by Henry G. Manne and Henry C. Wallich. Manne argued that business expenditure is not a suitable criterion to judge if the corporate social activity was voluntary or in response to social norms. Wallich made a broader definition of CSR by saying that a corporation is at least a free agent to exercise responsibility and there are three basic activities to do it: (1) the setting of objectives, (2) the decision to pursuer them, (3) the financing of them.

Two results from early research on CSR were published in the mid-1970s. First research was conducted by Bowman and Haire (1975) to understand CSR and the degree of companies' engaging in CSR.⁶⁾ They measured the lines devoted to social responsibilities in the annual reports of the companies they studied. Another one was by Sandra Holmes who tried to gather "executive perceptions of corporate social responsibility" (1976).⁷⁾ The research method she used was to observe how many of them agreed or disagreed with the statements about CSR. The statements she presented included issues about businesses' responsibilities for making profit, abiding by regulations, helping to solve social problems, and the short-run and long-run impacts on profits of such activities.

The 1980s witnessed that the interest of the academic world moved from definition of CSR to research and diverged themes such as corporate social responsiveness, corporate social performance, public policy, business ethics, and stakeholder theory/management. Thomas M. Jones began discussion in 1980. He presented a new perspective that CSR should be regarded not as an outcome, but as a process because it is very difficult to reach a consensus to what constitutes socially responsible behavior.⁸⁾

An interesting perspective was originated from Peter Drucker in 1984, who claimed that business ought to convert its social responsibilities

6) Bowen, H. R., and Haire, M. (1975), "A strategic posture toward corporate social responsibility," *California Management Review*, 18, 49-58.

7) Holmes, S. L. (1976, June), "Executive perceptions of corporate social responsibility," *Business Horizons*, 19, 34-40.

8) Jones, T. M. (1980, Spring), "Corporate social responsibility revisited, redefined," *California Management Review*, 59-67.

into business opportunities: “the proper ‘social responsibility’ of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth.”⁹⁾

Empirical research to find out if CSR has any kind of relationship with financial performance was conducted by several scholars. Surrounded by concerns of other scholars that if socially responsible firms are financially profitable, Philip Cochran and Robert Wood investigated the cases in which social performance and financial performance was consistent.¹⁰⁾ As a measure of CSR, they used a reputation index developed in early 1970s and found its weaknesses.

Another practical studying to understand relationship between CSR and profitability was published by Aupperle, Carroll, and Hatfield in 1985.¹¹⁾ Their research is meaningful in that it utilizes theoretical definition as a measure of CSR. Adopting Carroll’s four part definition of CSR composed of economic, legal, ethical, and discretionary, they interviewed a group of executives and found that not everyone thinks the economic responsibility as a social responsibility but considers it something done for corporate benefit.

The most crucial academic notion in the 1990s is Donna Wood’s revision of the corporate social performance model.¹²⁾ Building on

9) Drucker, P. F. (1984), “The new meaning of corporate social responsibility,” *California Management Review*, 26, 53-63.

10) Cochran, P. L., and Wood, R. A. (1984), “Corporate social responsibility and financial performance,” *Academy of Management Journal*, 27, 42-56.

11) Aupperle, K. E., Carroll, A. B., and Hatfield, J. D. (1985), “An empirical investigation of the relationship between corporate social responsibility and profitability,” *Academy of Management Journal*, 28, 446-463.

Carroll's three-dimensional CSR model (1979)¹³) as a contents and constructing with the Wartrick & Cochran formulation (1985),¹⁴) she reformulated these into three principles identifying and elaborating: (1) the principle of corporate social responsibility, (2) the processes of corporate social responsiveness, (3) outcomes of corporate behavior Wood's contribution is that she placed CSR into a broader context through her more comprehensive model and made outcomes or performances more explicit than before.

In 1991, Archie B. Carroll revisited four-part CSR definition and proposed the pyramid of corporate social responsibility depicted the economic category at the base, and then built upward through legal, ethical, and philanthropic.¹⁵) These factors should not be fulfilled in sequential manner, but should be fulfilled at all times.

The 2000s is the age of numerous empirical research and alternative themes such as stakeholder theory, business ethics, and corporate citizenship. Bryan Husted's theory of corporate social performance argues that CSP is a function of the fit between the nature of social issues and its corresponding strategies and structures.¹⁶)

12) Wood, D. J. (1991), "Corporate social performance revisited," *Academy of Management Review*, 16, 691-718.

13) Carroll, A. B. (1979), "A three-dimensional conceptual model of corporate social performance," *Academy of Management Review*, 4, 497-505.

14) Wartick, S. L., and Cochran, P. L. (1985), "The evolution of the corporate social performance model," *Academy of Management Review*, 10, 758-769.

15) Carroll, A. B. (1991), "The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders," *Business Horizons*, 34, July-August, 39-48.

16) Husted, B. W. (2000, March), "A continuing theory of corporate social

Other different perspectives of CSR were introduced in *Business & Society* (December 2002).¹⁷⁾ The authors argued that taking operational measures and researching in related disciplines such as marketing and human relations would help us understand CSP more deeply.

Empirical research linking CSR to other relevant variables blossomed in the early years of the 21st century. Jones and Murrell (2001) examined how a firm's public recognition for social performance can produce a positive signal to its financial performance.¹⁸⁾ Zyglidopoulos (2001) examined the impact of accidents on firms' reputation for social performance and found there is a close relationship between them.¹⁹⁾ Backhaus, Stone, and Heiner (2002) found that job-seekers consider CSP as an important criterion to evaluate the company and the major CSP components were environment, community relations, employee relations, diversity, and product issues.²⁰⁾

As territory of business is expanded to various spheres, relationships between business and society will become more intimate and complicated than ever, implying that the importance of CSR will be more

performance," *Business & Society*, 39(1), 24-48.

- 17) Rowley, T., and Berman, S. (2000, December), "A brand new brand of corporate social performance," *Business & Society*, 39(4), 397-418.
- 18) Jones, R., and Murrell, A. J. (2001, March), "Signaling positive corporate social performance: An event study of family-friendly firms," *Business & Society*, 40(1), 59-78.
- 19) Zyglidopoulos, S. C. (2001, December), "The impact of accidents on firms' reputation for social performance," *Business & Society*, 40(4), 416-441.
- 20) Backhaus, K. B., Stone, B. A., and Heiner, K. (2002, September), "Exploring the relationship between corporate social performance and employer attractiveness," *Business & Society*, 41(3), 292-318.

emphasized. Nevertheless, there is some skeptic view of CSR. For instance, Michael Porter (2003) stated: “the field of corporate social responsibility has become a religion filled with priests, in which there is no need for evidence or theory. Too many academics and business managers are satisfied with the ‘good feeling’ as argument. Much corporate philanthropy is driven by top management’s personal belief.”²¹⁾ McWilliams and Siegel (2001) also support this view by claiming that the firms should not undertake any discretionary responsibility actions unless consumers (or by extension some other stakeholder than investors) are willing to pay the cost of such actions.²²⁾

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- 21) Porter, M. (2003, autumn), “CSR: A religion with too many priests?” European Business Forum (EBF), 15, 1-2. Posted at www.ebfonline.com
- 22) McWilliams, A., and Siegel, D. (2000, May), “Corporate social responsibility and financial performance: Correlation of misspecification?” *Strategic Management Journal*, 21(5), 603-609.

III. Current State of Play of CSR in the APEC

CSR is one of the APEC 2008 agenda. According to the APEC work plan, the SOM (Senior Official Meeting) will discuss CSR and report the outcome to the Lima Summit in November 2008.²³⁾

Unlike other APEC built-in agenda in TILF and ECOTECH, CSR is a host agenda initiated by Peru, the host economy of 2008 APEC. This nature of CSR agenda at the APEC implies something significant for the future evolution of CSR discussion in the APEC. Throughout the APEC, it has been customary for a host to propose its own initiative to make a positive contribution to the achievement of the APEC goal. Naturally, the host economy makes effort to have some substances on its initiative and hopes the Summit under its host adopt what it has been working with other APEC economies. To have any meaningful impact, the implementation of such an initiative should be monitored after the Summit as an on-going concern at the APEC.

Discussion of CSR in the APEC is quite a recent experience. An international conference entitled “CSR for the Global Business – What is expected in doing business in Asia” held in January 2005 in Tokyo was the first large scale discussion of CSR. The event was attended by eleven APEC economies. Human Resources Development Working Group (HRD WG) has undertaken CSR agenda ever since. Task force named as Human Resources Development Working Group – Capacity Building Networking (HRD-CBN) was created for this purpose. The

23) APEC Fact Sheets on CSR (http://www.apec.org/apec/news__media/fact_sheets/csr.html).

HRD-CBN published the first CSR report in December 2005. The report was aptly titled as ‘Corporate Social Responsibility in the APEC Region: Current Status and Implications.’ Its main finding is summarized as below²⁴):

There is a common understanding that CSR is gradually moving from its historical focus on business philanthropy to a broader set of activities that engage business with the full range of its stakeholders and integrate the practice of CSR into the core strategy of the organization. The experience in all economies is that this is difficult in practice to achieve, because the practical tools to make CSR operational and to measure its benefits remain underdeveloped. Nevertheless, in most economies efforts at measurement and reporting are growing rapidly.

CSR has also evolved in response to profound external forces, including legal obligations, the opinion leaders, and broader public opinions. Another external driver has been the need to assure appropriate labor standards throughout the supply chain. The latter creates a strong demand to integrate suppliers into the overall management of CSR, but this has proven to be challenging because smaller companies need to change fundamental in their management practices.

Developed economies tend to emphasize the environmental management practices. A strong and active civil society has provided a major impetus to CSR, and the management of supply chains (in developing economies) was an important driver. They also tend to have strong traditions of community outreach including corporate community investment. The major challenges for the developed economies are the appropriate responses to globalization,

24) The following summary draws on APEC (2005).

identification and addressing of gaps in CSR practices, the development of common standards of good practice throughout the supply chain, and in general assuring exemplary corporate behavior worldwide.

Developing economies tend to emphasize the role that multinational enterprises played in importing good CSR practices. Going beyond compliance with local laws to apply global standards was typically a critical initial step. Thus, key driver for CSR were the global marketplace and their supply chains as CSR has an impact on the local partners of global corporations. Export-oriented industries are reacting to heightened expectations on CSR related issues according to their incentive to access markets or to attract overseas investment.

Weaker regulatory frameworks and more limited capacity to enforce legislation are their major challenges. In this context, global protocols are expected to be of influence to overcome local weakness and to advance the competitiveness of local business in global markets. It will be related to raising awareness of CSR, building capacity within institutions to adopt CSR, making the local business community to adopt CSR, and transferring competencies to individual companies.

APEC is pursuing CSR as the APEC Agenda, because CSR is believed to promote economic development and improve the business environment in the region, and also to provide an opportunity for APEC economies to address the social dimensions of trade and investment in the region.²⁵⁾

The report distributed to APEC SOM in March 2008 claimed: For companies to compete in the 21st century, policies that support CSR

25) APEC website (http://www.apec.org/apec/enewsletter/may_vol16/onlinenewsd.html).

will become an increasingly important component for improving profits. Seen as an important element of overall corporate governance, a strong approach to CSR is important for ensuring that large scale projects are both environmentally sound and directly benefit local communities. Contributions made by private enterprise to economic development in the region encourage employment creation, technological development and many associated benefits of commerce.

Reflecting on and responding to the concerns of consumers, investors, and other stakeholders is good business strategy because investors and financial analysts often view a sophisticated approach to CSR as a sign of sound, long term corporate planning and risk management.

CSR has been developing at different speeds and in different directions within all APEC economies over recent years with each approach reflecting local factors, distinct business cultures and economic structures. As a matter of fact, many companies in the Asia-Pacific region have already incorporated CSR concepts into their operations. It is because they believe that CSR policies are increasingly important for their successful operation. Accelerating pace of globalization, which rapidly and deeply integrate economic, social and environmental factors into everyday business practice and decision is rendering CSR as significant corporate strategy. What is missing is a comprehensive approach to sustainable development, which involves both government agencies and private firms working together to incorporate sustainability principles as well. This is challenge confronted by the APEC.

Officials at the SOM are expected to have CSR discussions, drawing upon the expertise of the APEC Business Council (ABAC)

and the actual experiences in member economies. Specifically, they are requested to consider²⁶⁾:

- Best practices and practical lessons from the private sector
- Incorporation of social and environmental factors to investment and risk assessment decisions in Foreign Direct Investment and other frameworks
- The role of government, industry and civil society in strengthening resource governance

The first SOM was held in March 2008 in Lima. At this meeting, it was agreed that APEC should play a role in the work on Corporate Social Responsibility (CSR) in the region. To this end, they agreed that CSR would be incorporated into APEC's broader agenda of improving the business environment and economic prosperity of the Asia-Pacific.²⁷⁾

In the APEC Trade Minister Meeting held in Arequipa, Peru May 31-June 1, 2008, Ministers discussed the role that APEC can play in developing CSR in the APEC. They agreed that APEC, especially through ABAC, could play a promoting and facilitating role in CSR awareness and best practices in both the public and private sectors.²⁸⁾

26) APEC Fact Sheets on CSR (http://www.apec.org/apec/news__media/fact_sheets/csr.html).

27) SOM Chair Report(2008) (http://www.apec.org/apec/news__media/media_releases/030308_pe_som1workplan.html).

28) Statement of the Chair, the APEC (http://www.apec.org/etc/medialib/apec_media_library/downloads/news_uploads/2008/aelm/amm.Par.0004.File.tmp/08_amm_jms.pdf).

The APEC Trade Ministers encouraged officials to work closely with ABAC to develop an APEC CSR agenda for consideration by APEC Leaders in 2008.

It is notable that Trade Ministers at this meeting also discussed several instruments which have bearing on CSR, such as fighting corruption and ensuring transparency. They supported the implementation by all economies of the APEC Code of Conduct for Business, the Code of Conduct Principles for Public Officials and complementary Anti-Corruption Principles for the Private and Public Sectors, within the fundamental principles of each economy's legal system. They also urged those member economies yet to ratify and implement the United Nations Convention against Corruption to do so.

From this, one may infer that the APEC 2008 is placing the discussion of CSR in a long-term perspective, wishing to see that CSR would be immersed into a broader and on-going agenda of APEC. The APEC officials in a close cooperation with the ABAC would develop an APEC CSR agenda for consideration by APEC Leaders in 2008. Whether this work would deliver an APEC CSR code for APEC Leaders' consideration in 2008 is speculative at this stage. It is more reasonable to expect that the APEC officials would come up with a set of specific agenda with work plan for the consideration at the Leaders Summit.²⁹⁾

29) This paper was completed in October 2008 before the APEC 2008 Leaders' Summit in Lima. The outcome of Lima Summit in November on CSR is mentioned in footnote 33 and compared to the prediction and suggestion made in the next section of this paper.

IV. International Framework on CSR

Despite some argument against CSR, a general consensus among the business community is that CSR is imperative for sustainable business. Short-sight pursuit of profit without considering the environmental and societal consequence of corporate behavior is socially irresponsible. Fraudulent accounting and labor exploitation are also not credible business practices. Pressure for CSR stems from stakeholders – consumers, employees, shareholders, governments, and civil society.

Accelerating pace of globalization and unfolding event of high-profile unethical business practices have pressed hard to push for CSR. Mindful of this changing business environment, there have been a number of high-level declarations of principle related to CSR and many CSR related codes and initiatives have been developed. At an international level, the ILO Tripartite Declaration, the OECD Guidelines on MNE, the UN Global Compact, and ISO 26000 are noteworthy.

A. The ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy

Declared in 1977, this ILO Declaration represents the first international tripartite consensus on desirable behavior of enterprises with regard to labor and social policy areas. It was established to encourage the positive contribution which MNEs can make to economic and social progress, and to minimize and resolve difficulties arising from their operations.

This ILO Declaration applies to all ILO member governments, employers and worker organizations in the following area on a voluntary basis:

- General policies (obey national laws and respect international standards)
- Employment (employment promotion; equality of opportunity and treatment; security of employment)
- Training (policy development for vocational training; skill formation)
- Conditions of Work and Life (wages, benefits, conditions of work; minimum age; safety and health)
- Industrial Relations (freedom of association and right to organize; collective bargaining; consultation; grievances; settlement of disputes).

The declaration was revised in 2000 to include the Fundamental Principles and Rights at Work and in 2006 to update references to other ILO instruments.

B. The OECD Guidelines for Multinational Enterprises

The *OECD Guidelines for Multinational Enterprises* (the *Guidelines*) are recommendations on responsible business conduct addressed by governments to MNEs. At present, it is applied to MNEs operating in or from the 40 adhering countries, which are all the 30 OECD members and 10 additional non-member countries (Argentina, Brazil, Chile, Egypt, Estonia, Israel, Latvia, Lithuania, Romania, and Slovenia). Established in 1976 and revised in 2000, the *OECD Guidelines* are the

only multilaterally endorsed and comprehensive code that governments are committed to promoting. It is noteworthy that in the process of negotiating text for this OECD guideline, in addition to the member governments, the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) were involved.

They provide voluntary principles and standards for responsible business conduct consistent with applicable laws. The *Guidelines* aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprises. The *Guidelines* are part of the *OECD Declaration on International Investment and Multinational Enterprises*.

The OCED Guidelines have a set of voluntary recommendations in the following areas:

1. employment and industrial relations
2. human rights, environment,
3. information disclosure
4. combating bribery,
5. consumer interests
6. science and technology
7. competition
8. taxation.

C. The UN Global Compact

The Global Compact was launched on 26 July 2000, when several dozen business leaders came together at UN Headquarters to join an international initiative that would bring companies together with UN agencies, labor and civil society to advance universal social and environmental principles.³⁰⁾

With more than 5,000 participants (over 3,600 businesses) from more than 120 countries, the Global Compact has since become the world's largest voluntary corporate citizenship initiative. Through the power of collective action, the Global Compact seeks to advance responsible corporate citizenship so that business can be part of the solution to the challenges of globalization. It is hoped that, in this way, the private sector in partnership with other stakeholders can help realize the vision of the UN: a more sustainable and inclusive global economy.

The UN Global Compact has ten principles in the areas of human rights, labour, environment and anti-corruption.

Human Rights

- 1: Business should support and respect the protection of internationally proclaimed human rights; and
- 2: make sure that they are not complicit in human rights abuses.

30) Homepage of the UN Global Compact (http://www.unglobalcompact.org/docs/about_the_gc/gc_brochure_final.pdf).

Labor Standards

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

Environment

- 7: Business should support a precautionary approach to environment challenges;
- 8: undertake initiatives to promote greater environmental responsibility; and
- 9: encourage the development and diffusion of environmentally friendly technology.

Anti-Corruption

- 10: Business should work against corruption including extortion and bribery.

The UN Global Compact has two objectives:

9. Mainstream the ten principles in business activities around the world
10. Catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs)

Table 1. Comparison of International CSR-related Codes³¹⁾

	OECD MNE Guidelines	ILO MNE Declaration	UN Global Compact
General Principles	✓	✓	✓
Disclosure	✓		✓
Employment	✓	✓	✓
Human Rights	✓	✓	✓
Environment	✓		✓
Bribery	✓		✓ (Anti-corruption)
Consumer Interests	✓		
Competition	✓		
Taxation	✓		

Table 2. Labor Issues Addressed by ILO Declaration, OECD Guidelines and UN Global Compact

	ILO MNE Declaration	OECD MNE Guidelines	UN Global Compact
Freedom of association & collective bargaining	✓	✓	✓
Elimination of all forms of forced and compulsory labor	✓	✓	✓
Abolition of child labor	✓	✓	✓
Non-discrimination in respect of Employment and occupation	✓	✓	✓
General development	✓	✓	
Employment promotion	✓		
Training	✓	✓	
Wages and benefits	✓	✓	
Hours of work	✓	✓	
Safety and health	✓	✓	
Social protection	✓	✓	
Industrial relations	✓	✓	

31) *Overview of Selected Initiatives and Instruments Relevant to Corporate Social Responsibility*; Report by the OECD Secretariat, June 2008, Paris.

D. ILO Core Labor Standards

Salient aspect of international CSR codes developed at various fora is their emphasis on labor standards. There are eight labor standards established by the ILO, considered to be most basic and essential, naturally named as ILO Core Labor Standards as follows:

Freedom of association and collective bargaining

- C87 Freedom of Association and Protection of the Right to Organise Convention, 1948
- C98 Right to Organise and Collective Bargaining Convention, 1949

Elimination of forced and compulsory labour

- C29 Forced Labour Convention, 1930
- C105 Abolition of Forced Labour Convention, 1957

Elimination of discrimination in respect of employment and occupation

- C100 Equal Remuneration Convention, 1951
- C111 Discrimination (Employment and Occupation) Convention, 1958

Abolition of child labour

- C138 Minimum Age Convention, 1973
- C182 [prohibition and elimination of] the Worst Forms of Child Labour Convention, 1999

* note: [] is added for the clarification by the author

E. ISO 26000

ISO 26000 is the designation of the future International Standard to be developed by the ISO (International Organization for Standardization) for giving guidance on CSR. Because the work is still under way, ISO 26000 is futuristic.

ISO 26000 as CSR Code is intended for use by organizations of all types, in both public and private sectors, in developed and developing countries. It will assist them in their efforts to operate in the socially responsible manner that society increasingly demands. Unlike other certification standard developed by the ISO, ISO 26000 contains guidelines, not requirements.

The need for ISO to work on CSR standard was first identified in 2001 by ISO Committee on consumer policy. In 2003, the multi-stakeholder ISO Ad Hoc Group on SR which had been set up by ISO's Technical Management Board (TMB) completed an extensive overview of CSR initiatives and issues worldwide. In 2004, ISO held an international, multi-stakeholder conference on whether it should launch CSR project. In the light of plethora of CSR codes in international area with confusing overlapping, this conference found out a room for ISO to make a positive contribution, leading to the establishment of the ISO Working Group on Social Responsibility (WG SR) in late 2004 to develop the future ISO 26000 standard.

Fifty-four countries and 33 organizations with liaison status are participating in the WG SR under the joint leadership of the ISO members for Brazil (ABNT) and Sweden (SIS). The main stakeholder groups are represented in this drafting process: industry, government, labor, consumers, nongovernmental organizations, service, support,

research and others, as well as a geographical and gender-based balance of participants.

Standard development at the ISO goes through six stages:

1) proposing new work item, 2) developing a working draft, 3) developing a committee draft, 4) interning a draft and developing a standard draft, 5) interning a final draft and standing, 6) finally developing an international standard. Currently, the work of ISO 26000 is in the stage 2 and targets to publish it in late 2010.

Whereas the detailed content of ISO 26000 will evolve throughout its development process, its module has already been agreed upon and covers the following³²⁾:

0 Introduction

1 Scope

2 Normative references

3 Terms and definitions

4 The CSR context in which all organizations operate

5 CSR principles relevant to organizations

6 Guidance on core CSR subjects/issues

7 Guidance for organizations on implementing CSR

8 Guidance annexes

Bibliography

It is expected that ISO 26000 will draw on best practice developed by existing public and private sector CSR initiatives. Case would be made that ISO 26000 will be consistent with and complement relevant declarations and conventions by the UN and its constituents.

32) Tomita, Hidemi(July 2008), *Communication Strategies on ISO Social Responsibility*, International Seminar, ISO 26000 Social Responsibility, Chile.

V. A Way Forward to CSR at the APEC

CSR is more of capacity building project in the APEC. This is evident from the fact that CSR has been dealt with at Human Resources Development Working Group (HRD WG). Specifically, Human Resources Development Working Group – Capacity Building Networking (HRD-CBN) has undertaken CSR. As the first project, focus was on the overview of CSR in the APEC region: the report was aptly titled as ‘Corporate Social Responsibility in the APEC Region: Current Status and Implications.’ The second project entitled ‘New Corporate Procurement Strategy on Trade in Goods and Service in APEC Region – Supply-chain options with CSR perspective’ was undertaken and the outcome was published in December 2007.

Through these exercises, they found out that CSR perspectives vary and, accordingly, so do styles of implementation across APEC member economies. At the same time, they came to an important common recognition that:

- CSR can facilitate improved trade and investment environments.
- Development of capacity to implement CSR is therefore critical.

At present, CSR is assessed to have ‘medium’ rank of priority in the APEC ECOTECH project for capacity building activities for developing economies. A ‘high’ priority is given to projects on climate change, energy security and clean development, and also projects on WTO and multilateral trading system, regional economic integration, enhancing human security, and APEC reform. All these projects are given rank 1 and CSR project is given rank 3. Considering the lowest

rank in the ECOTECH is 6, the rank 3 is just above the average. Even rank 3 might be over assessment; CSR is one of host agenda for year 2008. This may imply that from year 2009 on attention given to CSR may be even lower. This situation manifests the current status and the future of CSR in the APEC.

It is for sure that the APEC 2008, especially the host economy of Peru, will make a strong push on CSR. Peru may want to see APEC Leaders in November adopt some statement on CSR. However, what the APEC 2008 can do is nonetheless constrained by resources and time. Hence, coming up with APEC CSR code by November 2008 is considered to be a long shot. As discussed earlier, the APEC takes rather longer-term view on CSR. The APEC officials would like to see more of capacity building work on CSR before moving on to the next step of creating APEC CSR code. In the light of these observations, a most realistic scenario for the APEC 2008 is as follows³³):

1. The APEC Leaders adopt statement on CSR, which contains two parts.
2. The first part is to give a mandate to develop APEC CSR code with some time frame, such as by year 2010.
3. The second part is to encourage the APEC to continue to work on capacity building network exercise on CSR.

33) After this paper was completed and waiting for the publication, the APEC 2008 Leaders' Meeting was held in Lima during November 22-23. In the statement, they "encouraged companies to incorporate CSR into their business strategies to take account of social, labour and environmental concerns" and also "agreed to promote CSR practices in APEC economies on a voluntary basis in business operations of all sizes to complement public policies that foster sustainable development."

Whether APEC CSR code is mandatory or not is an issue. If it is not mandatory, some may argue, then implementation would not ensue, thereby wasting resources and time spent in the development of the code. Without enforcement of CSR code, they go on to say, why such a code should be developed to begin with.

On the other hand, one needs to be reminded that the APEC does not have much tradition of formal negotiations. A glaring example is the case of the Bogor Goal, which set year 2010 for developed economies and 2020 for developing economies of liberalizing trade and investment. Although the Bogor Goal was adopted by the APEC Leaders in November 1994, the APEC has failed to bring this mandate under its ordinary business. As a matter of facts, some developed economies made endeavor to formalize negotiations toward the attainment of the Bogor Goal. Developing economies of the APEC blocked this attempt, arguing that the APEC was not negotiating forum. As a compromise, the idea of voluntary sectoral liberalization and model scheduling for liberalization was adopted. Basically, this implied that the APEC would not engage in any formal negotiations for trade and investment liberalization like the WTO or the EU. As a consequence, with less than two years to go, no one knows what will happen in 2010 to developed economies of the APEC regarding the Bogor Goal.³⁴⁾

Implication is clear. Attempt to develop mandatory CSR code in the APEC is not realistic. This implication can be confirmed when one analyzes how the APEC members fares in regard to some

34) The APEC seems to enjoy this sort of confusion, as the peculiar term of 'constructive ambiguity', frequently associated with the APEC work process, would imply.

significant international CSR related legal instruments.

As analyzed earlier, most CSR codes developed in other international organizations are voluntary. Notable exceptions are the OECD Guidelines on MNE and the ISO core labor standard.

Considering the nature of the OECD as an exclusive club, it is natural that the OECD Guidelines are mandatory. These Guidelines

**Table 3. Adoption of the OECD Guidelines for MNE
by APEC Member Economies³⁵⁾**

APEC Economies	OECD Guidelines for MNE
Australia	✓
Brunei Darussalam	
Canada	✓
Chile	✓
China, People's Republic of	
Hong Kong, China	
Indonesia	
Japan	✓
Korea	✓
Malaysia	
Mexico	✓
New Zealand	✓
Papua New Guinea	
Peru	
Philippines	
Russia	
Singapore	
Chinese Taipei	
Thailand	
United States	✓
Vietnam	

35) APEC homepage (http://www.apec.org/apec/member_economies.html),
OECD homepage (www.oecd.org).

are open to non-OECD members for adoption. At the present, ten non-members have adopted these Guidelines, including Chile from the APEC. Out of 21 APEC member economies, now 8 economies adopt the OECD Guidelines (Table 3).

As for the ISO core labor standard, many countries ratified only

Table 4. Ratification of the ILO Core Labor Standards by APEC Member Economies³⁶⁾

APEC Economies	ILO Core Labor Standards							
	C87	C98	C29	C105	C100	C111	C138	C182
Australia	✓	✓	✓	✓	✓	✓		✓
Brunei Darussalam								✓
Canada	✓			✓	✓	✓		✓
Chile	✓	✓	✓	✓	✓	✓	✓	✓
China, People's Republic of					✓	✓	✓	✓
Hong Kong, China	-	-	-	-	-	-	-	-
Indonesia	✓	✓	✓	✓	✓	✓	✓	✓
Japan	✓	✓	✓		✓		✓	✓
Korea					✓	✓	✓	✓
Malaysia		✓	✓		✓		✓	✓
Mexico	✓		✓	✓	✓	✓		✓
New Zealand		✓	✓	✓	✓	✓		✓
Papua New Guinea	✓	✓	✓	✓	✓	✓	✓	✓
Peru	✓	✓	✓	✓	✓	✓	✓	✓
Philippines	✓	✓	✓	✓	✓	✓	✓	✓
Russia	✓	✓	✓	✓	✓	✓	✓	✓
Singapore		✓	✓		✓		✓	✓
Chinese Taipei	-	-	-	-	-	-	-	-
Thailand			✓	✓	✓		✓	✓
United States				✓				✓
Vietnam			✓		✓	✓	✓	✓

* Hong Kong, China and Chinese Taipei are not recognized as member countries in ILO Labor Standards

36) APEC homepage (http://www.apec.org/apec/member_economies.html),
ILO homepage (<http://www.ilo.org/ilolex/english/newratframeE.htm>).

few standards, not all of them. This selective adoption is rampant for the APEC member as well (Table 4).

Another international treaty, which is relevant for CSR, is the UN Convention against Corruption. Although the APEC Leaders encouraged all APEC members to adopt this Convention, still some economies have not taken action.

As evidenced above, the current status of the APEC economies' response to other international CSR related instruments shows their unwillingness to embrace CSR wholeheartedly. One should not be mistaken by inferring that it is developing economies which are less enthusiastic. As for the ILO core labor standards, several developed economies have failed to ratify all of them, while developing economies like Indonesia, Peru and Philippines have ratified all of them. Reflecting their domestic political landscape, all the economies have their own sensitivities.

Hence, working on mandatory CSR code in the APEC is not a way to go. Then, what are options? There are two options. Option 1 is to make reference to several international CSR-related codes such as the ILO Tripartite Declaration, the OECD Guidelines on MNE, the UN Global Compact and ISO 26000, and encourage APEC economies to adopt these. Option 2 is to develop APEC CSR code on a voluntary basis. Option 1 is an easy way out, because no additional effort is done by the APEC. It also gives freedom of choice to the APEC members. Option 2 has an advantage of reflecting peculiar situation of the APEC. Even though it is a voluntary code, peer pressure will be mounting for non-adopting members. However, this peer pressure will not be much in the light of the APEC history and situation.

Between these options, option 2 appears to be more value-added

for the APEC. Since the APEC region represents most of global supply chain—home to many influential and international corporations, the APEC should be capable of producing CSR more tailored to the APEC. CSR from the perspective of global supply chain appears to be a focal point of the future CSR discussion in the APEC.

Table 5. United Nations Convention against Corruption³⁷⁾

Member economy	Signature	Ratification
Australia	9 Dec 2003	7 Dec 2005
Brunei Darussalam	11 Dec 2003	
Canada	21 May 2004	2 Oct 2007
Chile	11 Dec 2003	13 Sep 2006
China	10 Dec 2003	13 Jan 2006
Indonesia	18 Dec 2003	19 Sep 2006
Japan	9 Dec 2003	
Malaysia	9 Dec 2003	24 Sep 2008
Mexico	9 Dec 2003	20 Jul 2004
New Zealand	10 Dec 2003	
Papua New Guinea	22 Dec 2004	16 Jul 2007
Peru	10 Dec 2003	16 Nov 2004
Philippines	9 Dec 2003	8 Nov 2006
Republic of Korea	10 Dec 2003	27 Mar 2008
Russian Federation	9 Dec 2003	9 May 2006
Singapore	11 Nov 2005	
Thailand	9 Dec 2003	
United States of America	9 Dec 2003	30 Oct 2006
Viet Nam	10 Dec 2003	

37) Homepage of the UN Office on Drugs and Crime (<http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>).

What is happening in IT industry demonstrates how CSR can be promoted and implemented through global supply chain.

[Case 1]

When 'Catholic Agency for Overseas Development (CAFOD)', an NGO based in the U.K. pointed out a problem of employees' working environment in the suppliers to Hewlett Packard, Dell, and IBM in January 2004, these companies first began to deal with the problem by themselves. After recognizing limitation of such an individual response to the problem, starting from October 2004, they decided to collaborate together and adopted the Electronic Industry Code of Conduct, which would be applicable to their suppliers.

[Case 2]

IT businesses such as Toshiba are formulating corporate procurement policy, taking into account of CSR. Their procurement policy contains the prohibition of child and forced labor in supply chain, the abolition of discrimination, and the maintenance of clean work environment. This policy was first implemented to suppliers from the US and Japan, and gradually extended to those from other region.

[Case 3]

NEC approaches CSR as integral strategy to reduce its risk and enhance corporate image through active engagement with stakeholders located all over the world. NEC's basic policy in CSR promotion is to manage risk factors existing in and out of the corporation and reducing them. NEC's CSR covers product quality, environment, customer information, fair trade, labor and hygiene, and human

rights. To advocate and spread CSR, NEC maintains education program on CSR for each inside business unit and people responsible for CSR promotion within related companies. To keep abreast of latest development, NEC actively reflects customer requests on its manufacturing and sale, making CSR evolving and dynamic.

MNE responds to forces of global competition through globalized production network so that they can reduce production cost. Consumers in importing economies are concerned with the health, environment, and ethical issues about the process of producing the products. While pressure from consumers and civil society in developed economies drives CSR in the global supply chain, for local suppliers to MNE, CSR may be recognized as barrier to trade, becoming impediment especially for the small and medium-sized industries operating within a larger global supply chain. This conflict of interest poses another challenge to some governments, because they are responsible to protect population health and the environment as well as to protect a business-friendly business environment for job creation. One needs to be aware of a possibility that CSR discussion at international organization may lead to some future trade rule, which may require CSR as a part of export or import regulation in the context of so-called sustainable development. The case in point is the requirement of ISO 90000 certificate for export to the EU area for quality management assurance.³⁸⁾

The APEC CSR code, if developed, is expected to have labor and environment as essential components, among others. In this regard,

38) The author is grateful to a referee for the suggestion of this example.

existing international instruments and most importantly ISO 26000 which is under development may serve reference. How to proceed is as important as what is in. CSR work in the APEC involves public-private sector dialogue.

Dual-track approach is recommended for moving ahead on CSR agenda.

First, the APEC may set a medium-term goal of developing the APEC CSR code on voluntary basis. Useful reference is ISO 26000, which is expected to be published in 2010.

Second, the APEC should continue to work on capacity building of CSR by stepping up efforts in the following areas:

- Diagnostic of APEC structure to identify areas of expertise in APEC committees and working groups to include in an APEC CSR framework;
- Mapping of CSR linkages across the APEC agenda;
- APEC CSR regional network of business organizations and experts;
- Business outreach and promotion of CSR best practices in the APEC
- Improving public awareness;

VI. Conclusion

This paper is motivated to explore what is the best way to address CSR in the APEC. In particular, the paper took up the question of whether or not developing mandatory CSR code in the APEC. Conclusion is that such a task is neither desirable nor realistic.

First of all, as analyzed in the paper, most CSR codes developed in other international organizations are voluntary. Notable exceptions are the OECD Guidelines and the ISO core labor standard. Even in the ISO core labor standard, the APEC economies adopted selectively, while several advanced economies failed to adopt all of the core standards. Second, there is considerable resistance about the APEC making a negotiating forum. Many developing economies are of the view that the APEC should not be turned into Asia-Pacific version or sub-group of the WTO. They are fearful about the possibility that mandatory CSR may be imposed on them as opening up their borders and dismantling their non-tariff measures even without negotiating.

Hence, dual-track approach is recommended for moving ahead on CSR agenda. First, the APEC may set a medium-term goal of developing the APEC CSR code on voluntary basis. Useful reference is ISO 26000, which is expected to be published in 2010. Second, the APEC should continue to work on capacity building of CSR by stepping up efforts in the area of identifying best practice and dissemination, advocacy and public engagement, and networking.

A promising venue for further research and discussion in the APEC is to the study of CSR in the context of global supply chain.

Whereas the APEC region is base for many of global supply chains with the developed and developing economies together, and the home base of MNEs and their suppliers together, study of CSR from this perspective is at an early stage. In the light of complicated linkage between trade and investment on the one hand and its labor and environmental effect on the other hand, this avenue of research will lead to many provocative yet important discovery. Before policy makers to come up with any policy measures on CSR, this line of research is imperative.

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