

**Environmental Rights Agreements between Non-governmental Organizations
and Multi-national Corporations: A Paper Alliance or a Marriage of Mutual
Interests?**

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Introduction

This paper examines a recent trend involving international agreements between non-governmental organizations (NGOs) and multi-national corporations (MNCs). Despite the fact that MNCs and NGOs are generally considered to have conflicting interests and motivations, they---rather than governments---have been making agreements to safeguard the environment. Why? More specifically, “What conditions helped precipitate the construction of these agreements, and is there a common thread among them?”

It will address this question by way of specific case studies involving the World Wildlife Fund for Nature’s (WWF) agreements to preserve Indonesia’s tropical rainforests with Asia Pacific Resources International Holdings Ltd. (April) and Asia Pulp & Paper (APP). Judgments regarding the success or failure of such agreements are not the purpose of this investigation, only the general conditions which led to their creation. Data was collected from archives, newspapers, interviews and other published reports.

To understand the current climate of MNC and NGO collaboration, it is helpful to briefly survey the effects globalisation has produced. In today’s global economic marketplace, many nations lack the economic means or the political will (or both) to regulate environmental rights effectively. Increasingly, MNCs and NGOs are stepping up to fill that void in governance. MNCs, multi-national enterprises (MNEs) and trans-national corporations (TNCs) are for-profit extraterritorial business enterprises that operate within and across the geographical boundaries of multiple states. Since most research papers use at least one of the aforementioned names to describe such businesses, they will hereinafter be collectively referred to as MNCs. NGOs, like environmental protection

organizations (EPOs) and human rights organizations (HROs), are non-profit organizations created to address human, labour and environmental rights issues on behalf of civil societies. Much like their for-profit counterparts, NGOs maintain operations within and across national borders.

MNCs and Government Regulation

The first MNCs were for-profit privately owned or publicly listed corporations that spread out across the globe circa World War II in search of new sources of raw materials and of new markets to conquer. Their access to international capital markets allowed them to fund significant investments in exploration for resources and the research and development required to maintain and strengthen their positions in the energy and technology industries, which in turn fuelled the growth of other industries.

As technological change accelerated, “product and process lifetimes shortened and research and development costs increased. As a result, companies have been forced, whether they like it or not, to seek additional markets abroad to gain the profits necessary to amortize their investments in time to stay up with the competition when the next technological advance comes along” (Stubbs & Underhill, 1993, p.104).

MNCs adeptly influence the policies of their home nations as well as the policies of countries where they establish (or are considering launching) production facilities. Legal disputes over which nations’ laws apply further complicate the regulation of environmental practices of MNCs and their subsidiaries. “This problem of extraterritoriality is inherent in the structure of all TNCs” (Baylis & Smith, 2001, p. 365).

Most developing countries are aware of these problems but still desire the jobs and foreign direct investments (FDI) MNCs offer. The lure of jobs and FDI are used as leverage when MNCs negotiate with governments. As Colin Hay notes, “Heightened mobility allows capital to ‘exit’ from punitive taxation regimes and overregulated labour markets to seek out cost-competitive labour (at a given level of skill) and low taxation environments (in a process of ‘regime shopping’)” (Hay, 2000, p. 517). MNCs therefore often establish their operations in nations that promise low taxation and little effective environmental regulation.

Many scholars question whether it is even possible to regulate MNCs “that consume much of the earth’s resources while producing huge quantities of waste. The largest 500 MNCs generate more than 50% of the greenhouse gas emissions produced annually” (Josselin & Wallace, 2001, p. 133). MNCs have, at times, come under pressure from national governments and institutional investors to address lax environmental business practices. Lawsuits can be filed in US or EU courts on behalf of foreign citizens. In 1984, for instance, an industrial accident at one of Union Carbide’s chemical plants in Bhopal, India, killed more than 2,000 people and injured more than 200,000 Indian citizens. The victims’ attorneys wanted a US trial, but a US judge ruled that it should take place in India, provided that Union Carbide agreed to a discovery process under US legal principles (Donaldson, 1989, p. 111). The case dragged on for several years: Union Carbide claimed the gas leak was the result of employee sabotage. The Indian government filed criminal charges against corporate executives, blaming lax safety procedures. Five years later, “Union Carbide agreed to pay \$470 million to the Indian government and in return, India agreed to drop criminal charges” (“Damages for a Deadly Cloud”, 1989, February 27, *Time* p. 53).

India's successful suit against Union Carbide, however, is more of an exception than a rule. Many states, particularly developing states, lack the finances and the technology to monitor or regulate MNC activities. Indeed, the profits of many MNCs often exceed the Gross Domestic Product (GDP) of their host nations. According to the World Bank, "the share of total world output by the local affiliated factories of multinational corporations has gone from 4.5 percent of world Gross Domestic Product in 1970 to double that amount today" (Friedman, 1999, p. 112).

Many scholars believe this manifestation of globalisation usurps the autonomy of national governments. "Globalization undercuts state sovereignty, weakening governments' ability to effectively regulate their domestic affairs. Global market forces are both powerful and uncontrollable, stripping governments of their agency" (Drezner, 2004, p.479-480). Global governance institutions such as the International Monetary Fund (IMF), United Nations (UN) and World Trade Organization (WTO) have only limited authority. Most regulatory power rests with the individual state members (which, as noted, are often economically disadvantaged vis a vis MNCs).

According to Anthony Giddens, "all strategies of control employed by superordinate individuals or groups call forth counter-strategies on the part of subordinates," a form of agency he calls the "dialectic of control" (Giddens, 1985, p.10-11). In other words, the same mechanisms of globalisation that have enhanced the power and influence of MNCs and stripped nation-states of some autonomy have fuelled the growth of counter-organizations that act as a balance to protect the interests of nations and societies from the negative impacts of MNCs. Not surprisingly, then, these groups – NGOs – have also risen to prominence over the past fifty years.

“Many MNCs have come under pressure from international institutions and NGOs to be more responsive to the range of social needs in developing countries, including ...attending to the environmental impacts of their activities” (Doh, 2005, p. 701). These include trans-national NGO entities like Greenpeace as well as international state sanctioned global institutions such as the United Nations (UN) or supraterritorial institutions like the European Union (EU). Low-cost communications technology has led to spectacular growth in the number of NGOs. They have become adept at using the internet to tap into broad social movements and publicize MNC abuses of the environment. “Relying on hi-tech, low-cost means of grassroots advocacy around single issues, they have demonstrated the effectiveness of decentralized and flexible structures combined with non-formalized communication and decision making” (Kell & Ruggie, 1999, p. 5).

Many of these NGOs are staffed by former government officials and or employees of MNCs, who use their past experience to develop strategies designed to pressure MNCs into negotiations. NGOs have realized that most MNCs are “part of co-operative ‘alliances’ or ‘chains’ that link firms together, rather than free-standing hierarchies operating in competition with each other. Buyers [or retail capitalists] drive production, which is often organized through complex subcontracting arrangements with producers [of shoes, clothing and consumer electronics]” (Holton, 1998, p. 63). A better understanding of these connections allows NGOs to target the links that are most sensitive to public pressure and negative media attention.

Interaction with States by MNCs and NGOs

Public awareness of environmental issues has risen dramatically since the 1960s. Environmental issues have profound impacts on national and international

political economy. While states officials are aware of the problems caused by environmental degradation and abuse, they are often reluctant to take steps to curb abuses for fear of offending various business interests. The costs to business interests and MNCs of addressing pollution or of adhering to environmental regulations are seen as onerous and likely to curb current and future profitability.

Many MNCs have in fact moved their operations to other countries with lax environmental rules to avoid such costs. “As governments and consumers in the [wealthier nations of the] North have restricted or banned a number of tobacco products, pharmaceuticals and pesticides, global marketing [by MNCs] has created new outlets for these goods in the [developing countries of the] South and East” (Scholte, 2000, p. 213-214). For example, almost one-third of pesticides exported from the North and West are no longer legal or registered in those same states (*Third World Guide 93/94*, 1993, p. 3). Now that scientists can prove that certain products harm the global environment, society must make difficult decisions about who will pay to correct this damage.

Advocates for the environment have often experienced difficulty persuading governments to show greater respect for the environment because these governments are struggling to ensure that their people have adequate food, clothing and shelter. Their focus is on growing their economies in order to meet those basic needs. If the environment gets trampled in the process, it is considered to be the price one must pay. But because the MNC is in the best position to help those governments address their primary concerns, it is also in the best position to influence these nations to show greater respect for environmental rights. In other words, money talks, and that is what MNCs bring to the table.

NGOs, for their part, are well-positioned to persuade MNCs to adopt and

adhere to environmental rights standards as part of their CSR guidelines. NGOs can monitor their compliance and publicize their failures. The key to opening the door to deal with multinationals on environmental issues is to cite the long-term risks associated with a short-term cost-driven strategy--in other words, to show the potential expenses associated with being caught looking the other way on environmental abuse. The reality is, "MNCs face complex challenges in establishing and maintaining legitimacy, or their license to operate, across many host countries with differing social and cultural norms and values" (Black & Hartel, 2004, p. 125). MNCs cannot afford to have their images tarnished in markets where consumers can choose competitive brands or their bottom lines will suffer. Even MNCs that deal in commodities or do not have a brand name to protect are vulnerable to NGO pressure because NGOs have started applying pressure to MNCs' customers or suppliers who do not wish to be identified as partners of irresponsible MNCs.

It is not surprising, then, that in the past ten years many MNCs have adopted Global Codes of Conduct or Corporate Social Responsibility (CSR) standards. Mathias Koenig-Archibugi's research found several underlying reasons: "concern that the business might lose customers and investors because of negative publicity; a desire to project a responsible corporate image; the wish to prevent litigation and state regulation; and as a means to improve employee morale and loyalty" (Koenig-Archibugi, 2004, p. 249-250).

Despite these positives, it is wrong-headed to expect MNCs to place protection of the environment ahead of their own economic interests. They compete with other businesses and thus must keep down costs in order to succeed. Environmental regulations are usually costly, which places MNCs in conflict with environmental NGOs that seek to limit environmental damage and the destruction of

habitats and species. The rest of this paper examines the conditions under which MNCs and NGOs can find common ground.

Up until the latter part of the 20th century, civil society traditionally looked to its sovereign state governance institutions to protect the local environment. Unfortunately, not all states have made environmental concerns a top priority. For instance, the nations that consume or produce the most oil or wood and pulp products have thus far taken few concrete steps beyond paper recycling to address the issue of environmentally unsustainable levels of tropical deforestation. “The unpalatable implications of many environmental policies for key groups of producers and consumers, and the enmeshment of problematic environmental practice with the basic routines of everyday life, are such that few governments, if any, have shown themselves willing to accept the political costs of policies – coercive or catalytic – which might bring economic and social practices into line with the requirements of global environmental sustainability” (Held, McGrew, Goldblatt & Perraton, 1999, p. 410).

Despite the lack of action on the part of some governments, many MNCs are taking steps to safeguard the environment. Numerous scholars and executives believe environmental neglect will eventually negatively impact corporations’ bottom lines, especially if one calculates the cumulative effects of avoiding such responsibilities over several years. “Suddenly, the cost advantages of lower-cost labor or lower-cost inputs from more abusive suppliers must be weighed against the crush of negative publicity, the cost of public relations, the possibility of consumer protests. For consumer-products firms, the impact is particularly intense, since highly visible brand names provide an ideal target for smear campaigns” (Spar, 1999, p. 72).

This paper examines two specific cases involving MNCs whose logging practices were heavily criticized by environmental NGOs. The analysis will provide insights regarding the general conditions that led these MNCs to negotiate agreements with NGOs designed to eliminate the clear cutting and illegal logging of tropical rainforests in Indonesia.

Environmental Consequences of Tropical Rainforest Deforestation

“Apart from their capacity to ‘sequester’ carbon and thus mitigate the effects of climate change, tropical forests are valuable as a source of biodiversity” (Dua & Esty, 1997, p. 51). Forests, particularly bio-diverse tropical rainforests, also contain enormously valuable natural resources: plants and other life forms that grow around the trees of the rainforest hold the key to pharmaceutical cures for myriad diseases. For instance, “*Taxus brevifolia*, previously discarded as a junk species has proven far more valuable than the timber that grows around it” (Pagiola, Bishop & Landell-Mills, 2002, p. 158). Many of these species will disappear if their ecosystem is destroyed by those seeking immediate economic gains through illegal logging and clear-cutting timber practices.

“The tropical rainforests of Southeast Asia contain the world’s most diverse assemblage of vascular plants as well as the most economically valuable hardwoods [ebony, mahogany etc.] They are more fragmented than the other large blocks of rain forest in the Amazon and Central Africa” (Rudel, 2005, p. 139). But these rainforests may be gone within the next decade. A World Bank study finds that unless illegal logging is stopped and legal logging practices in Indonesia improve, there will be no higher quality tropical forest left on the island of Sumatra by 2009. It has been estimated that as much 40% of the wood used by Indonesia’s pulp and paper mills has been cut illegally (Global Forest Watch, 2000). Furthermore,

deforestation has led to deterioration in the quality of water on Indonesia's islands because rainforest acts as a filter to cleanse rainwater runoff.

World Wildlife Fund for Nature and Indonesia's Government

Indonesia's government has only tenuous control in many areas of this far-flung island nation, particularly in the heavily forested regions where most logging occurs. In 2006, the World Wildlife Fund for Nature (WWF) reported that Indonesian forestry and police officials apprehended a group of illegal loggers on the island of Sumatra and confiscated 8 of their small tractors. But as they were escorting them to jail, they were met by an angry mob of 300 villagers and, fearing for the safety of all concerned, released the men and their equipment. It is reasonable to assume that illegal logging activities resumed the following day.

Such incidents demonstrate that even when the governments have the will to act to protect the environment, they may not have the means to enforce their own regulations. Nor have these NGOs found much support from the native peoples in many of the areas that they are trying to protect. For instance, "Sukidi, a 41 year old former illegal logger [in Sumatra]... says he used to earn \$10 a day [thru illegal logging], triple what he can make fishing. He says he knew cutting the rainforest had an [adverse] environmental impact, 'but this was for my stomach. I have children'" (Stecklow, 2006).

Indonesia's government could not halt the illegal logging, and the WWF's lobbying against clear-cutting practices was not stemming the loss of rainforests, so it changed strategy: It decided to *negotiate* with the MNCs that were logging in Indonesia to supply their timber, pulp and paper mills. This change in strategy meant that the WWF had to recognize the legitimate business interests of the pulp and paper industry MNCs, but it also continued to hold forth the prospect of intense

media pressure should they fail to reach a satisfactory agreement with them. The WWF understood that it would have to not only monitor MNC compliance but also offer tangible assistance to the MNCs' pursuit of business opportunities in return for such compliance. Essentially, the WWF would become a quasi business partner with its one-time foe.

The WWF and other NGOs often have difficulty partnering with MNCs because of the history of corporate abuses of the environment and existing government regulations designed to protect it. Such abuses are not confined to developing countries. "Even in countries with well established regulatory systems and effective courts a determined company can flout the law. Some get caught, but only after doing extensive damage. For example, Louisiana-Pacific Corporation pled guilty to 18 felonies and agreed to pay \$37 million in penalties and \$5.5 million for criminal violations of the (US) Clean Air Act" (Florini, 2003, p. 5-6).

So what motivated the WWF to attempt to enlist the help of the very MNCs it had so long battled with? In this case, it was the realization that the MNCs were the only entities in the region powerful enough to stand up to forces that were destroying the local environment and contributing to the causes of climate change.

Consider that prior to 2000 the Indonesian lumber industry had been dominated by Chinese timber barons favoured by former Indonesian President Suharto. They were led by Mohamad 'Bob' Hasan who had served in Suharto's government as Indonesia's Trade and Industry Minister and as the head delegate to the International Tropical Timber organization (ITTO) before he was convicted for fraud and corruption in 2001. Unfortunately, the legacy of corruption lives on. "In 2005, the Environmental Investigation Agency (EIA), and its Indonesian partner, Telepak, found that (Chinese) crime syndicates routinely ship to China illegally

logged timber”(Humphreys, 2006, p. 144). To effectively deal with all of the economic forces driving illegal logging, the WWF knew it needed a more powerful ally than the government, one with ample financial resources. Clearly, the WWF couldn't rely on the support of natives or the government because according to numerous sources, “Forestry Department officials and the police are allegedly involved in illegal logging on Indonesia's Bukit Tigapuluh National Park in Sumatra and Tanjung Puting National Park in Kalimantan”(Global Forest Watch, 2002, p.34). But unless the dynamics at work both on Sumatra and in the rainforests on the islands of Borneo, Kalimantan and Sulawesi changed, there would be no rainforests left in Indonesia within 10-15 years.

Asia Pacific Resources International Holdings Limited (April) Case

In 2000, WWF initiated discussions with MNC April, which held the logging concessions for large tracts of forest next to the new Tesso Nilo National Park. April executives were sceptical at first: “Some logging managers perceive environmental regulations as a burden that could potentially undermine profits as well as their personal performance” (Dauvergne, 2001, p. 119). So early talks proceeded slowly and broke off in 2001 when the WWF discovered that April had begun clear cutting in Tesso Nilo. The WWF began meeting with April's MNC customers, urging them either to pressure April into halting clear cutting or to stop business dealings with April. As a result, some of April's potential customers in Europe told April's sales and public relations representatives “We can't buy from you” (Stecklow, 2006). US-based Procter & Gamble, the largest consumer products MNC in the world, refused even to meet with April sales executives. Such resistance from customers prompted Jonathan Wootliff, who had been working as an

independent consultant for the Edelman public relations firm, to advise April's new president, AJ Devanesan, to resume talks with WWF.

Devanesan met with WWF representatives in December of 2001, even though many of April's executives were aghast at the prospect of changing their business practices to accommodate the concerns of environmentalists. As they put it: "Transparency is good, but don't be the first naked guy on the beach." According to Wootliff, many of April's executives considered activists "extortionists" (Stecklow, 2006).

At a follow-up meeting in February 2002, WWF representatives challenged the legality of April's clear-cutting methods in Tesso Nilo and asked them to stop. When April balked, WWF displayed its media savvy by suggesting to global TV news channel CNN that they run a story on the environmental damage caused by April's clear cutting. That same month another NGO called Friends of the Earth (FOE) initiated a boycott campaign of April's European customers. Three days after the CNN news crew left Indonesia, but still weeks before their story was scheduled to air, April invited WWF's director of policy and corporate engagement in Indonesia, Nazir Foad, to meet. April promised to stop all logging inside Tesso Nilo and to stop building a second road through it. April also "agreed to stop buying wood from other suppliers to discourage illegal logging" (Stecklow, 2006). Ibrahim Hasan, an April executive, denied that CNN's pending report caused April to reverse its stance in Tesso Nilo but admitted that NGO pressure and the CNN visit "had an impact" (Stecklow, 2006).

April maintains that it didn't lose any customers due to the CNN story and the 2002 boycott, but it acknowledges that it had to defend its actions to customers and sell some of its pulp production at a discount. According to executive Jouko

Virta, “We needed to do a lot of work to sort of counter the NGO perceptions in the global marketplace” (Stecklow, 2006). Thus it would appear the NGO protests were successful in marring April’s corporate image and adversely impacting its bottom line. Even though April didn’t have a consumer brand name to protect, it wasn’t immune from the effects of NGO-generated negative publicity because its customers in the supply chain weren’t immune to such NGO tactics.

Today April is developing acacia wood plantations in areas surrounding Tesso Nilo National Park. April has also agreed not to log 386 square miles of the rainforest adjoining Tesso Nilo, effectively doubling the park’s size. The acacia wood plantations keep the endangered Sumatra elephants and tigers inside the park and also restrict access to the park’s remaining natural wood trees by illegal loggers. These plantations will also provide economic sustainability in the form of legal tree-cutting jobs for the native population.

April now allows WWF to audit its timber purchases to ensure that only legally cut timber is used. It has also announced that it would purchase only legal plantation-grown acacia wood after 2009 for use in its mills. And it has stopped allowing natives to use its ferry to transport their illegally cut logs. April even set up joint patrols with WWF personnel to help stop illegal logging in Tesso Nilo. While these patrols have had only limited success, Foad accepts some of the blame by saying “We failed to push the government hard enough to send their rangers to make arrests” (Stecklow, 2006).

Asia Pulp and Paper Case

The WWF also approached Asia Pulp and Paper (APP), which according to a briefing paper for Friends of the Earth, “is one of the biggest pulp and paper companies in the world and is responsible for destroying a large area of Indonesia’s

rainforest” (Matthew, 2001, p. 1). APP used the same clear-cutting timber practices and was a large consumer of illegally cut timber (an estimated 40% of its purchases was of suspicious origin). The WWF believed that APP’s business practices were also negatively affecting indigenous people: Employees of an APP subsidiary clashed with villagers in Riau Province on 3 February 2001; at least five villagers were injured, two seriously (Matthew, 2001, p. 3).

The WWF told APP executives that it would target their largest MNC customers unless it agreed to change its logging practices and better protect the rainforests on Sumatra. Fearing the effects of such negative publicity, APP agreed to negotiate with the WWF, and in 2003, APP agreed “not to log the most ecologically sensitive areas and to verify the legality of timber purchases” (Stecklow, 2006).

The agreement brokered between WWF and APP was not nearly as successful as the one between WWF and April, however. The two organizations ended it 6 months later when they couldn’t reach agreement on which areas were the most sensitive. As a consequence WWF started asking APP’s image-conscious MNC customers to pressure APP to stop its logging practices. Office Depot claimed it would stop buying from APP because of the negative effects on endangered species caused by its logging practices. APP has since agreed to set aside 460 square miles of forest and “will consider preserving similar tracts ‘when it’s relevant’” (Stecklow, 2006). So despite the rift with the WWF, APP nonetheless changed its logging practices in response to NGO actions and since doing so has also attempted to forge a similar agreement with another environmental NGO, the Rainforest Alliance.

Conclusions

These cases illustrate the power that media savvy environmental NGOs have to effect changes both in an individual MNCs' environmental practices and those of an entire industry. In both cases the national government was unable or unwilling to regulate logging within its territory. The MNCs either suffered (or feared suffering) financial consequences as a result of NGO complaints to their customers and negative media reports. Then the WWF offered to end its campaigns if the MNCs would change some of their logging practices.

Note that WWF didn't push the corporations to halt their clear-cutting methods completely. Some amount of give and take is essential in resolving any conflict. However, some elements within social protest movements will never be satisfied by the steps taken by governments or MNCs to address their issues unless all their demands are met. This intransigence is often counter-productive because the targets of their protests sometimes have little to gain but much to lose by acceding to all of their adversaries' demands. A halt to all clear cutting would have significantly increased April's replanting costs thus reducing April's economic incentive to develop acacia wood plantations to supply its future raw material needs.

Agreeing to all of the demands of those who oppose their overseas business practices may even put MNCs in conflict with their host countries' local or national governments. And if NGOs' tactics are powerful enough to force an MNC to desist operations completely, it leads to the loss of badly needed jobs and additional negative consequences. Therefore, NGOs that are willing to strike compromises with MNCs are most likely to achieve some success.

General Conditions that Precipitate MNC-NGO Agreements

Drawing on an empirical analysis of these case studies one can reasonably conclude that 3 general conditions exist for partnerships between NGOs and MNCs.

- 1) The existence of a MNC at the consumption end of either an industry commodity or producer-driven supply chain with a brand name or public image that it believes must be protected from the negative consequences of adverse public scrutiny.
- 2) The existence of a media savvy trans-national NGO that is able to monitor far-flung MNC manufacturing operations and expose whatever abuses occur.
- 3) A host government that is either unable or unwilling to protect its population from environmental abuses by MNCs. While states and international institutions may play a limited role in fostering such deals, what makes such agreements possible are the non-state actors themselves.

As regards the first of these 3 general conditions, numerous studies have shown that consumers generally don't want to wear or use merchandise that has been made under conditions that are harmful to the environment. Although APP and April didn't have consumer brands to protect, per se, their prime customers did. Office warehouse giant Office Depot and brand-conscious MNCs like Procter & Gamble balked at doing business with them for fear of retaliatory action from NGOs. Therefore, the first general condition was satisfied in both examples.

One important exception must be noted, however, and that is the elasticity of demand for any given product. This exception would apply to most MNCs that produce commodities that are either in high demand or short supply and are also essential to the smooth functioning of one's business or personal life, such as gasoline. While NGO campaigns targeting oil-producing MNCs have had some

limited effectiveness, even environmentally conscious consumers will usually purchase gasoline, regardless of an MNC's environmental records.

The second general condition for fostering agreements between MNCs and NGOs is the existence of media-savvy trans-national NGOs that are able to monitor and expose abuses by far-flung MNC operations or their sub contractors. "NGOs' attacks on Merck and GlaxoSmithKline for enforcing patents on AIDS medicines and on Monsanto for introducing genetically modified seeds forced the apparel, pharmaceutical, and agribusiness industries to develop new strategies and rewrite their codes of conduct"(Brugman & Prahalad, 2007, p. 81). Put another way, "NGOs [have] emerged as the corporate sector's de facto regulators, occupying the vacuum that governments were leaving behind" (Brugman & Prahalad, 2007, p. 81).

It doesn't seem to matter if the host country has the means to effectively regulate MNCs' environmental practices if the political will to do so doesn't also exist. This observation points to the third general condition: a host government that is either unable or unwilling to protect its population from environmental abuses by MNCs. Indonesia serves as an fitting example of a developing nation that has enacted laws to protect its rainforests but has been unable to enforce these regulations or slow the rate of tropical deforestation due to illegal logging.

The existence of these three general conditions explains why MNCs and NGOs become willing to make pragmatic compromises in order to develop a win-win scenario for all concerned -- not only the NGOs and MNCs but also the host governments and citizens who rely on the MNCs' activities for their livelihood.

For such agreements to be consummated, environmental NGOs must be pragmatic when negotiating with MNCs to protect the environment. As Blomquist says, "Global trade/eco-pragmatism recognizes that treaties [or agreements] dealing

with trade and [or] the environment, as well as interpretation and implementation of these treaties [or agreements] are human creations; therefore, results will be complex, uncertain and sometimes inconsistent” (Blomquist, 2004-2005, p. 755). Thus even though the WWF and APP did not extend their agreement, that failure did not prevent either party from negotiating similar accords at a later date with other entities.

Some NGOs criticised the WWF’s rainforest agreements with MNCs in Indonesia for going too far in accommodating business interests. “It means April can continue to turn natural forest into plantations elsewhere in the island”, complains Elfian Effendi, executive director of Greenomics, “if they want to change their attitude, why don’t they end their use of natural forest 100%” (Stecklow, 2006)? However, the WWF recognized that in order to save the most valuable portions of the endangered plant and animal species in the Tesso Nilo area, practically speaking it would have to allow MNCs like APP and April to log elsewhere.

For their part, the MNCs recognized that accepting restrictions on their resource extraction practices was in their interest for several reasons. Most obviously, doing so forestalled media attacks on their brand names and reputations or ended negative publicity and its resulting damage to sales, profits or market valuations. Additional, though less quantifiable, benefits for MNCs included increased productivity and improved employee morale, not only in their overseas factories but also among domestic employees. More specifically, APP’s brokering of a deal with the WWF helped it to retain or regain customers who had been attacked by NGOs for doing business with them. Similarly, April’s base of customers expanded after it signed a deal with the WWF; customers previously

reluctant to do business with them due to NGO complaints changed their tune. The Indonesian government approved of these agreements because in both the APP and April cases the native population were provided with economically sustainable plantation logging or pulp factory jobs that weren't dependent on the illegal logging of a valuable resource, the tropical rainforests.

It would be ideal if all business executives would undertake the implementation of environmentally friendly practices without external pressure. But the reality is that few business executives believe that changing their environmental practices will result in enough reduced costs or increased profits over the long term to merit the effort. Thus NGO activity is often the catalyst needed to prompt changes in MNCs environmental practices.

The fact that MNCs and NGOs have begun to negotiate agreements between themselves without the involvement of states or other international institutions is both a reflection of their own power as well as the inability of states and existing governance institutions to deal with a variety of global issues. Further, because these entities have extensive experience in negotiating transnational issues, MNCs and NGOs are well-positioned to influence recalcitrant states to sanction compromises that involve sacrifices of some government officials' monetary (and some governments' economic development) self interests.

The Prospects for Future MNC and NGO Agreements

This analysis reveals that it is possible for MNCs and NGOs to negotiate agreements that safeguard the environment. By working together and understanding each other's respective motivations, strengths and limitations, NGOs and MNCs can begin to form long-lasting partnerships that will also address other needs of their constituencies.

This study clearly shows that the general conditions that foster MNC-NGO environmental agreements are the existence of: a publicity and image-conscious MNC; a media savvy NGO; and host nations unable or unwilling to protect civil society from the consequences of environmental damage caused by MNC activities. These conditions provide MNCs and NGOs with sufficient incentives to accommodate one another's interests. Under similar conditions, one might reasonably conclude that MNCs and NGOs can both advance their respective agendas and also address some of the environmental problems that states and international institutions have thus far been unable to.

While the complexity of developing economically sustainable solutions to the world's ever-expanding human population's needs is daunting, "Concerted international collaborative efforts are required to deal with these and the many other ecological issues on the global agenda" (Kegley & Wittkopf, 1999, p. 333). Written agreements between MNCs and NGOs, which attempt to codify changes in MNC business practices and mitigate their impacts on the environment, would appear to be the first step toward forming long-term alliances between these non-state actors. It remains to be seen whether these MNC-NGO alliances can be transformed into beneficial long-term partnerships which will truly serve their mutual interests, but this would appear to be possible if the NGOs and MNCs can come to an understanding about and hold mutual respect for the essential roles they both play in a more globalized world.

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