



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

**Panel D1 - Participation –
Engaging Business**

By Charles A. Laffiteau

(edited version of sub-sections from
Globalisation dissertation which was

Published in September 2007)



Environmental Rights Agreements between NGOs and Multi-nationals

- Why have NGOs and Multi-nationals (MNCs)-rather than state governments-been making agreements to safeguard the environment?
- What conditions helped precipitate the construction of these agreements, and is there a common thread among them?



Environmental Rights Agreements between NGOs and Multi-nationals

- I 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 in Sumatra.
- Agreements were initiated with Asia Pulp & Paper (APP) and Asia Pacific Resources International Holdings Ltd (April), the 2 largest logging companies and pulp producers in Indonesia.



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- Why are NGOs and MNCs doing this?

Many nations lack the means and or the political will to regulate or enforce environmental rights effectively.

Indonesia is a developing country which fits this description and has thus far been unable to stop the illegal logging of its national parks (i. e. Tesso Nilo)



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- Why turn to MNCs to address this issue?

MNCs have the means. The profits of many MNCs often exceed the Gross Domestic Product (GDP) of host nations.

What MNCs lack is the will to use their means and or change their business practices to reduce illegal logging.



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- Why are NGOs like the WWF negotiating agreements with their MNC adversaries?

Governments lack the means to stop illegal logging & environmental damage.

Corrupt government officials are profiting.

Natives rely on illegal logging to sustain themselves & their families economically.



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- Why are NGOs like the WWF negotiating agreements with their MNC adversaries?

MNC pulp producers are major consumers of illegal logs from endangered rainforest.

If current rates of legal and illegal logging continue there will be no tropical rainforest left to protect in another ten years.



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- Why would a MNC make a deal with the WWF to protect tropical rainforests?

There is only one reason. **MONEY**

MNCs will negotiate such agreements if they believe it is in their long term financial interests to do so.



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- Media savvy NGOs provide MNCs with the motivation (or will) to use their means to protect tropical rainforests.

NGOs study the MNC and its place in the global commodity or supply chain.

NGOs then develop a carrot and stick strategy for the MNC and its customers



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- NGOs must recognize that they need to compromise with the MNC as regards some of the MNCs business practices.
- NGOs must find a way to address the sustainable economic development needs of the host nation as well as local citizens who rely on illegal logging to support themselves and their families.



Environmental Rights Agreements between NGOs and Multi-nationals

NGOs must also justify their financial case to MNC executives and directors.

- Financial justifications should involve both positive (carrot) and negative (stick) consequences.
- Positives such as opening new markets for MNC products.
- Negatives like adverse media publicity to reduce MNC sales



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Asia Pacific Resources International Ltd.
(April)

Held the logging concessions for large tracts of forest next to the new Tesso Nilo National Park.

Four billion dollar pulp factory was a major purchaser of illegally cut logs.



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April (continued)

NGO initiated news media campaigns
negatively impacted pulp sales & profits.

Needed new markets and customers
(Proctor & Gamble) for its pulp products



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April (continued)

Agreed to alter clear cut logging practices.

Agreed not to log large tract of Tesso Nilo.

Agreed to NGO monitoring to prevent purchase of illegal logs for pulp factory.



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April (continued)

NGO won greater protection for endangered tropical rainforests.

Local citizens get economically sustainable jobs logging legal acacia wood plantations and in the pulp factory



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Asia Pulp & Paper Case (APP)

Larger pulp producer than April which used the same clear-cutting timber practices and was a larger consumer of illegally cut timber (an estimated 40%).

The WWF believed that APP's business practices were also negatively affecting indigenous people.



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APP (continued)

One of its largest customers, Office Depot claimed it would stop buying from APP because of the effects on endangered species caused by its logging practices.

Fearing the future effects of such negative publicity, APP agreed to negotiate with the WWF regarding its logging practices.



Environmental Rights Agreements between NGOs and Multi-nationals

APP (continued)

In 2003, APP agreed “not to log the most ecologically sensitive areas and to verify the legality of timber purchases.”

APP has since agreed to set aside 460 square miles of forest and will consider preserving similar tracts when it’s relevant.



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Is there a common thread among the conditions which existed in these case studies which helped precipitate the construction of these agreements?

Yes. Three conditions were found to be in common within the cases that were examined.



Environmental Rights Agreements between NGOs and Multi-nationals

- 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.



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- 2) The existence of a media savvy trans-national NGO that is able to monitor far-flung MNC manufacturing operations so it can expose whatever abuses occur and target both the MNC as well as its current customers with negative news media publicity.



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- 3) A host government that is either unable or unwilling to protect its citizen or living species population from environmental abuses by MNCs or their surrogates within the local population or the host government.



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In conclusion:

While states and international institutions may play a limited role in fostering such deals, what makes such agreements possible are the means as well as the willingness of these NGO and MNC non-state actors to negotiate and make compromises.



Environmental Rights Agreements between NGOs and Multi-nationals

Written agreements between MNCs and NGOs, which attempt to codify changes in MNC business practices and mitigate their impacts on the global environment, would appear to be the first step towards forming long term alliances between these non-state actors. It remains to be seen whether these alliances can be transformed into beneficial partnerships which serve their mutual interests, but this would appear to be possible if the NGOs and MNCs can come to an understanding about and mutual respect for the essential roles they play in a more globalized world.