

CSR in Iberian America: Opportunity or Moot Point*

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This paper is prepared from the perspective of civil society and under the context of true democracy, where civil society directly participates in the public matter on a permanent basis, so that the public and private interests are reconciled and governments are made to truly work for all ranks of society and not for the owners of capital.

The very concept of social responsibility is currently at the threshold dividing its future between remaining a corporate tool used by corporations to look good, without really doing the public good, or becoming a valuable instrument of civil society to make business become socially and environmentally responsible, in such a way that generates a meaningful net contribution to the sustainability of the planet.

The social responsibility of business and what it should be remains very much in debate (White, 2005). For the overwhelming majority of business entities and governments, it is a voluntary option and not a legal or even a moral obligation. This has been the unrelenting position of business, which has been enthusiastically endorsed by governments, where most elected officials in high-power positions have been the direct beneficiaries of great amounts of corporate money for their political campaigns. For civil society, in contrast, the social responsibility of business is an instrument to make corporations behave responsibly according to the standards defined by civil society at large, through due democratic process, and not according to standards conveniently selected by business (de Regil, 2005:17).

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In Iberian America, the most unequal region in the world, the need to make both domestic and global corporations practice a social and environmentally-sustainable economic activity is far more urgent than elsewhere. In this region, a neo-colonial business culture pervasively remains entrenched. Since the abandonment, in the 1980s, of endogenous social and economic development, aimed at developing a growing domestic market through aggregate demand to gradually include more people into the middle social strata, the region has returned, in many aspects, to times reminiscent of late Nineteen Century –with the imposition of neoliberal economics globalisation– when many people worked under conditions of slavery. As has been unfolding in many parts of the world, including the G7 countries, Iberian America is today back into an era reminiscent of the robber barons of the Gilded Age. Yet it has occurred in a far more pervasive and vicious way, as a result of a far more intolerant, racist and plutocratic mentality of the upper class, which has systematically

jeopardised the development of a true democratic ethos. In this way, civil society in the region has begun to use and develop some CSR concepts in attempting to put in check the activity of business. However, the outright abandonment of Iberian American governments of their most basic and pre-eminent democratic responsibility –to procure the welfare of every rank of society, especially the disposed– is so extreme, that the concept of CSR may be too little and too late to do any good.

□ **The Unrelenting Infant State of the Social Responsibilities of Business**

❖ **The Globalisation of “Marketocracy”**

Since the beginning of the twenty-first century, civil society has taken the public matter into its own hands and has removed from office corrupt governments in Argentina, Bolivia and Venezuela, among others, and replaced them with governments from the people, or at least with governments that are substantially more responsive to their social demands. This is no guarantee of a new route in pursuit of social justice through real democracy, but it means that the snail’s pace of CSR, in responding to the demands of civil society globally, will make most Iberian Americans render it a waste of time. Only if, in the short-term, the social responsibility of business dramatically changes to represent the views of civil society and becomes enforceable globally, it may become valuable, where the pressing needs of the region are making societies succeed in replacing oligarchic governments with popular governments. Otherwise, CSR is bound to become a moot point in the social struggles of Iberian America.

This work is inspired by our aspiration to achieve true democracy, for there is no real democracy in Iberian America or virtually elsewhere. Under this context, in real democracy, CSR could be the major resource to make corporations behave in a socially-responsible manner, in the same way that individuals are expected to not harm others in the pursuit of their self-interest (Bendell, 2005: 371). Thus, good corporate citizens pursue their business without profiting over people or the environment. In the pursuit of their business goals, they must incorporate into their system the social, economic and environmental dimensions of their activity, so that their impact does not harm in any form all other stakeholders that interact in their business environs.

Yet this aspiration is still only a dream. Indeed, in the

current representative democracy, CSR continues to be almost a moot point due to the unwillingness of governments to regulate the natural excesses of capitalism (Doane, 2003: 4-7). CSR is still in an infant state, and it will continue to be in such a state until we are capable of changing the current structures of our so-called democratic societies in a globalised world, for there is no real democracy at the present time. In today’s so-called democracies, the people who finance the campaigns, rather wealthy individuals or their corporate businesses, of those who compete for office are those who define their political agendas. It is the interests of these money sources that dictate the issues and priorities of the contenders for office. The old Greek agora, where citizens would meet to reconcile the private with the public interest, through representative democracy, is a complete illusion (Castoriadis, 1997:23 and Bauman, 1999:96). In fact, the public interest has been privatised, and the politicians discuss it in private with the owners of capital. In this way, we live in a mockery of real democracy because the political class is corrupt, it has renounced to fulfil its responsibilities, and it works in partnership with the global centres of economic power: the global institutional investors, their global corporations and the domestic plutocracies in every Nation-State. This reality is even more so in Iberian America, to the point that in countries such as Mexico, the oligarchy has sequestered the state and has no qualms in declaring that it is a government of business for the business and by the business.¹

Indeed, there is no latitude for the people to participate in the decision-making process. There is a deluge of evidence proving that many decisions that are taken, supposedly on behalf of the majority, turn out to benefit a tiny elite at the expense of the majority. The world has been privatised, and the private good is unrelentingly portrayed as the public good. There is no involvement, no real engagement and, thus, no citizen participation. People are not empowered to participate and influence executive and legislative decisions. Thus, there is minimal accountability for these decisions and actions.

The clearest evidence of the lack of accountability is the election of the economic paradigm that governments have applied to their market-based economic policies. The obvious questions are: Who decided that the so-called neoliberalism was going to be applied in a given State? Were people formally informed –in lay terms– that in the late 1970s their nations were beginning to shift from demand-side economics to supply-side economics? Were they informed that, to do this, the neoliberal mantra calls

¹ Augusto Isla, Los Empresarios al Poder, La Jornada Semanal, domingo 30 de junio del 2002, núm. 382

for the reduction of taxes and the drastic reduction of the Welfare State? Have governments explained that the most important value under this ethos is not the welfare of society but the permanent increase of shareholder value by increasing efficiencies and competitiveness at the expense of the welfare of millions of families who would lose their livelihoods? In a nutshell, in a participatory fashion, were people asked to select through an informed referendum one of the two paradigms? The answer to these questions is obviously no. The implicit and perverse call to citizens in this rhetoric was to make an act of faith on the promises of their governments. The result has been the widening of the gaps between rich and poor all over the world including in rich countries, such as in the U.S.²

The capitalist world that we are living in today is a renovation of the Industrial Revolution of the Victorian Era or of the robber barons of the Gilded Age. Indeed, internationally, the greatest economic powers insist on imposing an ethos that benefits their mega-corporations and their oligarchic partners in every State at the expense of their populations. What we have is an oligarchic globalised North-South marketocracy, albeit wages and a universal welfare system have not been globalised. Thus, corporations roam the world in search of the most convenient and friendly locations for production and the exploitation of human and natural resources without a global framework imposing a set of responsibilities to achieve a sustainable market system. The supply side has been globalised, with all its inherent benefits for the industrialists, but the demand side premeditatedly has not, with all the inherent harm to societies and the environment. To maximise shareholder value is the sole objective.

Nowhere has there been such a regression and an extreme imposition of the neoliberal dogma than in Iberian America. In this region, real wages have lost a dramatic portion of their real value since the mid 1970s. In the two largest economies the collapse of wages is unbearable. In Brazil real PPP (purchasing power parity) manufacturing wages' dropped 29% in the 1996-2003 period.³ In Mexico PPP wages dropped 45% between 1975 and 2003.⁴ This is even worse in the case of minimum wages, which have lost 83% of their purchasing power between 1982 and 2003.⁵

It is in this context that we have to assess the current state of CSR and its potential future. The corollary is that, unless we change the modus operandi of democracy to a system where the market is only a vehicle to allow people and their societies to establish a sustainable ethos that generates welfare for all, CSR will have no value as a social vehicle to make global capital put people and the environment first. If we continue to have very sick and incipient democratic structures with a plutocratic system prevailing, CSR has no future, for it will always be a reflection of society (de Regil, 2005). Thus, before we can realistically aspire to build a good CSR practice, we must first build a real, bottom-up, participatory and direct democracy to put society above the market.

❖ *CSR on Demand*

The current state of CSR is a direct result of the domination of societies by market forces. We are not enjoying the benefits of a CSR framework designed by civil society, for market-driven interests condition all of its current characteristics. Today's CSR ethos has been defined by corporations and their partners in the governments of the largest economies and in their multilateral organisations. The UN Global Compact is a mere set of very broad principles (Rathgeber, 2006). The ILO (International Labour Organisation) Decent Work Agenda, which claims to be set in the context of a fair globalisation to achieve economic growth with equity through achieving a blend of social and economic goals, is a complete delusion, for an imposed economic paradigm that goes directly against the democratic principle of self-determination cannot be rendered a fair globalisation. The far more specific ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, the European Union's Green Book, and the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights, are all also rather incomplete and timid.

Their most relevant affinity is their conscious avoidance of the issues that constitute a great danger to the sustainability of the planet. The most conspicuous social element, and

² U.S. Census Bureau. Housing and Household Economic Statistics Division News Conference on 2004 INCOME, POVERTY, AND HEALTH INSURANCE ESTIMATES FROM THE CURRENT POPULATION SURVEY. August 30, 2005.

³ The Jus Semper Global Alliance, Brazil's Wage Gap Charts 1996-2003: <http://www.jussemer.org/Resources/Labour%20Resources/WGC/Resources/WagegapsBra2003.pdf>

⁴ The Jus Semper Global Alliance, Mexico's Wage Gap Charts 1975-2003: <http://www.jussemer.org/Resources/Labour%20Resources/WGC/Resources/WagegapsMex2003.pdf>

⁵ Miguel Concha, Aumento Indignante, La Jornada, Sábado 24 de diciembre de 2005

with the most pervasive and negative impact, is the lack of accountability for the blatantly exploitative wages that corporations pay to their workers in the South, either directly or through outsourcing. The level of labour endowments in Iberian America and elsewhere in the South is dramatically below what should be a living wage in PPP terms. A living wage must provide equal pay for equal work of equal value, in PPP terms, but not just between genders in the same domestic economy, as ILO's Convention 100 stipulates,⁶ but across borders both North and South, since we live in a globalised economy (TLWNSI, 2006: 6). Calling for a universal living wage in global terms is not addressed at all in any CSR framework. Yet transnational corporations play the most important role in determining real wages. The sole business goal of ever-increasing shareholder value makes corporations unrelentingly search for the cheapest cost of labour, clearly knowing that such wages will maintain workers in dire poverty. By having such a strong influence in the level of wages in each country, they effectively set the standard. This does not mean that domestic corporations would otherwise pay better wages if they did not have to compete with multinationals (MNCs). In fact, in Iberian America, most would pay even less than what they need to pay to attract skilled labour. Yet, global corporations set the standard of what the best wages should be, because typically they pay the least exploitative wages in each market. Consequently, since they still pay hunger wages, they set a standard perpetuating and increasing poverty.

As ILO's Decent Work Agenda clearly states, the decent work concept has led to an international consensus that productive employment and decent work are key elements (Standing, 2003:65) to achieving poverty reduction.⁷ Yet, although the agenda was introduced in October 2000, we still have not seen any real progress in addressing the dramatic North-South inequality of the labour endowments in a globalised economy. The market reigns and profits over people, and everything that happens is based on the perceptions, expectations, speculations and the market manipulations⁸ of the owners of global capital: the institutional investors.

The other great affinity shared by these CSR frameworks is their unbinding nature, since all of them are voluntary. This constitutes clear proof they were all conceived from inception from the perspective of the owners of capital,

which make them extremely limited by nature (Kerkow, Martens and Schmitt, 2003:26). Why would the citizens of the world not care to enforce a set of norms that would regulate corporate behaviour, and, instead, leave it up to the owners of capital to choose their behaviour as they deem feasible, as if the pervasive impact of business on the sustainability of the planet and on the right of every human being to live a dignified life was not important to us? This makes it clear that rules are necessary since business character fails to regulate its human rights behaviour (Rosemann, 2005:38). Yet, the absence of rules is a direct consequence of the governments' refusal to comply with their responsibility to act as market regulators. It means that CSR has not passed beyond being a gimmick used by MNCs, merely as a cosmetic PR tool instead of as a core business resource to ensure sustainable business practices, culture and ethics under the initiative of all stakeholders.

In the case of multi-stakeholder guidelines created by civil society, we find a similar ethos. Namely, all of them are strictly voluntary and are soft with respect to labour endowments. None of them really addresses the issue of living wages, for they all deferred the issue to the ILO's Conventions. Nonetheless, the ILO does not address the issue of a living wage in its core or in any of its other Conventions and Recommendations. The ILO Conventions do not cover all the labour-related elements necessary to pursue social justice and sustainability.⁹ However, if there is any doubt about how fundamental a role fair labour endowments play in so-called democratic societies, under the UN charter, a living wage is a human right. Indeed, it is clearly stated in article 23 of the UN's Universal Declaration of Human Rights that everyone, without any discrimination, has the right to equal pay for equal work; and that everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity and supplemented, if necessary, by other means of social protection. Instead, not only are these critical issues not properly addressed, but these initiatives tend to provide the framework on an on-demand basis to corporations. The most conspicuous case is the Global Reporting Initiative (GRI).

The GRI is a multi-stakeholder process that has become the popular framework for reporting, on a voluntary basis, for several hundred corporations. Yet the absence of the critical issue of a living wage leads to the conclusion that there is a consistency in the avoidance of this issue by the process

⁶ ILO, C 100: Equal Remuneration Convention. Convention concerning Equal Remuneration for Men and Women Workers for Work of Equal Value

⁷ ILO, Decent Work FAQ: Making decent work a global goal, http://www.ilo.org/public/english/bureau/inf/features/06/decent_qa.htm, August 2006

⁸ Alfredo Jalife Rahme, *Globalización: manipulación obscena del seudomercado*, La Jornada, Mexico City, 14 September 2005.

⁹ Álvaro J. de Regil, CSR without living wages is irresponsible and unsustainable. The Jus Semper Global Alliance. TLWNSI Issue Brief. July 2003, p. 5.

followed by the GRI multi-stakeholder working groups, at least since 2002. The GRI has operated on an on-demand basis since inception based on the idea that reporting organisations must be accountable to their stakeholders, but it is the organisation and not the stakeholders that chooses which stakeholders the organisation should be accountable to. Albeit the GRI regards inclusiveness as one of its guiding principles, it considers that the reporting organisation is the one that should identify its stakeholders. Consequently, the GRI is designed, from the perspective of organisations, as a business tool to report their sustainability performance as they best deem. In this way, they are free to cherry pick which stakeholders they wish to be accountable to and which areas of their activity they wish to report about. Total flexibility is at their disposal.¹⁰ The same pattern is found in other instruments, for they all limit themselves to defending the labour conditions of workers by demanding compliance with the Conventions of the ILO, and all of them are strictly on a voluntary basis.

□ Iberian America and the Neo-Capitalist Assault

❖ *Sheer Inequality and Cronyism*

For thirty years Iberian America has walked a path of permanent decline in its human and economic development. The gap between rich and poor has exacerbated to unimaginable levels that take us back to the early XIX century. In the economic stage, instead of reaching full-blown development, we have been incapable of laying out our own destiny and, with varying degrees, we are more dependent than ever on the first world, especially with the United States. Instead of developing our own technologies, of developing our domestic markets and of strategically opening only those sectors where top competitiveness has been reached, we have gone down the easy path of speculation, of technology dependency and, especially, of the pseudo-attraction of foreign direct investment by surrendering our labour force for a miserable price.

This has been possible because Iberian America continues to be a profoundly oligarchic region, perhaps the most exploitative of all and certainly extremely unequal. Brazil and Mexico, the largest economies in the region, are also the eight and fifteenth most unequal in the world,

respectively, despite the fact that Mexico and Brazil are the tenth and thirteenth largest economies in GNI (2004), respectively, which means nothing without distribution.¹¹ In total, four Iberian-American countries are among the top ten most unequal nations in the world. Ten of the top twenty most unequal nations are also in Iberian America, including Chile, the so-called darling of well-applied “free” market policies, as well as Argentina and Colombia. These ten nations, out of a total of eighteen in the region, have a Gini Index higher than 50, which puts them in the highest inequality category.¹² As the Human Development Report explains, Inequality in this dimension matters partly because of the link between distribution patterns and poverty levels. Average income is three times higher in high-inequality and middle-income Brazil than in low-inequality and low-income Viet Nam. Yet the incomes of the poorest 10% in Brazil are lower than those of the poorest 10% in Viet Nam. The same result emerges when comparing Mexico and Viet Nam. The major reason is that Viet Nam embarked on a market economy anchored on strong human development foundations, while Iberian America has not. It is not surprising that at least 70% of Mexicans are poor, while Mexico’s wealthiest man, Carlos Slim, is also the third wealthiest man on earth, according to Forbes magazine. In total, ten Mexicans and twenty-four South Americans made it to the 2006 Forbes list of the wealthiest people on earth.

Iberian America suffers the dominance of an extreme oligarchic ruling class that has dominated this vast region since Spain and Portugal left; and is now in partnership, in a second renewal of neo-colonialism, with the G7 to exploit at will the human and natural resources of the region. It is a reproduction of a new phase of the sheer-savage-Darwinian capitalism that dominated the region since the nineteenth century until World War II. To be sure, the capitalism that this class practices has little to do with innovation and competitiveness and much to do with crony capitalism; a result of the extreme corruption and betrayal of its governments, who have openly partnered both domestically and abroad with business to enrich themselves. Blatant conflicts of interest and outright violations to their legal frameworks, which governments are supposed to make everyone respect, have become systemic. Most Iberian-American industrialists on the Forbes list have not become billionaires because of their business savvy, but because they work in partnership with

¹⁰ For further detail, see: Álvaro J. de Regil, *Living Wages: The GRI’s Missing Link. The New GRI’s “G3 Sustainability Reporting Guidelines” Continue to Avoid Living Wages, the Missing Link of Sustainability.* The Jus Semper Global Alliance. TLWNSI issue brief. March 2006; as well as: GRI. *Sustainability Reporting Guidelines [draft], G3 Version for public comment.* January 2006, p.4 - 7.

¹¹ World Bank, *World Development Indicators 2006*, Table 1.1: Size of the Economy.

¹² UNDP, *Human Development Report 2005*, Table 15: Inequality in Income or Consumption.

the top political class to enrich themselves at all costs. They constitute the region's partners of the new global Robber Baron class that currently dominates today's capitalism. Charles Dickens would find many striking similarities between the factories of Iberian America of today and those of Victorian England.

In many countries, representative democracy has substituted the traditional military dictatorships. Yet, in most cases, it is only a façade to have an electoral process that vindicates the ruling class so that it can keep subjecting the region to its usufruct in close partnership with the institutional investors in the main centres of global capital. Darwinian neoliberal capitalism, that dogmatically follows the Hayek/Friedman paradigm (Nuñez, 2004: 13), has been imposed so rigidly in the region that even governments of so-called left-of-centre parties apparently "cannot find a way out". Lula in Brazil is the most recent illustration of this arguably straightjacket in the region. This is a common pattern with other left-of-centre parties in many other regions that, by staunchly defending neoliberal supply-side economics, have as well become part of the same oligarchy supporting "marketocracy" instead of real democracy. Some of them try to mitigate the worst effects of this social Darwinism, but they do not attempt to change it whatsoever. They support a paradigm where the purpose of government has become the market instead of the welfare of all ranks of society. Yet billions of people are excluded from the market. This is not to say that we should all be included, but that the economic paradigm must be completely redefined; for a world based on a culture of sheer consumerism moves completely in the opposite direction of the culture of building a truly sustainable ethos, one of the central elements of the concept of corporate responsibility. As a consequence, in Iberian America, it has been thirty years of a conscious and perverse pauperisation of the vast majority of the population that has polarised the societies of many countries. Yet this widening of the gap between haves and have nots is not only because of exploitative policies, but also, in many countries, such as Mexico, because of clear and growing signs of racism against both the Indian and mixed-blood populations by profoundly corrupt so-called elites.

❖ *A Business Culture of Cronyism in the Global Age of Robber Barons*

The key element in the pauperisation of most of Iberian America's population, including the shrinking middle classes, is the predatory business culture of this corrupt elite. Although people in the region have struggled to

defend their most basic human rights and to establish real democracy, business culture remains mostly archaic. It reprises the culture of the large landowners of the haciendas; a paternalistic culture proper of bigots where the established order considered and treated the indigenous and mestizo population as subservient to the ruling class, in many instances closely resembling slavery long after it was abolished. The political-business oligarchy continues to refuse acknowledging the people's right to be fully integrated into society. Its mindset remains archaically colonial, blatantly racist, paternalistic, and completely antidemocratic despite the façade.

The most recent scandal is the 2006 presidential election in Mexico, where vast sectors of the population, including important segments of academia, small business people and a good portion of the middle class, considered the electoral process blatantly stolen by a corrupt elite of big business, politicians, the Catholic Church and high-court magistrates. These sectors, which account, at the very least, for more than one third of the population –37% believe the results should not be recognised and 72% believe that every vote should have been recounted¹³– are now bracing to peacefully organise and mobilise to overthrow what they consider an illegitimate government, a traitor to the principles enacted in the constitution and, thus, to the interests of the nation.

As has happened throughout Iberian America, Mexican cronyism has openly worked to benefit itself in partnership with global capital at the expense of the vast majority of the population. In more than any other nation in the region, due to its proximity to the U.S., cronyism has embarked the country into a deep structural adjustment that has privatised and surrendered important sectors of the economy to global corporations. The worst case is the critical banking sector, now completely dominated by foreign financial groups, mostly Spanish and U.S. banks, which now control 92% of the banking system.¹⁴ The oligarchy has also imposed the conditions demanded by both domestic and foreign corporate groups to invest in projects that leave in Mexico little of the wealth generated by the economic activity. In the case of the in-bond plants that assemble parts to export all their output, only 2% of components in their supply chain have come from Mexican suppliers in the last four decades. Not surprisingly, the central reason many companies establish their own in-bond plants or outsource production to local assembly outfits is cheap labour.

¹³ Parametría, Carta Paramétrica, Los mexicanos apuestan por la institucionalidad, Encuesta Julio 2006

¹⁴ La Jornada, BBVA pretende adquirir la totalidad de Bancomer, February 3, 2004.

This is a perverse and systemic ethos of human exploitation created strictly to reproduce and accumulate capital for foreign corporations and their local partners at the expense of labour. With the pretext of maintaining low wages to attract foreign direct investment (FDI) –due to foreign competitors such as the province of Guangdong in China or in Haiti, where wages are typically one-fourth to one-half of wages in Mexico– people are systematically kept impoverished by imposing an asymmetric order¹⁵ –the same logic was used at the micro level by California grocers.¹⁶ Yet FDI brings no benefit to the real people of Mexico, for there is no integration of a domestic supply chain or generation of aggregate demand due to miserable wages. Even in those sectors of the economy where domestic content is substantially larger, such as in the automotive industry, wages remain dramatically below a living wage by global and local standards. This structure of exploitation is reproduced in similar ways in most sectors of the economy. The economic policies imposed have been designed to support an oligarchic export strategy based on hunger wages. Keynesian demand-side policies, centred on the domestic market, were abandoned more than two decades ago to put Mexico in line with the policies dictated by the so-called Washington Consensus: the agreement between northern and southern oligarchies to exploit the world. This is the result of Mexico's undemocratic insertion in the North-American "Free-Trade" Agreement.

Although integration with the U.S. economy is significantly smaller in South America, in good part due to the opposition of Brazil and Argentina, the asymmetric conditions in the trade of goods and services, including wages, are reproduced in quite a similar fashion in the entire region and elsewhere in the South. It is estimated that the salaries of misery paid in the South subsidise 25% to 40% of the value of the North's salaries.¹⁷ This is a systemic predatory cycle where business elites and governments partner with foreign corporations to enrich themselves and exploit the human and natural resources without any sense of social responsibility whatsoever. These are the same conditions

that gave motive to the emergence of the laissez faire paradigm of classical liberalism, with thinkers such as Quesnay and the Physiocrats, Adam Smith and Stuart Mill, against mercantilism with the monopolies of European despotism.¹⁸ The difference is that now a new mercantilism, dominated by the institutional investors and their global corporations, is far more pervasive, intrusive and perverse. Much to the dismay of Francis Fukuyama and his so-called "End of History",¹⁹ which he recently recanted,²⁰ it is a new reproduction, in the information age era, of an old strategic connivance with the North to impose neoliberalism in Iberian America (Flores and Mariña: 2004:151) and the rest of the South for the benefit of an oligarchic global elite of post-modern robber barons.

□ Corporate Responsibility in Iberian America

❖ Mock CSR Worldwide – Mock CSR in Iberian America

This is the context I use to look at the state of Corporate Social Responsibility in Iberian America. It is important to emphasise this context, elaborating on how it works, for we cannot talk of any sense of social responsibility in a predatory business class of a crony-savage Darwinian capitalism, far more perverse than their partners can practice in their own home countries, because there are almost no checks and balances in Iberian America, no rule of law to put them in jail, since politicians, magistrates and business people are all in one class. If governments have betrayed with varying degrees their most basic responsibilities in the northern countries, it is far more so the case in the region.

In consequence, these are times of intense struggle in Iberian America. Reacting to the assault of neo-capitalists, civil societies have responded decisively to stop them and have mobilised in unprecedented numbers in many countries. Argentineans deposed three presidents in a matter of weeks in 2001 and now have a government that is at least

¹⁵ Álvaro J. de Regil, *The Neo-Capitalist Assault: Development with Asymmetries: The Third World and its Post-War Development Strategies – Essay One of Part II: Asymmetric Order and Collapse*, The Jus Semper Global Alliance – Global Economic Development – A TLWNSI Issue Essay Series, June 2001.

¹⁶ This is the same pretext used, at the micro-level, by the three largest supermarket chains in California, in 2003, to reduce benefits to their unionised workers and establish a two-tier system to pay lower wages and offer lower benefits to all new employees, which triggered a nearly five-month strike. The grocers' argument was that they had to prepare to compete against Wal-Mart. See: Álvaro J. de Regil, *California's Supermarket Strike: Corporate Social Responsibility nowhere to be found*. The Jus Semper Global Alliance. TLWNSI Issue Commentary. January 2004, and: *California's Supermarket Strike: National Grocers Trash any Trace of Corporate Social Responsibility*. The Jus Semper Global Alliance. TLWNSI Issue Commentary. March 2004.

¹⁷ Ankie Hoogvelt, *Globalization and the Postcolonial World* (Baltimore: John Hopkins University Press, 1997) 48.

¹⁸ Álvaro J. de Regil, *The Neo-Capitalist Assault: The Historical Background in the XVIII and XIX Centuries – Essay Two of Part I: The Economics of Reference*, The Jus Semper Global Alliance – Global Economic Development – A TLWNSI Issue Essay Series, March 2001

¹⁹ See Francis Fukuyama, *The End of History and the Last Man*, New York: Free Press, 1992

²⁰ Francis Fukuyama, *After Neoconservatism*, New York Times Magazine, February 19, 2006

not wilfully aligned with the policies of the Washington Consensus and its Bretton Woods institutions. Argentina and Brazil have now fully paid their IMF debt and gotten rid of any conditional policies traditionally imposed. Argentina's Kirchner government has confronted some global corporations such as Shell Oil head on, by promoting a consumer boycott.²¹ This does not mean, whatsoever, that these governments have begun to dismantle the old structures of exploitation, but they have begun to address the social pressure to stop the systematic pillage perpetrated for decades. Now there is clear opposition in Argentina and Brazil to the interests of the Washington Consensus, which has resulted in the collapse of the negotiations for the so-called Free Trade Area of the Americas as well as of the Doha round of the WTO, where Brazil and India led the opposition to the pressures of the EU and the U.S. Far deeper changes are occurring in Venezuela and Bolivia, where governments representing the working classes and the indigenous people have clashed directly with the oligarchies. In Venezuela the power of the oligarchy has been virtually dismantled. In both Ecuador and Peru, despite the recent victory of Alan Garcia in a very close election, strong opposition movements against the apologists of the Washington Consensus have put in check their plutocracies. The oligarchic system remains in place, albeit without the power that it once enjoyed. In the rest of Iberian America, a deep grass-roots mobilisation against the oligarchies is now emerging both in urban centres and rural areas.

Although the struggle is focused on defeating the corrupt political class, business culture and the activity of both domestic and foreign corporations is beginning to generate major concern among civil society, which is just beginning to organise to engage them. Unfortunately, as it happens in the North, the oligarchic groups have taken the initiative in defining CSR. Thus, as in the North, the current idea, with varying degrees, promoted by the business oligarchies and some NGOs is a mockery of corporate responsibility; sometimes, as in Mexico, to a degree that can only be regarded as plainly ridiculous, for it is an obvious gimmick to enhance corporate image without any commitment to social responsibility and no participation from other stakeholders. In this way, the first version of CSR in the region is, as in the North, a mockery of true CSR.

❖ *Civil Society and Social Responsibility*

Most of the activity in the area of business responsibility in Iberian America is occurring in the largest economies. Brazil, Argentina, Mexico and Chile show the most activity both by business groups as well as by civil society. There is also growing concern in civil society in Central America and the smallest nations of South America, for, by getting

increasingly involved in sustainable development, it is also realising the urgent need for some sort of business responsibility.

From the perspective of business, in line with its predatory culture, little space is left for true social responsibility when the dominant culture remains, overwhelmingly, that the purpose of business is only the reproduction and accumulation of capital and, thus, that they must respond only to their shareholders (White, 2005:5). Only a very small portion of business considers that corporations must be accountable to other stakeholders. Why should they, when the dominant thinking in the global corporate and multilateral halls in the North signal, concerning CSR, that it must be voluntary and a free-range concept for every business to choose as it best sees fit?

In this way, it has been quite easy to take the initiative and adopt a framework from a readily-available menu that is already extremely business friendly. Most business communities, as in the North, are practising their self-designated kind of CSR with the sole purpose of promoting a good corporate citizenship façade that practices the public good without any intention of doing the real public good. Since they have no intention of changing any business practice that diminishes their sole goal of increasing shareholder value, regardless of violations to local legislation or to basic human rights, they are only adopting practices, many philanthropic, that enable them to cosmetically appear good (Doane, 2005: 29). If a company is part of a global corporation, it adopts the CSR process designated by its home office. If the entity is a domestic company, it simply cherry picks from those already available or creates its own, with limited or no participation from anyone who regards itself as a stakeholder (UNRID, 2004:4) of its business activity and who does not share its views. Indeed, when the views of important social sectors are excluded we can only expect a mock CSR ethos.

In this way, we have the leading business groups, formed by both domestic and foreign corporations, practising another "a la mode" CSR with far less participation from civil society than in the North, except from social sectors that agree with them, get grants from them, or act as their CSR certifiers, in obvious situations of conflicts of interest. Until now there is little challenge to their perspective. Some of the best known CSR business groups are: IARSE and Fundación del Tucumán in Argentina, Instituto Ethos in Brazil, Acción RSE in Chile, CEMEFI in Mexico, CCRE in Colombia and Perú 2021 in Peru, among others. Corporations either exclusively or predominantly fund all of

²¹ La Jornada, Caen 70% las ventas de Shell en Argentina desde el jueves de boicot, March 15, 2005.

them, and the business perspective dominates the approach towards CSR of these organisations, albeit it may include some input from civil society. Instituto Ethos is perhaps the most advanced in that it has produced, since 2001, its own CSR norms framework, which has been able to transcend Brazil.

On the other hand, we have CEMEFI, Mexican Centre for Philanthropy, which is exclusively formed and funded by the largest Mexican business groups and global corporations active in Mexico. CEMEFI also has a certification and award process. Yet the design of the process, the certification and the award are all defined and performed by CEMEFI, either directly or by its member corporations. A representative of each member company forms the jury, and the indicators are not publicly available, unlike its partner in Brazil, Instituto Ethos.²² Moreover, the fact that a company does not have an award does not mean that those getting the emblem are better than others not requesting it, for only CEMEFI members are awarded. There is a clear tendency to emphasise their philanthropic actions, while they neglect those regarding the living and working conditions that they directly engender with their workers.²³

Finally, there is “Empresa”, based in Chile, which constitutes an association of the major CSR business organisations in the region, including all the aforementioned, plus a couple of partners in Canada and the U.S.

On the multilateral side, the Inter-American Development Bank has been holding an Inter-American CSR conference since 2004. Together with Empresa and the Organisation of American States, they promote CSR from a business perspective. As in the case of the North, they all consistently share two characteristics: they avoid the critical issue of living wages, and their social responsibility is practised on a strictly voluntary basis. In a region where corporations are well known for blatantly and systematically violating labour rights and for legally exploiting workers, the way in which businesses address their social responsibilities can only be regarded as a clear mockery of what true corporate responsibility should be.

From the perspective of civil society, the activity of CSR is still quite incipient. There are a growing number of

organisations that are beginning to address the responsibilities of business, but their development is still at a rather infantile stage. One entity that has been able to organise as a CSR network of civil society organisations is Red Puentes. This network of 22 entities was formed in 2003. It has presence in Argentina, Brazil, Chile, Mexico and Uruguay. It also has NOVIB, an Oxfam member, and SOMO, both from the Netherlands, who have acted as facilitators and provide conceptual and structural support. Red Puentes’ mission is to create an approach to and tools for CSR appropriate to the conditions of Iberian American countries, and to enable citizen organisations in each country to contribute to the development of culture and initiatives for social responsibility in business.²⁴ Although some of the members have contributed documents on the topic, the network has not developed a CSR framework. Nonetheless, its stand, as a member of civil society in the region, is rather coy. In sync with the common denominator among business groups, Red Puentes does not address the critical issue of living wages nor promotes the need to make CSR a binding element of business practice. Also in sync with the GRI, AA 1000 and other multi-stakeholder initiatives, it defers, in taking a position on CSR to the ILO, OECD, UN Norms on Human Rights and the Global Compact, which, as earlier discussed, do not address the aforementioned issues. Adopting such a conservative approach as a member of one of the most unequal and unjust regions in the world, puts it not even remotely in sync with the needs and demands of the vast majority of the population, who may be ignorant about CSR, but knows very well that it is being exploited and excluded and is demanding a new social contract and a real democratic ethos. This lack of connection with hundreds of millions of poor working class citizens in Iberian America and with their most pressing issues, makes CSR and organisations such as Red Puentes a moot point in the pursuit of social justice and democracy, and it puts very much in doubt the future of CSR both regionally and globally.

□ Exploring the Future of CSR

❖ In the Threshold of Success or Failure

In the last five years there has been a tremendous amount of effervescence both in society as well as in the corporate world concerning the responsibilities of business regarding its impact on society and the environment, supposedly in

²² Myriam Cardozo Brum, Governments and Non-governmental Organizations vis-à-vis Corporate Social Responsibility, The Jus Semper Global Alliance. TLWNSI Issue Brief. June 2003, p. 6.

²³ M. Cardozo Brum & A. de Regil Castilla, Non-Governmental Organizations and Corporate Social Responsibility in Latin America; in Jose Allouche, Corporate Social Responsibility Volume 2, Performances and Stakeholders, Palgrave Macmillan, October 2006.

²⁴ <http://www.redpuentes.org/english/mission>

pursuit of ways to attain the sustainability of our planet. The least interested have been governments, who frequently disregard some of the vehicles available to reconcile social demands against corporate irresponsible practices, such as the OECD's National Contact Points, to be used to seek a remedy to concrete problems generated by specific corporations. Thus, the current state of CSR worldwide remains in an infantile state, for it is dominated by the business perspective. However, despite business' refusal to change the current Darwinian ethos, it is incontrovertible that the current undemocratically-imposed "marketocracy" is completely unsustainable. There is absolutely no possibility, with the imposition of the current culture of obsessive consumerism and exploitation of both human and natural resources, for the sake of the continuous enjoyment of a global elite who thinks it owns the world, that our planet can continue providing the conditions necessary for all living things and ecosystems to coexist. Without a doubt, the planet will come back to haunt us all.

It is precisely because of the evident impossibility of sustaining the current ethos that there is major concern worldwide about the current state of the world affairs, given the consistent growth of a diversity of global problems, from armed invasions, ecological disasters and global warming, to the pauperisation of the masses, famines, and the exclusion of billions of people who have no access to any of the opportunities that so-called human progress has supposedly achieved. This is the single reason triggering the mobilisation of millions to build another world, with a completely new paradigm, for the current one is bound to annihilate us all.

In line with this concern, there is increasing questioning about the real viability of CSR in the not too distant future. Allen White prepared an essay where he imagines three possible outcomes for CSR by 2015. One of them constitutes a profound redefinition of the purpose of business, where White elevates the social purpose as the pre-eminent goal of the corporation and not "shareholderism". One of its principles is that the purpose of the corporation is to harness private interests in service to the public interest (White, 2005: 3). White's questioning of the purpose of business becomes evident when he expresses that "shareholder value" would be replaced by

"wealth creation" and "stakeholder governance", in an ethos where all members of the community are stakeholders and all stakeholders are investors.²⁵

Another recent focus on sustainable development is the The Lifeworth Annual Review of Corporate Responsibility, which senses a future where a new business leadership will transform the current business ethos to serve the people and not the market. The authors sense that a few companies, at the cutting edge of corporate citizenship, are beginning to recognise that the failures of the market system must be addressed. They clearly express the need to redefine capitalism, when Jem Bendell reflects that this need embodies the new confidence of a profession and movement that arises out of an awareness of serving something greater than itself, with the conviction that such need is beginning to transcend leadership to transform capitalism as we know it (Bendell, 2005:7).²⁶

Other thinkers focused on sustainability are questioning not just capitalism but the idea of development in itself. Among them, several French researchers question economic growth per se, since it does not improve environmental preservation nor does it bring down income inequality. Indeed, development has meant that, in the past 40 years, the income ratio of the poorest to the richest 20 percent worldwide went from 1:30 in 1960 to 1:80 today. Instead, they argue, development should mean the increased well-being of all and the fulfilment of potential in a non-market framework.²⁷ Human and environmental well-being is then the only meaning for development. From this perspective, they argue that, eventually, growth must be replaced by human-development progress without more economic growth in both North and South. At such time, an optimal and balanced level in the distribution of the product of human activity would be achieved and sustained, for indefinite growth is completely unsustainable, and eventually the world will have to replace it with a no-growth paradigm.²⁸

It is in this context that I put very much in question the future of CSR. As people worldwide are increasingly fed up with the status quo, they are concluding that a paradigm of real-democracy practice must be created. Yet this aspiration is irremediably linked to the need to reform the

²⁵ Allen White, *Fade, Integrate or Transform? The Future of CSR*, Business for Social Responsibility, August 2005, p3.

²⁶ Jem Bendell with John Manoochchri and Shilpa Shah, *Serving Systemic Transformations*. The 2005 Lifeworth's Review of the Quarterly Journal of Corporate Citizenship.

²⁷ Jean Marie Harribey, *Do We Really Want Development? Growth, the world's hard drug*, Le Monde Diplomatique, August 2004

²⁸ Serge Latouche, *Degrowth economics. Why less should be so much more?* Le Monde Diplomatique, November 2004

entire business culture (Doane, 2005:29) and make it subservient to the aspirations of truly democratic societies and their design for the new paradigm, so that the purpose of business becomes a means to produce the general welfare of society (Corporation 2020 and Tellus Institute, 2006). In my opinion, the current state of CSR is the same as of a person declared terminally ill, for it is a direct reflection of the health of society. If we have a mock CSR it is because we are enduring a mock democracy. If we are able to redefine the current social ethos in which most societies exist, and build a new truly and direct democratic paradigm, then CSR will probably not be needed as a tool by neither civil society nor business, for the responsibility of business will be inherent to its new purpose: the welfare of society. As a result, if we succeed, CSR will gradually fade as the real-democracy paradigm emerges.²⁹

❖ *Pondering the Evolution of CSR in Iberian America*

In a region of the world with mind-boggling inequalities between rich and poor and perversely made so dependent on its oligarchic relations with the North, people are increasingly mobilising to get directly and permanently involved in the public matter. They are acting forcefully to get rid of governments that work almost exclusively for their very private interests and that are attempting to relinquish every grain of national sovereignty for the sake of their North-South partnerships. Hence, the dramatic increase in the level of awareness about the public matter and about the need to become permanently active stakeholders in the acts of government. This citizen involvement is moving at such a rapid pace that the development of CSR, mock or not mock, is becoming irrelevant for the common citizen. In Mexico, Bolivia, Venezuela, Brazil and Argentina, to name a few, people are mobilising to create a new paradigm that responds truly to the needs of the majority of the population and only to them. In this way, whilst the domestic business groups, global corporations and some groups in civil society play with the idea of the social and environmental responsibilities of business at a snail's pace, growing numbers of Iberian American citizens are mobilising and taking matters into their own hands by using simple down to earth common sense.

Due to the pillage that the robber barons are committing, there is a sense of utmost urgency that does not exist in other regions of the South and much less in the North. Thus, if Iberian Americans are aware about CSR at all, the vast majority are simply disregarding its debate and its future development. In most cases, they have never heard

about CSR. In both cases, they know very well that corporations cannot rule the world and dictate to their governments whatever they deem necessary to further enrich themselves. In this way, CSR is currently a moot point in Iberian America, much more so than in the North, for it does not address at all the needs of most citizens in harnessing the behaviour of business to stop their predatory practices and instead contribute to the welfare of all ranks of society. What people are doing is redefining the purpose of democracy and how it addresses every area of life beginning with the economic, social and environmental policies that must be adopted to build a truly sustainable paradigm. And they are doing it in a far more pragmatic way than in a conceptual fashion.

□ *Conclusion*

CSR in the world is currently a useless tool for society, for the business perspective dominates its concept. Since we endure a mock democracy worldwide, CSR, as a reflection of the state of society, is also a mockery of what it really should be, and it is at a threshold between becoming an inherent part of a newly-defined purpose of business, with social welfare elevated as its pre-eminent mission, or becoming a moot point for civil society. The current "marketocracy" that we endure is completely unsustainable. This has triggered a growing concern for redefining critical elements governing the life of most nations. Democracy, development and capitalism are all being put in question and redefined to make these elements subservient to the sustainability of the planet and not subservient to the market and its owners. Thus, if the growing number of people who reject the current ethos succeed in redefining these elements, CSR would likely disappear as an independent discipline and become an inherent part of the purpose of business. If this occurs, the term in itself would probably cease to exist. If, on the other hand, today's marketocracy prevails, CSR would become a moot point for civil society, and other alternatives would be necessary to put corporations in check.

In Iberian America, social movements are moving at a much faster pace than in most parts of the world. Since CSR in the region is even more a mockery than in the North, and its evolution worldwide is moving at a snail's pace, CSR is already mostly irrelevant as a tool of civil society, and it is unlikely to change, giving the pressing

²⁹ Álvaro J. de Regil, The Future of CSR will Mirror the Health of Society: Pondering the Evolution of CSR. The Jus Semper Global Alliance. TLWNSI Issue Brief. November 2005, p. 20-21.

social needs. Iberian America is currently in a struggle to redefine the entire concept and purpose of society, and in some countries, such as in Bolivia and Venezuela, it is beginning to dismantle the current structures that define their nations. Critical elements such as the social contract, the purpose of democracy, the boundaries and prerogatives

of the public and private matter and, to be sure, the purpose of business, are already being redefined in a very pragmatic way, mostly through peaceful revolutions. Thus, the future of CSR in the region is already being rendered irrelevant by the actions taken by the people.



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