

GARNET THIRD CAPACITY BUILDING WORKSHOP

Global Governance, Environment & Corporate Social Responsibility

Managing Regional and Global Synergies for
Responsible and Sustainable Growth

Organised by The Evian Group at IMD
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The third capacity building workshop organised by the Evian Group, in close collaboration with FLACSO Argentina, represented the first GARNET event to be held in South America. Building on GARNET's research commitment to broaden the analysis of global governance issues, the environment and corporate social responsibility were put at the centre of the workshop with the aim, not only, of assessing the types of national, regional and global policy dynamics necessary to the advancement of sustainable growth, but also to gauge, through dialogue, the different perspectives and priorities that emanate from the region.

The specificity of the relation between the European Union and South America in terms of environmental governance and economic integration is that while the European Union is relatively resource poor, South America is very rich in natural resources, with concerns over depletion and degradation that require varying analyses and resolutions of the many problems at hand. To this must be added the prevalent consensus that environmental issues, in relation to growth, integration, international trade and investment, are far more conflictual in developing regions that aspire to greater and accelerated social and economic development.

The intent of the workshop was not to define the agenda – which is well known in terms of river pollution, deforestation, mining contamination and soil degradation, over-exploitation of existing resources, social downgrading in the expropriation of environmental rents, clean water distribution or environmental change – but rather to try to move forward in finding a positive synergy between all the actors at play: business, civil society and government at the national, regional and global level.

Methodological Approach to the Dialogue

The methodological approach and design of the capacity building workshop was one that laid great emphasis on the pursuit of interaction and compromise. One of the key challenges of sustainability, in a context of globalisation that strongly affects the bonds that tie the economy and society, is that of finding a balance between economic growth, social justice and environmental preservation. This in a situational background where the power relations between the state and different private actors – be it the various strands of civil society or layers of businesses – have evolved, with an open question as to the required framing of the new relations. It is important to recognise in the approach to multi-stakeholder dialogues that conflicts exist between different social interests and that the onus should be on developing strategies that go beyond these divergences with an identification of where power and solutions reside.

While there often appears to be little common understanding on issues of responsibility and obligation relating to relatively simple concerns on human rights and the environment, the search for a common ethical base on which to build national, regional and international norms and regulations is necessary. In the management of dealings between highly mobile corporations and society, the mechanisms for greater accountability – be they voluntary or imposed – have to be sought with a critical role played by both governments and international institutions. There is no one-size-fits-all scenario or model, but in addressing the subject of corporate social responsibility, legal compliance and the environment, delegating implementation to private market actors alone for common goals to be achieved is manifestly inadequate.

With participants representing most strands of society – from NGOs to business representatives, academia, governments and international organisations – and originating from Europe and a majority of South America countries – with a very strong contingency from Argentina –, the workshop was organised along two interlaced layers. General discussions in an interactive roundtable format unfolded with the aim of encapsulating and exploring the core dynamics at play. These were ordered along four vertical and multidimensional themes: aligning global objectives and national conditions in implementing sustainable and responsible growth; global environmental governance and corporate social responsibility in the South American developmental context; the link between trade and the environment with a focus on the origins, workings and priorities of Mercosur; and finally the connection between multinational corporation environmental and social policies with local practices.

Throughout these discussions the importance of small and medium enterprises was underlined. Another leitmotiv was the distinction to be made between the different functions fulfilled by compliance and voluntarism in the management of social conditions and the public good that is the environment. The reflection of corporate governance practices such as the UN Global Compact or the Equator Principles in the supply chain, the impact on environmental considerations of bilateral, regional and multilateral trade and investment agreements with differing hierarchies of norms, and the role civil society can play in moving the agenda forward in assisting in the establishment of standards was also investigated.

Having covered the main topics of debate with their attendant controversies and disagreements, which are summarised in this report, a second layer of dialogue was

introduced in the capacity building workshop with the clearly defined intention of forcing participants to identify sources of compromise in moving the environmental agenda forward. The importance of this exercise resided less in the final output of the different working groups, than in a deliberation process in which the generation of a common language was achieved in the exchange of ideas – thereby fulfilling one of the main objectives of the dialogue. The common thread that was reached was one of awareness and individual responsibility with a distinct change in tone in the course of reflection and conciliation.

Conceptual Framework of the Dialogue

The conceptual framework on which the dialogue was built was one where the idea of governance refers to a form of decision-making process that unfolds in relation to a central authority. Three actors forming an amendable tripod can be identified where the state is only one amongst three protagonists: government, civil society and the private sector operating in the market.

The origin of this three-part system in South America can be traced to the 1970s crisis of Developmentalism – which removed the state from its traditional and dominant market presence – and the process of democratisation. A new manner of conceiving policy-making emerged in which the state no longer held an exclusive remit in four areas:

- the formulation of policies,
- the decision-making process,
- the implementation of regulations,
- and the supervision of policies.

As a result an increasingly intimate relationship has developed between the state and its counterparts – civil society and market actors. Depending on the circumstances, this relationship is not necessarily hierarchical in nature, but rather a mutually dependent polycentric triad.

With respect to the environment, this three party method has been a pioneer in developing cooperation and stimulating common practices at three spatial levels:

- the national veering to the sub-national,
- the regional – Mercosur for the purpose of the workshop –,
- and on top of this the global dimension.

A number of variations at the centre of this tripod can be witnessed with the interaction of different and competing interests groups, which, in turn, implies three contemporary dynamics:

- an element of decentralisation of authority,
- some privatisation of political authority,
- and territorial dispersion whereby political decisions can transcend single national entities.

This entails that, while the state sustains a fundamental function, there is an increasingly vertical and horizontal dispersion with a hand out of political and economic authority. There is vertical diffusion towards the bottom, at the sub-national level, with the strengthened role and greater participation of provincial and municipal authorities, and towards the top with the delegation of authority in regional and global forums. The horizontal dispersion is the manifestation of the growing role of civil society and the corporate private sector. This process is unravelling on the continent at a time when there is certain distrust towards public institutions in conjunction with a general pattern of democratic deepening. Civil society is taking an increasingly active and aggressive stance in its demands for participatory decision-making – with the subordination of the principal of sovereignty – particularly in relation to environmental degradation, resource depletion and human rights.

Within this general context, the concept of governance therefore encompasses:

- enhanced participation,
- growing scepticism towards central and hierarchical authority,
- the development of norms of self-governance and self-regulation,
- and the dispersion of authority between public and private spheres.

The expanded trust in market solutions as the preferred mechanism for the resolution of a growing number of problems is also manifest in this concept. This emphasis on market resolution is accompanied by elements of self-regulation and the evolution of internal and external audits. It is at this level that the subject of corporate social and environmental responsibility (CSER) enters the frame with prominence. In some ways CSER can be seen as a response to the crisis of globalisation, with a concern to avoid further regulation, and manifest that business can embed responsible social and environmental actions in their operations for sustainable development.

In essence, we are witnessing a new form of participation, or dialogue, in a decision-making process that is increasingly negotiated via reduced mechanisms of coercion and amplified mechanisms of self-regulation and internal control. An interesting phenomenon that is currently emerging is the occurrence of indices – including in the stock market with for example the Dow Jones Sustainability Indexes or the FTSE4Good Index Series –, which represent a distinct sign of our times in the manner in which businesses are given an incentive to be environmentally and socially responsible.

CSER can be seen as a paradigm in this respect, and one of the aims of the workshop was to discuss its exact contribution in the South American political, social and economic space. CSER is a voluntary undertaking, subject to internal and external assessments and reporting, of which the relevance and applicability in nations suffering from weak institutional structures and lacking enforceability must be scrutinised – particularly in relation to the central issue of accountability.

One of the goals of the workshop was to assess how CSER works, how it is negotiated, how standards are delineated and framed, how and for whom it is valued, and how it is relevant when non-compliance to existing standards, laws and rules is widespread. In essence, how efficient, effective and representative is it as a

mechanism towards greater social and environmental justice under the dynamics of globalisation, and what are the solutions and new problems that it carries in the quest for sustainable development in Mercosur and in South America?

Central Considerations to Emerge from the Dialogue

Global Environmental Governance and CSER

There has been a shift in the apparatus of global environmental governance, which traditionally focused on international environmental law, global environmental institutions, and their management of the global commons. There is increasingly a multi-level division of this governance with cities and regional bodies, such as the EU or Mercosur, playing a key role. This vertical break-up along geographical spaces poses a number of challenges in terms of coordination and coherence in ensuring effective policy at all levels. On top of this there is an emergent recasting of global environmental governance in terms of the actors that participate – standards and agreements are no longer confined to state interactions, with the private sector and civil society actively pressing on policy formulation. This evolution has been unfolding since the 1992 Rio Conference on Environment and Development, through the 2002 Johannesburg Earth Summit and beyond. Alongside these developments, globalisation has radically altered in different ways the manner in which global environmental governance is enacted. Greater emphasis is laid on market mechanisms for tackling environmental problems – a process that has been referred to as the marketisation of environmental governance. There has been a gradual shift from top-down regulations to the use of permits, taxation, or the allocation of property rights in the market to allow the trading of carbon emissions for example.

Under the dynamics of globalisation, economic integration, and global environmental governance, a constant assessment of the distribution of the costs and benefits of growth, and the quality of this growth, is required. Many factors must be added to development beyond liberalisation, and among them the questions surrounding environmental rent, environmental justice and the use of natural resources. One of the main concerns of developing regions like South America is that of finding a balance between environmental preservation and sustainable growth rates with the liberalisation of trade and capital. In terms of future discussions on the redrafting of the Kyoto Protocols on global warming, as an example, this leads to a very difficult political dilemma in the search for a solution to a problem that can only be resolved through collective action. Responsibility over the stock of CO₂ emissions lies in the hands of rich nations while developing regions will increasingly be accountable for future flows. A consensus is emerging that a new design and architecture of the governance of this issue, distinct from Kyoto, will probably be necessary. First forest preservation – and not only extension – will have to be compensated for the lost rent associated with alternative productive activities, developed countries will have to bear responsibility for the stock by generating resource mechanisms for technological transfer – particularly in energy, infrastructure and transport –, and all countries will probably have to be given equal treatment – without which artificial movements of capital to capture environmental rents could be witnessed. These negotiations are going to test the capacity of all social actors to demonstrate leadership, as outside of

the free-riding problem, the management of the dialogue with China and the United States will be absolutely central to avoiding that the competitive landscape changes towards one veering to the bottom rather than the top.¹

Corporate social and environmental responsibility can be seen in this overall background as a tool that has emerged from a line of thought, which presupposes that the aggregate benefits of globalisation supersede the costs as long as it is properly managed. It can be regarded as a concern to avoid further regulation and demonstrate that business can, and should, undertake responsible social and environmental actions “beyond compliance” – an attempt to reclaim the moral and technical ground from vociferous critics by showing that business is absolutely key to delivering sustainable outcomes. Private actors in the market have been making this case for a very long time – since the 1970s there have been reports underlining the business case for sustainable development – yet most indicators on environmental change have been getting worse across the board. With the Johannesburg process there is mounting emphasis on developing public-private partnerships and fostering the role of business in terms of technology transfer, the control of production processes, and the ability to set standards throughout the supply chain. It must be recognised that most companies only act on this issue when there is a threat of regulation and a solid framework of institutional strength and counter-balancing norms.

The operating framework of CSER in these debates is one that lays an emphasis on voluntarism, self-regulation and partnership, which tends to dilute the central role of the state. The assumption appears to be that inter-state cooperation can only go so far and there is the need to conceptualise new types of global environmental governance, to the point of actually producing private environmental governance. CSER can be interpreted as a manifestation of this new governance structure in which businesses and NGOs get together to establish standards, codes of conduct and a whole range of tools and instruments designed to address some of these problems. Examples can be found in the Forestry Stewardship Council or the Marine Stewardship Council that assemble an array of stakeholders in consultative processes with third-party accreditation for the responsible management of natural resources. It must be recalled, however, that there is a lot of money and profits to be made in CSER – whether it be in terms of branding or operational savings – and this is where the business case for responsible management comes through quite strongly.

CSER in the South American context

A number of concerns can be raised about the extent to which CSER can play this role in promoting sustainable development – beyond the assertions of its advocates – and it is necessary to look at the evidence that it is really making a difference. Two of these concerns in reference to South America are related to effectiveness and representation. Another is the perception that CSER can be framed in a single model, functional across diverse sectors and all sizes of firms, be they multinational corporations or SMEs in different parts of the world.²

¹ For an outline of this reasoning see Jagdish Bhagwati, “Global warming fund could succeed where Kyoto failed”, *The Financial Times*, Aug 15, 2006

² An analysis of the impact of CSR in developing regions can be found in Michael Blowfield, “Reasons to be cheerful? What we know about CSR’s impact”, *Third World Quarterly*, vol. 28, n° 4, 2007

In terms of effectiveness there is a danger to assume that CSER is either mainstreamed or the norm, whereas this is rarely the case. In most parts of the world it is corporate irresponsibility that is the key challenge to be tackled. A functioning CSER model assumes a strong state that is willing to act with the capacity to regulate market actors, a vibrant civil society with the democratic space and sufficient resources to be able to challenge business or government, and market actors responsive to some of these social concerns. States in South America are often weaker than imagined, with sound environmental regulations remaining unimplemented due to insufficient state capacity. Often businesses simply do not have the incentives to respond to pressures – particularly when they are out of the limelight and further down the supply chain with less consumer scrutiny.

When looking at the efficiency of these mechanisms it is also fundamental to think about the role of SMEs, as most CSER activities are currently carried out by MNCs with the resources and incentives to implement programmes.³ Most market activity is undertaken by SMEs and there remains a huge challenge in trying to mobilise smaller businesses, not only on environmental grounds, but also from a developmental point of view as these companies represent the backbone of economic vitality and poverty alleviation. For example the Inter-American Bank has done a number of studies on CSER in Latin American SMEs, where it appears that they are not applying traditional activities – such as codes of conduct or social reporting analysed by independent bodies –, but rather differing initiatives of value at the community level.⁴ For these schemes to be effective, institutions have to be strengthened at the sub-national and national level. So in the context of South America there is the risk of replicating uncritically models that cannot work because of deficient assumptions. Argentina, for example, needs a specific CSER agenda that is relevant to its needs and responds to some of its pressing development priorities.⁵

CSER can perform an important function but corporate irresponsibility and the profits generated by companies guilty of unsustainable development and non-compliance to existing laws also need to be addressed – regulation, liability, and stronger mechanisms of enforcement are central in this respect. Self-regulation and voluntarism are insufficient when attempting to deal with these issues of effectiveness and sustainability.

A second concern relates to representation. When companies are setting their own social and environmental standards, with public matters being managed privately, the disquiet over who represents the public interest in defining a normative framework comes to the fore. Even when businesses are working with civil society, which increasingly they are, the question remains open over the representativity of this civil society associated with business in the establishment of norms that can have far-reaching public consequences. This notion of civil regulation – the idea that civil society is trying to regulate and work with market actors because the state has

³ For a discussion on the adherence of SMEs to CSR standards see Tom Fox, “Small and Medium Enterprises and Corporate Social Responsibility”, *IIED*, June 2005

⁴ Antonio Vives, Antonio Corral and Inigo Isusi, “Responsabilidad Social de la Empresa en las PyMEs de Latinoamérica”, *Banco InterAmericano de Desarrollo*, September 2005

⁵ Peter Newell and Ana Muro, “Corporate Social and Environmental Responsibility in Argentina: The Evolution of an Agenda”, *Journal of Corporate Citizenship*, December 2006

withdrawn from that role – raises a host of issues concerning voice, accountability, transparency and the ability to define an appropriate level of regulation.

The private sector has an important role to play in promoting sustainable development, but the state remains central in defining the areas where business can make a difference towards contributing to state led goals on development, social cohesion, environmental preservation, and poverty reduction. Although rarely mentioned, one of the biggest contributions companies can make to sustainable development in terms of CSER and sustainable development is through taxation, which can properly endow governments with the resources to tackle problems of education, health, and environmental degradation. Corruption and mechanisms of accountability, of state and market actors, on social and environmental responsibilities under these normative frameworks are also central to the debate.

CSER covers a very wide terrain, ranging from international standards like the Global Compact, sector specific codes of conduct, voluntary agreements and partnerships, or standard reporting initiatives, all of which have very different implications in terms of the dynamics in which they are set and the overall impact they may have. It is important to think critically about where and when they work, and who the final beneficiaries may be. Many countries in South America are concerned that CSER could represent a new form of protectionism for example, with external standards as a benchmark for market access being denied. Some smaller producers equally claim that MNCs and market leaders set higher standards in CSER in order to exclude new entrants from the market. The standard setting process can be captured by large firms, with environmental protection becoming the basis of strategic behaviour, collusion, and increased barriers to market entry. Corporate mobility also emerges in these discussions as one of the trickier subjects pertaining to responsibility, with the right of companies to relocate or redirect supply chains without reinvesting and compensating the communities they have previously been working with.

There is a lot of scepticism surrounding CSER, as businesses accountable to shareholders are often very poor social development actors – which they admit themselves –, and they can give the impression of feeling in the dark with an element of overstretch. In the absence of an effective and strong state they can become development actors by default, which is not a desirable situation as it breeds clientelism with communities competing with one another to lay claims on companies without any open, or transparent, process for aggregating these demands. Yet companies cannot be immune from sharing social responsibilities and taking on social considerations like every other actor in society.

While it is accepted that the boundaries are constantly growing – by including the environment, labour issues, health and human rights – there is a need for a clearer focus on state and market best practices in specific social and developmental circumstances. Certain initiatives on transparency and accountability – the Publish What You Pay Coalition, for example, where companies in the mining and oil sectors publish their tax accounts that can then be traced to see if governments are fulfilling their stated development objectives or swallowing the money in corruption – can make a big contribution on top of international norms such as the OECD Convention on combating bribery of foreign public officials in international business transactions.

The Debate on Trade and the Environment in Mercosur

In the debate on the link between international trade and the environment in the context of regionalisation, the case of environmental rents or subsidies being exploited in the race to capture investment within the Mercosur region surfaced as an urgent problem.⁶ The management of shared natural resources has been high on the regional agenda and a very conflictive issue for a long time. Mercosur's stated intention of instituting rigorous environmental protection with the development of a positive agenda is ambitious, but in practice the nominal institutions linger at a rudimentary stage. The environment has essentially taken a secondary role in the efforts applied to the expansion of a regional trade agenda, with the absence of legal harmonisation of environmental regulations – or production and process methods with a potential impact on shared ecosystems – while powerful market forces have started to operate. As a result, a war to attract investment is happening with environmental downgrading being used as a competitive investment tool. The high profile case of Argentina taking its neighbour Uruguay to the international court over the contamination of Rio Uruguay – linked to international investment in paper mills in which a French bank is accused of not adhering to the Ecuador Principles and a Finish company that of exporting second grade residual water purification technology – is both a demonstration of the ineffectiveness of Mercosur governance measures, and an opportunity to establish mechanisms that give credence to the developmental and environmental sustainability of the regional project.

The philosophy behind Mercosur is one of regulatory competition with the *raison d'être* of the regional integrative initiative that of attracting investment.⁷ This is being done without an understanding on minimum environmental standards, and as a result a belated policy of competition has unfolded without any effective coordinating facility. Mercosur countries have yet to adopt domestic rules for industry location or production from an environmental policy perspective, and without an industry-by-industry agreement with sectoral protocols these tensions and environmental pressures will continue. One of the questions remains the nature of the mechanisms through which businesses can be incentivised so that an accord on guidelines per sector can be achieved, as well as defining a framework for the attribution of environmental rents between states, consumers, and producers. It is one of the greatest sources of competition between member countries – one in which antagonism rather than coordination is likely to prevail in the near future – with a failure to address the use of the public good in the process of economic integration.

There are instances where the implementation of market-oriented policies in Mercosur may have eased industrial pollution and contamination problems by facilitating the transfer of international environmental standards along the production

⁶ An overview of the links between international trade law and environmental management are found in "Environment and Trade: A Handbook", *IISD and UNEP*, 2005, and "Trade and Environment: A Resource Book", *IISD and ICTSD*, 2007. See also Diana Tussie, "The Environment and International Trade Negotiations: Open Loops in the Developing World", in *The Environment and International Trade Negotiations: Developing Country Stakes*, Basingstoke: MacMillan Press, 1999

⁷ Diana Tussie and Patricia Vazquez, "Regional Integration and Building Blocks: The Case of Mercosur", in *The Environment and International Trade Negotiations: Developing Country Stakes*, Basingstoke: MacMillan Press, 1999

chain. Yet the existence of dual market production patterns – due to less rigid environmental standards for local markets – is apparent in a number of industries, with smaller companies lacking the resources to upgrade production processes. At the same time export-oriented industries have been compelled to comply with international consumer demands such as eco-labelling. Within the agricultural and primary resource sectors, increased trading opportunities and the shift in production patterns triggered by regional integration have led to accelerated specialisation and the visible intensification of unsustainable practices. In the absence of counteractive policies, additional stresses to the regional environment are already being felt in terms of soil degradation and deforestation, with the mass production of soya and biofuel inputs for example.

It is important to recognise, nevertheless, that the environmental debate in Mercosur no longer hinges on whether there is a relation between the trade and environment agenda, but rather how to establish connections between the two in terms of directing foreign investment, measuring the social externalities, and assessing the production structures and export patterns of natural resources. Mercosur has political space and technical forums – sub group 6 – on the environment, but the problematic is one of institutional corroboration, coherence across policy sectors, and tackling sustainability *ex ante* rather than *ex post*. It is a question of political planification at the local, national and regional level that calls for political leadership, strengthened institutions, a productive sector that assumes its responsibilities, and better channels of civil society participation.⁸

One of the characteristics of Mercosur, which was highlighted during the workshop, is that as a functional regional grouping, it suffers from a precariousness syndrome. This condition is the product of the precariousness of every country that composes the agreement. It was suggested that the source of the difficulty is one in which Mercosur does not have the tools to reverse this frailty from each individual country. The gap between intentions and reality is linked to this condition, as it is to the institutional absence of enforceability and compliance –as well as the general lack of transparency, which hinders social participation. The methodological focus on linking trade and the environment for regional sustainable development appears to point to a situation in which national institutional and legal frameworks need to be strengthened in order to move upwards, and sustain cooperative and coordinated regional dynamics.⁹ This leads to the issue of coherence, as member states do not appear to have established a treaty hierarchy among the multilateral, regional and bilateral agreements to which they are signatory, nor have they moved forward in terms of technological, environmental, and social collaboration. As is becoming increasingly clear, when conflicts exist between Mercosur rules, bilateral engagements and multilateral agreements, there is little common understanding on where superseding norms and regulations reside.

⁸ Kathryn Hochstetler, “Fading Green? Environmental Politics in the Mercosur Free Trade Agreement”, *Latin American Politics and Society*, vol. 45, issue 4, 2003, and Daniel Ryan, “La Problemática Ambiental en el Mercosur”, *FARN*, 1998

⁹ A proposal was put forward at the workshop in applying variable geometry at the level of the South American regional space through productive integration in the value chain of wood; one that protects natural resources and links into demand from international markets for paper.

Concluding Remarks

In conclusion, CSER in South America and the gestation of Mercosur must be seen within a developmental perspective in which the problem is not so much the absence of standards, but the compliance to these norms, the establishment of a coherent and transparent normative framework, and the enforcement of rules and regulations. Legal compliance is a prerequisite for voluntary mechanisms to be effective. CSER and the respective roles of market actors, civil society, and the state are to be framed in the specific realities of each nation. One of these characteristics can be the lack of institutional enforcement capacity at the national and sub-national level, which ensures existing laws are not violated. Legal compliance and voluntarism perform two functions in this respect, which will depend on explicit circumstances and situations.

In the type of institutional adjustments that arbitrate business relations with the community and the state, the social actions of a company in its surroundings and neighbourhood is the result of the interaction between its interests and the demands of the communities in which it is located. Depending on the nature of these exchanges, a company's social activities often depend on whether they are perceived as an option or a necessity – defined by structural features such as product type, productive processes, location, size, ownership structure, relative importance in terms of local employment creation, and the availability of social infrastructure in its operating region. Local expectations and demands play a large part in defining this level of exposure and the type of reactive or proactive social and environmental actions that are implemented.

The effective impact engendered by CSER activities can often be at variance with the perception held by communities on this impact – especially in situations in which local authorities are dependent on the resources generated by these firms, and the degree of local employment dependence is high, as is often the case in mining regions for example. Different communities – be it communities of impact, employees, or public opinion – will have diverse social expectations of what a company should or should not do, and its degree of sensitivity to these expectations. It must be recalled that in some cases CSER can resemble little more than an inverted iceberg, and there remains a challenge in progressing to ensure effectiveness and representation beyond stated intent. One of the problems remains the difficulty of tangibly valuing the economic impact of social responsibility and the relevance of specific standards.

In most emerging markets like South America, the issue is more often than not that of starting to do CSER, and then proceeding to emit the guidelines under which it is going to be reported in verifying economic, social and environmental effectiveness. Incorporating SMEs is a key part of the challenge, although a growing number of cases are emerging in which small firms in the region are implementing practices that profiles them as generators of CSER along value chains.¹⁰ The main function of

¹⁰ Two representatives of which were present at the workshop to describe their activities: one specialising in the sustainable recycling of computer products in Chile with a high percentage of employees from marginalised sections of society, and the other a pasta company in Bolivia sourcing primary products from remote communities with equal concern for sustainable and social outcomes. The activities of a third Argentinean SME, which identifies areas of economic leverage and provides infrastructural capacity to villages in a situation of crisis and precarity, was also given a platform to describe and explain the rationale and mechanisms behind its social activities in the domestic context.

CSER remains that of complying with its aim: to improve social conditions and improve the management of the public good that is the environment in the quest for sustainability and greater environmental justice.

Corporate responsibility is an extra tool, nothing more, in the promotion of sustainable development in a region where enforceability remains on the whole relatively weak. In a very complex process of transparency and accountability, assurance and third-party verification are desirable when there is the slightest doubt on the values and norms that a company is promoting, or the relevance of standards to a specific social landscape. The idea of promoting a system of denomination of origin that takes these specificities into account was floated at the workshop.