**3.1  Allgemeine Angaben zum Teilprojekt D2**

**3.1.1  Titel:**

**Fostering Regulation?** *Corporate Social Responsibility*
**in Countries with Weak Regulatory Capacity**

**3.1.2  Fachgebiete und Arbeitsrichtung:**
Political Science, International Relations, Policy Analysis

**3.1.3  Leiter/in:**

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**3.2  Zusammenfassung**

**3.2.1  Kurzfassung**

Das Teilprojekt untersucht, inwieweit die Selbst-Regulierung von multinationalen Konzernen (MNCs) im Rahmen von *Corporate Social Responsibility* (CSR) zur Stärkung regulativer Kapazitäten in Entwicklungsländern beiträgt. Wir fragen, unter welchen Bedingungen MNCs zur Durchsetzung anspruchsvoller staatlicher Regulierung an ihren Produktionsstandorten beitragen und welche „neuen" Formen des Regierens sich dabei herausbilden. Im Mittelpunkt der empirischen Studien stehen Unternehmen in vier Sektoren in Südafrika, die CSR-Normen in den Bereichen Umwelt und Gesundheit übernommen haben.

**3.2.2  Langfassung**

Multinationale Konzerne werden gemeinhin als Kräfte betrachtet, die in globalisierten Märkten die Deregulierung von sozialer und Umwelt-Standards vorantreiben. Unser Teilprojekt fragt im Gegenteil, unter welchen Bedingungen multinationale Konzerne (MNCs) zum Aufbau regulativer Kapazitäten in Entwicklungsländern beitragen können.

Internationale Abkommen fordern multinationale Konzerne explizit dazu auf, die Standards guter umwelt- und gesundheitspolitischer Praktiken in den Ländern, in denen sie produzieren, an-

zuwenden und zu verbreiten. Dies trifft insbesondere für Länder zu, in denen die staatliche Regulierungskapazität schwach ausgebildet ist. Inwieweit und unter welchen Bedingungen lässt sich ein *spillover*-Effekt von freiwilliger unternehmerischer Selbstregulierung zu staatlicher Regulierung beobachten? Tragen MNCs bei der Anwendung von internationalen Standards dazu bei, das Niveau der Umwelt- und Gesundheitsregulierung und deren praktische Implementation in diesen Ländern zu verbessern? Inwieweit bilden sich dabei „neue" *Governance*-Formen heraus?

Zu diesen Fragen formuliert unser Teilprojekt Arbeitshypothesen, deren Erklärungsfaktoren stark nach Politikfeldern und Sektoren variieren. Deshalb beginnen wir in der ersten SFB-Phase mit einer Länderstudie, innerhalb derer wir multinationale Unternehmen in verschiedenen Wirtschaftssektoren und zwei zu regulierenden Politikfeldern untersuchen. Die geplante Analyse konzentriert sich auf Südafrika, ein Schwellenland, das nichtsdestotrotz eine schwach entwickelte Gesundheits- und Umweltregulierung und eine geringe politische und administrative Regulierungskapazität aufweist. Wir untersuchen MNCs in den Wirtschaftssektoren Bergbau-, Automobil-, Ernährungs- und Textilindustrie, die sich durch die Stärke der Verbandsstrukturen, der Exportorientierung, der Abhängigkeit vom Binnenmarkt, der Existenz von mobilisierenden NGOs and Multi-*Stakeholder* Netzwerken unterscheiden. Als Politikfelder haben wir im Bereich Gesundheit HIV/AIDS als in Südafrika vergleichsweise konfliktträchtiges Regulierungsfeld ausgewählt sowie im Bereich Umwelt die Luftreinhaltung, die innenpolitisch weniger umstritten ist.

## 3.3 Ausgangssituation des Teilprojekts

### 3.3.1 Stand der Forschung

In the 1970s and again in the 1990s, the negative social and environmental implications of large-scale foreign investments by multinational corporations (MNCs) have become controversial issues. The debate has focused on the relocation of production to developing countries with lower social and environmental standards, i.e. in countries with no appropriate regulation to protect the health of workers and the environment (Kolk et al. 1999). Multinational companies were perceived as a major driving force in the "race to the bottom" induced by the globalization of markets. Since the 1980s, however, thousands of companies have voluntarily issued reports on their environmental performance, have committed themselves to environmental and health codes of conduct, i.e. sets of general principles and goals meant to guide a company's daily practices. Still others have sought to have their products or their production processes certified by independent parties as 'environmentally sound'. And attempts were made to regulate multinationals' behavior by drawing guidelines by international organizations.[1]

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[1]   One example is the Global Compact initiated by the United Nations Secretary General Kofi Annan at the Davos World Economic Forum in 1999 challenging the international business community to help the U.N. implement universal values in the areas of human rights, environment and labour. It postulates nine principles which corporations are asked to embrace and the implementation of which in good corporate practices is exposed in website showcases (Kell/Ruggie 1999; Waddock 2002). The Global Compact has linked itself to the reporting and audit-

The literature on corporate social self-regulation shows that industry actually does provide public goods[2] through corporate and associative self-regulation and seeks to reduce the negative external effects of market activities (Ronit/Schneider 1999).[3] On the one hand, private actors, i.e. firms and their associations, consider corporate self-regulation to be more flexible and more easily adjustable to changing social, economic and technological circumstances than regulation by governments (Boddewyn 1992; Drezner forthcoming). On the other hand, private actors are eager to engage in self-regulation or the exercise of "private authority" (Cutler 2003; Nölke 2003; Hall/Biersteker 2002), because they can wield direct influence in shaping these policies which otherwise would be imposed upon them, i.e., firms prefer self-regulation and co-regulation to regulation by government. Self-regulation, however, is also attractive because cooperation with other firms allows individual firms to gain insights into the production processes of their competitors (Héritier 2002).

However, corporate self-regulation is contested. Codes of conduct often lack clear targets and measurable outcomes as well as requirements for monitoring the performance and deadlines for improvement. Most of the guidelines remain voluntary, hence lack a binding character and effective judicial tools to ensure compliance; associative self-regulation may involve too few consumers, lack transparency and comprise too many industry selected representatives and too few beneficiaries (Boddewyn 1992; Héritier 2003). Analytic instruments have been developed to classify corporate codes of conduct and social reporting (Kaptein/Wempe 2002; Kolk/van Tulder/Welters 1999/2000) distinguishing between more and less demanding forms of corporate social practices along dimensions such as the specificity of requirements, compliance, and the involved monitoring mechanisms and sanctions (see Kolk/van Tulder 1999, for child labour). Moreover, the plethora of voluntary initiatives and codes, including labeling schemes, that have emerged over the past years at the corporate, sectoral and national level are selective in content and lack uniform definitions and representatives of target groups (Kell/Ruggie 1999: 3). Firms may promote different standards and apply different criteria in the same sector and therefore sectoral regulation may have a piecemeal character.

This project seeks to explore the contested impact of multinational firms on state regulation. More specifically, we seek to identify conditions under which multinational firms contribute to

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ing standards of the "triple bottom line" oriented Global Reporting Initiative and also advocates measuring improvement through other tools such as activity-based accounting, risk assessment, internal audits, life cycle assessment and eco-design, SA8000, AA 1000, ISO15000, and related tools (Waddock 2002: 12).

[2]  Public goods are goods that are characterized by accessibility and non-rival consumption. Thus if a firm reduces its $SO_2$ emissions into the atmosphere by applying the best available technology in its production process, it contributes to the improvement of the quality of ambient air. Ambient air constitutes the public good which is accessible for all and is non-rival in consumption, i.e. if one person breathes this air, the possibilities of others to do the same are thereby not reduced.

[3]  The focus is here on regulation to prevent negative externalities of production and market processes. An important body of these standards are provided by international standards of the international norming institutions (see Mattli/Büthe 2003). We include the ISO norms in our analysis but go beyond them to include individual and association-based voluntary regulation by multinationals.

higher regulatory standards following the logic of a "race to the top" rather than a "race to the bottom" (Vogel 1995). We focus on countries with weak regulatory capacity where the level of regulation is low and states have little incentives to tighten them. High regulatory standards would reduce their international competitiveness by increasing the production costs for both domestic firms and foreign investors. Moreover, we look at "good corporate citizens" only, i.e. companies that voluntarily committed themselves to high standards of corporate self-regulation. There is already a vast literature on *corporate social responsibility* (CSR) as such which mostly focuses on conditions under which private actors commit themselves to voluntary self-regulation. The impact of corporate self-regulation on its immediate regulatory environment has not been systematically studied. This is particularly true for states with weak regulatory capacity where regulatory standards are low. Why do firms seek to turn corporate regulatory standards into state regulation? Under which conditions do states respond to the pressure of multinational firms to 'legalize' corporate standards, particularly if those standards conform to high international standards set by international regimes and organizations? What do the regulatory outcomes look like?

In trying to answer these questions, we build on different literatures and seek to go beyond the existing research where we identify particular lacunae. In particular, by investigating the impact of corporate social responsibility on national and local regulatory practices, we want to link two strands of research which hitherto have not been connected: (1) the literature on new modes of governance with its focus on private self-regulation and public-private co-regulation, and (2) the transformation processes conceptualized and theorized in the literature on Europeanization (e.g. Héritier u. a. 2001, Héritier u. a. 1996; Cowles u. a. 2001; Featherstone/Radaelli 2003; Kohler-Koch/Eising 1999; Börzel/Risse 2003).

### *(ad 1) Literature on New Modes of Governance*

The question why firms seek to turn corporate self-regulation into public regulation is discussed in the literature on new modes of governance which rely on the self regulation and co-regulation of private actors in policy formulation (Héritier 2002, 2003; Börzel/Risse 2003; Knill/Lehmkuhl 2002; see also Streeck/Schmitter 1985). This literature argues that the reasons why private actors participate in policy formulation are twofold: first, private actors are invited by public actors to take part in regulatory activities. Public actors have to rely on private actors in order to produce policy outcomes because they do not have the necessary expertise to produce the policies in question. This is particularly true in developing countries with limited state capacity. Involving private actors in policy formulation also improves the effective implementation of regulatory standards since those actors are the ultimate regulatory target group that has to comply. Again, this is particularly relevant for weak states with limited enforcement powers. Second, private actors have the opportunity to shape regulatory outcomes according to their preferences and prevent regulatory standards that impose high compliance costs.

A counter-argument questioning the willingness of firms to turn self-regulation into public regulations can be drawn from the research on regulatory competition. It is argued that multinational companies profit from regulatory competition among states in order to avoid strict regulation. In a globalized market, firms tend to invest in countries where regulatory costs are the lowest. Hence, in order to attract and retain mobile factors of production, states engage in regulatory competition, i.e. lower their regulatory standards (Scharpf 1999). If this is the case, firms find themselves under less pressure to engage in a high level of self-regulation. Or, from a market perspective, because competitor Y of multinational corporation X has saved on costs of regulation, X will be forced to cut regulatory costs as well, hence settle in countries where regulatory burdens are low.[4] However, this argument has been qualified: in process regulation,[5] a worldwide race to the bottom may ensue in sectors in which international competition is intense and where regulation adds significantly to the total costs of production. In product regulation,[6] a race to the bottom is likely to occur when foreign products that do not comply with national regulatory standards may not be kept out of the national market. In contrast, a race to the bottom is unlikely when there is a "certificate effect", i.e. a regulation that creates a superior product quality that is rewarded by the market (Scharpf 1999: 91-98; Vogel 1995). While at first glance the theory of regulatory competition suggests that regulatory competition between states will lead to less regulation, it needs to be differentiated in terms of the certificate effect of regulation and the cost of process regulation. This differentiation has important implications for the conditions under which firm push for state regulation in states with weak regulatory capacity to which we will come back in the next section.

### (ad 2) Studies on Europeanization

Our second question on the conditions under which private actors succeed in transforming their corporate regulatory standards into public regulation relates to the willingness of states to respond to the demand and pressures of firms for higher regulatory standards. In addressing this question, we turn to studies on Europeanization. These studies focus on the impact of the policies of a particular governmental level (the European Union, in this case) on the policies and political and administrative structures of states. We argue that the processes triggered by corporate self-regulation on the regulatory practice of countries with weak regulatory capacity may be understood in terms of the same process mechanisms conceptualized and theorized in Europeanization research. We expect that the linking of these two strands of literature offer new insights in the transformation processes caused by corporate social governance in the implementa-

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[4]  The literature on economic geography, however, points out that the costs of production across countries are not assessed in a simple and one-dimensional way. Rather objectifiable costs are relativized in the light of the existing technical and social infrastructure of a site of production.

[5]  Process regulation increases the cost of production without affecting the quality of the product as such. This is for instance the case in environmental regulation of production processes, of social regulations of working conditions, and employment security (Scharpf 1999: 97).

tion of international agreements in states with weak regulatory capacity. Moreover, applying concepts and theories of Europeanization to a context where both supranational institutions and strong states are absent will help to evaluate the generalizability of Europeanization approaches in explaining the impact of international institutions on the domestic structures and policies of states (Gourevitch 1978; Zürn 1993).

The Europeanization literature typically adopts a three-step-approach of domestic adaptation to international pressures: First, there are standards and regulations emanating from the supranational level, the EU in particular. In the case of this project proposal, these would be the regulatory standards enshrined in international environmental and health agreements and voluntarily adopted by companies in the framework of various schemes of *corporate social responsibility*. Second, EU standards and regulations create adaptational pressures in domestic policies and institutions of member states to the extent that there is a "misfit" between EU rules, on the one hand, and the domestic way of doing things in the member states. Applied to our case of countries with weak regulatory standards, we expect adaptational pressures emanating from a "misfit" between corporate environmental and health standards, on the one hand, and the regulatory frameworks in weak states, on the other. Third, the Europeanization literature has identified a variety of mediating factors which either facilitate or hinder domestic change by which states respond to adaptational pressures (Héritier et al. 1994, 1996, 2001). Börzel and Risse have grouped these factors according to their underlying logic of social action, namely whether they are embedded in a rationalist "logic of consequentialism" or a constructivist "logic of appropriateness" (Börzel/Risse 2003; on the two logics see March/Olsen 1998). Below, we develop hypotheses concerning these mediating factors.

In sum, the existing literature has only recently begun to address the relationship between corporate self-regulation and state regulation, particularly with regard to countries with weak state capacity. As a result, there are no theoretical and empirical studies on which this project could directly draw. However, the research on new modes of governance and Europeanization provides concepts and causal mechanisms which we can borrow to develop hypotheses on the conditions under which firms successfully push for state regulation contributing to a higher level of environmental and health protection.

### 3.3.2 Eigene Vorarbeiten

Börzel and Héritier have both contributed to the literatures pertinent to this proposal in at least four ways. First, *Héritier* has been at the forefront of transforming comparative policy analysis into a rigorous social science sub-discipline. She has – jointly with Knill, Mingers and Becka (1994) and Knill and Mingers (1996) – been among the first to study processes of Europeanization, i.e. the influence of European policies on member states' policies on and administrations as

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[6]  Product regulation affects the quality of a product (its usefulness, safety or attractiveness in the eyes of the con-

a transformative process. This very process of transformation – originating from corporate self-regulation, in this case, as an influence upon national policy-making and national administrations – constitutes the core of this project. *Börzel*, too, has studied the influence of European policy making on the existing regulatory policies as well as political and administrative structures in EU member states. Thus, both applicants have analyzed these transformation processes in a variety of policy areas ranging from environmental policies to transport, energy and telecommunications as well as to questions of territorial structures (Héritier u. a. 2001, Héritier u. a. 1996, Héritier u. a. 1994; Börzel 2002, 2003; Börzel/Risse 2003).

Furthermore, Héritier has conducted a three-year project on deregulation and re-regulation focusing in particular on the interaction between firms and regulatory authorities. The project analyzed the opportunities and difficulties of the interaction between regulatory authorities and firms in the rail sector, energy and telecommunications in securing desirable regulatory outcomes in these policy areas (Coen/Héritier 2005 forthcoming; Thatcher/Héritier 2003).

Moreover, Héritier has studied new modes of governance in Europe, among which corporate self-regulation and public-private co-regulation constitute important varieties, Börzel and Héritier have both conducted theoretical and empirical research on how these modes are established and applied in an international context. Börzel has extensive research experience with regard to the role and influence of non-state actors in the implementation of international and European norms and standards (Börzel 2000, 2002, Börzel/Risse 2005). Héritier has focused on the question of why new modes of governance have emerged at the European level, how they are functioning and to what extent they are able to deal with particular policy problems (Héritier 2002, 2003).

### 3.3.3 Liste der publizierten einschlägigen Vorarbeiten

I. Referierte Veröffentlichungen

*a)* *in wissenschaftlichen Zeitschriften*

Börzel, Tanja A., and Risse, Thomas 2005: Public-Private Partnerships: Effective and Legitimate Tools for International Governance?, in: Grande, Edgar/Pauly, Louis (Hrsg.): Complex Sovereignty: On the Reconstitution of Political Authority in the 21st Century, Toronto.

--- Hofmann, Tobias and Sprungk, Carina 2003: Einhaltung von Recht jenseits des Nationalstaats. Zur Implementationslogik marktkorrigierender Regelungen in der EU, in: Zeitschrift für Internationale Beziehungen 10: 2, 247-286.

--- 2001: Non-Compliance in the European Union. Pathology or Statistical Artefact?, in: Journal of European Public Policy 8: 5, 803-824.

--- 2000: Why there is no Southern Problem. On Environmental Leader and Laggards in the EU, in: Journal of European Public Policy 7: 1, 141-162.

--- 1998: Organising Babylon. On the Different Conceptions of Policy Networks, in: Public Administration 76: 2, 253-273.

Héritier, Adrienne, 2003: Public-Interest Services Revisited, in: Journal of European Public Policy, Special Issue, A.Héritier and M.Thatcher (Hrsg.) 9: 6, 973-994.

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sumer and the price of a product (Scharpf 1999: 91).

--- and Thatcher, Mark (Hrsg.) 2003: Regulatory Reform in Europe. Special Issue, in: Journal of European Public Policy, 9: 6.

*c)    in monographischen Reihen*

Börzel, Tanja A. 2003: Environmental Leaders and Laggards in the European Union. Why There is (Not) a South-ern Problem, London.

--- 2002: Non-State Actors and the Provision of Common Goods. Compliance with International Institutions, in: Héritier, Adrienne (Hrsg.): Common Goods: Reinventing European and International Governance, Lanham, MD, 155-178.

--- 2000: Improving Compliance through Domestic Mobilisation? New Instruments and the Effectiveness of Im-plementation in Spain, in: Knill, Christoph/Lenschow, Andrea (Hrsg.): Implementing EU Environmental Policy: New Approaches to an Old Problem, Manchester, 221-250.

Héritier, Adrienne and David Coen. 2005 (forthcoming): Refing Regulatory Regimes. Creating and Correcting Markets.

--- 2003: New Modes of Governance in Europe: Increasing Political Capacity and Policy Effectiveness?, in: Börzel, Tanja A. and Cichowski, Rachel A. (Hrsg.): The State of the European Union, Vol. 6: Law, Politics, and Society, Oxford, 105-126.

--- 2002: New Modes of Governance in Europe: Policy-Making without Legislating?, in: Heritier, Adrienne (Hrsg.): Common Goods: Reinventing European and International Governance, Lanham MD, 185-206.

--- 2001: Differential Europe: National Administrative Responses to Community Policy, in: Cowles, Maria G., Caporaso, James A. and Risse, Thomas (Hrsg.): Transforming Europe. Europeanization and Domestic Change, Ithaca, NY, 44-59.

--- /Kerwer/Dieter, Knill/Christoph, Lehmkuhl/Dirk, Teutsch/Michael and Douillet/Anne-Cécile 2001: Differential Europe. The European Union Impact on National Policymaking. Lanham/Boulder.

II. Nicht referierte Veröffentlichungen

*d)    in wissenschaftlichen Zeitschriften*

Héritier, Adrienne (Hrsg.) 1993: Policy-Analyse: Kritik und Neuorientierung, PVS-Sonderheft, Opladen.

*f)    in monographischen Reihen und Sammelbänden*

Börzel, Tanja A. 2005: European Governance - nicht neu, aber anders, in: Schuppert, Gunnar F. (Hrsg.): Governan-ce Forschung - Vergewisserung über Stand und Entwicklungslinien, Baden-Baden, 72-94.

--- and Risse, Thomas 2003: Conceptualising the Domestic Impact of Europe, in: Featherstone, Kevin/ Radaelli, Claudio (Hrsg.): The Politics of Europeanisation, Oxford, 55-78.

--- and Risse, Thomas 2002a: Die Wirkung Internationaler Institutionen: Von der Normanerkennung zur Normein-haltung, in:  Jachtenfuchs, Markus/Knodt, Michèle (Hrsg.): Regieren in internationalen Institutionen, Opla-den, 141-182.

--- and Risse, Thomas 2002b: Europäisierung und die Transformation der Nationalstaaten, in: Schneider, Volker (Hrsg.): Entgrenzte Märkte - grenzenlose Bürokratie, Frankfurt a.M., 86-108.

Héritier, Adrienne/Knill, Christoph and Mingers, Susanne 1996: Ringing the Changes in Europe. Regulatory Com-petition and the Transformation of the State, Berlin/New York.

--- /Mingers, Susanne/Knill, Christoph and Martin Becka 1994: Die Veränderung von Staatlichkeit in Europa. Ein regulativer Wettbewerb: Deutschland, Großbritannien und Frankreich in der Europäischen Union, Opla-den.

## 3.4 Planung des Teilprojekts

### 3.4.1 Forschungsziele und Leitfragen

The planned research investigates whether *corporate social responsibility* (CSR)[7] contributes to the development of regulatory standards in countries with weak regulatory capacity in the environmental and health sectors. By weak regulatory capacity, we mean non-existing or minimal national regulation of the negative external effects of industrial production and non-existing or minimal administrative capacity to enforce existing regulation. The literature has shown that multinational corporations engage in corporate self-regulation, i.e. are willing to provide public goods by engaging in self-regulation to implement international norms and rules, such as environmental and health standards.[8] Our project takes the analysis one step further and seeks to study the "spillover" effects of *corporate social responsibility* upon regulatory practices in states with weak regulatory capacity. Therefore, we only look at firms which voluntarily committed themselves to high corporate self-regulation that conform to international agreements (the so-called "good corporate citizens"). We proceed in three steps:

(1) In a first step, we focus on the preferences of multinational corporations for corporate regulatory standards to be turned into public legal standards. The aim is to specify conditions under which firms and associations seek state regulation.

(2) In a second analytical step, we ask whether states with weak regulatory capacity actually adopt and implement legal standards conforming to international norms that are promoted by MNCs. The aim is to identify factors that explain the success or failure of firms and associations in the making of regulatory policies.

(3) In a third and final step, we analyze the regulatory outcomes of states adopting corporate regulatory standards that conform to international norms and rules. The aim is to classify the emerging regulatory structures according to the degree of private actors' involvement in policy formulation and implementation and, thus, the emergence of new modes of *governance.*

The first two steps will be completed in Phase 1 of the *SFB*, while the analysis and explanation of the regulatory outcomes will be the main task in Phase 2 of the *SFB*. In the following, we discuss arguments from the different strands of research mentioned above that help us formulate working hypotheses guiding our empirical research.

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[7] The European Commission defines corporate social responsibility as a "concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis" (European Commission Communication on corporate social responsibility, cited in Murray 1998: 9); see also Wood who defines corporate social responsibility as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as the relate to the firm's societal relationships" (Wood 1991: 693).

[8] We would like to thank Lucas Fransen, University of Amsterdam, for critical and constructive comments on this question.

### (ad 1) Why do firms want to turn corporate self-regulation into public regulation?

Why would firms that engage in voluntary regulation push for state regulation? Since the literature has not directly addressed this question, we turn to the research on associative corporate self-regulation in the search of an answer. This literature (Ronit/Schneider 2000) has pointed out that organizing in business associations is an important precondition for a possible commitment to self-regulation. Associations help solve the collective action problems faced by individual firms. The temptation for an individual firm to take advantage of the regulatory requirements of its competitors to obtain an advantage in the market, is considerable. This temptation is attenuated by the discipline imposed by associations (Schneider/Ronit 1999). If international business associations mobilize advocacy support for corporate self-regulation, success is not only much more likely (Kell/Ruggie 1999: 3). Associations can also help mitigate the free-rider problem. In the absence of associations that monitor compliance with corporate regulatory standards, firms may seek public regulation resorting to legal enforcement mechanisms. From these considerations on associations and self-regulation, we derive and empirically explore the following claim:

*H1 "Associative Structure Hypotheses":*
*In sectors with weak associations and low associative membership of firms at the international, national and subnational level, MNCs will be more likely to seek state regulation conforming to international standards.*

This strand of literature also emphasizes the importance of sectoral competition for corporate social responsibility. It argues that a high level of self-regulation is more likely in sectors with a limited number of producers. Under these conditions, executives are more likely to guide corporations toward stronger ethical norms (Kell/Ruggie 1999: 3-5), because free-riding and non-conformity with self-imposed (associational) rules can be more easily observed (Ronit/Schneider 1999). Individual firms have an incentive to monitor competitors and to sanction non-compliance with associational rules.[9] In contrast, in a sector with many market actors, non-compliance with regulatory codes would more easily go unobserved. This leads us to the following hypothesis:

*H2 "Sector Structure Hypothesis":*
*In sectors with few players, MNCs have fewer incentives to promote corporate regulatory standards to be turned into state regulation, whereas they are more likely to seek public legal standards in sectors with many players.*

Multinational firms are increasingly under political pressure to maintain a high level of regulation even if operating in an environment of low-level regulation. The requirements of international conventions on environmental and health protection and the public pressure insisting on

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[9]   This effect, however, may be produced by a bandwagon or copycat effect among firms in these sectors. Thus, Adidas and Puma both invited the same international experts to comment on their code writing which led to very similar codes (Merk 2003).

their implementation have increased. Moreover, international trade law allows highly regulated states to restrict the import of products that do not comply with their national regulatory standards (Gstöhl/Kaiser 2004). For instance, canned food produced in South Africa has to comply with EU food-stuff regulations in order to enter the EU common market. The so called "California effect" not only curbs the "race to the bottom" dynamics that is said to be immanent to the logic of regulatory competition (Vogel 1995; Sun/Pelkmans 1995). It also provides incentives for MNCs producing in countries with weak regulatory capacity to push for public regulation. If a multinational firm produces in South Africa and sells its products mostly in highly regulated countries, it is likely to voluntarily comply with high standards and has no incentive to push for public regulation in South Africa. But if the firm also produces for the South African market (or the market of lowly regulated countries) where it competes with (local) producers that do not target highly regulated countries, the multinational firm faces a significant competitive disadvantage. We can therefore hypothesize:

*H3 "Export-orientation Hypothesis":*
*Multinational firms that produce in low regulating countries and export their products to both high and low regulating countries have stronger incentives to seek state regulation conforming to international standards than MNCs that produce mostly for low regulating countries.*

Pressures on firms emanating from process regulation work differently. Unlike in the case of product regulation, the export of products in countries with high process-related standards is not sufficient for MNCs to require state regulation. According to several dispute settlements by the WTO, such as the famous dolphin-tuna case, regulatory standards related to production processes must not be used to discriminate against the imports of foreign competitors (Gstöhl/Kaiser 2004). Only because child labor is prohibited in the EU, it must not block the import of textiles or shoes that are produced by children in developing countries. However, globalization may induce multinational corporations to push for high standards in the production process, too, despite the costs involved. First, multinational firms may seek to achieve technological uniformity in their subsidiaries worldwide, i.e. using environmentally friendly technology not just in industrialized, but also in developing countries. Second, multinational firms have become more conscious of their reputation ("global brand names"). Large corporations no longer market their products on the basis of country of origin (e.g. "made in Germany"), but on the basis of global brand names ("Nike").[10] They are increasingly aware of the need to establish and defend their corporate image and its brand name in the eyes of customers, investors, non-governmental organizations (NGOs), labor unions and communities and to avoid controversial practices (Waddock 2002: 3; Kell/Ruggie 1999: 5). Thus, transnational corporations, governments and NGOs increasingly bargain over the formulation and implementation of codes of conduct (Kolk/van Tulder 1999: 184). NGOs also play an important part in monitoring compliance with such corpo-

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[10] These intangible assets have become important in establishing a global presence and by some estimate make up as much as 40% of the market value of corporations (Kell/Ruggie 1999: 5).

rate regulatory standards. But voluntary self-regulation is often not enough. Similar to product regulation, firms that export to both high and low regulated countries may again suffer competitive disadvantages – but because of concerns about their reputation with consumers rather than restrictions allowed by international trade law. This reasoning leads us to the following hypotheses:

*H4 "Brandname/Stakeholder Hypothesis":*
*If a network of NGOs and/or a multi-stakeholder initiative is involved in the regulation of the issue area, "brandname" MNCs exporting in both highly and lowly regulated countries are more likely to seek state regulation conforming to international standards.*

### (ad 2) When do states adopt and implement higher regulatory standards in response to MNC self-regulation?

Our second research question addresses the conditions under which states are willing to respond to corporate pressure for higher standards, particularly if their regulatory capacity is low. It has been claimed that MNCs play a leading role in ensuring that "the greening of business" is also pursued in developing countries and that their environmental policy makes more efficient use of natural resources, minimizes emissions, and contributes to environmental rehabilitation. MNCs arguably also play an important role in shaping national environmental policy in developing countries. Significant improvements in national environmental policy were achieved in a number of countries, because influential companies supported the activities of national environmental institutes (United Nations Research Institute on Development [UNRISD] 1998). To what extent are there empirical substantiations of such claims in countries with weak regulatory capacity, how can they be measured, and how can they be accounted for?

In trying to answer these questions, we use the literature on Europeanization to develop working hypotheses. Drawing on insights on the transformation processes triggered by Europeanization we want to scrutinize whether similar processes are set off and similar impacts can be identified in a context where multinational firms push for strict regulations in an environment with low regulatory capacity. The Europeanization literature argues that there is a certain pressure to adjust on the part of member states, if there is a mismatch between the regulatory provisions of the supranational level, on the one hand, and the existing regulation at the national level, on the other. However, this adjustment is by no means a process that can be taken for granted since it imposes costs, economic and political. In theoretical terms, this process is conceived of as a process of conflict and bargaining and/or as a process of mutual learning and socialization.

In the first case, the important factors determining the adjustment or non-adjustment of the country in question depends on the preferences of key decision-makers and the institutional setting in which their decision-making processes are embedded. These institutional settings determine, for example, the number of formal and informal veto-players involved in the political process. In other words, this explanatory approach views the transformation process as a complex political

contest into which the regulatory provisions are fed into the domestic political process and are used by the different parties involved in the domestic political conflict and bargaining process (Héritier et al. 1994; 1996; 2001; Cowles/Caporaso/Risse 2001; Börzel/Risse 2003). This leads to the following hypothesis:

*H5 "Veto Player Hypothesis":*
*The fewer veto-players with divergent preferences are involved in the policy-making process, the more likely it is that states adopt and implement higher regulatory standards in response to MNC self-regulation.*

The Europeanization literature also argues that inter- or supranational rules and standards empower those domestic actors profiting from the standards. In the context of our question, it is the corporate self-regulation, which may be used by domestic actors to achieve their regulatory goals possibly in an alliance with NGOs or multi-stakeholder initiatives. If properly crafted, industry codes can provide political actors and civil society groups with a lever to increase and tighten national regulation. It may be used in particular in a domestic deadlock situation among diverging political forces in order to strengthen the position of the actors aiming at stricter regulation. We therefore submit:

*H6 "Political Empowerment Hypothesis":*
*Given a contested regulatory political process, the more the policy practice of a self-regulating MNC is used as a political resource of the pro-regulation party including NGOs/multi stakeholder networks, the more likely it is that states adopt and implement higher regulatory standards in response to MNC self-regulation.*

Moreover, MNCs themselves may have stakes in high-level standards because the latter increase the worldwide marketing opportunities of their products (due to legal and reputational effects, as specified by H3 and H4). If governments do not respond to their demands to issue such regulation, firms may threaten with exit. However, such a threat is only credible if a firm does not depend upon a relatively scarce productive factor in the country of production, has not developed the economic infrastructure to extract it, and does not depend on the home market of the country in question. Leaving would not just mean losing resources and investment, but it would mean losing market positions since competitors would be quick to move into the area that has been left behind (Fransen 2002).

*H7 "Credible Exit Hypothesis":*
*The less self-regulating MNCs depend on scarce resources of the host country and on its domestic market, the more they can threaten with exit in order to increase their worldwide competitiveness, as a result of which it becomes more likely that states adopt and implement higher regulatory standards in response to MNC self-regulation.*

To the degree that the domestic adjustment process can be conceived as a socialization and learning process, there may be processes of mutual persuasion occurring among actors that sub-

sequently lead to a change of preferences among the actors involved at the national level and to a convergence of their behaviour with the "model norms". Learning or socialization is a process that occurs through a number of different causal mechanisms (Schimmelfennig 2000). At the macro level it is promoted by a politicized and public process (Checkel 2001). The literature on policy learning identifies the conditions under which an political or administrative actor A voluntarily learns from actor B or is socialized into a policy practiced by another actor C (Checkel 2001; Börzel/Risse 2003; Featherstone/Radaelli 2003). It is particularly likely to happen when the "persuadee is in a novel and uncertain environment, generated by the newness of an issue, a crisis or serious policy failure; the persuadee has few prior, ingrained beliefs that are inconsistent with the persuader's message, and … the persuader is an authoritative member of the in-group to which the persuadee wants to belong" (Checkel 2001: 562f.). This leads to the following hypothesis:

*H8 "Learning Hypothesis":*
*The more uncertain the political situation generated by policy failure or crisis, the more political and administrative actors in developing countries tend to learn from the high-level regulation of corporate actors and to adopt and implement higher regulatory standards in response to MNC self-regulation.*

The eight hypotheses are not necessarily competing. First, the two sets of hypotheses (H1-4 and H5-8) refer to different dependent variables and are linked sequentially. Second, although the hypotheses are partly based on different theories of social action, the rationalist logic of consequentialism (H1-7) and the constructivist logic of appropriateness (H8) are not mutually exclusive, either. Of course, we need to distinguish analytically between the two logics of action and interaction emphasized by rationalist institutionalism and sociological institutionalism, respectively. In practice, however, the two logics often occur simultaneously or characterize different phases in political processes. Our empirical analysis will help to clarify how the causal mechanisms may relate to each other in the real world.

### 3.4.2    Methoden und Operationalisierung

*Operationalization of Variables*

Table 1 specifies the independent and dependent variables used in the different hypotheses and defines the empirical indicators, which we plan to use in order to measure the values of these variables.

Using a qualitative approach, it is difficult to systematically control for the causal effect of eight independent variables. There are too many variables and too few cases. In order to cope with the small-n problem, we follow a structured focused comparison approach that seeks to hold constant alternative explanatory factors empirically assessing the outcome of a particular explanation.

Most of our explanations are related to policy, sector and firm variables rather than to country specific factors. Only the number of institutional veto players (H5) as well as some aspects of the contestation of the regulatory domestic arena (H6) and of the level of uncertainty (H8) are likely to vary more between countries than between sectors within a single country. But even factors related to the domestic structures of a country may vary across policy areas. This is also true for veto players (for instance, depending on the distribution of competencies between levels of government in federal states), the organizational strength of non-state actors (NGOs, trade unions) and the degree of policy crisis (*sic*) or the existence of previous regulatory structures. Given the dominance of policy related factors, we decided to conduct a single country study and cover a wide range of sectors instead. In the second phase, however, we will include more countries to gain additional variation. Our cases are selected according to the following criteria:

For the business sectors in question:

- strong *vs.* weak associative structures (H1);
- few *vs.* multiple market players (H2).

For the multinational corporations:

- corporations with exports in both highly and lowly regulated countries **vs.** corporations with exports in lowly regulated countries only (H3);
- corporations with *vs.* without "brandnames" to defend (H4);
- corporations with high *vs.* low dependency on domestic markets (H7).

Finally, the policy areas subject to regulation will be selected according to the following criteria:

- product *vs.* process regulation (H3, 4)
- strong *vs.* weak NGO campaigns/multi-stakeholder initiatives (H4);
- high *vs.* low number of veto players in policy-making process (H5);
- strongly contested *vs.* weakly contested domestic arena (H6);
- high *vs.* low level of policy uncertainty/policy crisis (H8).

*Table 1: Variables, Indicators, and Falsification Standards*

| Hypotheses | Independent Variables | Dependent Variables | Standards for Falsification |
|---|---|---|---|
| (1) SELF-REGULATING MNCS SEEKING STATE REGULATION | | | |
| H1 "Associative Structure" | Associative structure of a sector:<br>• Number of sectoral associations,<br>• Number and economic significance of member firms organized in an association. | Multinational corporation lobbying national or local governments for high-level regulations. | The hypothesis is disconfirmed, if firms in sectors with weak or no associations do not seek state regulation. |

| H2 "Sector Structure" | Sectoral Structure: Number of sectoral market players as % of total sales of three/four largest players | As in H1 | The hypothesis is disconfirmed, if firms in sectors with many market players do not seek state regulation. |
|---|---|---|---|
| H3 "Export-orientation" | Export orientation: % of exports in highly compared to lowly regulated countries | As in H1 | The hypothesis is disconfirmed, if firms exporting products to both highly and lowly regulated countries do not seek state regulation. |
| H4 "Brandname/ Stakeholder" | Number of brandname companies subjected to NGO campaigns and/or involved in multi-stakeholder initiatives | As in H1 | The hypothesis is disconfirmed, if brandname companies that are subject to NGO campaigns and/or involved in multi-stakeholder initiatives do not seek state regulation |

| Hypotheses | Independent Variables | Dependent Variables | Standard for Falsification |
|---|---|---|---|
| (2) STATES ADOPTING/IMPLEMENTING HIGHER STANDARDS IN RESPONSE TO MNC SELF-REGULATION | | | |
| H5 "Veto players" | Number of veto players in the policy-area whose consent is required for raising regulatory standards | Development of regulations and regulatory administrative capacity in the policy area: <br> • Recent introduction of regulatory legislation, <br> • Recent establishment of administrative structures to insure compliance with regulations. | The hypothesis is disconfirmed, if regulatory legislation has been adopted/adapted and administrative structures have been established despite high number of veto players in policy-area. |
| H6 "Political Empowerment" | Indicators for contested regulatory domestic arena: <br> • Party political conflicts about regulatory issues, <br> • Conflicts between labor and business about regulatory issues, <br> • NGO campaigns on regulatory issues. | As in H5 | The hypothesis is disconfirmed, if regulatory legislation has been adopted/adapted and administrative structures have been established despite domestic conflict over regulatory issues. |
| H7 "Credible Exit" | Indicators for dependence on domestic market and domestic resources: <br> • % of production for domestic market <br> • asset specificity of products | As in H5 | The hypothesis is disconfirmed, if regulatory legislation has been adopted/adapted and administrative structures have been estab- |

| | | | |
|---|---|---|---|
| | • % of local production input | | lished despite the low dependency of firms pressuring for regulation on domestic resources and the domestic market |
| H8 "Learning" | Indicators for uncertain political environment/crisis: <br> • Instability of government(s) <br> • Recent transition to democracy <br> • Environmental and/or health disasters <br> • (non-)existence of previous regulatory instruments/traditions | As in H5 | The hypothesis is disconfirmed, if regulatory legislation has been adopted/ adapted and administrative structures have been established in times of high uncertainty and/or domestic crises. |

### *Case Selection*

Our empirical research during the first four years of this project focuses on "good corporate citizens" in *South Africa*. We decided to focus on MNCs that have voluntarily committed themselves to regulatory standards conforming to international agreements, since we are less interested in why firms engage in corporate self-regulation but seek to find out how corporate self-regulation spills over into public regulation. We selected South Africa for our country study for two reasons. First, its regulatory capacity is weak. Even though South Africa scores relatively high on governance effectiveness compared to other developing countries, it is still a Newly Industrializing Country ("Schwellenland") where regulatory standards are weakly developed. So is the administrative capacity for securing compliance. If MNCs foster regulation in South Africa, their impact should be even bigger in countries where statehood is much more limited.

Second, South Africa is a most likely case for MNCs engaging in voluntary self-regulation. It has increasingly attracted investments by multinational firms. Notwithstanding the African National Congress's longstanding commitment to nationalization of key industries, almost all government-owned enterprises have been privatized or have entered partnerships with private investors under the present government. At the same time, few legal restrictions were imposed on the economic activities of foreign nationals in South Africa who were encouraged to establish businesses in South Africa, qualifying for numerous government concessions and subsidies (South Africa – Role of the Government in the Economy 2004:1-3). After an initial "bottom line only" mentality, *corporate social responsibility* principles have become more prevalent in South Africa, as reflected among other things in the development of a "Socially Responsible Investment Index" developed in 2004. So far, 51 businesses meet the criteria of evaluation of the index (Finlay 2004). Hence, there are a critical number of multinational companies that have voluntar-

ily committed themselves to social and environmental standards and whose spill-over effects on public regulation can be studied.

We will analyze a variety of cases (sectors, firms, issue areas) in South Africa in the first four years by systematically varying the values on the independent variables in order to assess their impact on the dependent variables. First, we will focus on two policy areas subject to regulation, namely *environmental policy and public health*. While South Africa is party to most of the important international environmental and health agreements, national regulations are weakly developed as is the administration for securing compliance with existing environmental and health regulation. In a worldwide comparative assessment of environmental regulatory regimes, South Africa ranks 32nd on a scale of 1 to 71 countries (Esty/Porter 2001: 93). For example, South Africa – due to the huge amount of chemicals used in the mining industries – is considered to be one of the 10 most toxic spots in the world (Frost et al. 1994). Key current environmental issues in South Africa linked to industrial production include air pollution, acid rain, river pollution, and limitations of water supply. The under-resourced public health sector in South Africa has been put under enormous strain by the increase in poverty related diseases such as HIV, malaria and tuberculosis (www.sa.info/ess_info/a_glance/health/923087.htm).

Within environmental policy and public health, we select four issues to be studied more closely: in environmental policy a selected clean air and water issue (e.g. emissions into ambient air from industrial installations or volatile organic compounds regulation in the area of air pollution and emission into ground water in the field of water protection). In the field of health regulation, we want to investigate HIV/Aids (public health) and an issue of product regulation, e.g. additives into food-stuff (food safety).

*HIV/AIDS-related issues* are characterized by a high degree of contestation (H6) and an enormous sense of social crisis (H8) given the nature of the pandemic in South Africa. At the same time, the number of potential informal veto players in the policy area is high (H5). In contrast, *air and water pollution* concerns a comparatively weakly contested domestic arena (H6), a low degree of political crisis (H8), and a low number of veto players (H5). At the same time, state regulation on the environment imposes additional costs on firms that have not adopted corporate standards while public health standards to fight HIV also yields economic benefits since it protects the (qualified) labour force. As a result, corporate demand for HIV state regulation should be higher but, given the contestation of the issue, it should be also more difficult to have the South African government adopt regulation than in case of the environment.

Second, we will investigate *four business sectors*, namely the mining, automobile (alternatively mineral oil), food, and textile industries. Mining and automobile industries in South Africa are characterized by strong business associations (e.g. Chamber of Mines of South Africa) with few players (six large firms in the mining industry), while the food sector (excluding agriculture) includes a large number of small firms, but also a few large firms (e.g. Tongaat-Hulett Group,

Tiger Brands and others) the latter accounting for approximately 65% of all food sales. In the textile industries, there are more than 300 manufacturers (H1, H2). The main organisations of the South African textile industry are the Textile Federation, which focuses on trade and legislative matters and the South African Textile Industry Export Council. The footwear industry seems to be extremely fragmented. The main business association in the area is the Footwear Institute of South Africa. Issues of social/health regulation are important in the footwear industry (http://wwwfairolympics.org/en/actnow/profiles.htm). The automobile industry, too, has been subjected to strong NGO campaigns and is also involved in various multi-stakeholder initiatives, whereas there seems to have been little social mobilization in the mining and food processing business (H4).

Last not least, we will select *four companies* in each respective sector according to the following criteria. The companies will be chosen from the "Socially Responsible Investment Index" (Finley 2004). At this point we only tentatively propose firms that may fit into the systematic categories. In some instances, we do not specify firm names at all, since the final selection will be done in the first couple of months of the project when we have a more in-depth knowledge of the profiles of MNCs, their CSR activities, and of NGOs activities. We plan to select according to H3 and H4

- two brandname firms that export both in high and low regulating countries, one subject to NGO campaigns/stake-holder initiatives, e.g. DaimlerChrysler, and one not subject to NGO campaigns/stake-holder initiatives, e.g. Placer Dome – mining, Tongat Hulett – food industry;
- two brandname firms that export in low regulating countries only, one subject to NGO campaigns/stake-holder initiatives, and one not subject to NGO campaigns/stake-holder initiatives;
- two firms without brandnames that export both in high and low regulating countries, one subject to NGO campaigns/stake-holder initiatives, and one not subject to NGO campaigns/stake-holder initiatives, e.g. Placer Dome; and
- two firms without brandnames that export in low regulating countries only, one subject to NGO campaigns/stake-holder initiatives, and one not subject to NGO campaigns/stake-holder initiatives.

In sum, we plan to study sixteen empirical cases (companies) during the first four year-period of the *SFB* (see overview in table 2). As to the policy areas in question, all cases involve at least some exposure to HIV/AIDS problems, while air and water pollution problems are particularly relevant for the automobile and mining industries.

*Table 2: Empirical Cases*

| Business Sector | Brandname | Export orientation | Company |
|---|---|---|---|
| *Automobile* (strong associative structures, few market players) | Yes | High and low regulating countries | To be selected from the pool of companies on the Socially Responsible Investment Index within the first couple of months of phase 1 |
| | Yes | Low regulating countries only | |
| | No | High and low regulating countries | |
| | No | Low regulating countries only | |
| *Mining* (strong associative structures, few market players) | Yes | High and low regulating countries | |
| | Yes | Low regulating countries only | |
| | No | High and low regulating countries | |
| | No | Low regulating countries only | |
| *Food* (weak associative structures, many market players) | Yes | High and low regulating countries | |
| | Yes | Low regulating countries only | |
| | No | High and low regulating countries | |
| | No | Low regulating countries only | |
| *Textiles* (weak associative structures, many market players) | Yes | High and low regulating countries | |
| | Yes | Low regulating countries only | |
| | No | High and low regulating countries | |
| | No | Low regulating countries only | |

*Methods of Data Collection*

The data needed to assess the empirical indicators' values of the independent and dependent variables will be collected on the basis of a triangulation of methods: The analysis of quantitative statistical data, the analysis of official documents and the conducting of interviews with key figures of industry, politics, administration and civil society.

### 3.4.3    Arbeitsprogramm und Zeitplan

The first four years (2006-2009) of the planned project will be devoted to the systematic evaluation of the eight hypotheses elaborated above through the sixteen empirical case studies of MNCs investing in South Africa and submitting themselves to self-regulation and corporate social responsibility. More specifically we plan four phases of project work:

*(1) Analysis of documents and final selection of companies*: In a first step, publicly available documents on corporate social responsibility and regulatory capacity building as well on as the

policy-making process in environmental sectors and health sectors in South Africa pertaining to our empirical cases will be systematically analyzed. This work will be divided up in such a way that each of the research assistants will focus on one sector and the companies selected in this sector. This basic preparatory work will last for about six months. This analysis will also provide the basis for the final selection of the 16 companies for our detailed case studies.

*(2) Development of questionnaires and pre-test*: In a second step, about mid-2006, work on the development of the interview questionnaires will be initiated. First exploratory interviews will be conducted in order to refine the half-structured questionnaires. We want to leave room in the questionnaires that allows for the discovery of new aspects of the problem we are investigating. We expect that during the field research our attention will be drawn to problem aspects which we have not conceived of previously. This may lead to a modification of our hypotheses or the generation and a corresponding alteration of the questions to be asked during the main field research period. The final questionnaire to be drawn up will address the specified empirical dimensions of the values of the independent and dependent variables, and the empirical indicators that have been defined to measure these dimensions.

*(3) Main field research*: Once the questionnaires have been revised in the light of the preliminary exploratory research and the hypotheses and questionnaires have been refined, the proper phase of data collection will start in early 2007. The entire research staff of the project (including the directors – at least part of the time) will be engaged in the process of field research.

*(4) Data structuring, coding, interpretation*: Once the data have been collected and the interviews transcribed, we will set out to structure, code and interpret the data in the light of our hypotheses, always also allowing for completely new insights. This means that coding will be done on the basis of a mixed procedure: in part on an inductive and in part on a deductive basis. That is, we will seek to grasp new phenomena, which have emerged from the field and, at the same time, make sure that we empirically assess all of the pre-conceived categories linked to our hypotheses. We will provide for a parallel coding process by one or two persons to enhance the reliability of our codes. This work step will extend well through the entire year 2008.

*(5) Follow-up field research:* If we found that we were missing empirical information concerning important questions, a final round of interviews will be necessary in order to fill these gaps. Such a possible round of follow-up empirical research is scheduled for late 2008.

*(6) Interpretation of empirical material data in the light of the hypotheses, writing of final report:* Finally we will interpret the hypotheses that we have proposed in the light the empirical findings. Depending on the confirmation or disconfirmation of our claims we hope to be able to extend, refine, and differentiate a model explaining the building up of regulatory standards in countries with a weak regulatory capacity as a spill-over from corporate self-regulation. This explanatory model should be generizable enough to extend it to other countries.

| Arbeitsschritte | 2006 | | 2007 | | 2008 | | 2009 | |
|---|---|---|---|---|---|---|---|---|
| (1) Analysis of publicly available documents pertaining to the sixteen company cases | ▓ | | | | | | | |
| (2) Preparation of interview questionnaires; exploratory interviews; revision of interview questionnaires | | ▓ | ▓ | | | | | |
| (3) Main phase of field research in South Africa; in-depth interviewing; coding of interview data and collected documents; | | | ▓ | ▓ | | | | |
| (4) Data structuring, coding, and interpretation | | | | | ▓ | ▓ | | |
| (5) Follow-up field research | | | | | | ▓ | | |
| (6) Interpretation of collected data in light of hypothesis; writing of final research report | | | | | | ▓ | ▓ | ▓ |

At the end of the first phase of the *SFB*, we should have a more refined set of hypotheses on the condition under which corporate self-regulation and corporate social responsibility is likely to foster regulation in states with weak regulatory capacity. During *Phase 2 of the SFB (2009-2013),* we plan to extend the empirical analysis in at least three ways. First, we will address the third research question mentioned above (see 3.4.1) and analyze systematically the regulatory outcomes classified by the degree of private actors involvement. We will ask which new modes of *governance* emerge in countries with weak regulatory capacity that adopt international standards in response to corporate self-regulation. We will also ask whether these new modes actually enhance the problem-solving capacity in the policy areas under investigation.

Second, we will evaluate a refined set of hypotheses with regard to policy areas other than environment and public health. Third, we plan to extend the analysis to developing countries with weaker regulatory capabilities than South Africa. We will at least partly analyze the same MNCs as in the South African case in order to investigate whether their behaviour varies depending on the specific country context.

Finally, we plan to integrate the findings from other projects analyzing corporate behaviour (in particular D1 Risse/Beisheim and D3 Fuhr) in order to refine our own set of hypotheses (see below).

## 3.5 Stellung innerhalb des Sonderforschungsbereichs

Our project is devoted to the potential „spill-over" effects of corporate self-regulation to state regulation and the building of administrative regulatory capacity in developing states. While most of the literature on globalization assumes a "race to the bottom" with regard to regulatory standards, we will explore the opposite possibility, namely that "good corporate citizens" with export markets in the developing as well as the developed world actually request higher regulatory standards in their host countries.

This project is part of *Projektbereich D "Wohlfahrt und Umwelt"* and we will also participate in the planned *Querschnitts-Arbeitsgruppe "*Theoretische Reflexion von *Governance* und 'neuen' Formen des Regierens*"*. Depending on the results of the discussions in the *Querschnitts-Arbeitsgruppe*, it is also conceivable that our project will be re-configured and integrated with projects D1 Risse/Beisheim, or D3 Fuhr for the second phase of the *SFB*.

We will cooperate most closely with projects D1 Risse/Beisheim, D3 Fuhr, D4 Enderlein, and D5 Leutner. While D1 Risse/Beisheim also investigates public health and environmental questions (at least partly), we concentrate on a different level of analysis by investigating the behavior of MNCs on the ground in a state with weak capacity. We complement D1 Risse/Beisheim insofar as some of the companies we investigate also participate in PPP such as the Global Compact. Thus, we can measure their compliance on the ground, while D1 Risse/Beisheim focuses on the effectiveness of the PPP as such. Moreover, our theoretical approach differs from D1 Risse/Beisheim insofar as we derive our hypotheses from policy analysis and Europeanization studies, while D1 Risse/Beisheim takes its assumptions mainly from international relations theories.

D3 Fuhr also concentrates on corporate behaviour on the ground and environmental questions (albeit on different countries). While its theoretical approach takes a public management perspective, we use policy analysis and Europeanization studies. Methodologically, D3 Fuhr investigates one policy issue (Clean Development Mechanism) over three countries (Brazil, India, China) and, thus, keeps the policy constant, while varying the countries selected. A similar approach is chosen by for D4 Enderlein. In contrast, we vary the economic sectors (mining, automobile, food, and textile) and the areas of corporate self-regulation (health and environmental standards), while keeping the country selected constant (South Africa). Given how little we know about corporate social responsibility and its implementation on the ground, it might be fruitful at this stage to study similar questions by using different theoretical and methodological approaches.

Last not least, D5 Leutner focuses on PPP in a different time-period (19th century) and a different world region (China).

## 3.6 Abgrenzung gegenüber anderen geförderten Projekten der Teilprojektleiter

<u>Bewilligt:</u>

*Tanja Börzel: Compliance in EU Member States*
The project funded by the *DFG* seeks to explain why some EU member states comply better with European Law than others and why some laws are better complied with than others (BO 1831/1-2). While there is some theoretical overlap with regard to Europeanization research, the empirical domain of this *DFG* project is entirely different.

*Tanja Börzel: New Modes of European Governance and Enlargement*
The project conducted in the context of the Integrated Project of New Governance funded under the EU-Framework 6 Programme explores the role of new modes of governance in facilitating the adoption of and adaptation to the *acquis communautaire* in accession countries. While the two projects share the interest in new modes of governance, there is no empirical overlap.

*Adrienne Héritier: Institutional Change*
This research proposes a new approach to the understanding of institutional change and apply it to the changing relationship between the Council of member states, the European Parliament and the European Commission over time. This project is funded by the Swedish Government (2003-2005 and 2005 -2007). There is neither theoretical nor empirical overlap with this project.

*Adrienne Héritier: New Modes of Governance*
This research is conducted in the context of the Integrated Project of New Governance funded under the EU-Framework 6 Programme and focuses on new modes of governance in Europe. It seeks to conceptualize, theorize and empirically investigate their emergence, their operation and their impact in terms of policy outcomes and political capacity. The research shares a theoretical interest in new modes of governance, but concerns an entirely different empirical domain.

*Adrienne Héritier: Regulation*
The research on regulation investigates the processes of liberalization of the utilities at the European and member state level. It is linked to the Project of the Deregulation of transport systems in the Mediterranean Countries (Euromed-project) financed by the Commission. There is no theoretical or empirical overlap to this project.

**Aufgabenbeschreibung von Mitarbeitern der Grundausstattung
für die beantragte Förderperiode**

Wissenschaftliche Mitarbeiter/innen (einschließlich Hilfskräfte)

1. Prof. Dr. Adrienne Héritier (A3) ist mit 10 Wochenstunden am Teilprojekt beteiligt. Ihre Aufgaben umfassen die Theorieentwicklung sowie die allgemeine Leitung und Koordination des Teilprojektes in Florenz.

2. Prof. Dr. Tanja A. Börzel (C4) ist mit 6 Wochenstunden am Teilprojekt beteiligt. Ihre Aufgaben umfassen die Theorieentwicklung sowie allgemeine Leitung und Koordination des Teilprojektes in Berlin.

3. Dr. N.N. (BATIIa) ist mit 4 Wochenstunden am Teilprojekt beteiligt. Seine/Ihre Aufgaben umfassen Literaturstudien zu *Corporate Social Responsibility* sowie Mithilfe bei der Koordination des Teilprojekts und der Betreuung der Projektmitarbeiter/innen in Berlin.[11]

4. Stud. Pol. N.N. ist als studentische Hilfskraft an der Arbeitsstelle Europäische Integration mit 10 Wochenstunden für Bibliotheks- und Rechercheaufgaben vorgesehen.

Nichtwissenschaftliche Mitarbeiter/innen

1. Frau Sylvie Pascucci wird im Rahmen von 6 Wochenstunden verschiedene Verwaltungs- und Schreibarbeiten in Florenz erledigen.

2. N.N. (BAT Vb) wird im Rahmen von 3 Wochenstunden verschiedene Verwaltungs- und Schreibarbeiten in Berlin erledigen.

**Aufgabenbeschreibung von Mitarbeitern der Ergänzungsausstattung
für die beantragte Förderperiode**

Wissenschaftliche Mitarbeiter/innen (einschließlich Hilfskräfte)

1. N.N. (Berlin) ist mit 19,25 Wochenstunden am Teilprojekt beteiligt. Seine/Ihre Aufgaben umfassen die Fallstudie im Nahrungsmittelsektor.

2. N.N. (Berlin) ist mit 19,25 Wochenstunden am Teilprojekt beteiligt. Seine/Ihre Aufgaben umfassen die Fallstudie im Bekleidungssektor.

3. Stud. Pol. N.N. (Berlin) ist als studentische Hilfskraft mit 10 Wochenstunden für die Unterstützung der Fallstudienarbeit vorgesehen.

4. N.N. (Florenz) ist mit 20 Wochenstunden am Teilprojekt beteiligt. Seine/Ihre Aufgaben umfassen die Fallstudie im Automobilsektor.

5. N.N. (Florenz) ist mit 20 Wochenstunden am Teilprojekt beteiligt. Seine/Ihre Aufgaben umfassen die Fallstudie im Bergbausektor.

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[11] Die Stelle wird zum Sommersemester 2005 neu besetzt.

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