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ARTICLE

The Social Dimension of Globalization and EU Development Policy: Promoting Core Labour Standards and Corporate Social Responsibility

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ABSTRACT This article describes and analyses the role of the European Union in promoting the social dimension of globalization (SDG). In the context of its policy coherence for development (PCD) commitments, the EU aims to promote decent work, including core labour standards (CLS) and employment objectives, in the Third World. The first part of this article shows that the “direct” impact of internal EU social policies on developing countries has been limited. Moreover, the Community’s capacity to act in the International Labour Organization has been confined by sensitive competence issues. The second and third parts elaborate on the “indirect” trade and development mechanisms through which the EU is advancing the SDG. Whereas the EU originally used a narrow approach centred on CLS in trade relations, it gradually developed a broader and development-orientated perspective, including the support of voluntary corporate social responsibility (CSR) schemes. The article concludes that although the EU has clearly increased the social face of its development policies, this softer approach is still in an embryonic phase.

KEY WORDS: Core labour standards, decent work, EU development policy, EU trade policy, social dimension of globalization, policy coherence, International Labour Organization

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EU Global Social Policies: Limited Competences, Limited Impact

The social dimension of globalization (SDG) has long been neglected in the EU development policy coherence debates, which have centred on the consequences of EU trade, agriculture, fisheries and environmental policies in the developing world. One reason for this blind spot is the limited capacity of the European Community (EC) in social and employment policies. Although the EC has acquired competences in areas such as health and safety at work and gender equality, member states are still very much in charge of European welfare state provisions. In addition, the EU has increasingly engaged in softer decision-making procedures such as the open method of coordination (OMC) employment policies, rather than binding legislation in social affairs.

Interestingly, these restraints are also reflected in the EC's global social role, in particular in the International Labour Organization (ILO) where the European Commission acts as a non-voting observer. The Commission is not capable of voting on the adoption of ILO Conventions or Recommendations; nor is it possible for the EU to ratify an ILO Convention. Following a conflict on the ratification of ILO Convention No. 170 on Chemicals at Work, the European Court of Justice (Opinion 2/91) ruled that the existence of Community legislation on certain labour standards does not necessarily imply an exclusive Community competence to negotiate related Conventions within the ILO. When minimum labour standards are established at EU level — which is often the case with directives under Community law — the external competence in this matter is shared by the Community and the member states. Given this important qualification of the implied powers doctrine, the EU does not have exclusive external competence in social areas such as respect of pay, the right of association, the right to strike and the right to lock-out (Novitz 2008).

The Community's limited role in relation to ILO conventions¹ — essentially a lack of vertical coherence — could weaken its credibility as an international promoter of core labour standards (CLS) (Clapham and Martignoi 2005: 234). An odd situation arose in the 1990s when the Union introduced trade conditionality based on developing countries' compliance with ILO conventions, although not all EU member states had ratified the relevant conventions (Novitz 2005). Europe's ratification record of the eight fundamental ILO conventions was completed only in 2007, but, as highlighted by the European Economic and Social Committee (EESC) (2007), the ratification record of other ILO conventions remains poor, and this complicates Europe's ability to promote decent work² externally.

Until today EU member states have resisted sharing formal competence at the ILO with the Commission.³ However, coordination has been more effective in day-to-day practices at the ILO, stimulated by the acting Council Presidency or the Industrial Market Economy Countries group. Johnson (2005, pp. 144, 162) concluded that EU coordination in the ILO is most effective on high-level political matters (e.g. treatment of trade unions in Colombia, sanctions against Myanmar/Burma), and on support for the implementation of CLS (especially on child labour). European coordination

is mixed in areas of technical cooperation (reflecting national preferences), and weak on budgetary matters (technical assistance).

Secondly, to the extent that the EU has established internal social and employment policies, their “direct” impact on developing countries is negligible (EC 2007a, p. 98).⁴ Some suggest a negative impact since ambitious social legislation at the EU level may hinder the formulation of similar initiatives internationally. Johnson’s (2005, pp. 184–185) study on the interaction between regional (EU) and global (ILO) social governance finds that “the presence of a bloc of well-developed nations having worked out a highly detailed negotiating position makes it more difficult to come to agreement with other states and may threaten effective compromise”. Similarly, Kissack (2008) argued that EU–ILO relations do not benefit both sides equally. The EU is a powerful actor in the ILO, and it frequently seeks to promote its own interests at the expense of other states and the organization itself. Despite these qualifications, one can hardly argue that Community social policies negatively impact upon developing countries.

The EU has formulated ambitious objectives in promoting the SDG. The SDG, employment and decent work forms one area of the policy coherence for development (PCD) communication (EC 2005a, pp. 13–14); and the European Consensus on Development includes a section on social cohesion and employment (EU 2006, p. 15). In pursuing these goals, Europe has relied primarily on policy domains other than social or employment. Trade and development policies are the main vehicles for advancing its social objective on the international scene. Thus, the main challenge has been to incorporate social objectives into its trade and development instruments. This corresponds with the “positive definition” of coherence, i.e. the interaction of policies with the aim of achieving overriding objectives (see Carbone 2008, introduction to this Special Issue). The subsequent sections will elaborate on the question of coherence between the “social–trade nexus” and the “social–development nexus”, arguing that the Union has shifted from a narrow and trade-related focus in the 1990s to a broader and development-orientated approach since 2001. The European Consensus and PCD gave further impetus to these commitments, although the implementation is still largely analytical and exploratory.

Promoting Core Labour Standards Through Trade

In the 1990s Europe’s global social policies followed the trade track. Despite a short debate about the integration of labour in European trade policies in the 1970s, it took until 1993–1994 before the “social clause” resurfaced on the European agenda (Orbie *et al.* 2005, pp. 160–161). Shortly before the conclusion of the GATT Uruguay Round, and at the instigation of the European Parliament (EP), France and Belgium, the European Commission sided with the idea of a social clause in trade relations. During the subsequent Ministerial Conferences of the World Trade Organization (WTO), the Commission argued that the relationship between the world trade regime and international social standards should be discussed (see e.g. European

Commission 1996a, 1996b, 1999). At the Singapore summit (1996) it pushed for the establishment of a WTO working group on this issue; and in Seattle (1999) and Doha (2001) the Commission proposed a permanent joint WTO–ILO forum.

Proposals for a social clause did not remain limited to the multilateral level. Since 1995 the bilateral trade and cooperation agreements include a chapter on social cooperation and references to CLS (see below). Social conditionality is also included in Europe’s Generalized System of Preferences (GSP) through which Europe unilaterally grants preferential market access to developing countries. From 1995 onwards the EU can withdraw GSP preferences of countries that engage in forced labour or prison labour; in 1998 the EU added a “carrot” to this system, granting additional trade preferences to countries complying with CLS (see Orbie and Tortell 2007).

Within Europe trade instruments were generally seen as a powerful leverage for stimulating the SDG — or more specifically, the CLS as defined by the ILO. The Union has always stressed that protectionist misuse of labour standards should be avoided and that it favours an incentive-based approach rather than sanctions.

By 2000 it became clear that the integration of labour considerations into multilateral, bilateral and unilateral trade was not very successful. The WTO discussions were abandoned with the start of the Doha Development Agenda in 2001. Referring to the conclusions of the 1996 Singapore summit, it was agreed that the ILO is the relevant forum to deal with the SDG.⁵ The impact of Europe’s bilateral trade agreements in promoting labour standards is also limited, since the social provisions amount to development cooperation rather than trade (see below). Applications of social GSP conditionality long remained limited to three countries: Burma (the “stick”, because of forced labour, since 1997), Moldova (carrot, since 2000) and Sri Lanka (carrot, since 2004). The Commission (2001b) admitted that “the special incentive arrangements did not encounter the success that was hoped for at the time they were adopted”. Faced with these disappointing results and with a challenge against the GSP drugs arrangement before the WTO, the EU reformed its GSP conditionality in 2005.

Explanations for the limited success of the social–trade nexus often focus on developing country hostility against a social clause. Developing countries vehemently argued that intermeshing labour and trade would serve Europe’s economic interests and undo their own comparative advantages based on lower labour standards. Fearing a protectionist wolf in social clothing, they successfully resisted CLS in the WTO. They were also reluctant to negotiate social provisions in trade agreements, and to apply for trade preferences under the GSP.

However, the EU’s own position in this story is often overlooked. Two inherently EU factors contributed to the impasse of the social clause debate: disagreements among the member states on the desirability of a social clause (problems of EU coordination in promoting the SDG, or vertical coherence), and other priorities in Europe’s external relations (horizontal coherence in various objectives). Together they show that the EU’s nature as a “conflicted

trade power” generates tensions to act as an international power through trade (see Meunier and Nicolaïdis 2006).

First, the Community has long failed to produce a clear and common stance on a social clause. Despite support from the Commission and some member states, the conservative governments in Germany and the UK long resisted the idea (Waer 1996, p. 26). Consequently, the Council Presidency could only present a vague statement on the trade–social nexus at the Marrakesh Conference, and at the Singapore summit it could not even bring up an EU compromise position. Europe’s invisibility in Singapore is all the more relevant, since this summit *de facto* put the social clause on the sidelines, referring to the ILO as the competent organization to deal with labour standards and consolidating the idea that the trade regime should not deal with social issues (Wilkinson 2001). It took until the Seattle Conference (1999) before the EU-15 reached a common position on the need for a joint WTO–ILO working group. This newfound European consensus can be explained by the new dominance of social-democratic parties in the European governments, also in the UK and Germany.⁶

Secondly, the EU’s commitment to promote CLS through trade has been ambiguous. Even when Europe had finally reached a compromise, its proactiveness was tempered by other objectives. For example, for obvious economic reasons, the GSP social incentives were too small to be attractive for most potential beneficiaries. Northern member states and importers criticized that the EU was more concerned with the prospect of increased imports than with a coherent strategy for improving labour standards in the world (Von Schöppenthau 1998). The number of potential beneficiaries was also limited because the Union established other preferential trade arrangements towards developing countries. These discouraged them to apply for the social incentive clause because they already enjoy more favourable market access than “normal GSP” beneficiaries.⁷ Importantly, some of these trade schemes were established simultaneously with the GSP social incentive scheme.

For example, the special GSP drugs incentive system, which had granted additional market access to Andean countries that fight against drug trafficking and production since 1990, was extended to include members of the Central American Common Market in 1998. The Commission proposed that henceforth beneficiaries from these schemes also had to comply with CLS, but the Council decided to unlink the drug and labour incentive arrangements. Thus, the newly established GSP social incentive scheme became quasi-superfluous for these Latin American countries. The international trade union movement and the EP strongly criticized this concession, pointing to the assassination of nearly 1,500 trade union activists in Colombia.

Labour considerations were also overshadowed by other priorities at the bilateral and multilateral trade level. Although some argue that the EU has made significant progress in incorporating labour rights in trade agreements with, for example, Chile, the African, Caribbean and Pacific (ACP) countries and South Africa (Doumbia-Henry and Gravel 2006, p. 190), the linkage between labour provisions and trade incentives/sanctions is rather weak. As

explained below, these articles lean towards technical cooperation rather than a “social clause” which impacts upon trade flows. In contrast, the EU has been more successful in integrating trade-related issues such as competition, investment and government procurement in its new agreements, although these so-called “Singapore issues” were also heavily (and successfully) resisted by developing countries at the WTO level.

Similar trade-related considerations also prevailed at the multilateral level. While officially maintaining the Seattle mandate favouring a permanent ILO–WTO forum, several months before Doha it became clear that the EU was gradually abandoning this demand as a concession to developing countries (Van den Hoven 2004, pp. 265–267). In its July 2001 communication on international labour standards, the Commission (2001a) basically argued that the goal of promoting CLS remains the same, but that the ILO is a more suitable forum. There is no reference whatsoever to the WTO, which is surprising given the timing of the document. On the same day the *Financial Times* (18 July 2001) put it more clearly: the Commission fears that attempts to include labour standards into the WTO would jeopardize a new trade round.

Again, Europe’s relatively cautious approach to a social clause contrasts with its offensive pursuit of (equally contested) issues such as on investment and competition in Doha. These Singapore issues were dropped from the EU’s wish list only after the failure of the Cancún summit. In terms of coherence, it seems that the promotion of social objectives through trade policy became subordinated to the “core business” of Europe’s trade agenda.

The year of the Doha Conference forms a hinge point in Europe’s approach to promote CLS in the developing world. From 2001 onwards Europe’s discourse and initiatives have changed significantly, implying a bigger emphasis on soft and development-related instruments, and a broader definition of the “social” objectives. On the one hand, this corresponds to evolutions in international global governance: whereas CLS are clearly off the WTO trade agenda, the ILO successfully manages to fill the vacuum with its timely⁸ proposal to establish a World Commission for the Social Dimension of Globalization (WCSDG). On the other hand, this analysis showed that the intra-EU complexities with regard to coordination (divergent member state positions; vertical coherence) and coherence (CLS conflicting with other objectives; horizontal coherence) in external policies have influenced the international impasse on a social clause.

The Social Dimension of Globalization and Decent Work

In 2001 the European Commission (2001a) published its communication “Promoting core labour standards and improving social governance in the context of globalization”. The title already indicates that the Commission is taking a bend in its approach: the focus on CLS is broadened to include general issues of social governance. Compared with previous documents, there is a bigger emphasis on dialogue, stimulation, and non-binding mechanisms such as development cooperation and corporate social responsibility.

The role of trade in promoting CLS is overshadowed by these broader issues. The Commission highlights the role of the ILO, whereas the WTO is barely mentioned.

In the following years it becomes clear that the EU has definitely chosen to follow this track. The Commission played an active role in the WCSDG, stressing the relevance of the “European social model” and presenting the Lisbon Process and the OMC as examples for international social governance. Suggestions for linking labour standards with trade instruments are not mentioned.⁹ When the WCSDG (2004) published its 170-page report, there was much emphasis on development aid, civil society, decent work, gender equality, sustainable development, democracy, the ILO and other UN institutions. The need for policy coherence between economic and social goals in the global economy was also emphasized. There was no single reference to the international debate on a social clause, and neither did the report suggest how labour standards might be integrated in trade policies.

Similarly, the Commission’s reaction to the WCSDG report suggested that successful trade negotiations will ultimately improve the economic and social situation of the developing world. Thus, the Doha negotiations on market access, agriculture and services “offer an opportunity to contribute to the achievement of the social development goals” (EC 2004, pp. 14–17). The Council basically confirmed this position.¹⁰ Today the issue of a social clause is effectively buried under a comprehensive set of alternative instruments and objectives.

Equally remarkable is the silence of EU member states during this reorientation. The contribution of “European” governments to the WCSDG was limited to Russia, Poland, Finland, Germany and Flanders.¹¹ To the dissatisfaction of Commissioner Diamantopoulou, it took two years before the Council formulated its conclusions on the 2001 communication.¹² The Council’s aloofness indicated that the social clause had become a non-issue whereas other topics had become more important.

From the Commission’s perspective, in contrast, releasing global social goals out of the trade framework brought new opportunities. It allowed the Commission to play a larger role in this area, in particular in relation to the ILO. Since 2001, cooperation between the ILO and the Commission has been intensified with the exchange of letters, which laid down the overall policy framework for EC–ILO cooperation (European Union 2001). Since then, high level meetings between both institutions are held on an annual basis. In 2004 the Commission signed a Strategic Partnership with the ILO, which is explicitly targeted at developing countries (EC and ILO 2004, Delarue 2006). On the European side the document was signed by the Commissioners for Development (Poul Nielson) and Employment and Social Affairs (Stavros Dimas). Five focus areas for EC–ILO cooperation were identified: CLS with a special focus on child labour and education; CSR and CLS; Social Dialogue; Employment Strategy and Poverty Reduction; and Migration and Development. For each area gender equality is mainstreamed. Both sides aim at regular dialogues on development issues; enhanced cooperation at all levels; and financial cooperation in the ILO’s activities. The Memorandum

foresees senior-level meetings between DG Development and ILO officials dealing with development issues.

Since 2005 joint EC–ILO initiatives have increased. The EC co-funding of ILO initiatives or the ILO involvement in implementing EC programmes expanded substantially: from \$US3.57 million in 2004 to \$US19.07 million in 2005; and funding is expected to increase further (EC and ILO 2006, pp. 2–3). For example, the Commission has proposed an action programme valued at €15 million to facilitate access into primary education of children released from child labour, in the framework of the ILO’s International Programme on the Elimination of Child Labour (IPEC) (EC 2005b, p. 120, 2006c). Seminars are organized in order to enhance cooperation between EC and ILO staff at field level, with a view to mainstreaming decent work in Europe’s development programmes (EC and ILO 2006, p. 5).

Increased cooperation with the ILO is indeed a main European commitment in promoting the SDG. By siding with the ILO’s broader decent work discourse and programmes, the Commission managed to acquire a distinctive role in global social governance. Its normative and development-orientated role in the ILO is less contested by the EU member states than legal activities related to labour standard conventions.¹³ However, a stronger role for the EU in the ILO does not necessarily increase Europe’s impact in the field, especially where the ILO’s influence is limited.¹⁴

The communications on decent work and employment (EC 2006a, 2007b) constitute the most recent manifestation of Europe’s choice for a broader and non-binding approach. But what exactly does Europe’s development-orientated approach encompass — besides more coherence with the ILO agenda?

A first objective is purely analytical. The EU wants to “explore in greater depth the problem of decent work”: identifying good practice in the field, examining interactions with other policies, developing methodologies for measuring, and improving the link with the planning of external assistance. In 2007 a pilot project of about €7.3 million was started in order to promote decent work under the EC thematic programme “investing in people”. In cooperation with the ILO, two related initiatives will be covered: the effects of trade on decent work, and assessing progress on decent work in developing countries.

“Decent work” potentially provides a new paradigm for analysis and a tool for implementation of EU development policy, but most work is still at an exploratory stage. In this regard the EU’s sustainable impact assessments (SIAs) on the impact of European trade initiatives on sustainable development in a particular country/region are worth mentioning. In the European handbook for Trade SIAs, the goals, targets and standards for labour objectives are vague compared with other themes.¹⁵ Although a considerable amount of financial and staff resources were devoted to these studies, some consider Trade SIAs as “an academic exercise” which serves to legitimize EU trade policies, but without substantial impact upon the actual conduct of the negotiations (Raza 2007, p. 80). EU member states have also questioned the timing, quality and participatory approaches of Trade SIAs (EC 2007a, p. 15).

Secondly, social dialogue is foreseen in the EU's bilateral trade and cooperation agreements with developing countries. The Commission (2004, p. 10) stated that the promotion of social rights is an integral part of its bilateral agreements with South Africa (1999), the ACP (the 2000 Cotonou Agreement) and Chile (2002), and that technical assistance will be provided in this regard. In particular, article 50 of the Cotonou Agreement is presented as an "important step forward in promoting CLS in bilateral agreements" and a model to be extended to other bilateral agreements (EC 2001a, p. 18). The title "trade and labour standards" is confusing: trade aspects do not come into play and the article basically echoes the conclusions of the Singapore Declaration. Moreover, in line with the concerns of the international trade union movement¹⁶ and some members of the EP,¹⁷ article 50 has not been used to discuss the implementation of CLS with the ACP countries. The "essential elements" clause of Cotonou (Article 9(1)), which contains human rights conditionality, also refers to the fundamental ILO Conventions. In theory this could serve as a basis for complaints on violations of CLS and eventually for sanctions under article 96, but this possibility has not been tested in practice. This confirms the conclusions, in its external relations, Europe has a general preference for the first generation (civil and political rights) over the second generation (social and economic rights) of human rights (see, e.g., Deacon 1999, pp. 25–28).

Article 44 in the agreement with Chile resembles Cotonou Article 50, although it is less intrusive on implementation of CLS. Unlike the GSP system, where social conditionality partly determines developing countries' access to the European market, the labour elements of recent agreements are unlinked from trade. They form part of the political dialogue and developing cooperation between Europe and its trading partners. The Commission (2004, pp. 10–11) stated that the social provisions of some bilateral agreements "still needs to be fully exploited", adding the need to "effectively implement" the existing provisions on CLS. Therefore, it suggested the establishment of joint bilateral "Observatories", which would "monitor developments and provide a forum for exchanges of views between governments, the EP, the social partners and civil society at large, while fully involving international organisations and bodies". An ILO official suggested that Europe could draw inspiration from the "US model", where bilateral agreements include dispute settlement procedures and a capacity-building component (Salazar-Xirinachs 2006, p. 3).¹⁸ To date, concrete initiatives in this direction have not materialized.

Examining progress under bilateral agreements is all the more important because their number will increase in the coming years, especially if the WTO Round continues to muddle on. The EU is negotiating trade agreements with the Gulf Cooperation Council, the Mercosur, Southern Mediterranean countries, Central America, the Andean Community, South Korea, India and the Association of South East Asian Nations (ASEAN). The Commission takes the lead in pleas for ambitious decent work provisions in new trade agreements, but this is not a priority for the member states and the negotiation partners (Bossuyt 2007).

Thirdly, the Commission (2001a, p. 17) suggested that aid may be used to complement social GSP conditionality. For example, technical assistance could stimulate the application for GSP trade incentives and the effective implementation of CLS. However, the 2005 reform of Europe's GSP incentives did not establish such a link. Recently the Commission (2006a, p. 8) again raised the idea to link the GSP and Europe's development programmes.¹⁹ This would significantly increase the coherence of Europe's external policies in the trade, development and social nexus.

Development aid could also be used when a country threatens to be excluded from the GSP system under the social sanctioning clause (e.g. Burma/Myanmar in 1997) because of serious and systematic violation of CLS. Preferences would only be withdrawn as a last resort, after cooperation has failed. Such a linkage would be in line with the EU's stated preferences for the "carrot" instead of the "stick". It would also enhance the legitimacy of labour standards in the GSP because it cannot be seen as hidden protectionism. For example, the fact that the complaint against child labour in Pakistan never resulted in European GSP sanctions has been ascribed to Pakistan's participation in the ILO's IPEC scheme.²⁰ In contrast, Burma/Myanmar has always refused to cooperate on the issue of CLS.

Fourthly, the EU has established cooperation programmes in the development–social nexus targeted at specific countries or regions. For example, between 2004 and 2008 the Commission has contributed €30 million to "EUROsociAL", which aims to increase social cohesion in Latin America, *inter alia* through employment policies and in cooperation with the ILO (EC 2006c). The Commission also raises social issues in political discussions with Asian countries,²¹ although this proves to be more difficult than in EU–Latin America relations. It should be added that, on the Commission side, DG Development seems less enthusiastic than DG Social Affairs, Employment and Equal Opportunities about prioritizing labour and employment issues in developing country projects (interviews).

It is difficult to gauge the EU's financial commitments to the decent work objectives within the "human and social development" and "investing in people" thematic programmes for 2007–2013.²² As argued by the EESC (2007) the Commission "should give a clear indication of the financial implications of its contribution to the promotion of decent work, both within and outside the EU. This should include information on the way it intends to support the ILO in the execution of its Decent Work Agenda". Until today there are only stated intentions and scattered development programmes in relation to the SDG. It is clear, however, that the SDG is barely addressed in the EU's new Country Strategy Papers with ACP and Asian countries. The Commission points out that developing countries have insufficiently taken ownership and prioritized social issues. Out of eleven PCD areas, member states rate progress on the SDG eight — ahead of only agriculture, information society, environment and transport (EC 2007a, pp. 17–18, 21, 104).

Finally, some recent adaptations of EU's GSP should be mentioned. When Pakistan was added to the list of GSP drugs beneficiaries, shortly after 9/11, India challenged this system before the WTO. The EU subsequently reformed

its GSP and established a new “sustainable development and good governance” regime. In order to qualify for special preferences, developing countries have to ratify and implement a range of international agreements, including the fundamental ILO Conventions. On the positive side, the GSP-plus may have spurred on countries such as El Salvador to ratify all the CLS. However, several beneficiaries such as Colombia have been criticized by the ILO for not *implementing* these conventions. If the EU mainly looks at the ratification of CLS, not the implementation, the new GSP basically boils down to a continuation of the former drugs incentive system — albeit in a more objective way. Besides all the former drugs beneficiaries, Georgia, Moldova and Sri Lanka also receive GSP-plus references (see Orbie and Tortell 2007). Thus, the EU’s leeway to promote CLS through its unilateral trade policy has not been exploited fully, although the new GSP-plus is certainly more successful than its predecessor in the 1990s.

Corporate Social Responsibility: a European Pole of Excellence?

Although the advent of corporate social responsibility (CSR) in the EU can be traced to 1993, when the then President of the European Commission, Jacques Delors, called on European businesses to help combat social exclusion, the debate resurged in 2000/2001. This can be situated in the above-described broadening and softening of Europe’s global social role. Indeed, the new emphasis on CSR constitutes a departure from the narrow trade agenda, albeit also a more voluntary approach to the SDG. The Green Paper on CSR (EC 2001c) was published on the same day as the Commission document on global social governance (18 July 2001).

At the same time, the renewed interest in CSR at the EU level should be situated in the criticism against the sometimes questionable and unsavoury business practices of multinational companies (MNCs), which were increasingly exposed in the media. In this context some critics and some supporters of globalization, as well as governments, especially in the EU, believe that MNCs and businesses of all sizes can be agents of positive development in the South. This mindset is predicated on the view that the sheer presence of foreign-headquartered businesses in the South, which is unlikely to cease anytime soon, can be leveraged to create a win–win situation for both foreign businesses and their host (developing) societies. In other words, through socially responsible business practices that, *inter alia*, treat labour humanely and according to the international standards of “decent work”, businesses could still report a margin while concomitantly helping their host societies to develop. This mindset has given rise to the concept of CSR, which posits that businesses are better off, in the long run, behaving responsibly rather than reprehensively. The perennial challenges, however, are (a) how to convince businesses that socially responsible business practices and profitability are not mutually exclusive, and (b) whether socially responsible business behaviours should be mandatory or voluntary.

The European Commission (2001c, p. 3) defined CSR as “A concept whereby companies integrate social and environmental concerns in their

business operations and in their interaction with their stakeholders on a voluntary basis". Sceptics of CSR argue that the business of business is business, and enterprises have no business dealing with social issues. Notwithstanding, there is a growing body of evidence that suggests that CSR and the bottom line are not mutually exclusive, especially since enterprises are a product of society. Arguably, one of the most recognizable manifestations of CSR around the world today is the United Nation's Global Compact (GC). Launched in July 2000 under the auspices of the United Nations (UN) and at the behest of its then Secretary General, Kofi Annan, in concert with business leaders and civil society, "it is the world's largest CSR initiative that is designed to advance responsible corporate citizenship". Simply put, GC is a framework for enterprises to commit to aligning their operations and strategies with ten universally accepted principles that are based on human rights, labour standards, the environment, and anti-corruption.²³ Although participation is purely voluntary, there are over 3,000 participating companies and stakeholders from more than 100 countries around the world.

As in other domains of social policies, attitudes towards CSR vary among EU member states. They can be divided into four broad categories (Murray 2003, Albereda *et al.* 2007, pp. 391–407). The first group comprises the UK and Ireland and, to some extent, Denmark, which have encouraged CSR by their business communities, but prefer a minimalist approach in terms of government oversight. In other words, this model uses "soft intervention policies to encourage company involvement in governance challenges affecting the community". Such countries are more *laissez faire* in their approach, tend to embrace the voluntary nature of CSR and keep government meddling to a minimum, if at all. The second group includes countries like Austria, Germany and Luxembourg, which do not see CSR as novel, especially given that their domestic business codes already mandate the representation of both shareholders and employee representatives on the supervisory boards (*Aufsichtsrat*) of large companies. Additionally, the mission of the board of management (*Vorstand*) of a typical large firm is to manage for the good of the company, its employees, the society and the state, thus underscoring a stakeholder mindset. The preoccupation of this model is with "sustainable development". The third group of member states includes Belgium, France and the Netherlands, all of which variously enacted legislation to ensure compliance on CSR. For example, the Dutch government passed a law in 2000, which tied access to export credits and other trade subsidies to compliance with the OECD Guidelines for MNCs in developing countries. Similarly, the Belgian government adopted a "fair trade" labelling legislation in 2002 that required companies that manufacture according to the labour standards of the ILO to put a label on their products. Also in 2002, the French government enacted a law that mandated all French corporations to report on the sustainability of their social and environmental performance. In essence, governments of the third group of countries tend to be activist and interventionist. The fourth group of member states includes mostly Mediterranean and Central and East European (CEE) countries, where CSR is not widely practised or embraced. In Southern European countries, the prevalence of

family owned and small businesses/micro-enterprises perhaps makes it difficult for CSR to take roots. Conversely, business and governments of many CEE point to their preoccupation with transforming their economies, politics and societies that CSR has yet to become a parlance of the business community.

The 2001 Green Paper can be traced back to the Lisbon summit in 2000. Simultaneously with the ambition to make the EU “the most competitive and dynamic knowledge-based economy in the world”, the European heads of state and government also pledged to fight against social exclusion. On the latter commitment, they appealed to the sense of social responsibility of businesses “regarding best practices for lifelong learning, work organization, equal opportunities, social inclusion and sustainable development” (EC 2001c, p. 5). At its June 2001 summit in Göteborg, the European Council emphasized the importance of CSR within the EU and elsewhere, and invited the Commission to publish a paper on this topic.

The Green Paper initiated debate on CSR at the national, supra-national and international levels, and solicited input from a broad spectrum of state and non-state actors globally as to how to construct a framework for CSR in the EU. According to the first Communication on CSR in July 2002, the European Commission received over 250 responses, roughly half of which were submitted by the business community, while the remainder was accounted for by an assortment of civil society organizations, academics and EU institutions. Overall, virtually all respondents were supportive of an EU framework for CSR, but differed on the modalities. For its part, the business community preferred that CSR be voluntary and cautioned the Commission against a “one-size-fits-all” approach. Civil society organizations and labour unions, however, submitted that voluntary action by businesses would be insufficient to protect the interests of workers and citizens, and further cautioned against allowing businesses to solely develop, implement and evaluate their own CSR initiatives. Investors were more interested in improving disclosure and transparency of business practices, while consumer groups wanted “complete information about the ethical, social and environmental conditions in which goods and services are produced and traded to guide them in their purchase choices” (EC 2002, p. 4). Member states reacted differently to the Green Paper on CSR, depending on where they stand historically and culturally on the *laissez faire* versus interventionism spectrum, and on existing attitude towards CSR at the national level.²⁴

Whereas the Council of the EU welcomed the CSR framework as an important addition to CSR initiatives already underway within member states, the EP not only recommended that CSR be mainstreamed in all areas of EU competence, especially in regional and social funding, but also appealed for the creation of an EU-wide multi-stakeholder CSR platform. Based on the responses to the CSR Green Paper, the Commission then decided to promote its CSR strategy according to the following six key principles: recognize the voluntary nature of CSR; recognize the need for credibility and transparency of CSR practices; focus mainly on those activities where EU involvement adds value; ensure a balanced and all-encompassing approach to CSR with respect

to social, economic, environmental, and consumer interests; recognize the needs and attributes of small and medium-sized enterprises (SMEs); and ensure that the EU's CSR initiatives support and are consistent with existing international agreements and instruments, such as the OECD Guidelines for multinational enterprises, Council of Europe Social Charter, ILO core labour conventions, the International Bill of Human Rights, and the United Nation's GC. Furthermore, the Commission (2002, p. 8) proposed to emphasize seven areas in its CSR strategy. They were: increase awareness about the positive impact of CSR on business and societies both in Europe and elsewhere, especially in developing countries; facilitate the exchange of experience and good practice on CSR between businesses; promote the development of CSR management skills; foster CSR among SMEs; facilitate the convergence and transparency of CSR practices and tools; launch a Multi-stakeholder forum on CSR practices and tools; and integrate CSR into EU policies.

Indeed, in October 2002, the European Commission launched the European Multi-stakeholder Forum, and facilitated discussions among key stakeholders in the EU, namely pan-EU confederations of employers and business associations, labour unions and civil society. After a series of four thematic round-table discussions, the Forum wrapped up its work and presented its conclusions and recommendations in a final report in June 2004.²⁵ Then, in March 2006, the Commission (2006d) published its second Communication on CSR, partly to give impetus to its ambition to "make Europe a pole of excellence on CSR". To that end, the Commission announced the formation of the European Alliance for CSR, an open partnership for businesses in Europe that are committed to CSR. In essence, the alliance amounts to a political umbrella for CSR initiatives by large companies, SMEs, and their stakeholders and thus underscores the role of enterprises in Europe's strategy for sustainable development, economic growth and job creation. However, the Communication also recognized that while enterprises are the primary actors in CSR, "without the active support and constructive criticism of non-business stakeholders, CSR will not flourish". It further noted that while CSR practices are not a substitute for public policy, they can potentially contribute to a number of public policy objectives, including skills development, more rational use of natural resources, better innovation performance, poverty reduction and greater respect for human rights. Building on its 2002 CSR strategy, the Commission identified eight areas of emphases in its efforts to promote CSR in Europe, including the international dimension of CSR.

Lately, the Commission has noted that a growing number of businesses across the EU are adopting CSR policies voluntarily, because they view doing so to be in their long-term interest. Additionally, businesses in Europe have begun to see CSR as an opportunity to address some of the challenges of globalization, including the management of public opinion and the disclosure of pertinent information to a more inquisitive and more socially conscious consumer base, the recruitment and retention of highly skilled and competent personnel in an increasingly business competitive environment, and the management of their global operations, especially in developing countries.

Concluding Remarks

Whereas the direct impact of EU social policies on developing countries is negligible, and the Community’s capacity to act in the ILO has been limited, this article described and analysed the Union’s attempts to incorporate social goals in trade and development policies, including CSR strategies. Trade and development instruments have indeed been used by the EU as a vehicle for promoting the SDG. By the end of the 1990s the inclusion of labour standards in Europe’s trade relations proved to be limited and the EU arrived at an impasse. On the one hand developing countries resisted the linkage between CLS and trade, on the other EU member states were divided on the principle of a social clause (limited vertical coherence) and gave priority to other trade-related issues (limited horizontal coherence).

From 2001 onwards the EU escaped this deadlock, leaving the “social–trade nexus” and focusing instead on the “social–development nexus” with a strong emphasis on cooperation with the ILO. The relatively narrow approach on the promotion of CLS through trade is now replaced by a more comprehensive view encompassing various instruments in relation to the SDG (Table 1).²⁶ The European Commission played a proactive role in the WCSDG and stimulated the international promotion of CSR. The ILO “decent work” agenda has come to occupy a central place in the EU’s external social/development policies.

Trade is still used as an instrument to promote the SDG. Recent bilateral agreements contain a chapter on social cooperation (e.g. Cotonou Article 50), and the social impact of European trade relations is increasingly taken into account (e.g. the Trade SIAs). But, in fact, these initiatives form part of the Union’s development agenda, whereas CLS continue to be subordinated to trade policy goals. It remains to be seen whether social provisions in the EU’s new trade agreements and the newly established GSP-plus will be more successful in stimulating CLS internationally. Until now, huge walls between the trade regime and the social regime have hindered coherence in the social/trade/development nexus. This process-tracing analysis of the EU’s trade policies suggested that priority has been given to trade objectives — and that Europe’s commitment to advance the SDG needs to be qualified.

This mirrors the critique on the EU’s internal policies and the Lisbon agenda, formulated by trade unions and other observers, that competitiveness

Table 1. EU global social policies: evolving instruments and objectives

	1995–2000 social clause	Since 2001 social dimension of globalization
Instruments	Trade policies (hard approach)	Development cooperation International Labour Organization (soft approach)
Objectives	Core labour standards	Social dimension of globalization Decent work agenda Corporate social responsibility

is prioritized over social cohesion. Interestingly, also EU policy makers see Europe's broad and non-binding approach to the SDG, including the voluntary nature of CSR, as an external projection of the Lisbon model — albeit with more positive connotations.

Whether increased comprehensiveness in Europe's approach will effectively bring sustainable results rather than a dilution of Europe's commitment is moot. Several initiatives are in the pipeline, but it is yet unclear whether the decent work paradigm, which is still largely an analytical concept, will substantially influence the implementation of EU development policies. One crucial variable in this respect is the position of the member states *vis-à-vis* the EC level. By escaping the narrow trade focus the Commission obtained a distinctive role in global social governance: rather than engaging in the technical process around ILO labour standards, which is largely a member state prerogative, it actively contributes to the ILO's development-orientated discourse on the SDG and decent work. However, the article has also showed that there are limits to what the Commission can achieve if it is not fully supported by the member states.

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Notes

1. It concerns ILO conventions Nos 87 and 98 on freedom of association and collective bargaining, Nos 29 and 105 on elimination of forced and compulsory labour, Nos 100 and 111 on elimination of discrimination in respect of employment, and Nos 138 and 182 on abolition of child labour.
2. "Decent work" encompasses CLS, but has a broader meaning: CLS should be complemented with other social goals that guarantee full employment and decent work in the formal and informal sectors.
3. Attempts by the Commission, the European Parliament and the EESC to increase the Community's role in relation to ILO standards date back to the 1970s (Orbie *et al.* 2005).
4. The Commission (2007a, p. 98) noticed that the success of European social policies contributes to a brain drain from the South, for example from African countries' health sector, but that this effect is mitigated through Europe's migration policy.
5. The EU continues to raise labour issues at the WTO level through the discussion of the Trade Policy Reviews.
6. Besides ideological factors, reluctance from the Council also stems from member state sensitivities about creeping EU competences in labour-related and trade-related issues (Orbie *et al.* 2005). Hence, the problems of coordination that also characterize EU-ILO relations spilled over into the European debate on a social clause.
7. For example, it concerns the African, Caribbean and Pacific (ACP) countries under the Lomé/Cotonou Agreements; countries which concluded a trade agreement with the EU such as Mexico, Chile, and South Africa; Latin American beneficiaries of the GSP drugs regime, and "Everything But Arms" (EBA) beneficiaries (the least-developed countries).
8. ILO Director General Somavía's suggestion to establish a WCSDG (June 2001) was accepted a few days before the Doha Conference (November 2001).
9. See, for example, EC (2003); and Anna Diamantopoulou, Address at seminar on the SDG, 3 February 2003, http://ec.europa.eu/employment_social/international_cooperation/docs/globalisation_report_wcsdg_march03_en.pdf (accessed 5 June 2008).
10. Council of 3 March 2005.

11. As announced at <http://www.ilo.org/public/english/wcsdg/consulta/index.htm>.
12. Council of 21 July 2003.
13. Some argue that EU coordination on labour standards has also increased (Delarue 2006).
14. We are grateful to an anonymous reviewer for this suggestion.
15. "In cooperation with developing countries, develop and implement strategies for decent and productive work for youth (Millennium Development Goals)" (EC 2006b, p. 54).
16. ICFTU, Comments on the EU and ACP negotiating mandates. 16 September 1998.
17. See the advice attached to EP, Gillig Report, 24 June 2002.
18. For comparisons of CLS in EU and US bilateral agreements, see Kerremans and Gistelinck (2007).
19. In addition, the ILO could be given a stronger role in linking GSP incentives with the *implementation* — instead of merely the ratification — of ILO conventions (EC and ILO 2006, p. 4).
20. Commercial and geopolitical considerations also played a role (Fierro 2003, pp. 375–376).
21. For example, in 2005 it launched a dialogue with China on employment, labour legislation, social dialogue, social protection and social cohesion (EC 2006a, p. 7).
22. According to some sources in the Commission, about 12 per cent of these budget lines is spent on decent work and employment, while most expenditures go to the health sector.
23. <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>
24. The UK, for example, was circumspect about the need for a parallel EU-wide CSR framework, and seemed to prefer that EU action on CSR be based on the principle of subsidiarity. See Murray (2003), or <http://ec.europa.eu/enterprise/csr/policy.htm> for more on the positions of EU member states.
25. http://ec.europa.eu/enterprise/csr/forum_2002_04_index.htm
26. There is also an institutional dimension to this "forum shifting" from the WTO to the ILO. Within the Commission the main responsibility shifted from DG Trade to DG Employment and Social Affairs and DG Development. CSR initiatives are led by the DGs for Social and Employment Affairs and for Industry and Enterprise.

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