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Fostering regulation? Corporate social responsibility in countries with weak regulatory capacity

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The engagement and influence of multinational companies in developing economies with weak regulatory capacity is often highly contested. Critics have voiced their concern about a 'race to the bottom' as regards social and environmental issues, as corporations face less stringent and consistent regulation in these countries and tend to capitalize on lax enforcement. While there has been evidence for such behavior in the past, more recently a different development has taken on momentum. With international agreements increasingly encouraging firms to not only abide to certain standards but also to actively promote such standards in countries where they operate, transnational companies have voluntarily engaged in manifold activities, for example in the social and environmental field, which are commonly referred to as corporate social responsibility. But what is the effect of such activities on host country regulation? To what extent do multinational firms in their implementation of international standards contribute to the creation of regulatory capacity and the raising of environmental and health regulation in states with weak regulatory capacity? These are the core questions of a research endeavor undertaken in the context of the newly founded Collaborative Research Center on 'Governance in areas of limited statehood', which is funded by the Deutsche Forschungsgemeinschaft, hosted by the Freie Universität Berlin and involves scholars from the Hertie School of Governance, the University of Potsdam, the Social Science Research Center Berlin, the SWP German Institute for International and Security Affairs, and the European University Institute, Florence.

In investigating the role of corporate social responsibility in the nurturing of regulation in states with weak regula-

tory capacity, the project mainly draws on literature on policy change and research on new modes of governance. Based on this theoretical basis working hypotheses are formulated, which aim to address the following questions: How do "good practices" of multinational firms affect the administrative and regulatory policy and practice of these states and thereby contribute to a higher level of environmental and health protection? Under which conditions is it more likely that corporate social responsibility leads to a high level of regulation? What role do non-governmental organizations, and multi-stakeholder networks, the particular market and associative structure of an industry sector play in such a process? And most importantly, is it plausible that corporate social practices function as "a model" for weak national regulatory authorities, or are they rather used as a resource in domestic regulatory conflicts?

The project focuses on South Africa as a country study and specifically investigates the situation in four different economic sectors and two policy fields. South Africa, albeit a country in transition, is characterized by weakly developed public health and environmental regulation as well as low political and administrative regulatory capacity. The multinational corporations to be examined operate in the mining, automotive, food and textile sectors which differ as regards associative structures, export orientation, dependence on the domestic market, the existence of mobilizing non-governmental organizations and multi-stakeholder networks. Looking at health with a particular focus on HIV/AIDS we investigate a policy field facing relatively strong conflict. At the same time, we examine the domestically less controversial issues of air and water pollution within the environment arena.