

**Corporate Social Responsibility in Asia:
Bridging the Gap Between Expectation and Practice
— A Report from the Leader of the CBCC Dialogue Delegation on CSR
to Southeast Asia —**

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Realization of the importance of corporate social responsibility (CSR) continues to grow in Japan and other countries, and this makes it essential that Japanese corporations promote CSR practices among their affiliated companies and suppliers overseas. The many Japanese companies operating in Southeast Asia need to understand how CSR is viewed there, and must ensure that their CSR initiatives produce practical, recognizable results.

It was with this in mind that the Council for Better Corporate Citizenship (CBCC) sent study missions to Southeast Asia in 2000 and 2001, sponsored the Asia Symposium in Bangkok in 2002, and then sent a Dialogue Mission on CSR to Thailand and Indonesia.

When visiting Thailand and Indonesia, we met with government officials, business groups, associations promoting CSR practices, and representatives of Japanese and Western companies operating in those countries. We exchanged views on CSR approaches, practices and results with them. During our time in Indonesia, we also participated in the Asian Forum on Corporate Social Responsibility in Jakarta, which was attended by 450 delegates from throughout Asia. We therefore had numerous opportunities to tell the world about the CSR initiatives of Japan's business sector.

The following are the main results of our discussions in Thailand and Indonesia.

1. Corporate Social Responsibility in Southeast Asia

(i) Strict labor laws, lax implementation, inadequate observance

The governments of Thailand and Indonesia have strict labor laws and other CSR-related legislation, but some employers show little respect for this legislation. One problem often mentioned was that employees must frequently work more than the statutory number of working hours. Corruption in the civil service was another commonly mentioned problem. These are all serious problems for corporations operating there. The governments of both countries are trying to enforce their regulations, but it was admitted to us that more time was needed to resolve their corruption problems.

(ii) CSR and serious problems such as HIV/AIDS

Poverty is a serious problem in Thailand and Indonesia, and the drive for economic development has led to environmental problems such as poor water quality, air pollution, and illegal deforestation. There are other problems as well, especially religious conflict, ethnic strife, and terrorist activities over the last few years. These problems need to be addressed both by governments and through corporate CSR initiatives.

One particularly severe problem in Thailand is HIV/AIDS, which has spread widely since the late 1980s. More than a million people have caught the virus so far, and each year almost 20,000 become newly infected. Because HIV/AIDS also impacts society and impedes economic growth, the Thai Ministry of Labour is collaborating with a non-governmental organization (NGO), the Thai Business Coalition on AIDS (TBCA), to launch workplace AIDS prevention and management projects. The projects' primary objectives are to halt the spread of AIDS and offer on-the-job educational programs and training. The projects receive financial support from the United Nations, and encourage corporations to establish AIDS programs as an expression of their social responsibility. Companies offering AIDS-prevention training for employees and support for infected workers receive recognition as AIDS Response Standard Organizations (ASO) from Thailand's ministries of labour and public health.

Projects financed by the Japan Bank for International Cooperation (JBIC) in Southeast Asia and other regions are expected to follow the JBIC Guidelines for Confirmation of Environmental and Social Considerations, which were introduced in 2003. JBIC calls on organizations implementing the projects to show responsibility toward environmental issues and problems such as AIDS.

(iii) Compliance with international standards in the face of international competition

Local companies in Southeast Asia face stiff competition from other parts of the world, and at the same time they are being asked by multinational corporations to comply with international standards such as SA8000 (labor standards established by an American NGO), the United Nation's Global Compact initiative, and norms promoted by the International Labor Organization. As one example, Southeast Asia has many clothing and shoe contract factories, and Western corporations demand that they comply with SA8000 standards. This pressure has spurred the Thai government to adopt its own, similarly strict Thai Labour Standard, TLS 8001 – 2003. However, officials at the Thai Ministry of Labour explained to us that this set of standards is still not being applied, although hopefully it will be soon.

(iv) The ISO 26000 social responsibility (SR) standard attracts growing interest

The second ISO SR Working Group meeting opened in Bangkok on September 26, 2005, with Japan and Thailand serving as co-hosts. During the meeting, Thailand's government and industrial sector indicated a strong interest in SR standardization trends. However, it

was our impression that in Thailand there is still not much understanding of the standardization process or types of standards. This seemed obvious when we explained Nippon Keidanren's basic position and efforts regarding SR standardization during meetings with a Thai association for standardization, the Federation of Thai Industries (FTI), and the Employers' Confederation of Thailand (ECOT). Thai representatives did, though, indicate a desire to further strengthen their ties with Nippon Keidanren in order to improve their knowledge of standardization.

2. Challenges Facing Japanese Corporations and the CBCC

Our CBCC Dialogue Delegation on CSR to Southeast Asia revealed that Japanese corporations operating there face the following CSR-related challenges.

(i) Head offices need to strengthen CSR ties with their overseas affiliates

Between head offices in Japan and their overseas affiliated companies, there is a fairly large gap in acceptance of rules governing corporate behavior, and in awareness of the need to ensure suppliers also comply with CSR norms.

Head offices should take a hands-on approach, urging their overseas affiliated companies to comply with corporate behavior norms, but at the same time they must take into account social, cultural and economic differences. There are global risk management issues at stake, so head offices must ensure compliance with CSR policies, while also taking into account the fact that head offices and overseas affiliates naturally have different viewpoints. To ensure compliance with CSR policies, overseas affiliates will need information and support. CBCC intends to offer such information to such companies outside Japan as one way to facilitate communication between head offices and their branches.

(ii) Japanese companies operating overseas must rethink their CSR practices

Poverty, HIV/AIDS, and some other problems are more severe in Thailand and Indonesia than in industrialized countries. Companies operating in these two countries are well aware of the importance of CSR initiatives in tackling these problems. Local Thai companies and Western corporations operating in Thailand are trying to resolve these problems by developing socially responsible initiatives that complement the initiatives of other stakeholders, such as the Thai government, NGOs, international organizations and other corporations. On the other hand, Japanese corporations operating in Thailand still tend to practice CSR on their own. They should, instead, develop CSR initiatives as part of their company's global strategies, while adapting those initiatives to local needs and the expectations of the stakeholders just mentioned.

(iii) The need for strategic publicity campaigns

Japanese companies operating overseas do contribute to social betterment programs, and they offered much assistance for victims of the tsunamis caused by undersea earthquakes off Sumatra at the end of December 2004. Even so, we learned that the local people were hardly aware of Japanese corporate assistance and goodwill. Japanese companies need to publicize their SR contributions, partly through links with international organizations active on the local scene, and with local NGOs. The American Chamber of Commerce in Indonesia gave us information on strategic publicity methods employed by local American companies. Local Japanese companies have much to learn from this.

(iv) Stronger ties needed with CSR promotion organizations and business groups in Asia

Our Dialogue Delegation exchanged views with groups promoting CSR practices and participated in the Asian Forum on Corporate Social Responsibility. Through these discussions, we learned that Japanese companies have a low CSR profile. They need to expand their CSR practices to show that Japan and the Japanese are keen to see a better world for all.

The CBCC will continue strengthening ties with CSR promotion organizations and with business groups in Asia. Discussions on CSR issues, such as the ISO's SR standardization initiatives, tend to be led by the West, but the CBCC hopes to ensure that Asian values, too, are reflected in those discussions. We also hope to promote an overall expansion of CSR practices throughout Asia.