# The NGO-Indus

*A new global activism is shaming the world's top companies into enacting codes of conduct and opening their Third World factories for inspection. But before you run a victory lap in your new sweatshop-free sneakers, ask yourself: Do these voluntary arrangements truly help workers and the environment, or do they merely weaken local governments while adding more green to the corporate bottom line?*

**By Gary Gereffi, Ronie Garcia-Johnson, and Erika Sasser**

In April 2000, Starbucks Corporation announced it would buy coffee beans from importers who pay above market prices to small farmers (so-called fair trade beans) and sell them in more than 2,000 of its shops across the United States. In August of the same year, the McDonald's Corporation sent a letter to the producers of the nearly 2 billion eggs it buys annually, ordering them to comply with strict guidelines for the humane treatment of hens or risk losing the company's business. And in 1998, De Beers Consolidated Mines, the company that controls two thirds of the world trade in uncut diamonds, began investing heavily in Canada to distance itself from the controversy surrounding "blood diamonds"—gems sold to finance warring rebel factions in Africa.

Are these episodes sudden attacks of conscience on the part of the world's top CEOs? Not quite. Under increasing pressure from environmental and labor activists, multilateral organizations, and regulatory agencies in their home countries, multinational firms are implementing "certification" arrangements—codes of conduct, production guidelines, and monitoring standards that govern and attest to not only the corporations' behavior but also to that of their suppliers around the world. Champions of these new mechanisms include United Nations Secretary-General Kofi Annan, who in January 1999 exhorted world business leaders to "embrace and enact" the U.N. Global Compact, whose nine principles covering human rights, labor,

*Gary Gereffi is a professor of sociology and director of the Markets and Management Studies Program at Duke University. Ronie Garcia-Johnson is an assistant professor of environmental policy at Duke University. Erika Sasser is a visiting assistant professor at the Nicholas School of the Environment and Earth Sciences at Duke University.*

# trial Complex

and the environment "unite the powers of markets with the authority of universal ideals."

Certification has appeared in almost every major industry targeted by environmentalists, including the chemical, coffee, forest products, oil, mining, nuclear power, and transportation sectors. Certification is also prevalent in the apparel, diamond, footwear, and toy industries, to name a few. A recent inventory by the Organisation for Economic Co-operation and Development (OECD) listed 246 codes of corporate conduct, while the Global Reporting Initiative, an organization dedicated to standardizing corporate sustainability reporting, estimates that more than 2,000 companies voluntarily report their social, environmental, and economic practice and performance.

Supporters believe that certification efforts embody a new model for global corporate governance—no mean feat when national governments appear unable to constrain powerful multinational corporations. Nevertheless, even while early signs suggest that certification arrangements may indeed improve working conditions and promote more environmentally friendly production, certification remains a blunt and imperfect tool for augmenting the accountability of global firms. Proliferating certification arrangements compete for legitimacy with nongovernmental organizations (NGOs) and consumers, as well as for adoption by multinationals. And there is no guarantee that the most effective standards—in environmental or labor terms—will win these battles. Some observers even fear that certification driven by activists and corporations will preempt or supplant altogether the role of states and international organizations in addressing corporate accountability as free trade expands around the globe.

## MANUFACTURING SHAME

Certification institutions have two key components: a set of rules, principles, or guidelines (usually in the form of a code of conduct) and a reporting or monitoring mechanism (often a corporate environmental report, or a "social audit"). Certification can be broken down into four broad categories, according to who produces the guidelines and conducts the monitoring:

*First-party certification* is the most common variety, whereby a single firm develops its own rules and reports on compliance. For instance, the Johnson & Johnson company credo that General Robert Wood Johnson wrote in 1943, which bolstered the company during the Tylenol® crises of the 1980s, now includes environmental and social concerns. The company published its first *Social Contributions Report* in 1992 and its first *Environmental, Health & Safety Report* in 1993.

*Second-party certification* involves an industry or trade association fashioning a code of conduct and implementing reporting mechanisms. The chemical industry's global Responsible Care® program provides an apt example. During the initiative's early years in the United States, the Chemical Manufacturers Association (now known as the American Chemistry Council) developed environmental, health, and safety principles and codes, required

JACK HOLLINGSWORTH/PHOTODISC, LAWRENCE LAWRY/PHOTODISC, JOPSEPH SOM; CHROMOSOHN INC./CORBIS, SIEDE PREIS/PHOTODISC, GLEN ALLISON/PHOTODISC, HOWARD DAVIES/CORBIS, RYAN MCVAY/PHOTODISC, CMCD/PHOTODISC, NICK ROWE/PHOTODISC, STEVE COLE/PHOTODISC participating firms to submit implementation reports, and reported aggregate industry progress.

*Third-party certification* involves an external group, often an ngo, imposing its rules and compliance methods onto a particular firm or industry. The Council on Economic Priorities (cep), the pioneering New York–based ngo, has collected data on corporate activities since its creation in 1969 and publishes reports on corporate behavior. The cep (recently renamed the Center for Responsibility in Business) created an accreditation agency that designed auditable standards and an independent accreditation process for the protection of workers' rights, dubbed Social Accountability 8000 (SA8000). As of April 2001, the group certified 66 manufacturing facilities around the world that mainly make toys and apparel as SA8000-compliant.

Voluntary codes of conduct may allow entire industries to preempt international labor and environmental laws aimed at multinational corporations.

*Fourth-party certification* involves government or multilateral agencies. The United Nations' Global Compact, for instance, lists environmental, labor, and human rights principles for companies to follow; participating corporations must submit online updates of their progress for ngos to scrutinize.

The earliest efforts to set and monitor voluntary standards in the United States were prompted, quite literally, by accident; they were responses to industrial mishaps in the environmental arena. After the Three Mile Island incident in 1979, the U.S. nuclear power industry created the Institute of Nuclear Power Operations, an organization that privately evaluates the industry through the provision of standards and inspections. Similarly, the 1986 Chernobyl accident prompted a handful of nuclear power associations from the United States and Europe to create the World Association of Nuclear Operators. And the chemical industry's Responsible Care initiative emerged in Canada and then the United States after the 1984 disaster that killed some 2,500 people and injured many more at a Union Carbide subsidiary in Bhopal, India. By April 2001, chemical industry associations in 46 countries had adopted the initiative, which promotes improvement in environment, health, and safety performance for the industry.

Over time, however, certification arrangements became more proactive and preemptive, with ngos no longer waiting for accidents but rather seeking out ongoing corporate wrongdoing. Labor-based certification in particular emerged in response to exposés against top brand-name companies that use international contractors and subcontractors, such as Wal-Mart Stores in Honduras and Bangladesh, The Walt Disney Company in Haiti, Mattel in China, Nike in Indonesia, J.C. Penney Company and Kmart Corporation in Nicaragua, and Liz Claiborne Inc. and Gap Inc. in El Salvador. The most typical abuses included abysmally low wages, use of child labor, mistreatment of female workers, and the suppression of labor unions. Levi Strauss & Co. issued a code of conduct in 1991, and other apparel industry giants such as Liz Claiborne, Nike, Reebok, and Gap Inc. soon followed. These codes included prohibitions on child labor and forced labor, guarantees of nondiscrimination in the workplace, respect for prevailing national legislation, and "decent" remuneration at or above the local minimum wage. Industry


Crying on the inside: U.N. Secretary-General Kofi Annan sells Nike CEO Phil Knight on the Global Compact, a set of measures aimed at improving corporate labor and environmental practices worldwide (left); Stanford University faculty and students protest Nike's labor practices in Indonesia (top).

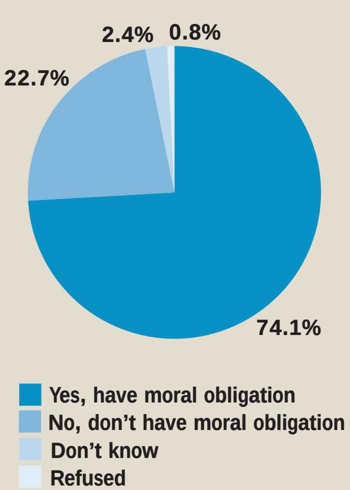
LEFT: REUTERS NEWMEDIA INC./CORBIS; RIGHT: JOHN TODD/AP associations and other groups developed similar policies: For instance, the International Federation of Football Association (fifa) created a licensing program in 1996 to prevent members from using soccer balls made with child labor.

While this history shows that most certification institutions began as creations of advanced industrial countries—particularly the United States, where direct government intervention is universally maligned and corporate accountability movements are increasingly powerful—it should come as no surprise that businesses and ngos alike are taking their U.S.-based certification solutions global. As activist networks expand and social and environmental concern spreads in country after country, major multinationals hope to reassure their customers at home while surpassing the expectations of overseas governments that have weak or unenforced laws. Creating or participating in voluntary certification initiatives may allow entire industries to preempt the development of international labor and environmental laws directed at multinational companies, and to avoid a nightmarish scenario of stringent and often contradictory regulations in country after country.

## Does the Public Care?

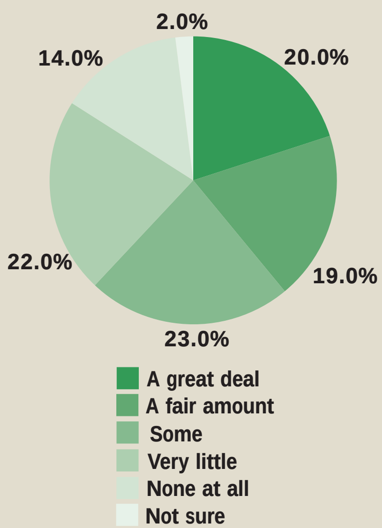
*U.S. public-opinion data reveal mixed views regarding the importance to consumers of labor conditions around the world. Below, a sampling of American attitudes from 1999 and 2000:*

1) Some people say that if people in other countries are making products that we use, this creates a moral obligation for us to make efforts to ensure that they do not have to work in harsh or unsafe conditions. Others say that it is not for us to judge what the working conditions should be in another country. Do you feel that we do or do not have a moral obligation to make efforts to ensure that workers in other countries who make products we use are not required to work in harsh or unsafe conditions?



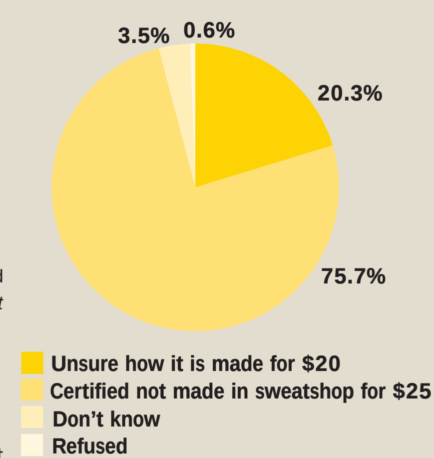

Organization: Program on International Policy Attitudes
Sample Size: 600
Dates: October 21-29, 1999

2) When deciding whether to buy products made in foreign countries, how much consideration do you give to the wages and working conditions of the workers who make these products—a great deal, a fair amount, some, very little, or none at all?




Organization: Joint poll by firms Peter D. Hart and Robert M. Teeter for NBC News and *Wall Street Journal*
Sample Size: 500
Dates: April 29-May 1, 2000

3) Some factories in countries that produce clothing for the American market place their workers in harsh and unsafe conditions, sometimes called sweatshops, to keep their costs low. Presently there is a proposal to have an international organization that would check the conditions in a factory and, if acceptable, give them the right to label their products as not made in a sweatshop. However, this may mean that the price of those products will be higher than those made in sweatshops. If you had to choose between buying a piece of clothing that costs $20 and you are not sure how it was made, and one that is certified as not made in a sweatshop, but costs $25, which one would you buy?




Organization: Program on International Policy Attitudes
Sample Size: 600
Dates: October 21-29, 1999

Source: Program on International Policy Attitudes

## Big Business Is Watching

Monitoring codes of conduct has become a growth industry. In addition to using internal corporate monitors—usually members of a firm's quality-control staff—corporations often hire external monitors to verify compliance. These monitors-for-hire include consulting and financial auditing firms such as PricewaterhouseCoopers (PwC); domestic compliance firms such as Cal Safety Compliance Corporation, which carried out between 2,400 to 3,000 labor audits in the Los Angeles area alone last year; and private certification agencies such as Swiss-based Société Generale de Surveillance.

The cost of monitoring can add up, particularly as the practice expands worldwide. Consider the case of Gap Inc., which spends $10,000 a year on monitors for Charter, the Taiwanese-owned factory in El Salvador originally named Mandarin International. If Gap Inc. duplicated these efforts with its 4,000 subcontracting factories around the globe, the annual bill would amount to nearly $40 million, or some 4.6 percent of the company's total 2000 profits.

Orders from U.S. footwear and apparel makers alone support between 40,000 and 80,000 production sites around the globe. Under the Fair Labor Association's (fla) certification program, only 30 percent of a company's manufacturing sites must undergo inspection in the first two or three years to obtain fla approval, and only 5 to 15 percent must be inspected each subsequent year to maintain a company's affiliation. Individual inspections run from $1,000 to $6,000 apiece. Companies foot the bill for their own inspections, although the fla reimburses firms for up to half of the inspection costs.

PwC, the largest accounting firm involved in the monitoring business, conducted some 6,000 factory audits around the world in 1998 (compared to zero just two years earlier). The firm's global reach allows it to carry out labor-conditions audits efficiently for its main clients, including Liz Claiborne Inc. and Nike. Because of the intensely competitive nature of the compliance market, PwC announced last May that all of its monitors in the United States will leave the company and form a new firm called Global Social Compliance llc.

*–G.G., R.G.J., E.S.*

### IT'S NOT EASY BEING GREEN

Do certification arrangements really affect corporate behavior? The answer depends on the particular industry, the ability of ngos to mobilize effectively, and the unique interests of the groups involved. Although still relatively recent phenomena, the certification experiences of the forest products and apparel industries reveal how certification can compel companies to rethink their practices.

*Forest Certification* | As the extent of global forest destruction became more apparent during the 1970s and 1980s, so did concerns over the environmental impacts of deforestation, clear-cutting, loss of biodiversity, and the effluent from pulp and paper mills. However, well-organized, developed-country ngos that focused on protecting tropical forests in developing economies found it difficult to identify which firms operating in endangered forests were actually inflicting damage. Forest certification emerged in the 1990s in response to this need.

The race to certify began in 1993, when powerful ngos such as the World Wildlife Fund and Greenpeace created the Forest Stewardship Council (fsc). The fsc accepts no funding from industry and has developed a set of core principles guiding on-the-ground timber management and harvesting operations, including restrictions on pesticide use and requirements for biodiversity protection and erosion control. Firms seeking fsc approval must undergo an audit by one of a few accredited "certifiers"—private firms such as SmartWood and Scientific Certification Systems in the United States and the Silva Forest Foundation in Canada—which can verify compliance with fsc requirements. The fsc also offers "chain-of-custody" certification, which traces the amount of certified wood in a product from the forest floor to the consumer shelf. (Chain-of-custody accounting is particularly difficult for products, such as paper, made from multiple sources.) Corporations meeting the chain-of-custody requirements are allowed to display the fsc logo on their products.

Arguing that the FSC guidelines are onerous and unwieldy, the timber industries in the United States, Canada, and Europe quickly countered with their own templates for appropriate forestry practices. Today, more than 40 certification programs exist worldwide, most of them at the national level. Timber companies often establish umbrella certification programs through their national industry associations rather than develop firm-specific certification programs because they face a "shared reputation" problem: Consumers don't necessarily distinguish between wood harvested by Georgia-Pacific and International Paper, for instance, so individual action does little to solidify a green reputation.

The contrast between industry-led certification and the NGO variety is stark. Consider the differences between the FSC and the Sustainable Forestry Initiative (SFI) program, established by the industry's American Forest and Paper Association in 1994. As originally conceptualized, the SFI program required firms only to develop internal mechanisms to meet the SFI program's broad, overarching objectives of ensuring long-term forest productivity and conservation of forest resources. Firms themselves conducted monitoring and enforcement. And because the original SFI program standards mandated few particular forest-management techniques, firms enjoyed tremendous freedom to set their own management specifications. This leeway led to significant differences in the environmental standards established by different firms. Furthermore, the SFI program has not conducted chain-of-custody monitoring and has only recently revealed plans to introduce a labeling system for products. Since the firms supply compliance reports privately to the industry association, accountability to consumers and the public remains minimal.

However, under heavy criticism from environmental groups, the industry has gradually encompassed more stringent standards and encouraged independent monitoring. The firms that felt the pressure most keenly were not timber extractors such as Georgia-Pacific, Weyerhaeuser, and International Paper, but retailers, specifically the big do-it-yourself centers such as The Home Depot and Lowe's Home Improvement Warehouse stores. The Rainforest Action Network, Greenpeace, Natural Resources Defense Council, and other NGOs launched major grass-roots campaigns against these retail giants in the late 1990s. Ultimately, both Home Depot (August 1999) and Lowe's (August 2000) declared their preference for FSC-certified products, a blow to the industry groups who hoped for the adoption of the SFI program. With the credibility of their certification program at stake, the industry had little choice but to push standards toward FSC levels.

*Apparel Certification* | Aggressive campaigns by labor groups, NGOs, and student activists have compelled apparel corporations to adopt stringent codes of conduct and establish independent monitoring as well. The revelation in 1995 of the virtual enslavement of Thai workers in a garment factory in El Monte, California, prompted the Clinton administration to form a task force called the Apparel Industry Partnership (AIP). Made up of manufacturers, NGOs, unions, and U.S. Department of Labor representatives, the AIP forged a code of conduct for apparel firms, stipulating that companies pay the local minimum or prevailing wage, that workers be at least 14 years old, and that employees work no more than 60 hours per week (although they could



LEFT: RUSSELL ILLIG, MIDDLE: MICHAEL CAUFIELD/AP, RIGHT:ELAINE THOMPSON/AP

Missing the profit for the trees: A 1998 protest against a Home Depot store in Los Angeles (top) is one of many campaigns that have pushed forestry firms to adopt stricter environmental codes. A Home Depot employee in Seattle restocks FSC-certified plywood (right).

Passing inspection: Factory employees check Reebok sports shoes in Zhongshan, China (left); a New York State investigator verifies the age of a worker at a Manhattan garment factory (bottom). The use of sweatshop labor was a major theme of the anti-WTO protests in Seattle in 1999 (right).


work unlimited voluntary hours). In November 1998, the AIP created the Fair Labor Association (FLA) to implement and monitor this code of conduct.

Controversy arose when several unions and NGOs withdrew from the AIP, claiming that its provisions were too weak (they relied on voluntary enforcement and set no standard for a living wage) and that its monitoring was neither independent nor transparent (its external-inspection system gave manufacturers too much control over which factories were investigated and by whom, and its monitoring reports did not have to be released to the public). The industry-backed FLA has attempted to address the concerns of the student antisweatshop movement that gained momentum through demonstrations at several U.S. universities such as Duke, Georgetown, Notre Dame, and Wisconsin in 1997 and 1998. The FLA, which plans to begin certifying manufacturers by the end of 2001, calls for internal monitoring as well as external surveillance from an FLA-approved list of monitors, who will conduct announced and unannounced factory visits.

Some student activists sided with the criticisms of the unions and NGOs, leading the United Students Against Sweatshops (in collaboration with university administrators and labor-rights experts) to establish the Worker Rights Consortium (WRC) in 2000 as a more radical alternative. With support from the AFL-CIO and the Union of Needleworkers, Industrial, and Textile Employees (UNITE), the WRC advocates a living wage for garment workers, independent unions, unannounced factory investigations, and full disclosure of factory conditions. The WRC has support from more than 80 universities, compared with the 155 universities that have signed on with the FLA.

Notwithstanding the infighting among competing certification groups, codes of conduct and effective independent monitoring have led global apparel firms to change their behavior. Take the case of Gap Inc., which acquires a portion of its clothing in Central America. In 1995, one of Gap Inc.'s apparel contractors in El Salvador, Mandarin International, fired 350 workers when they formed a union to protest working conditions. This dismissal, plus numerous other abuses exposed in the factory, violated Gap Inc.'s well-publicized code of conduct. Instead of simply rescinding its contract with Mandarin, which would have left the garment workers without jobs, Gap Inc.—under considerable pressure from NGOs such as the National Labor Committee, a union-backed worker advocacy group that organized a U.S. speaking tour for several of the fired female Salvadoran workers—became the first retailer to agree to independent monitoring of a foreign contractor. This agreement was considered a major breakthrough in apparel certification [see sidebar on opposite page]. While the monitoring agency (called the Independent Monitoring Group of El Salvador) has improved working conditions in the Mandarin factory in El Salvador, Gap Inc. has so far allowed independent monitoring of its codes of conduct in only a handful of the 55 countries where it does business (other sites are monitored in Honduras and Guatemala).

The WRC recently adopted a similar interventionist approach with Nike in Mexico. In January 2001, a large number of the 850 workers at the Korean-owned-and-operated Kukdong International factory in Puebla, Mexico—which produces Nike and Reebok sweat shirts for the $2.5 billion annual collegiate market—staged a work stoppage to protest the firing of five workers who opposed poor labor conditions. Operations in the Kukdong

LEFT: MICHAEL S. YAMASHITA/CORBIS; MIDDLE: KATHY WILLENS/AP; LEFT: REUTERS NEWMEDIA INC./CORBIS

# Union Sundown?

By Carolina Quinteros

When, in 1996, Gap Inc. allowed labor and human rights organizations to monitor working conditions in the Mandarin International factory in El Salvador, the occasion marked a milestone in the transnational antisweatshop movement. Suddenly, codes of conduct were no longer enough; corporations also had to ensure the implementation and monitoring of those codes. Moreover, the decision provided a major boost for southern NGOs seeking to enhance worker rights. Private monitoring of clothing manufacturers had been prevalent in U.S. factories since the early 1990s, but the Mandarin case was the first time human rights groups in and from the south monitored maquiladora factories. My own organization, the Independent Monitoring Group of El Salvador (GMIES), played a major role in verifying the reinstatement of Mandarin's discharged workers and in overseeing the fulfillment of Gap Inc.'s code of conduct in the factory.

Yet, independent monitoring organizations have encountered skepticism from an unexpected source. Many labor leaders in the United States and in some Central America and the Caribbean feel threatened by nonunion groups overseeing factory conditions. They believe that NGOs are usurping the proper function of unions by defending and advocating worker rights. Some union leaders even believe that the achievements of monitoring groups will make unions seem unnecessary by comparison and will discourage unionization efforts. Because they believe that government labor ministries should carry out the work of monitoring groups, other detractors argue that monitoring favors the process of privatization.

But such fears have proven unfounded. Independent monitors—now active in Guatemala, Honduras, the Dominican Republic, and soon in Nicaragua—vocally demand stronger state action to protect workers. In Honduras, a monitoring organization called the Collective of Honduran Women (CODEMUH) is lobbying the government and firms to sign a code of ethics providing for stronger labor regulations governing maquiladora factories. And in Guatemala and El Salvador, monitoring groups conduct monitor training workshops that include government representatives.

NGOs and labor unions maintain a complex relationship, borne of profound differences in the nature, structure, and intent of these institutions. Independent monitors verify that corporations uphold labor rights, and this vigilance helps foster a working environment more amenable to collective action by workers. But monitoring groups do not unionize workers, nor do they engage in collective bargaining for workplace benefits beyond those mandated by law. In this sense, monitors do not replace or undermine traditional unions. Indeed, the best monitors are the workers themselves. But the sad truth is that workers in the south often have been denied the right to organize and monitor their rights. Most efforts to unionize end in firings. In Guatemala, for example, there is not a single union among the maquiladora factories, while El Salvador had only two maquiladora unions as of 2000—incidentally, in factories with monitoring programs.

Independent monitoring will not solve all the problems in maquiladora factories. But workers who face precarious conditions must be creative and use all tools at their disposal. And where no tools exist, we must invent them.

*Carolina Quinteros is executive director of the Independent Monitoring Group of El Salvador.*

apparel factory violated a number of provisions in Nike's code of conduct, including freedom of association, harassment and abuse, and health and safety conditions. By early February, the independent monitoring organization, Verité, an Amherst, Massachusetts, nonprofit, sent a five-person team to Kukdong to examine the factory's workplace practices. The Verité factory evaluation report was completed and made public in a matter of weeks, and on March 14, 2001, Nike released its plan outlining the corrective actions and a timetable for Kukdong to comply with Nike's code of conduct. Just one week after the strike, nearly two thirds of the factory workers were back on the job.

Of course, companies do not always deal with factory abuses so readily. In February 2001, the Global Alliance for Workers and Communities released a 106-page, Nike-funded report on the labor conditions at nine Nike contract factories in Indonesia. The report detailed a variety of labor problems, including low wages, denial of the right to unionize, verbal and physical abuse by supervisors, sexual harassment, and forced overtime. The contents of the report are not surprising; similar findings were asserted throughout the 1990s. What is new about this report is that Nike paid for it, released it—and can't deny it. Nike's response to these problems will set new benchmarks that other apparel and footwear companies must match or else risk incurring relentless scrutiny by industry critics.

Although definitive conclusions may be premature, the forestry and apparel experiences underscore the growing power of NGOs to compel corporations to adopt new environmental and labor standards. In particular, NGOs have become highly sophisticated in using market-campaigning techniques to gain leverage over recalcitrant firms. Market campaigning, which focuses protests against highly visible branded retailers, is only about 10 years old, but in the words of one Greenpeace activist, "it was like discovering gunpowder for environmentalists." By targeting firms such as Gap Inc. or Home Depot—firms at the retail end of the supply chain with direct links to customers—NGOs are able to wield the power and vulnerability of corporate brand names to their advantage. Where resource-extractive firms like timber giant Georgia-Pacific may be isolated from consumers and thus insulated from negative press, companies such as Staples Inc. (a current Rainforest Action Network target) are much more vulnerable. By using tactics such as boycotts, banner hangings, leafleting, and other direct action, NGOs force retailers to take proactive labor and environmental stances.

Protests against brand-name retailers are only 10 years old, but as one Greenpeace activist expressed, "it was like discovering gunpowder for environmentalists."

## THE CERTIFICATION SOLUTION

The strength and influence of certification programs seem to be increasing. Third-party certification and monitoring may soon become the norm in many global industries. The battles over forest-product certification show that consumers and NGOs can quickly delegitimize weak standards and inadequate enforcement mechanisms, and they can also mobilize effectively for more stringent codes of conduct and more reliable monitoring. Corporations in the apparel industry are making concessions that would have been unthinkable just a few years ago as they too advocate third-party arrangements. Even the chemical industry's Responsible Care initiative is considering third-party verification in some countries.

Yet, watchdog activists cannot press for change in every industry and at all times. In the absence of their efforts, market forces and the drive toward standardization may lead firms to accept lowest-common-denominator certification, particularly when industry moves first and establishes a certification arrangement with widespread global membership. While competition can foster higher industry standards, less pressure will leave companies room to dictate their own terms of compliance. And even the most stringent certification initiatives may fail to address fundamental questions about industry structures, such as the international subcontracting system that allows brand-name companies, such as Nike or Gap Inc., to control their suppliers through large orders without the legal responsibilities that go with factory ownership.

More fundamentally, the rise of certification institutions poses profound dilemmas for the progressive notion popular during the 20th century that the remedy for social and environmental problems was a stronger and more interventionist state. When the state proved unable to meet all the demands placed upon it, particularly as firms and business transactions moved outside national territorial boundaries, alternative solutions were sought. Trends in the past decade suggest a new response in the 21st century: the certification solution. Whether certification programs are developed by business associations or pushed by activist NGOs, the development of voluntary governance mechanisms is transforming traditional power relationships in the global arena. Linking together diverse and often antagonistic actors from the local, national, and international levels, certification institutions have arisen to govern firm behavior in a global space that has eluded the control of states and international organizations.

While certification will never replace the state, it is quickly becoming a powerful tool for promoting worker rights and protecting the environment in an era of free trade. These new mechanisms of transnational private governance exist alongside and within national and international regimes like the North American Free Trade Agreement, complementing and, in some cases, bolstering their efforts. In countries with stringent, rigorously enforced labor and environmental laws, certification provides a private layer of governance that moves beyond state borders to shape global supply chains. In countries with nascent or ineffective labor and environmental legislation, certification can draw attention to uneven standards and help mitigate these disparities. The challenge is for states to accept certification not as a threat but as an opportunity to reinforce labor and environmental goals within their sovereign territory and beyond. FP

## [ Want to Know More? ]

Ronie Garcia-Johnson's *Exporting Environmentalism: U.S. Multinational Chemical Corporations in Brazil and Mexico* (Cambridge: MIT Press, 2000) explains how and why U.S. companies promoted Responsible Care® around the world and discusses how the institution was adopted in Latin America. For a report examining data on 132 international codes of conduct, see Ans Kolk, Rob van Tulder, and Carlijn Welters's **"International Codes of Conduct and Corporate Social Responsibility: Can Transnational Corporations Regulate Themselves?"** (*Transnational Corporations*, Vol. 8, No. 1, 1999). Susan Ariel Aaronson provides a detailed overview of various codes of conduct and corporate-accountability initiatives in **"Oh, Behave!"** (*The International Economy*, March/April 2001). Margaret Keck and Kathryn Sikkink's *Activists Beyond Borders: Advocacy Networks in International Politics* (Ithaca: Cornell University Press, 1998) offers a pathbreaking description of transnational advocacy networks, many of which are involved in environmental and social certification issues.

Daniel B. Klein explores the nature and significance of reputation as a basis for understanding conduct in his edited volume *Reputation: Studies in the Voluntary Elicitation of Good Conduct* (Ann Arbor: University of Michigan Press, 1997). Naomi Klein's *No Logo: Taking Aim at the Brand Bullies* (New York: Picador, 2000) shows how and why many of today's most popular brands are becoming a source of vulnerability as corporations are linked to labor and environmental abuses. Gary Gereffi details the dominant role that big retailers and brand marketers play in global consumer-goods supply chains in **"The Organization of Buyer-Driven Global Commodity Chains: How U.S. Retailers Shape Overseas Production Networks,"** a chapter in Gary Gereffi and Miguel Korzeniewicz's, eds., *Commodity Chains and Global Capitalism* (Westport: Praeger, 1994).

For a journalistic overview of monitoring efforts in El Salvador, see Leslie Kaufman and David Gonzalez's **"Labor Standards Clash with Global Reality"** (*New York Times*, April 24, 2001). Sebastian Mallaby questions the effectiveness of nongovernmental-organization-led regulations over corporations in **"Activists, Acting Governmental"** (*Washington Post*, February 26, 2001). Joanna Slater examines Mattel's approach to monitoring in Asia in **"The Inspector Calls"** (*Far Eastern Economic Review*, July 6, 2000), while Brenda Ortigoza Bateman argues that representatives from developing nations should participate in the formulation of reporting guidelines in **"Corporate Reporting and Asia"**(*Far Eastern Economic Review*, November 16, 2000).

The authors' Duke University project on labor and environmental certification has been supported by a grant from the Ford Foundation.

»For links to relevant Web sites, as well as a comprehensive index of related Foreign Policy articles, access **www.foreignpolicy.com**.