Signing International Framework Agreements: Case studies from South Africa, Russia and Japan

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Foreword

In recent years, numerous ILO debates have highlighted the importance of strengthening the Office’s knowledge base around emerging developments in the area of collective bargaining and, increasingly, in cross-border industrial relations.

In 2007 the Committee on Employment and Social Policy of the ILO Governing Body highlighted developments in global industrial relations and labour management relations in global supply chains as key areas in which the Office should develop expertise. In the same year, the International Labour Conference identified an indicator of “social dialogue and good industrial relations” to constitute one of the six enterprise level indicators, which could ensure enterprise sustainability. This indicator included “examples at international level, such as the conclusion of International Framework Agreements (IFAs) between multinational companies and global union federations” in different industries. Similarly, the 2008 ILO Declaration on Social Justice for a Fair Globalisation called on the Office to develop “new partnerships with non-state entities and economic actors, such as multinational enterprises and trade unions operating at the global sectoral level”, in order to enhance the effectiveness of ILO operational programmes and activities.

In responding to these calls, DIALOGUE is collaborating with academic and research institutions in studies aimed to build a strong knowledge base on the question of global industrial relations, notably in the area IFAs. IFAs are understood as the outcome of negotiations between individual multinational enterprises (MNEs) and global union federations. They are aimed to promote a number of ILO principles of labour relations and conditions of work, notably in the areas of freedom of association and collective bargaining, and to organize a common labour relations framework at cross-border level, that is, across the worldwide operations of the MNE.

The present paper by Konstantinos Papadadakis examines a relatively unexplored dimension of IFAs, namely, why only few companies based outside the European Union have signed such instruments with global unions.

One major finding of the present study is that “civil pressure” and “anticipatory” factors seem to constitute the major explanatory elements in the adoption of IFAs by the management of non-EU based MNEs. The element of “civil pressure” does not necessarily take the form of protest and mobilisation (as in the case of NGO-driven campaigns), but rather the form of information provision aimed at “exporting” relations of trust between management and unions that already prevail in the home country of the MNE, to the countries of the subsidiaries. According to the author, a major catalyst for the adoption of IFAs can be the presence of an “enlightened” top manager already initiated in the virtues of social dialogue. Such leadership would anticipate that openness and communication with global unions in times of industrial change and rapid business expansion might prove to be beneficial for business.

The expected contribution of this paper is to inform the research and policy community on whether the main determinants of the decision of MNE management in signing IFAs can be replicated or not, outside the EU realm. A complementary research in our Department examines the “vertical impact” of these instruments, i.e., the effectiveness of existing IFAs in promoting the principles and standards contained in these instruments,
particularly those pertaining to freedom of association and collective bargaining. A comprehensive examination of both these aspects is key for understanding whether IFAs have the capacity to pave the way towards a sustainable global industrial relations system.

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Introduction

In the last few years a growing body of literature has tried to grasp the phenomenon of International Framework Agreements (IFAs). IFAs are understood as the outcome of negotiations between individual multinational enterprises (MNEs) and global union federations (GUFs), that is, international workers’ organizations usually operating at sectoral level. IFAs differ from the more “traditional” Corporate Social Responsibility (CSR) Codes, or multi-stakeholder initiatives, in that the latter are adopted unilaterally by the management of MNEs, whereas the former are negotiated agreements. IFAs are aimed to promote a number of principles of labour relations and conditions of work, notably in the area of freedom of association and collective bargaining, and to organize a common labour relations framework at cross-border level, that is, across the worldwide operations of the MNE. IFAs often cover not only the operations of the MNE’s subsidiaries but also those of its subcontractors and suppliers. In sum, IFAs underscore two very important principles:

(a) the principle of universality and indivisibility of international labour standards and;
(b) the promise to build a workable joint cross-border framework of follow-up of the agreements.

At the time of writing (June 2009), 78 IFAs existed in the world, covering approximately 6 million workers.1 However, most of the MNEs that have signed an IFA are of European Union (EU) origin – especially German, French and Nordic. At the time of writing, only 10 non-EU MNEs had signed an IFA.2 These have their headquarters in the United States (US), the Russian Federation, New Zealand, Australia, Canada, South Africa, Brazil and Japan. It is therefore no surprise that IFAs are often viewed as an EU phenomenon or a European initiative to foster respect for fundamental labour rights (e.g., Dauagareilh, 2005, p. 116). This raises the question about the real prospects of seeing IFAs develop and expand beyond the EU context and possible strategies unions and policy makers could follow in that respect.

The present paper focuses on this particular question. It is based on the views of managers and unions from selected non-EU based MNEs regarding the factors and motivations that seem to be decisive for such companies in adopting an IFA or turning down such a possibility. The expected contribution of this paper is to inform the policy community on whether the main determinants of the decision of MNE management in signing IFAs can be replicated or not outside the EU realm. The issue of the prospects of IFAs being adopted by non-EU based companies (“horizontal impact”) along with that of the effectiveness of existing IFAs in promoting the principles contained in these instruments, (notably those regarding freedom of association and collective bargaining (“vertical impact”)) are key for understanding whether IFAs have the capacity to function as building blocks in the emergence of a global industrial relations system.

The first part of the paper sorts out into three broad categories the main incentives identified by the relevant literature on the motives associated with the adoption of IFAs. These are: (a) “coercive”, i.e., a number of structural factors stemming from regulatory and cultural expectations in the home country of the company and the structure and sector of the company, (b) “anticipatory”, that is, self-regulatory endeavours aimed at ensuring stability and improved profits by adopting best corporate practices during the process of

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2 Chiquita (United States, in 2001); Fonterra (New Zealand, in 2002); Anglo-Gold Ahanti (South Africa, in 2002); Lukoil (Russian Federation, in 2004); Nampak (South Africa, in 2006); National Australia Group (Australia, in 2006) Quebeccor (Canada, in 2007); Ability (Brazil, in 2008); Icomon (Brazil, in 2008); and Takashimaya Company Limited (Japan, in 2008).
internationalisation of the activities of the company, and (c) factors associated with “civil society pressure” aimed at informing and campaigning in favour of labour rights. The remaining parts -two, three and four- present the outcomes of field research carried out in three countries, namely, South Africa, Russia, and Japan. These parts try to depict which of the three factors identified in part one, seem to be the most decisive for non-EU companies in adopting an IFA (or inversely, in preferring to maintain their unilateral approach that characterizes most CSR codes). The three countries were selected for their (a) dissimilar industrial relations structure and managerial “cultures”, and (b) the fact that at least one multinational headquartered in the country in question has adopted an IFA (South Africa has two IFAs; the Russian Federation has one IFA; Japan has one IFA).

The field research consisted of interviews with the main (or potential) actors involved in the negotiations of IFAs, namely, the management of MNEs (Human resource and/or CSR departments) and social partners at enterprise, sector, national, global levels (see below). Additional interviews were conducted with companies that had not signed an IFA but had unilaterally adopted a code of conduct,3 in order to identify the reasons leading to such a decision. The conclusion sums up the main findings of this research and uses these outcomes in order to raise a number of questions as to the prospects of further expansion of IFAs outside the EU context as well as the implications for the strategy of unions or other policy makers who might be involved in the promotion of IFAs.

Based on the field research, one major finding is that “civil pressure” and “anticipatory” factors seem to constitute the major explanatory elements in the adoption of IFAs by the management of non-EU based MNEs. The element of “civil pressure” does not necessarily take the form of protest and mobilisation (as in the case of NGO-driven campaigns), but rather the form of information provision aimed at “exporting” relations of trust between management and unions, that already prevail in the home country of the MNE, to the countries of the subsidiaries. A major catalyst for the adoption of IFAs can be the presence of an “enlightened” top manager already initiated in the virtues of social dialogue. Such leadership would anticipate that openness and communication with global unions in times of industrial change and rapid business expansion across the globe might prove to be beneficial for business. In this context, interesting questions may be raised as to the possible consequences that a global union strategy could have in terms of the adoption of additional IFAs outside the EU, if such strategy focused on enterprises with an already fair record of labour relations in their home country, and on MNEs engaged in the process of business expansion.

3 For the purpose of this paper we consider all codes that have not been negotiated/signed by a global union, including in the context of MSH initiatives or the Global Impact, as the outcome of a unilateral decision of the company (herein called unilateral codes).
1. Factors contributing to the decision of management to adopt an IFA

The literature, which mostly focuses on MNEs based in the EU, has identified several factors that seem to have contributed to the decision of the management to go beyond their pre-existing unilateral approach to CSR codes and negotiate/sign an IFA with a GUF. An in-depth analysis of this issue lies beyond the scope of this paper (for a recent analysis see, e.g., Schömann et al. 2008; Egels-Zandén, 2008). This part endeavors to classify the incentives identified in the literature into three broad categories. Based on this classification, the next parts (II, III, and IV) will try to depict which of the three factors or which combination of factors has been the determining one when it came to the decision of non-EU companies to adopt an IFA, or inversely, may lead MNEs to turn down this possibility.

“Coercive” factors

Research on IFAs and trans-national negotiations in general, points to a number of structural factors which can dramatically influence enterprise decision-making in addition to profit-driven considerations. These factors reflect regulatory/top-down obligations of the MNE, cultural expectations, notably in the home country of the MNE, and finally industry-specific factors associated with the activity in which the MNE is engaged. We call these factors “coercive” to the extent that despite them not being driven by profit (the primary objective of an enterprise), they are central in enterprise decision-making as they reflect strong external pressures to obtain societal legitimacy (as described by new-institutionalism; see DiMaggio and Powel, 1983 and 1991).

The relevant literature, which, as said above, often sees IFAs as an EU phenomenon, often relies on the European Union Directive 94/45/EC on European Works Councils (EWCs) as the leading coercive factor of a regulatory nature that may have led to the emergence and multiplication of IFAs in the EU (often called European Framework Agreements) (Descollonges, 2006; Daughareill, 2005; Da Costa and Rehfeldt, 2008). This EU Directive sets the obligation for MNEs operating in the EU, to inform and consult with their workers on a number of labour and employment issues that affect them. As a result of this Directive, EWCs have become widespread in the EU. As of 2008, more than 820 MNEs had established a EWC (out of an estimated 2,264 MNEs concerned by the legislation) covering approximately 14.5 million workers (or approximately 64 per cent of workers concerned). In addition, it has been observed that in many cases EWCs have gone beyond the scope and original intention of the EU Directive by (a) becoming negotiators and signatories of roughly one fourth of IFAs and (b) transforming themselves in some

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4 Or in some cases with a European Industry Federation, or, a European Works Council.
5 Broadly, new institutionalism perceives enterprises as organizations operating in an institutional environment that constantly influences them through peer pressure. The main goal of these organizations would be to survive. To do so enterprises would not only need to demonstrate their economic viability (through profit making and technology innovation), but also their legitimacy within their institutional environment. In this context organizations would be prone to isomorphism, i.e., a largely unintended process of homogeneous decision making within enterprises aimed at acquiring social and institutional legitimacy.
6 The Directive applies to all companies with 1,000 or more workers, and at least 150 employees in each of two or more EU Member States. EWCs have to bring together workers’ representatives (usually trade unionists) from all the EU Member States the company operates in, to meet with management, receive information and give their views on current strategies and decisions affecting the enterprise and its workforce.
cases into “global” works councils and/or monitoring bodies for the implementation of IFAs (Bourque, 2005; see also Da Costa and Rehleldt, 2008).

In addition to the EWC directive, companies are increasingly obliged to comply with a number of laws and regulations adopted at State level aimed at the disclosure of information regarding internal corporate governance practices. The obligation to disclose information on a company’s practices is useful not only for shareholders (e.g., related to the governance of the company) but also for stakeholders (e.g., regarding environmental, social and labour and anti-corruption practices of the company). This obligation is perceived by the management of many firms as yet another coercive factor of a regulatory nature with practical implications in case of non-compliance. For instance, companies listed in the US and European stock exchanges are either given incentives, or put under pressure, in order to adopt credible corporate codes and to respect them. The Sarbanes-Oxley Act in the US is a well known regulatory instrument in this area, and certainly one that is taken into consideration also by MNEs when adopting IFAs. Moreover, commercial practices aimed at providing official support to third-world exports, such as the EU regulation favouring imports from the African Caribbean and Pacific (ACP) group of States, may have also functioned as a trigger for IFAs (the most clear case being Chiquita in 2002, see below the section on anticipatory factors; Riisgaard, 2004).

One should add to the above a number of expectations of a regulatory nature stemming from international soft law instruments and mechanisms, from which few large MNEs can escape despite their voluntary nature (notably due to “anticipatory” factors highlighted below). The most frequently cited examples are the requirements imposed by the International Financial Corporation (IFC) in order to obtain access to financing, or by the UN Global Compact, or ISO-type labelling. Cultural expectations seem to constitute another key coercive factor during the decision making process of a MNE which engages in, or explores the possibility of signing an IFA. Such cultural expectations are associated with the industrial relations culture prevailing in the country of origin of the MNE, but also the internal management culture of the firm itself (e.g., the CEO, the head of HR, or CSR departments). Empirical research based on case studies and surveys on the reasons explaining the adoption of IFAs by managers, confirms that IFAs tend to be an extrapolation of well-established German, French and Nordic systems of industrial relations. The latter are based – contrary to the US – on institutionalised incentives for collective representation and industrial action (e.g., tripartite dialogue, bargaining at industry level, enterprise regulation through works councils) aimed at ensuring that social dialogue between the social partners promotes and protects labour standards, and contributes to a sound redistribution of the wealth generated by the economic activity.

The management of MNEs established in these countries internalises this culture and may be more prone than others to reproduce it elsewhere through processes of social dialogue. Here, the

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8 The Sarbanes-Oxley Act, known as the Public Company Accounting Reform and Investor Protection Act of 2002, imposes the adoption of codes of conduct and procedures that make it possible for employees to disclose breaches of the code (http://www.sarbanes-oxley.com, accessed 27 May 2008). Schömann et al. (2008: 35) cite additional coercive practices on companies operating on US soil to adopt voluntary codes constitute the US Sentencing Guidelines of the US Sentencing Commission which proposes reduced penalties for violation of law by company employees, if the company in question has adopted a voluntary code of conduct and set a sound monitoring system.

9 A survey of several companies by Edwards et al. (2008) shows that US headquartered MNEs are the most likely to have a code but are the least likely to have negotiated it with workers, whereas German and Nordic firms are the most likely to have negotiated a code (such as an IFA) but are among the least likely to have a code in the first place, reflecting different industrial relations cultures.

10 See, e.g., Kaufman (2004: 583-620), who gives an comprehensive overview of the historical evolution of industrial relations, and main differences between, the US and European industrial relations cultures.
personality of the managers involved in the negotiation of IFAs appears to play a key role.\(^{11}\)

Finally, the way a company structures its value chain and the type of core activity in which the company is engaged, appear to play a significant role in the decision of management to adopt an IFA. Relevant literature demonstrates, quite convincingly, that companies engaged in certain types of production and distribution are more prone to adopt negotiated agreements than others. The literature distinguishes between two broad types of company profile in that respect: “producer-driven” and “buyer-driven” (based on Gereffi, 1999; Hammer, 2008). One type, producer-driven, requires high investments of capital and technology (such as those in the automobile, aircraft, and oil, gas, chemical and mining industries), thereby creating high entry barriers, so that large manufacturers assume a leading role vis-à-vis their suppliers. Because of their dominant position in terms of technology and capital, firms in producer-driven industries allow only some activities for suppliers (producing upon specification), and then retailers, but without them losing strategic control. On the contrary, the second type of firm –buyer-driven– is characterized by relatively easy access to production (such as in clothing, textiles, footwear, food and agricultural, and toy industries); the principal firm maintains leadership over activities such as design, marketing, branding and retailing. The list of companies that had adopted IFAs by May 2008 easily confirms the observation that the vast majority of companies with an IFA correspond to “producer-driven” (approximately 2/3) rather than “buyer-driven” ones (see Papadakis, 2008).

It should be added that MNEs engaged in producer-driven activities have traditionally been characterised by higher levels of unionisation and union representation. Buyer-driven ones, on the contrary, have been characterised by lack of organised interest representation, often anti-trade union practices, and perhaps more importantly, low disclosure of production sites, which is a condition sine-qua-non for cross-border workers’ organisation (e.g., Miller, 2008).\(^{12}\) In turn, a convincing explanation of such differences might be the fact that producer-driven firms usually employ highly trained workers who are more difficult to replace than the low-skilled, often female, workers employed in buyer driven industries with obvious consequences in terms of precariousness, vulnerability and possibility for workplace organisation (Egels-Zandén and Hyllman, 2007: 213).

**“Anticipatory” factors**

Recent research (e.g., Pichot, 2006a and 2006b; Schömann et al., 2008; Egels-Zandén, 2008), as well as the debates that took place in a series of study seminars organised by the EU on trans-national bargaining\(^ {13}\) and a policy document on IFAs released by the International Organisation of Employers (IOE, 2007: 8), seem to support the view that IFAs are often viewed by MNEs as credible “best practices” to the extent that they are adopted jointly with partners which draw also from the world of work. Such practices would aim at ensuring stability and profitability during the company’s effort to internationalise its activities. The management of most surveyed enterprises has argued that within a certain environment characterised by: (a) pressure on the companies to “go global”; (b) an intense competition for new markets, new products and increased market share and value; and (c) the quest for cost savings through the adoption of new technology, restructuring and delocalisation, MNEs must find successful ways to anticipate problems

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\(^{11}\) Wills points to the seminal role played by the head of HR of the French company Accor, with a well established reputation in the area of CSR (Wills, 2002). Gallin points to the role of the personality of the CEO and founder BSN and Danone (and then of his son), in the adoption on the first IFA ever reached (Gallin, 2008).

\(^{12}\) Only one company active in the sector of clothing and textile – a typical example of a buyer-drive industry – has recently adopted an IFA, namely the Spanish firm Inditex (in 2007).

and grasp opportunities in order to ensure product quality, corporate image and industrial relations stability. While anticipatory capacity in the business world has its obvious limits (associated with available information), the adoption of credible self-regulation so as to shield companies from the potential risks of social and labour instability to which they might be confronted during changes, appears to be perceived by managers as rather important. This quest is often described as one that pursues the goal of legitimacy, i.e., greater acceptance of the corporation within the society(-ies) in which it operates, with an expectation of financial benefits (see Egels-Zandén, 2008, for an extensive literature review on this topic). Finally, contrary to what might be suggested by the traditional debate on unilaterally-adopted CSR codes (e.g., Bansal and Roth 2000; Egels-Zandén, 2008), ethical motives were not reported by the MNEs interviewed in the above-mentioned studies as playing an important role in the adoption of IFAs.

In other words, the literature argues that the quest for legitimacy in unknown environments is not only part of an *outward looking* strategy of communication and image making; it is also part of an *inward looking* strategy aimed at obtaining the consent or approval of the employees (Hammer, 2005; Edwards et al. 2007; Pichot, 2006a and 2006b).

In both cases, IFAs are seen as potentially combining the benefits of both the “business case” and “risk management”. On the one hand, companies expect direct benefits from the adoption of socially responsible practices, e.g., in order to win (or win back) consumers with a certain degree of social awareness. This has been the case, for instance, with the decision of Chiquita to use in its promotional strategy in European countries a strong CSR component at a time when EU regulation favouring imports from “non-competitive” former colonies from ACP countries had generated many losses of market share.\(^{14}\) On the other hand, IFAs encompass an expectation of lower production costs through good labour relations, reduced future transaction costs, fewer information asymmetries, and low risk of strikes, in particular in newly acquired sites outside the country of origin of the company. Put differently, companies expect to gain profits that can be measured at least as “non-losses” during industrial change (a badly-managed restructuring process or business expansion might entail more costs than benefits).\(^{15}\) In sum, being the outcome of dialogue rather than a unilateral initiative, IFAs are viewed as one of the safest tools for ensuring a credible “prediction” of social risks.

### “Civil pressure” factors

Information and mobilisation campaigns by trade unions at various levels (sometimes in alliance with NGOs) in favour of core labour rights and cross-border workers’ organisation in the global value chains of MNEs, is the third most important category of factors that seem to motivate company managers to sign IFAs. The organisation of such campaigns reflects an adaptation of union action to the current business environment characterised by increased mobility of production factors and the growing number of businesses operating on an international scale. This fundamentally affects the ability of the social partners to act in a purely national context and obliges them to progressively claim transnational negotiations. The precise functioning and impact of such campaigns has been extensively analysed by an earlier body of literature: activists first identify a problem notably in the fields of human rights, environment, women’s rights, indigenous rights or labour rights; specify a cause; identify a target; and propose a solution “all with an eye toward producing procedural, substantive, and normative change in their area of concern” (Keck and Sikkink, 1998).

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\(^{14}\) See Riisgaard, 2004: 9.

\(^{15}\) For instance, this has been the approach of Arcelor (see Tollet, 2006); see also Schömann et al. (2008); EU Study Seminars on Transnational Agreements (2006); and Daugareilh, 2005.
1998: 8). It would appear that similar dynamics apply also in the case of the emergence of IFAs even though the main focus is on labour rights and the main civil society agent that carries out the campaign is a union rather than an NGO (e.g., Anner et al., 2006; Riisgaard, 2002; Wills, 2002; Fairbrother and Hammer, 2005; Gallin, 2008; Edwards et al., 2007: 6-7; and Egels-Zandén, 2008).

A major difference between previous civil society (NGO) campaigns and IFA (unions)-related ones is that civil pressure in the case of IFAs appears to be exerted through interpersonal contacts – often between CEOs and heads of GUFs (this was clearly the case in at least two well document case studies, the IFAs by BSN/Danone in 1988 and Chiquita in 2002). As a consequence, while the bulk of the literature that focuses on the motives for the adoption of unilateral codes emphasizes the confrontational function of the MNE-NGO interaction (consumer campaigns, the use of mass media, and “name and shame” strategies) the kind of civil pressure exercised in the case of IFAs appears to be more often than not an expression of a constructive relationship aimed at building and improving relations with the union movement. The building of a relationship of trust and confidence based on information sharing seems to be at the core of the motives of both management and unions when it comes to IFAs and to constitute the most important contribution towards the establishment of an industrial relations framework at cross-border level (see Papadakis et al. 2008: 81). Such interpersonal contacts aimed at building trust seem to be facilitated by the fact that the interested actors at this level of dialogue are few in number (mostly CEOs and GUFs leaders) but also because the social and inter-union relationships at this level are less formalized (the cross-border level of dialogue and agreements being at its embryonic stages). Thus, union actors at cross-border level enjoy a “space of freedom” that favors the invention of original norms, such as IFAs (Descolonges, 2008:16).

The three factors mentioned above as contributing to the decision of managers to self-regulate through an IFA, tend to be found in real life in combination rather than in isolation. This is demonstrated by most empirical studies aimed at deconstructing the process of negotiation and adoption of IFAs reached by EU-based MNEs.

The remainder will try to depict which of the three factors or which combination of factors has been the determining one when it came to the decision of non-EU companies to adopt an IFA, or inversely, to turn down the idea of signing an IFA.

The main method used in order to answer this question has been that of exploratory case studies drawing from material collected during a series of field research in three countries, namely, South Africa, Russia and Japan. The main purpose of the field research was to conduct interviews with the principal actors involved in the negotiation of three IFAs signed by non-European Union headquartered MNEs, namely, AngloGold Ashanti, Lukoil and Takashimaya, particularly MNE management and social partners at enterprise, sector, national, global levels. The interviews were semi-structured and aimed

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16 The study by Keck and Sikkink on trans-national advocacy networks focusing on the action of global civil society networks, constitutes one of the most comprehensive analysis of the main characteristics and strategies of trans-national civil society networks and the outcomes of such action (Keck and Sikkink, 1998).


18 It should be noted that a recent study on the motivations of a code of conduct signed between a European company and its enterprise union, identifies as major motivation for the adoption of joint trans-national texts four categories: (1) search for corporate legitimacy; (2) avoidance of governmental interference; (3) search for corporate competitive advantages; and (4) ethical reasons (Egels-Zandén, 2008).

19 The method of exploratory case studies consists in using as primary material stakeholders’ perceptions and other relevant information collected during field research, in order to identify cases which may not be in any way “typical” of the phenomenon under examination, but which could help us draw the outer limits of the subject, and pave the way for future research (see Miles and Huberman, 1984; Yin, 1994; Huws and Dahlmann, 2007).
at identifying management incentives by deconstructing the negotiation process of an IFA, identifying the agendas of the parties, depicting those incentives which have influenced the most the decision of an MNE in joining a negotiated agreement. To the extent possible, the data and analysis were crosschecked through the use of additional interviews with relevant actors and secondary sources. As an additional measure of verification of the findings – which are largely based on the perceptions of the actors themselves – interviews were conducted with companies that have not signed an IFA in Japan and South Africa, and prefer instead management-driven CSR codes. As mentioned above, the three countries where the field research took place were selected for their dissimilar industrial relations structure and managerial “cultures” and interest of at least one local MNE in adopting an IFA: at the time of the writing of the present paper South Africa had two IFAs; the Russian Federation had one IFA; and Japan had one IFA. The focus of the study was on producer-driven industries.

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20 See, for example, Kaufman (2004) who offers a comprehensive overview of the evolution of different industrial relations cultures around the world.
2. The case of Lukoil (Russian Federation)

Facts

Russian enterprises started establishing foreign affiliates much later than their western and Asian competitors, following the end of the Cold War and the turbulent events of the 1990s. Ever since, the top Russian MNEs have been growing at an impressive pace, and have become key players in the global economy. According to a recent study, from 2004 to 2007, Russia’s top 25 MNEs (ranked by foreign assets) more than doubled their foreign assets and sales. Four oil and gas firms, led by Lukoil (below) and Gazprom, and nine metal and mining firms led by Severstal and Rusal together accounted for 78 per cent of the total foreign assets of the top 25 Russian MNEs in 2007. During the same period, the top 25 Russian MNEs doubled their work force in foreign operations: from 57'000 in 2004 to 130'000 workers in 2007 (see SKOLKOVO/Columbia, 2007). It appears that the impressive expansion of Russian MNEs, and especially Lukoil’s, was further confirmed in 2008 boosted by high oil prices, and a policy of new foreign acquisitions, and the penetration of European markets.

Lukoil is by far the biggest MNE headquartered in Russia in terms of foreign assets and labour force. It employs a considerable workforce of approximately 150,000 including 22,000 outside the Russian Federation and has an annual turnover of $US 90 billion USD with net income $US 9.5 billion. It is the biggest company in the oil sector in Russia, and the second largest private oil MNE worldwide by proven hydrocarbon reserves (10 trillion barrels), after Exxon Mobil, and before British Petroleum. In addition the company has important exploration and production sites mainly in Western Siberia, including in three major oil cities, Langepas, Urai and Kogalym (from which initials come the part “L.U.K.” of the acronym “LUKOIL”). It should be noted that the life of these cities depends almost entirely on the company which provides not only the wages of its workers but also extensive “social facilities” normally provided by public authorities (e.g., nurseries, health and sports facilities, water, electricity).

Outside Russia, Lukoil has important exploration and production sites of hydrocarbons in Kazakhstan, Egypt, Azerbaijan, Uzbekistan, Saudi Arabia, Iran, Colombia, Venezuela, Côte d’Ivoire and Iraq; refineries in Ukraine, Bulgaria, and Romania; marketing representation in more than 20 countries, including Russia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine, Bulgaria, Hungary, Finland, Estonia, Latvia, Lithuania, Poland, Serbia, Romania, the former Yugoslav Republic of Macedonia, Cyprus and Turkey, Czech republic, Slovakia, Luxembourg, Belgium and the USA. It should be noted that by 2008 Lukoil had 200 tank farm facilities and 5,793 filling stations including 2,000 in the east coast of the USA.

The CEO of the company since its creation in the 1993 is Vagit Alekperov one of the wealthiest men in Russia, and former deputy oil minister during the USSR. He is a second generation oil worker. For many interviewees, he is a visionary business leader who started

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21 The information in this section draws on LUKOIL’s web site (http://www.lukoil.com, accessed 29 May 2008); International Federation of Chemical, Energy, Mine and General Workers’ Unions (ICEM), 2006: 12; ICEM’s information on the LUKOIL agreement (available at http://www.icem.org/?id=100, accessed 29 May 2008); the Forbes web site (http://www.forbes.com/lists/2006/10/QXTX.html, accessed, 29 May 2008); and the interviews conducted with representatives of LUKOIL, the International Association of Trade Unions of LUKOIL (MOPO), and the Russian Oil, Gas and Construction Workers’ Union (ROGWU) (see Annex 1, List of meetings, interviews and communications).

22 In the last few years taxes paid to the public administration constitute a way for Lukoil and other oil companies to withdraw from this non-core investments so as to approach the Western model of enterprise. In 2007, Lukoil paid US$28 billion in taxes.
from the lowest ranks in oil companies before becoming the head of Lukoil and No. 37 in Forbes’ list of billionaires with assets of net worth of approximately US$11 billion.\(^{23}\)

Lukoil has its own “unilateral” code of conduct (“Social Code”). Moreover, since 2002 an agreement between Lukoil’s management and the International Association of the Trade-Union Organizations of the OAO Lukoil (IATUO Lukoil) is signed every three years. On the basis of these agreements, a number of detailed collective agreements at the enterprise level have been elaborated and implemented. These texts are very comprehensive and cover important subject matters including wages, compensations, pensions, training, social care and social facilities. The strategy of ICEM was to take these texts as the basis of the negotiation for the IFA so as to extend their coverage and ensure similar conditions in the outside operations of Lukoil. On the contrary, Lukoil’s management –and to a great extent MOPO- tried to water down such provisions, reportedly due to concerns regarding profitability in foreign operations.

The Lukoil IFA was the first, and for the moment, the only one to have been adopted by a Russian enterprise. It is also the only one in the whole Eastern and Central Europe. The agreement was last renewed in April 2008.

**Adoption of the IFA**

The first contacts between Lukoil and the relevant GUF, which is the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), took place at the initiative of the enterprise’s trade union association, the International Association of the Trade-Union Organizations of the OAO Lukoil (IATUO Lukoil). The possibility of adopting an IFA was first discussed in an informal contact organised between the head of the regional office of ICEM in 2003 and the current deputy director of IATUO Lukoil (at the time acting Director of IATUO Lukoil, Nadezhda Ivchenko). The first formal meeting between Lukoil’s CEO and ICEM General Secretary (Fred Higgs), took place at the World Economic Forum meeting in Davos (January 2004), where the principle of signing the IFA was accepted by both parties.

The actual text of the IFA was eventually signed in May 2004 by three parties, namely, ICEM’s General Secretary (Fred Higgs), Lukoil’s President (Vagit Alekperov) and the Chairman (Lev Mironov) of the Russian Oil, Gas and Construction Workers’ Union (ROGWU), which is the national affiliate of ICEM.\(^ {24}\) The IFA was not signed by IATUO Lukoil despite its active role in the negotiating process and the excellent relationship between IATUO Lukoil and the management of the company (reportedly due to a problem of status raised by ICEM).\(^ {25}\) Nevertheless, IATUO Lukoil was represented indirectly by ROGWU, being a member of the latter.\(^ {26}\) The content of the agreement had previously been negotiated between the chief negotiator of ICEM and LUKOIL’s heads of Human Resources and Public Relations as well as other concerned departments where necessary. The day of the signing of the agreement an “ICEM International Trade Union

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23 The financial and economic crisis in the late 2008 and 2009 might have negatively affected the assets of the company and its CEO. At the time of the finalisation of the paper there was no conclusive information on these aspects.

24 ROGWU was founded in Dec. 1990. It brings together about 1.4 million workers and about 3,000 primary, 32 territorial and 6 interregional trade union organizations, including the LUKOIL interregional trade union.

25 The policy of ICEM is to co-sign IFAs only with “the corresponding ICEM affiliates from the country in which the company has its head office”, i.e., the relevant sector level national union which is formally the watchdog of framework agreements at national level. See “General Motions” Fourth ICEM World Congress, Bangkok, Thailand, 22-24 Nov. Available at http://www.icem.org/files/PDF/Events_pdf/2007MotionENFinal.pdf, accessed 29 May 2008)

See also, interview with Mrost, 2007.

26 Indeed, MOPO represents also the one of the four interregional union structures created by ROGWU in order to represent the workers of the most important Russian oil and gas enterprises.
Network for the Oil Company Lukoil” aimed at following up on the implementation of the IFA across the global operations of Lukoil, was established. It was agreed that two members from each country where Lukoil employs workers, one from a sector union and another from the enterprise union, would each occupy a seat at the ICEM International Trade Union Network for the Oil Company Lukoil. The head of the enterprise union at the headquarters, IATUO Lukoil, eventually became the first head of the ICEM International Trade Union Network for Lukoil.

The IFA signed by Lukoil promotes a number of core labour standards by direct reference to ILO Conventions including regarding the abolition of forced labour (Nos. 29 and 105) freedom of association and the right to collective bargaining (Nos. 87 and 98), non discrimination and gender equality more generally (Nos. 100, 111, 156) the fight against child labour (Nos. 138 and 182); the UN Declaration of Human Rights (1948); the UN Global Compact (2000); and the ILO Code of Practice on HIV/AIDS and the World of Work (2001), as well as a number of standards aimed at the protection of the environment, local communities and indigenous peoples. It is signed for one year and commits parties to meet annually aimed at reviewing the implementation of the agreement. The text does not make reference to a dispute resolution body. The text applies to all subsidiaries of Lukoil in Russia and abroad but also urges the company to inform and influence its suppliers (according to the interviewees, the text does not apply to US operations).

**Incentives**

Interviews with the negotiators of the signatory parties revealed that the main incentive for the company to adopt an IFA, and indeed initiate negotiations on this instrument, was the company’s quest to position itself in the gas and oil market as a socially responsible MNE. This was considered to be a “serious advantage” during the process of internationalisation of its activities. The management’s rationale was that in order to access markets and attract investors in a business where well-established companies (such as EXXON, BP, and SHELL) already have important market shares and technical reputation, Lukoil had to put forward a comparative advantage that could serve as an additional argument vis-à-vis tender committees, consumers, governments selling public assets, and global investors. The conclusion of an IFA contributed to enhancing the company’s profile as a socially responsible MNE.

Furthermore, the image of a progressive enterprise which is aware of the issues of social and environmental sustainability and adopts “best practices” in this area seemed like a natural consequence of the socialist origins of Lukoil and key for ensuring smooth restructuring policies in home and in foreign operations. This consideration applied also in light of future plans of the company to make a way into European oil and gas consumers and markets. In fact, the management of the company viewed EU regulation on social dialogue, European Works Councils, and corporate practices of European MNEs, including the adoption of IFAs, as “legally compulsory”.

Another, more immediate and practical consideration for adopting the IFA was to ensure a “natural” leadership of the enterprise union IATUO Lukoil over the local unions in newly acquired plants, and indeed increase its legitimacy as a key interlocutor within these plants. IATUO’s intention was to have an important weight not only within Russian Federation operations of the company (being the inter-regional union structure of the ROGWU), but also in recently acquired foreign operations. This met with some resistance from pre-established local unions in newly acquired plants, e.g., in Serbia, Bulgaria, and Romania which wanted to report at best to ICEM. In the cases of Bulgaria and Romania, the various enterprise unions eventually accepted to merge into one union, while in the

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27 The interviewees indicated that LUKOIL was attracted by the idea that “LUKOIL is coming from a country were social issues were seriously taken into consideration in the past, and are now converted into CSR best practices.”
case of Serbia a steering committee was created comprising all enterprise unions. The IFA was therefore possibly viewed by IATUO Lukoil – and management – as a means to put an end to what appeared to be the beginning of industrial conflict over workers’ representation mandates and rationalise workers’ representation in these plants.

Summary of self-perception on incentives

All three categories of factors, coercive, anticipatory and civil pressure, played an important part in the decision of the management of Lukoil to sign an IFA with the global union. The “anticipatory” part was a major explanatory factor. The management of Lukoil regarded the IFAs as the best tool for projecting to the world a socially responsible image, aimed at satisfying potential investors and various stakeholders in countries where the company wishes to operate. This was part of the quest of the company for new market shares and new acquisitions.

The “civil pressure” factor also seems to have played a role. Civil pressure in the case of Lukoil manifested itself in a twofold, and rather original, way: (a) through IATUO, the enterprise union, which was the main channel through which information about the need of an IFA was sent to management; and (b) through pressure coming from unions in foreign acquisitions of the company; however this latter pressure was not a pressure on the management aimed at the adoption of an IFA, but rather on IATUO which was keen on ensuring leadership over these unions. Given the existing long term “social partnership” (Социальное партнерство) between IATUO and the holding company, IATUO had little difficulty convincing the company’s management, to sign an IFA so as to expand this partnership abroad.

Finally, the “coercive” factor also seems to have played a key role. According to management, IFAs and the EU-regulatory framework, especially the EWC Directive, were seen as “compulsory” from their perspective, and as a condition sine-qua-non for accessing the European oil and gas market. Thus, despite the fact that Russia is not part of the EU, the EU legal framework seems to have created a “shadow of regulation” (to use Bercusson’s expression) 29, which partly determined the decision of Lukoil’s management to sign an agreement that respects the main contours of such regulation.

29 This implies a stick (prospected regulation) and carrot (agreement between policy actors) technique which was notably used by the Commission in the early 1990s in order to make the social partners accept the principle of European social dialogue (e.g., Bercusson, 1992; Streeck, 1994).
3. The case of Anglo Gold Ashanti (South Africa)

Facts

Anglo Gold Ashanti is one of the world's leading gold producers. It is headquartered in South Africa where it is included among the 30 biggest companies in terms of annual turnover (for the financial year 2006, according to data provided by Business Unity South Africa). In 2007 the company produced 5.5 million ounces of gold - an estimated 7 per cent of global production - making it the third largest producer in the world. It has 20 operations located in 10 countries on four continents, and substantial global exploration programmes. In addition, the company is engaged in important greenfields exploration operations in Western Australia, Colombia and the Democratic Republic of Congo (DRC), Russia, China and the Philippines.

The company has profited from an overall positive international environment for the gold industry since gold is a value-saver commodity (in times of crisis and political and economic uncertainty investors tend to buy gold so as to maintain the value of their savings), but also because of increased consumption in emerging economies (notably India and China). Despite this leading position and booming sales of the company, the industry in which the company operates is, in the last decade or so, in the process of restructuring (for reasons explained below) with obvious impact on local employment.

This is a sign of an important restructuring and de-localisation taking place in the gold and mining industry of South Africa, due to increased international competition (notably by the USA and Australia), the increase of total cash costs per ounce due to stronger operating currencies and inflation (in 2007 total cash costs increased by 16 per cent to $357 per ounce), but also the drying of South African mines. While SA is still the biggest single producer of gold (with 275 tonnes produced in 2006, as opposed to 256 tonnes in the USA and 246 tonnes in Australia) only “deep and old” mines remain in the country which are costly to exploit and entail more risk for miners.

30 The data in this section draws on information provided by the interviewed companies (see Annex 1, List of meetings, interviews and communications), notably Gold Fields, annual reports of these companies available at their internet web sites (accessed May 2007), as well as on various reports of the South African Chamber of Mines (available at http://www.bullion.org.za) and Statistics South Africa (available at http://www.statssa.gov.za), (accessed July 2008).  
31 Including in Argentina, Australia, Brazil, Ghana, the Republic of Guinea, Mali, Namibia, Tanzania and the United States. Its production (approximately 43 per cent) comes from South Africa, Ghana (10 per cent), Mali (eight per cent), Australia (11 per cent), Brazil (seven per cent), Tanzania (six per cent), USA (five per cent), Guinea (five per cent), Argentina (five per cent) and Namibia (1 per cent).  
32 Greenfields exploration refers to the search for minerals in unexplored virgin ground (or territory which has been drilled for other commodities), relying on the theoretical predictive power of ore genesis models.  
33 In 2007 Anglo Gold Ashanti employed a labour force of approximately 62’000 and together with Gold Fields (approximately 54’000) and Harmony (approximately 34’000) constituted the most important employers in the South African gold industry (employing in total 160’000). The three of them employed almost one third of the employees in the whole mining industry of South Africa which totalled in 2005 some 455’000 workers (or seven per cent of the “formal sector” employment). The figures show an important decline in the workforce employed since 1987, when the gold sector employed some 537’000 workers and the mining sector as a whole approximately 850’000 workers. In the decade 1997-2007 employment in the South African gold mines was almost halved (from 322’000 in 1997 to 135’000 in 2007).  
34 In this context, some 4.8 billion US$ have been disinvested from South Africa in the last few years. While in the 1970s 70 per cent of the global production was South African (1000 tons/per year as opposed to 300 tons globally), in 2005 only seven-eight per cent of the global production had remained in South Africa (i.e., some 296 tons/per year as opposed to 2519 tons globally). This new environment appears to have convinced the whole local industry of the need to “go global” so as to acquire new production sites abroad (notably in Australia, Russia, the USA, and countries in South America and Africa).
Last but not least, according to some interviewees, it would appear that another major consideration for the internationalisation of South African mining companies, might be related to (a) a widespread perception of managers that the regulatory environment is less “business friendly” in South Africa than in other countries; and (b) the mobilisation capacity of unions and high unionisation rates in the South African mining sector. In South Africa 80 per cent of workers in the mining sector are unionised, and indeed 70 per cent of them belong to one of the most influential unions in South Africa (and the whole African continent), the National Union of Mineworkers (NUM). NUM is the national affiliate of the global union ICEM, has a membership of 300,000 and is the largest affiliate of the COSATU, the ally of the ruling Tripartite Alliance. In the past, NUM has been at the forefront of important mobilisation campaigns and strikes (notably in the mid-1980s and more recently in 2007), which have remained in the collective memory of managers, as a major blow.

Within this new environment, one major difference which distinguishes Anglo Gold Ashanti from the other multinationals in the gold and in general, mining sector, is reportedly the “progressive” culture of the enterprise which has been instilled by the company’s CEO (1998-2007), Robert Michael (Bobby) Godsell. Bobby Godsell is one of the most respected businessmen in South Africa, not only for his business leadership and the leading positions he has occupied over the years (World Gold Council, Anglo American, Business Unity South Africa, and the Chamber of Mines) but also for his progressive views and vision, even during the peak of apartheid in the 1970s, regarding democratic labour institutions and free labour representation of the black labour force.

According to interviews conducted with competitor companies, this could be the most obvious explanation of why Anglo Gold Ashanti, and not other major mining companies, has become the first South African company to sign an IFA, and has been until today the only one in the South African mining sector. Another major difference between Anglo Gold and other companies in the sector has been reported to be that Anglo Gold Ashanti has kept the “Rolls Royce” of South African mines which are relatively easier to explore. The interviewees argued that this might have facilitated the internalisation of union pressures by Anglo Gold Ashanti.

**The adoption of the IFA**

The IFA was signed in 2002 between the then Anglo Gold Ashanti’s CEO (Bobby Godsell), ICEM General Secretary (Fred Higgs) and NUM’s President (Senzeni Zokwana). It appears that the discussions for the exploration of the agreement had started at the initiative of the global union ICEM to which NUM is affiliated (at that time ICEM had a regional office in Johannesburg). According to the interviewed management of Anglo Gold Ashanti, the initial text was watered down considerably, after several exchanges of emails and direct communications between management and ICEM. The final agreement promotes a number of internationally accepted labour standards notably on freedom of association and the right to collective bargaining, (ILO Conventions 87 and 98) the

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35 This is often associated with the discourse of “inflexible” labour legislation, in terms of hiring and firing. “Black empowerment” regulation such as the Mining Charter which calls for 26% of mines to be owned by black people by 2012 and the Financial Services Charter which aims at to de-racialise a quarter of the sector by 2010, constitute additional considerations for business in the mining sector.

36 Between the African National Congress (ANC), South African Communist Party (SACP), and Congress of South African Trade Unions (COSATU).

37 Among other things, NUM campaigned successfully in the 1980s for the end of the job reservation system, which had ensured until then that the best-paid jobs were allocated to whites. In Dec. 2007 South Africa miners went again on strike over working conditions and safety in the country's mining industry. This was the most important industry-wide miners' strike in South Africa's recent history.

38 The initial text of ICEM contained notably provisions aimed at a more active role on behalf of the company in the area of cross-border organisation of workers along the value chain.
abolition of forced labour, (ILO Convention 29) the elimination of child labour, (138, 182) the abolition of forced labour, (ILO Convention 105) non discrimination at work (ILO Convention 100 (III)) and occupational health and safety without direct reference to ILO conventions, as well as basic human rights and principles regarding the protection of the environment and local communities affected by the operations of the company by reference to other international instruments. It also establishes the obligation of the parties: to meet at least annually in order to review and renew the agreement; set up a sub-Committee to deal with breaches; and distribute the agreement to all operations.

Incentives

As mentioned above, the role of the “enlightened leader” of Anglo Gold Ashanti has been reported to be the main catalyst in the adoption of the IFA. In fact, Godsell had to overcome reactions coming not only from inside the company by executive managers in the foreign subsidiaries of Anglo Gold Ashanti (notably in Latin American and Australian operations), but also from several members of the Chamber of Mines of South Africa, i.e., local competitors. As the managers of Anglo Gold Ashanti stated; while Anglo Gold saw the IFA “as a “code” for good governance of the company” (Interview: Unwin et al., 2006). Colleagues in Australia and foreign operations in general looked at the IFA as a real collective agreement which would go beyond national legislation in these countries thus generating rigidities in terms of managing non-South African operations (idem).

These concerns were more or less explicitly confirmed throughout the interviews conducted with a number of major companies in the mining sector based in South Africa, namely, Gold Fields, Bhp Billiton, and De Beers. These companies remained very sceptical about IFAs. Most were concerned that accepting to sign an IFA could: (a) run against their conviction that diverse global operations needed to be managed as separate autonomous entities; (b) serve to finance costly union officials’ exchange programmes at company’s expenses; (c) finance and support global committees of trade union leaders and world works councils; (d) export the militancy of the South African unions to foreign jurisdictions; (e) promote international comparison of terms and conditions of employment, which could end up shaping labour costs towards the highest common denominator; (f) launch sympathy strikes action on a global scale; and (g) duplicate administrative work already done by unilateral codes and the UN Global Compact. One mining house provided the following reasons for its reluctance to conclude an IFA (box 1):

"We have experienced continued pressure from the NUM and from ICEM to conclude the agreement, and it should be borne in mind that this pressure is compounded by the fact that the current President of the South African National Union of Mineworkers is the also the President of ICEM.

We are regularly approached by representatives of NUM and have been approached by the General Secretary of ICEM as well.

The reasons for our reluctance are:

- First, our global operations are diverse and need to be managed as separate autonomous entities.
- Second, certain global union leaders have indicated that they see the IFA as a stepping stone towards global collective bargaining. We are not in favour of this because we regard it as unworkable for a number of reasons:
- It is difficult enough having centralized industry negotiations in one country and it would be impossible to integrate our global operations into the centralized industry level “bargaining council” arrangements applicable to South Africa.
- There would be linguistic difficulties in respect of certain operations
- It would be cumbersome and administratively onerous to fly the management and union negotiation personnel into South Africa from our global operations for months at a time;
- We would be exposed to global industrial action if one mine in one country is unable to settle so it has the potential to be very disruptive to other operations which are not in a position to influence the outcome of disputes in other jurisdictions;
- There would be additional time delays and as it is production is generally adversely affected
during the negotiation season:

- There are currency differences, different legislation and different terms and conditions;
- Operations are at different points in their business cycles – some are just going into production, some are mature, some are declining, some are not yet mines and are projects consuming considerable capital resources before they are able to begin production, while others are merely geological exploration sites;
- Global collective bargaining would undermine the autonomy of the various operations and is unworkable in practice and if that is the Federation’s ultimate goal then there is no point in concluding an agreement that seeks to bring about an end goal we do not subscribe to. As a result, once an IFA has been concluded the global federation is likely to constantly try and push the boundaries (they have made it clear they will seek to expand the floor of rights) and consequently the conclusion of an “entry level agreement” will constitute fertile terrain for further disputes in future.

- Third, there are administrative burdens associated with concluding a global IFA and we are already battling with the work load imposed as a result of our participation in the Global Compact, GRI and the ICMM guidelines.
- Fourth, there will be cost implications – we had no sooner entered into dialogue with ICEM than they began requesting money to fund conferences and the NUM began demanding that we fly union organizers to our global operations and fund exchange visits.
- Fifth, there is no need for an IFA as the majority of the areas the IFA seeks to regulate are covered by the Global Compact and ICMM guidelines. However, we are not opposed to periodic dialogue with ICEM and are of the view that instead of concluding an agreement it would be preferable to share with them our reports in terms of the ICMM and Global Compact and discuss with them any issues they seek to raise” (Interview: anonymous, 2008).

A second incentive for Anglo Gold Ashanti in going forward with the conclusion of the IFA, was reportedly the company’s eagerness (including by the Human Resources and Public Relations departments) to replicate a relatively good relationship with NUM, i.e., the national affiliate of ICEM, at the global level and recognise ICEM as the company’s global partner. In other words, “exporting” the local culture of social dialogue and industrial relations toward foreign operations, was a combination of “anticipatory” and “civil pressure” factors associated with a need to ensure a stable relationship and an open communication channel with a global union. Turning down the proposal of ICEM for an IFA might have sent the wrong signal also to NUM, which was holding among other things the presidency of ICEM. This finding, based on field interviews, also confirms recent empirical research on the reasons for the adoption of a negotiated code in a European MNE (in 2003), according to which the civil pressure coming from the enterprise union was the main if not the only trigger of this joint code, and the unique motive for the enterprise was to retain “trusting corporate-union relations” and replicate them abroad (Egels-Zandén, 2008).

It should be noted that in 2007, five years after the adoption of the IFA (2002) NUM leadership appeared to be critical vis-à-vis the effectiveness of the IFA from the union side. NUM saw in the Anglo Gold IFA “a good instrument for Anglo Gold to attract investors” as well as “an ICEM instrument [but] which lacked NUM ownership”. NUM interpreted the IFA as ICEM’s recognition by Anglo Gold Ashanti as its global social partner, and an indication of the company’s urgent need to acquire a “social licence to operate abroad and attract investors”, during the process of an intense internationalisation of the business activity of Anglo Gold Ashanti. This was, according to NUM, because international investors, tender committees and global institutions (such as the International Finance Corporation of the World Bank Group) increasingly link “access to capital markets” with minimum social and environmental requirements (Interview: Mpufane, 2006).

**Summary of self-perception on incentives**

According to the self-perception of the management of the company, the sole, albeit powerful, factor which led to the adoption of an IFA was the personality of a key
individual, i.e., the CEO of the company. Neither legislation in either local or foreign operations, nor industrial relations culture in the home country of the company played a role in the decision of the management to adopt an IFA. In fact, the “flexible” labour legislation prevailing in operations abroad, and fears of exporting the “culture” of protest and mobilisation of South African unions, reportedly functioned as a disincentive for the adoption of the IFA through criticism from inside and outside the company.

Another important factor was of an “anticipatory” nature. It related to a quest for stability in the MNE’s expanding foreign operations through the recognition of ICEM as a key partner and the establishment of an open channel of communication with it. Interviews with Anglo Gold Ashanti and NUM showed that companies in the sector need stability and a good social image. Such factors were reported to be essential for attracting, or at least not losing, investors. Anglo Gold Ashanti did not have much difficulty in projecting an image of a responsible and progressive company. This was mainly due to the well-established reputation of the company’s CEO, and for some, perhaps due to the fact that Anglo Gold Ashanti had maintained in its South African operation only high quality plants where the relationship with NUM was rarely confrontational.

Finally, it would appear that “civil pressure” coming from NUM, “a powerful ally of the government”, and ICEM a global union in which NUM held the Presidency, may have constituted another major motivation for the company to accept the signing of the IFA. However, such pressure aimed at replicating a constructive relationship and expanding it from the national to the international realm, rather than taking the form of an NGO-type protest and mobilization campaign.

According to the field interviews, the three enterprises active in the mining sector (Bhp Billiton, De Beers, and Gold Fields) which remained anchored in traditional management-driven CSR codes, rather than adopting a negotiated agreement with unions, appeared less prone to giving up to “civil pressure” coming from ICEM or NUM in view of adopting an IFA.

Such pressure was not perceived by the company as effective so as to constitute a sufficiently strong incentive for adopting an IFA. Neither did they perceive any “anticipatory” advantages which would make them pursue the adoption of an IFA. These interviewed companies saw their unilateral codes as sufficient for ensuring good labour relations in their global operation (even though they lacked provisions on dissemination, joint monitoring, and dispute resolution, see table 1 in the annex).

Managers in these companies pointed to the presence or absence of effective “civil pressure” and the culture of the enterprise leader as the major factors for either adopting IFAs or inversely maintaining a unilateral approach to corporate social codes. This finding confirms the analysis made above with regard to Lukoil where a combination of “anticipatory” factors and effective “civil pressure” were one of the major explanatory factors for the adoption of the IFA. As will be seen in the next part, this finding has also been confirmed in an opposite manner by the managers of most companies interviewed in Japan, the home country of major MNEs, where until recently no IFA had been reached.
4. The case of Japan

CSR in Japan

Japan is the home country of major MNEs. However, at the time of the drafting of this paper, only one IFA had been signed by a relatively small Japanese company (see below). On the contrary, most Japanese MNEs have joined international initiatives (e.g., the UN Global Compact, OECD Guidelines, ISO 9000 (on quality management systems) and 14000 (on environmental management), SA 8000, Global Reporting Initiative). This interest in CSR activities reveals a quest for more legitimacy especially in local Japanese markets as explained below.

In Japan, the notion of CSR is a recent concept seen by the social partners as imported from the US and EU. Although the concept of responsible enterprise vis-à-vis the community and society is a well embedded notion in Japanese business culture and indeed society - most corporate codes of conduct were formally adopted in the period 2001-2007 in order to (a) address declining public trust due to corporate scandals in Japan; (b) respond to official policy by the Japan Business Federation (JBF/Nippon Keidanren) which promotes CSR practices; (c) conform with laws and regulations such as the Consumer Act 2001, which establishes liability for damages to consumer interests and the possibility for class-action lawsuits or the Whistleblower Protection Act, 2004, which protects those denouncing mismanagement.

Perhaps most importantly, the proliferation of corporate codes and CSR discourse (and the absence of IFAs) seems to be due to a cultural practice of decision-making, named yokonarabi (homogeneity or lining-up). The latter refers to a cultural mechanism associated with mimetism and is the tendency to promote homogeneous decision-making in Japanese firms. In other words, it would appear that corporate codes of conduct are on the increase among Japanese firms due to yokonarabi. The adoption of unilateral codes would correspond to an isomorphic response to external pressures to obtain societal legitimacy (as described by new-institutionalism, see footnote 5; Egels-Zandén and Hyllman, 2008 come to a similar conclusion). To the extent that until recently no Japanese firm had adopted an IFA, but only unilateral codes, yokonarabi run against the prospects of having IFAs adopted in Japan, and increasingly in favour of codes. As seen below, this trend might change following the adoption of the first IFA in this country.

Self-perception on incentives for adopting a unilateral Code of Conduct instead of IFAs

The field research consisted in assessing the perceptions of a sample of Japanese enterprises which have made important progress in the area or CSR, as to the incentives which led them to adopt these unilateral codes, and the reasons for not considering the signing of an IFA with global unions. The companies interviewed had been identified, with the assistance of the ILO Office in Japan, in order to cover the most active MNEs in the area of corporate codes, particularly in sectors traditionally covered by IFAs (mainly

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39 This part draws on unpublished research material prepared by the ILO Office in Japan (Tokyo) for the purpose of our field research; various documents of Nippon Keidanren (JBF); RENGO (Japanese Trade Union Confederation); company material available on-line; and field interviews with companies and the social partners (see list of interviews in Japan).

40 At the time of the interviews (May 2007) at least nine Japanese companies were ranked among the largest companies in the world in the UNCTAD (2007) list of "The world’s top 100 non-financial trans-national companies, ranked by foreign assets, 2005". These were: Toyota Motor Corporation (7), Honda Motor Company Limited (19), Nissan Motor Company Limited (25), Mitsubishi Corporation (32), Mitsui & Company Limited (37), Sony Corporation (39), Marubeni Corporation (60), Hitachi Limited (66), Matsushita Electric Industrial Company (85).
chemical and energy, automobile, and food processing activities). The basis for our final selection of the Japanese multinational companies were: (a) participation to the Global Compact (which makes direct references to core international labour standards, and (b) specific reference to employees in CSR reports (preferably a chapter specifically dedicated to the company's employees). Using these criteria, the companies selected for interviews were: AEON, Nissan Motor Co., Ltd., Sumitomo Chemical, Ricoh, Asahi Beer, and Mitsui & Co., Ltd. Additional interviews and meetings were conducted with the Japanese Trade Union Confederation (RENGO), and Nippon Keidanren (Japanese employers) as well as the Social Responsibility Management Bureau of Nippon Keidanren, a major driver of the CSR debate in Japan, and its head of international affairs. The interviews were semi-structured and aimed at depicting the history of the adoption of codes of conduct in the selected companies, how these codes fit into the industrial relations system of Japan, as well as the perceptions of the responsible managers as to reasons which may have so far prevented Japanese MNEs from adopting negotiated codes of conduct, i.e., International Framework Agreements (IFAs).

Overall, interviews with MNEs in Japan showed that unilateral codes of conduct have been adopted in the presence of strong “coercive” (notably national anti-corruption legislation addressing Japanese consumers concerns) and “anticipatory” factors (image of the enterprise notably in Japan) and total absence of “civil pressure”. In other words, it would appear that IFAs were not adopted by Japanese MNEs mainly because of lack of any information or mobilisation campaign on behalf of unions or other civil society groups. In addition, Japanese managers did not highlight any “anticipatory” dimension associated with their CSR codes, such as those identified by companies that signed IFAs. On the contrary they perceived IFAs *prima facie* as instruments incompatible with the Japanese industrial relations structure and culture.

More specifically, four reasons were identified by practically all the interviewees for the absence of a negotiated approach to corporate social codes, until the end of 2008.

**1. Social partners’ inaction**

It was observed that most Japanese affiliates of GUFs do not have an active policy regarding IFAs. The Japanese trade union confederation RENGO does not view IFAs as a priority either, even in areas where sectoral unions are powerful and maintain an interest in organizing trans-nationally with unions located abroad (e.g., in the automotive sector, the International Metalworkers Federation (IMF)-Japan Council). Part of the explanation for this inaction lies in the fact that Japanese workers have so far enjoyed job security and fair conditions of work (the most important problem remains hours of work), while Japanese industries have maintained high employment, relying on a highly educated workforce, and avoiding dismissals even at times of recession or delocalization (notably to Asian countries, including China and Korea). Thus, there is little if any incentive for workers to organize trans-nationally so as to protect national labour interests.

The JBF perceives IFAs as a largely European phenomenon and a reflection of a certain culture of “industrial relations”. Such culture would be based on Western “normative” rather than “principled” contacts between workers and managers (see also below, section on “cultural incompatibility”).

**2. Lack of information by management and of conceptual clarity regarding IFAs**

It was observed that middle-range managers in MNEs (e.g., heads of the Public Relations, CSR and Human Resources departments) are not informed about the existence of IFAs.

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41 The UNCTAD (2007) list of “The world’s top 100 non-financial trans-national companies, ranked by foreign assets, 2005” ranks Nissan Motor Co., Ltd, and Mitsui & Co., Ltd, in positions 25 and 37, respectively.
These middle-range managers rely entirely on other global CSR instruments, which have the reputation of having been tested by other enterprises following the yokonarabi practice mentioned above. This was observed to be the case even in one company (which wished to remain anonymous) which has a strategic partnership with a company that has signed an IFA. Anecdotal evidence shows that executive managers are sometimes informed about IFAs; however it could be the case that the traditionally rapid turnover in executive boards of Japanese enterprises does not allow the information to be further elaborated. Finally, even the interviewees from the JBF and RENGO admitted that they were unaware of the real value of IFAs and uncertain about their legal implications. The term “agreement” is understood as having a connotation of binding legal obligation and raises fears of litigation before the courts (which is not likely to be the case; see Sobzack, 2008).42

3. The nature of industrial relations in Japan

The design of the Japanese industrial relations system is not entirely compatible with the idea of IFAs. The latter are mainly driven by industry-level negotiating actors, i.e., GUFs and their affiliates at national sectoral level. Social dialogue, collective agreements, and industrial dispute resolution in Japan takes place mostly at enterprise, and much less at industry level. Considering the weakness of sector unions in Japan, GUFs, whose affiliates are sector unions at national level, have little or difficult access to enterprises, especially in the presence of language and cultural barriers. According to practically all interviewees, this missing link between the enterprise and the sector/global levels, might be a major explanatory factor for the total absence of consideration for IFAs, and indeed the absence of civil pressure aimed at the adoption of IFAs.

Having said that, Japanese industrial relations remain compatible with at least one very important dimension of IFAs, namely, the fact that IFAs are not sector but enterprise instruments. As a response to this observation, practically all Japanese MNEs interviewed for the purposes of this research put forward their companies’ policy to “respect the laws of the country in which the company operates”. Furthermore, Japanese managers in the companies interviewed, argued that “conflicts in Japan are resolved at the enterprise level and therefore conflicts in operations overseas should also be resolved in the same way”. Finally, Japanese MNEs do not view GUFs, and their affiliated industry unions, as their natural counterparts and prefer to deal separately with Japanese enterprise-based unions rather than those based abroad.

The above elements would function as additional hidden impediments to the adoption of an IFA by Japanese companies, to the extent that they (a) separate labour/management dealings in headquarters from those in global operations, and (b) make the exclusion of non-national, non-enterprise level actors, a prerequisite of their CSR policy. These assumptions highlighted by Japanese managers run against the two very important IFA principles underscored in the introduction to this paper, (a) the principle of universality and indivisibility in the application of international labour standards promoted by IFAs, and (b) the promise to build a workable, joint, cross-border framework of follow-up of the agreements.

4. Cultural incompatibility

Overall, an ordinary Japanese company is based on three fundamental principles, i.e., (a) enterprise-based industrial relations, (b) seniority-driven wage system, and (c) life-long employment.43 It would appear that this inward looking culture of Japanese enterprises

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42 Ironically, only CSR codes have in the past produced legal consequences and have been used in courts against companies when they breached their own unilaterally set “obligations” (Trébulle, 2007).

43 For in-depth analysis of the corporate governance culture and employment relations in Japanese companies, see Jacoby, 2005.
might be a major explanatory factor for the little interest of Japanese MNEs in IFAs, which reflect on the contrary an outward looking culture of engagement in terms of global labour management relations.

In addition to the above-mentioned managerial culture obstacle, it was reported that Japanese firms prefer to avoid formal processes with workers’ organization for dispute resolution unlike in Western countries where IFAs are more popular. Japanese firms clearly preferred “soft” guiding principles and a philosophy based on ad hoc dispute resolution. Furthermore, the issue of dealing with a “foreign counterpart” – namely the GUF - was often raised in meetings with MNEs with concern (and not GUFI). The perception of both Japanese management and the unions seems to be that the only legitimate counterpart of the management of Japanese enterprises is solely Japanese enterprise unions.

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In sum, unilateral corporate social codes have been adopted by Japanese MNEs in the presence of strong “coercive” factors and in the absence of factors of “anticipatory” and “civil pressure” nature (by NGOs, unions, lobbies, or the academia). All enterprises interviewed during the field research considered that “civil pressure” played no role in the adoption of their code. Furthermore, very few, if any, pointed to anticipatory factors in search of societal legitimacy outside the local Japanese society, as decisive factors. This was also inversely confirmed by the first IFA to be ever signed by a Japanese company, Takashimaya Co. Ltd., in late 2008. As explained below, this IFA was the result of a very proactive stance adopted by the union enterprise in this case, and the company’s expectation to use its contacts with the global labour movement during its drive for expansion in the Asian region. The remainder briefly presents the company and its IFA and depicts reasons identified by unions and management representatives that seem to have motivated its adoption in spite of the reported impediments.

Takashimaya Company Limited

Takashimaya Co. Ltd is a department store chain originally founded in 1829 in Kyoto by Iida Shinshichi, a retailer of used clothing, cotton cloth and kimono. Today the store commercialises a wide array of products, ranging from apparel to electronics and flatware. It operates throughout Japan but also in New York, Taipei, Paris and Singapore and plans to expand in the years to come in Viet Nam and China.

Takashimaya is relatively small compared to other multinationals that have signed IFAs in the same area of activities (e.g., the Carrefour, H&M, and Metro). The company is ranked number 1’650 at Forbes’s Global 2000 list for 2008, with sales of US$8.1 billion and employs approximately 14,000 employees 65 per cent of whom are women and about 50 per cent regular workers (the rest being contract or part-time workers).

Its enterprise union, the Takashimaya Labour Union (Tarô), is a very active structure. It has organised over 85 per cent of its workforce, many of them contract workers. Contrary to other enterprise unions in Japan, Takashimaya has adopted a “global” perspective, which aims at boosting the internationalisation effort of the company, but at

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the same time promote a human rights-driven approach to it. As explained below, the role of the enterprise union was key in the adoption of the first IFAs to be ever reached by a Japanese company, as it managed to successfully lobby the enterprise based on technical backstopping by the global union federation, UNI.

The adoption of the IFA

The initiative for the conclusion of an IFA with UNI officially came from the enterprise union Tarô, in September 2008 when an official request was sent to the Board of Directors of the company the that effect. The request was formulated soon after numerous workplace discussions at all union branches of the company, including with the participation of UNI’s Secretary General Philip Jennings who talked directly to rank and file members of Tarô at the Tokyo Branch workplace meeting (2 September); a meeting between Philip Jennings and President of Takashimaya Koji Suzuki (3 September); and the unanimous adoption of this request at the Union’s Extraordinary National Conference in Kyoto (17 September). The agreement was eventually signed on 13 November 2008, during an official ceremony organised at UNI’s headquarters in Nyon, Switzerland. The actual document was signed by the Vice-President of the Takashimaya (Atsunori Andoh) on behalf of the President of Takashimaya (Koji Suzuki), UNI’s Secretary General, the President of Tarô (Yoshio Murata), and the President of Japan Federation of Service and Distributive Workers Unions (JSD-Takaaki Sakurada). The ILO Director General Juan Somavia witnessed the signing ceremony.

The agreement makes provisions for joint management-union efforts to address environmental issues; a common recognition of Human Dignity and fundamental human rights at the workplace; measures to guarantee health and safety at the workplace; non-discrimination at work; a commitment by Takashimaya to “comply with ILO core labour Conventions and respect minimum standards in relation with wages and working conditions.” (without direct reference to specific ILO Conventions) Among other things, it states that where UNI’s affiliates represent workers employed by Takashimaya, the company shall recognise the right of unions to represent the workers in collective bargaining, dispute settlement procedures, and negotiations and consultations on all matters affecting jobs and training. The company also guarantees that workers’ representatives shall not be discriminated against in the exercise of their activities, and shall enable them to carry out their representation functions.

Incentives

It would appear that three main factors have contributed to the adoption of the IFA, these conversely confirming the reasons that have so far acted as obstacles to the conclusion of IFAs in Japan.

(1) Information availability due to a proactive policy of the GUF (UNI). The GUF which represents workers in various services at the global level including in retail and departments stores, the Union Network International (UNI), has set a target of signing at least 50 IFAs by 2010 (when the UNI World Congress will take place in Nagasaki, Japan). In this context, the head of UNI has been actively involved in the adoption of the IFAs around the world including in Japan. Additionally, in the last few years UNI has established Liaison Councils (LC) in numerous countries, including in Japan (the LC of Japan- LCJ). UNI’s LCs aim at empowering its affiliates, notably through increased possibilities for coordinated union action among

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45 This is embedded in the union’s action plan which is based on the original concept of “Union Social Responsibility (USR)”. The latter focuses on four major priorities: 1) human rights and dignity; 2) the union’s role in managing CSR; 3) the union’s function as global citizen; and 4) developing strong industry-level labour management relations.
them, and disseminating information on key issues. In the case of Japan, the UNI LCJ has functioned as a mechanism for information exchange and joint decision-making including on strategies for promoting IFAs. The UNI LCJ which represents 13 affiliated companies and has 980,000 members has set three targets to be achieved by 2010: (1) increase membership to one million; (2) conclude at least one IFA in a Japanese multinational company; and (3) train a new generation of trade unionists with an “international spirit”. Thus the UNI-LCJ has been instrumental in familiarizing Takashimaya Labour Union (Tarô) with the concept of an IFA, which in turn informed its company about the existence of IFAs, and eventually convinced management to sign one.

(2) **Empathy of the company’s management with union matters.** Being a former union official of Tarô, the enterprise union of Takashimaya, the CEO of the company has reportedly empathy for union matters (interview with Y. Morata, 2008). Furthermore, the CEO and top level company officials seem to be convinced of the value of developing sound industrial relations not only at the country of origin level, but also at cross-border level. It is believed that such relations can benefit the company’s business plans of expansion not only by improving the corporate social image of his company, but also because there is an expectation that UNI could provide “important information” about labour issues in countries where the company wishes to expand, notably in China and South East Asia (idem). In other words, the expectation of a replication of the good labour management relations prevailing in Japan towards the whole region, seems to be have constituted a major motive for the decision of Takashimaya to sign the IFA.

(3) **A very active enterprise union.** It should be noted that due to the three fundamental principles of Japanese enterprises, namely (a) enterprise-based industrial relations, (b) seniority-driven wage system, and (c) lifelong employment – good labour management relations and the existence of CEOs with past trade union experience are not rare phenomena in Japanese companies. The difference between the case of Takashimaya which signed an IFA, and other companies with similar characteristics that have not signed, is that in the case of Takashimaya the enterprise union played a very active role in convincing the company to sign an IFA. According to interviews conducted with UNI and Tarô top officials, Tarô managed to make good use of the information received by UNI-LCJ and to follow the advice of UNI which highlighted the importance of clarifying that signing an IFA had nothing to do with traditional redistributive bargaining (such as wage negotiations of a Shunto type)\(^{46}\), but was rather a declaration of intention aimed at reiterating the company’s strategy to respect basic human rights in the workplace that already exist at headquarters level. Tarô claims to have been able to do so by organising in just a few weeks in September 2008 several hundred workplace meetings aimed at “convincing” its members and the executive board of the well-funded of its proposal. Tarô notably appeased fears on behalf of managers that the IFA could be used as a tool for establishing “activist trade unions” in operations abroad which could harm the image of Takashimaya, and placed instead the emphasis on the need to replicate good existing relations of trust and mutual respect, as a way of securing UNI’s support in foreign operations.

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Overall, the IFA between UNI and Takashimaya could be a major breakthrough considering the above-mentioned impediments to the adoption of IFAs in Japan. It would be interesting to see whether the Takashimaya Co. Ltd and UNI global agreement might

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\(^{46}\) Shunto or “Spring Offensive” is Japan’s annual spring wage negotiations which are led by RENGO, the Japanese Trade Union Confederation.
initiate a process of reversing the *yokonarabi* that has so far functioned against IFAs and also whether the new IFA will play in the future a pioneer role in introducing Japanese MNEs to global industrial relations practices.
Conclusion

The purpose of this paper has been to identify the incentives and disincentives of the management of major MNEs headquartered in non-EU countries, for signing negotiated agreements with global unions. It is based on outcomes of field research on MNEs in South Africa, Japan, and Russia.

Based on a literature review, the study identified three factors which have been shown to play an important role in the decision of the (European) companies to adopt IFAs; they can be described as: (a) “coercive”, i.e., when legislation, cultural expectations, the industrial relations culture in the country of origin of the company, the structure / “culture” of the company and its CEO, and the industry in which it operates, compel companies to negotiate and sign an agreement with global unions; (b) “anticipatory”, i.e., the anticipation of an unknown environment when an enterprise “goes global” which leads a company to adopt credible “best practices” through self-regulation in order to ensure stability in its operations and profitability; and (c) “civil pressure”, i.e., when civil society groups (unions, NGOs, social movements, etc.) exercise pressure on the MNE to adopt an IFA; such pressure may take the form of protest and mobilisation, or, as in the majority of IFAs adopted, may be based on information provision between sector/enterprise unions and management.

Interviews with MNE management and union leaders in three countries, Japan, South Africa and Russia, have shown that:

1. Civil pressure combined with anticipatory factors aimed at enhancing the societal legitimacy of the enterprise, were key. In the cases examined, Lukoil, Anglo Gold Ashanti and Takashimaya, civil pressure took the form of campaigns by both enterprise and global unions on the promotion of core labour rights contained in IFAs.

2. This form of pressure has developed through a constructive interaction between sector unions and the management of the MNE, and has been aimed at projecting at the international level the good relations of trust between the enterprise and its union which already prevail at the headquarters. As a result, the type of civil pressure exercised by unions has not threatened the legitimacy of the MNE, but rather emphasised the relations of trust among the actors involved and has helped replicate them at international level.

This confirms earlier research by Egels-Zandén (2008:14) on “negotiated” codes of conduct with enterprise unions which comes to the conclusion that “[while] the traditional model of stakeholder pressure [NGO-driven campaigns] conceptualises the purpose of stakeholder pressure as threatening the legitimacy of the firm in the eyes of its customers and the public, [pressure associated with the adoption of negotiated agreements] emphasises the endeavour to retain a trusting relationship – in this case, a trusting corporate–union relationship – as the main purpose.” Such a course of action is expected to enhance the anticipatory capacity of the company as it “goes global” and it has helped it reinforce its socially responsible image.

3. The three cases of Anglo Gold Ashanti, Lukoil and Takashimaya confirm the important role of the personality of the CEO, and high level managers, as key explanatory factors for the adoption of IFAs in non-EU multinationals. Such CEOs seem to be convinced of the value of IFAs not only for reasons of corporate image associated with the public relations and CSR strategy of the company (as often seems to be the case of codes of conduct), but because they believe in the value of dialogue and sound industrial relations as a tool for risk management and smooth transition in times of industrial change. This factor has important implications in non-EU countries where institutionalised interaction between unions and management is sometimes weaker than in EU
countries. The expansion of IFAs and their effective implementation in these contexts might depend almost exclusively on interpersonal contacts between the heads of GUFs and high level executive managers of the MNEs.

In all the cases where the interviewed MNEs decided to adopt unilateral codes of conduct rather than negotiated IFAs, no such factors as “anticipatory” and “civil pressure” were reported to exist. Thus, the decision to prefer a unilateral rather than a negotiated instrument could be explained primarily by: (i) the absence or ineffectiveness of pressure from unions to replicate the sound relationships that already exist at headquarters and project them at the international realm, through an IFA, and (ii) a lack of anticipation on behalf of the management which did not see the establishment of a trusting relationship with the global union movement as indispensable for enhancing societal legitimacy in the process of business expansion.

Based on these outcomes, further questions could be raised as to the possible factors that could influence management incentives and disincentives for the adoption of additional IFAs in the future, outside the EU. Trade union strategies might exert a determinant influence on the coercive and civil pressure factors while “enlightened” management strategies can shape the anticipatory factor.

It would for instance be interesting to examine the impact of an eventual global union strategy which would promote engagement with enterprises that (a) already have a fair record of labour relations in their home country; (b) are engaged in a process of business expansion and internationalisation of their activities; and (c) are receptive to awareness-raising about the universality of application of the principles contained in IFAs and codes of conduct. Although such a strategy would possibly play a role in the adoption of additional IFAs, it would not automatically guarantee their effectiveness in terms of implementation. We return to this point below. It would also be interesting to examine the possible impact of education and awareness-raising on IFAs addressed to managers, for instance, through the curricula of top business schools that function as the training ground of future managers.

Another set of questions would concern the impact of the above strategy on the specific countries under consideration in the present study, namely, Japan, Russia and South Africa.

In Japan where global union federations do not have sufficiently strong industry affiliates, due to the structure of the industrial relations system of the country which privileges dialogue and collective agreements at enterprise-level, there may be room for further study of the outcomes of a GUF strategy which would target the enterprise level directly. The recent UNI-Takashimaya agreement tends to demonstrate that the local liaison offices of GUFs can close the gap and perform as the missing link between industrial relations at enterprise level and GUFs operating at cross-border and industry levels. Furthermore, it might be worthwhile to study the effects of a GUF strategy placing emphasis on the need to replicate at the international level the harmonious enterprise union-management relations that may prevail at the enterprise level and convincing Japanese MNEs that societal legitimacy should not only be sought at local level, but also at global and foreign operations levels.

In Russia, the multiplication of MNEs headquartered in this country, especially in the mining and energy sectors, along with the perception of the Russian MNEs that practices of EU headquartered companies should be replicated to ensure market access, would appear to point towards prospects for the expansion of IFAs. One could observe that due to the EU “shadow of regulation”, potentially all Russian enterprises in this sector which are willing to internationalise their activities towards the European realm, are natural candidates for IFAs. This strong anticipatory factor in combination with the civil pressure

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47 For example, Gazprom.
factor, tend to show that the prospects for the adoption of additional IFAs in Russia are strong.

Finally, in the mining sector in South Africa (where most MNEs are concentrated), one could observe that the prospects for the adoption of additional IFAs are currently quite bleak. This is due to the fact that on the one hand, the management of the relevant companies appears unwilling to replicate South African labour relations in foreign operations and on the other hand, NUM – the most powerful sector union in Africa seems to perceive IFAs as more beneficial to MNEs than workers. In these circumstances all three factors, coercive, civil pressure and anticipatory, seem to be weak.

Finally, a strategy aimed at promoting IFAs (process) would be ineffective without sufficient measures to ensure implementation and follow-up (outcomes). This has been reported to be a major shortcoming of IFAs (Papadakis et al. 2008). It should be noted that in the case of Anglo Gold Ashanti, the effectiveness of the IFA in organising workers trans-nationally was reported by union and management representatives to be very weak. In the case of Lukoil, the record of the IFA on improving labour relations and industrial dispute resolution, remains unanswered. As for the Takashimaya agreement, one of the latest IFAs to have been signed, it is still too early to evaluate its impact. In any case, the multiplication of IFAs, particularly outside the EU realm, is likely to necessitate either some kind of parallel strengthening of GUFs’ capacity to monitor them, or the development of a cross-border mechanism to provide appropriate support for monitoring, and perhaps credible arbitration in case of breach. The development of such mechanisms would be of critical importance to address the risk that IFAs and GUFs might end up serving mainly purposes of window dressing.

Nevertheless, until such a mechanism is established, IFAs are still likely to serve the important purpose of contributing to the building of relationships of trust and confidence, thereby constituting a first step towards the establishment of an industrial relations framework at cross-border level. As said above, building trust may be facilitated by the very fact that the actors operating at this level of dialogue are few in number (high level managers and some union leaders) but also because the social and inter-union relationships at this level are less formalized since the cross-border level of dialogue and agreements is at its embryonic stages. Despite the fact that the impact of IFAs has still to be proved, IFAs have generated a debate between unionists at cross-border level and their counterparts in the management of MNEs. These actors occupy new territory from an institutional viewpoint. Today’s modest steps could very well represent the basis for tomorrow’s global industrial relations framework.
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Annex 1. List of meetings, interviews and communications

Russian Federation

Georgiy Kiradiev [Head of Council of the IATUO Lukoil - International Association of Trade Union Organisations of OAO Lukoil - IATUO Lukoil] and Nadezda P. Ivchenko [Deputy Director, IATUO Lukoil], 2007. Interview by author, manuscript notes. Moscow, 29 May.

Lev A. Mironov (President, ROGWU) and Larissa Lukiyanova (Expert on International Affairs, ROGWU), 2007. Interview by author, tape recording. Moscow, 29 May.

Andrei Mrost [Director-Office for the N.I.S. of International Trade Union Confederation; former Officer for Eastern Europe Central Asia and Trans-Caucasus, International Federation of Chemical, Energy, Mine and General Workers' Unions- ICEM], 2007. Interview by author. Tape recording, ILO, Moscow, 28 May.

Alexander Vasilenko [Head, Department of Public Relations of OAO, Lukoil] et al. 2007. Interview by author, tape recording. Moscow, 30 May.

South Africa

Anonymous, 2008. Interview by author. E-mail exchange, 7 August.

Albert de Beer [Industrial Relations Manager, BHP Billiton], 2007. Interview by author, manuscript notes. April 3.

Glen Mpufane [Unit head, international Relations, National Union of Mineworkers-NUM], 2007. Interview by author, manuscript notes, Johannesburg, April 3.


Nicholas Smythe [Group Industrial Relations Manager, Gold Fields Mining Services Limited], 2007. Interview by author, manuscript notes. Johannesburg, April 3.


Japan

Yoshiteru Aso [General Manager, CSR/ARP, Asahi Beer] and Mr. Atsushi Kagaya, Chief Producer, personnel Department, Asahi Beer], 2007. Interview by author, manuscript notes. Tokyo, 11 May.

Shinichi Hasegawa, Director [Director, ILO Office in Japan] and Omachi Isaka [Assistant to the Director, ILO Office in Japan], 2007. Manuscript notes, Tokyo, 8 May.

Eiichi Ito [Director, UNI-Apro Tokyo Office], 2009. Telephone interview by author, manuscript notes, January 15.

Kenichi Kumagai [Director, Economic Policy Division, Department of Economic and Social Policy, Japanese Trade Union Confederation-RENGO], 2007. Interview by author, tape recording. Tokyo, 9 May.
Yoshio Murata [President of Takashimaya Labour Union-Tarô] and Honda Saeko [Assistant Director, International Affairs-Japan Federation of Service and Distributive Workers Unions], 2008. Interview by author, manuscript notes. Nyon, November 13.

Kota Odagiri, [Deputy General Manager, Planning and Administration Department, CSR Promotion Division, Mitsui & Co., Ltd] and Chihoko Sujaku [Planning and Administration Department, CSR Promotion Division Mitsui & Co., Ltd], 2007. Interview by author, manuscript notes. Tokyo, 12 May.

Kazumi Saimen [SA8000 Project Team Leader, Executive Officer of AEON supplier CoC Secretariat, Corporate Citizenship Dept, AEON] and Norik Kimura [Project Team, Executive Officer of AEON supplier CoC Secretariat, Corporate Citizenship Dept., AEON], 2007. Interview by author, manuscript notes, Tokyo, 8 May.


Keitaro Suga [Manager in charge of CSR strategy and Environmental communication Strategy, CSR Group, Communications CSR Department Global Communications CSR and IR Division Manager, Global Environmental Planning Office, Corporate Planning Department, Nissan Motor Co., Ltd.], 2007. Interview by author, manuscript notes. Tokyo, 9 May.


Ryuhei Tamamura, [Executive Officer, General Manager, General Affairs Dept., Sumitomo Chemical], 2007. Interview by author, manuscript notes. Tokyo, 10 May.

Masaki Waku and Yoshiaki Masuda [Senior Specialists, CSR Office, CSR Division, Ricoh], 2007. Interview by author, manuscript notes. Tokyo, 11 May.

International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM)

Jim Catterson [Director of Organisation, Regional Contact Person Middle East & North Africa, Energy Industry Officer – ICEM], 2007. E-mail exchange. 8 March.

Eugene Kuprin [RCP for Eastern Europe and Central Asia - ICEM], 2007. E-mail exchange. 26 March.

Annex 2.

Table 1. Comparing the principles contained in management codes of conduct, the UN Global Compact and IFAs

<table>
<thead>
<tr>
<th>IFA</th>
<th>Example of a unilateral code</th>
<th>Global Compact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Social and civil dialogue</td>
<td>“Engage with stakeholders”</td>
<td>Open communication and dialogue</td>
</tr>
<tr>
<td></td>
<td>“Constructive engagement of employees on matters of mutual concern”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“Open communication”</td>
<td></td>
</tr>
<tr>
<td>2. Internationally accepted labour relations principles</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Apply to all operations</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Respect for Human Rights</td>
<td>Yes</td>
</tr>
<tr>
<td>4. ILO Conv. 87 on Freedom of Association</td>
<td>“Constructive engagement of employees on matters of mutual concern”</td>
<td>Yes</td>
</tr>
<tr>
<td>5. ILO Conv. 98 on Collective Bargaining</td>
<td>“constructive engagement of employees on matters of mutual concern”</td>
<td>Yes</td>
</tr>
<tr>
<td>6. Abolition of Forced labour – ILO Conv. 105</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>7. Elimination of Child Labour – ILO Conv. 138 and 182</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>8. Non-discrimination – ILO Conv. 111</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>9. Occupational Health and Safety</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>10. Environment</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>11. Community</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>12. Subscribe to the values of the Global Compact</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>13. Meet at least annually</td>
<td>Report</td>
<td>Publish annual report</td>
</tr>
<tr>
<td>14. Sub-Committee to deal with breaches</td>
<td>n/a</td>
<td>Removal from the list of companies if no report received</td>
</tr>
<tr>
<td>15. Distribute agreement to all operations</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>16. n/a</td>
<td>n/a</td>
<td>Oppose corruption</td>
</tr>
<tr>
<td>17. n/a</td>
<td>Respect the laws of the country in which the company operates</td>
<td>n/a</td>
</tr>
</tbody>
</table>

The main difference between management codes of conduct, or the UN Global Compact, on the one hand, and IFAs, on the other hand, is the fully unilateral nature of codes in particular in terms of follow up procedures (points 13 to 15). IFAs contain on the contrary specific provisions aimed at strengthening dissemination, joint monitoring and dispute resolution. Source: Gold Fields (South Africa).