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Corporate Engagement in Complex Environments: The Role of TNCs in Emerging Markets

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Corporate Engagement in Complex Environments: The Role of TNCs in Emerging Markets

Francesca Cerletti¹

ABSTRACT: What is the role and impact of TNCs (transnational corporations) in contributing to market building in complex environments such as Myanmar? Stakeholder action since the 1980s has shifted the paradigm of reference for corporate behaviour. The responsibilities that come with corporate citizenship are being increasingly assumed in the way a company operates. However the degree with which these are consistent and their reach to macro dimensions varies considerably depending on context, organisational culture and personalities.

Drawing on the experience of Total in Myanmar, this paper proposes to explore the efforts made by TNCs as well as the resistance in their ability to influence markets. While, for example, Total’s presence in Myanmar is contributing to social capital and community development in the immediate area of its operations (the pipeline corridor), its ability (and willingness) to be an influencing factor at the national level is limited. This limitation is intrinsically linked to the complex political situation, to perceptions of risks to operations and of what constitutes political interference, as well as to individuals.

Civil society groups have challenged Total’s presence in Myanmar. On the one hand, the company has been accused by some of sustaining, through the revenue it creates, a dictatorship which has flattened the economy and civil society, perpetuated (and continues to perpetuate) human rights abuses and is now shaping a “skewed” market though a questionable privatisation process. On the other hand, the French company has been called upon to exert its influence as a business leader to start a constructive dialogue among businesses and government which would lead to effective business practices and accountability.

The questions that emerge from analysing the implications of a corporate role in promoting accountability and transparency in markets reveal a more problematic outlook. What are the openings for constructive engagement available to a corporation as Total in a context such as Myanmar? Total is a member of EITI. As an active contributor to the Global

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Compact the company will pilot its guidelines for responsible business in Myanmar. Locally it has enforced specific operating standards to its contractors. Is this enough? How much is enough? What can it achieve on its “own”?

The last question points to an important limitation to private sector shaping market-building. Business is not monolithic. Fragmentation occurs along multiple lines: industry sector, geographical operation, business cycle, and organisational culture are examples. In the same situation, companies engage differently. How does, therefore, this fragmentation, impact on the possibility for a coherent contribution to market building from the private sector? Given the rise of Asian investment in Myanmar for example, are Total’s efforts too little, too late?

Introduction

The role of the private sector in market development has been at the centre of debate for many years. Films about the negative impact of business trusts were around in the 1940s (for example Boom Town). The expression “military-industrial complex” gained popularity during the Cold-War.

This paper explores the constructive role corporations may have in complex environments where markets are evolving rapidly. Stakeholder action has influenced the emergence of what, at least in the West, is increasingly being accepted as a new paradigm: corporate social responsibility (CSR). Drawing on the experience of the French oil corporation Total in Myanmar, I will explore how corporate social behaviour can influence markets, detailing some of the initiatives as examples of activities undertaken by companies which decide to be proactive.

Total’s contribution is however that of only one company. What are the challenges to impact at macro-level? In a context where different business operating cultures coexist, are the efforts of one company too little, too late? I will address these questions by discussing some of the characteristics intrinsic to the private sector which need to be considered when thinking about impact on markets. In addition to organisational aspects, issues arise from the fact that the sector is not monolithic: the actions of one company do not necessarily reflect those of others. Building markets therefore, necessarily requires the active role of other actors which can set and implement policy framework and demand accountability.

Methodological considerations and definitions

This paper draws on the preliminary findings of my on-going research on the collaboration between Total and CDA Collaborative Learning Projects (CDA). CDA is a not-for-profit organisation working in development and peacebuilding. The two organisations are part of a collaborative learning project led by CDA: the Corporate Engagement Project (CEP). This project involves companies and practitioners. It draws on practical experiences made by project participants to synthesise lessons learnt, which are also shared with others. The aim of the research is to understand how this collaboration has impacted on Total’s adoption of conflict sensitive approaches. It focuses on Total’s operations in Myanmar where the two organisations have been collaborating for about nine years.
To date I have carried out 30 semi-structured interviews with a wide range of participants based in Myanmar, the USA, Europe and South East Asia, including: Total and CDA employees, former Total employees, Total contractors in Myanmar, representatives of organisations that work with Total, civil society representatives, academics, business people, representatives of international organisations. Although my research focuses mostly on organisational change, some aspects could be perceived as sensitive, therefore, all names and affiliations have been omitted. Other primary sources include company documentation, as well as reports by CDA and other organisations which have looked into Total’s operations in Myanmar.

There is no universally accepted definition for a transnational or a multinational company. The latter broadly refers to a company that has its headquarters in one country (home) and runs subsidiaries in other countries (host). When differentiation in terms of geographic location blurs, a company is usually referred to as transnational. Total defines itself as an integrated international oil and gas company (www.total.com).

In this paper I will refer to Corporate Social Responsibility as described by ISO 26000: “responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

• contributes to sustainable development, including health and the welfare of society;
• takes into account the expectations of stakeholders;
• is in compliance with applicable law and consistent with international norms of behaviour; and
• is integrated throughout the organisation and practised in its relationships” (ISO 2010:3).

I use the term “complex environments” to refer to an area, characterised by multiple coexisting lines of tension. Usually such tensions involve most of the following: instability, conflict (violent and/or societal), lack of institutional mechanisms for fair resolution of socio-economic and political issues, uncertainty about the rule of law, human rights abuses, endemic and pervasive social issues like discrimination, inequalities.
1. Myanmar: an example of a complex environment.

Figure 1: Administrative map of Myanmar/Burma (Transnational Institute 2011)
During the past 12 months Myanmar (also known as Burma) has been in the spotlight for the political transition it is going through. Ruled by a military government since 1962, in November 2010 the people of Myanmar voted representatives to two houses of parliament as well as regional assemblies. This was the coronation of a Seven Step Roadmap designed by the former governing council the SPDC (State Peace and Development Council) towards ‘disciplined democracy’. The aim was to gain legitimacy for those in power and end the 60 years old ethnic strife, by offering some decentralisation via the regional assemblies, thus consolidating the semblance of stability achieved through the numerous ceasefire agreements during the 1990s.

After the elections, political power remained under the influence of the military. In addition to 25% of the seats in parliament granted to the military by the national constitution, most of the representatives elected are from former military background and/or members of the political party associated to the military, the Union Solidarity Development Party (USDP). The relationship between regional assemblies and parliament still needs to be clarified (Horsey 2011a).

The longstanding opposition is split among those who boycotted the elections (the NLD, National League for Democracy) and those who decided to engage in the process for example the National Democratic Force (Companies 2010). The KIO (Kachin Independence Organisation) has resumed fighting. Other groups like the Karen National Union have never stopped. Within the government there are visible tensions between the ‘reformist’ President and hardliner Vice President (Jagan 2011).

However, observers like Horsey (2011 and 2011a) discourage from taking completely a pessimistic view. The President seems to be clear about the need for change. Civil society, following the post-cyclone Nargis re-birth, is pushing the boundaries of what it can do focusing on health, education, development and capacity building. Activists’ political debate, both ‘inside’ and ‘outside’ the country, is lively and varied. Most people in Myanmar wait to see how the new government will prove to be.

From being one of the richest countries of the region post-WWII, Myanmar now ranks 132 on the UNDP’s Human Development Index (UNDP 2010). The dilapidation of prosperity was accelerated by the socialist inspired reforms of the 1960s and economic mismanagement by the military since then. There is increasing inequality between ‘haves’ and ‘have nots’, rural and urban areas. Sanctions imposed by Western countries in support of the Burmese democratic movement in the 1990s, were tightened in 2007 after the uprising led by Buddhist Monks in the same year (Ewing-Chow 2007). However, the effect was not as expected. With the economic rise of Asian countries, sanctions only temporarily isolated economically the country.

Allan (2011) compiled Myanmar Central Statistical Organisation data on investment commitments showing that in 2011 China’s will become the largest in Myanmar followed by Hong Kong, Thailand and South Korea. According to Bissinger’s (2011) detailed analysis of FDI in Myanmar since 1990, foreign investment has increasingly been in the extractive and power industry (99.6% of investment commitments 2005-2011). This trend has offset the decline in “internationally competitive and mobile sectors such as manufacturing and real estate” (Bissinger 2011:7) and that from countries like Japan and Singapore which traditionally invest in a range of different sectors (SIIA 2010, Bissinger 2011). Poor returns (SIIA 2010) and the real possibility that successful foreign owned business may be expropriated (Bissinger 2011), explain such decline.
In the past two years there has been a process of privatisation initiated by the SPDC (Myanmar 2010, Companies 2010). People connected to the then military ruling elite have been offered the possibility to purchase formerly nationalised industries resulting in oligopolistic/monopolistic structures of the sectors. Overall, Myanmar markets have been overwhelmingly influenced by the interests of the regime, uncertainty and unequal access to opportunities. Current developments however seem to open the door for change and, as this paper suggests, there is potential for a constructive role of business in shaping markets.

**The private sector in complex environments: a shifting paradigm**

The role of transnational corporations (TNCs) in complex environments has been under scrutiny for many years. Organisations like Global Witness have been (and continue to be) active in monitoring and highlighting potential negative impacts of business enterprises on social issues, work practices, natural resource exploitation, conflict dynamics and more (see OECD 2002).

Aside from illicit behaviours (money laundering, dealing with armed groups, trade of “blood” minerals and gems, corruption, etc.) the main issues are summarised by Black (2009) as:

- offering a financial life-line to oppressive regimes (or armed actors who exercise control over a territory) through the payment for concessions, the revenues generated by taxation, the presentation of “gifts” and other perks.
- not being transparent in their hiring policies, disadvantaging the local labour force; relying on “imported” labour and applying lower standards to the treatment of the local labour force.
- having distortive effects on local dynamics in terms of inclusivity/exclusivity; favouring groups who already are “better off” in terms of education, opportunities, connections and networks etc. thus enhancing inequalities in society;
- inducing exceptional micro-economic systems characterised by inflated cost of living caused by their presence; exacerbating the incidence of undesirable “after-hours” activities (for example prostitution).
- turning a blind to human rights abuses perpetuated by governments in their attempts to facilitate the establishment and operations of an enterprise.

However, stakeholder action since the 1980s seems to have shifted the paradigm of reference for corporate behaviour. Boge et al (2007:20) write: “the willingness of MNEs [Multinational Enterprises] to participate in respective endeavours has markedly increased over the last years, not least because of the pressure put on them by civil society.”

As a result of stakeholder action, several initiatives concerning the private sector have emerged. Boge et al describe the emergence of “targeted commodity sanctions (and)
regimes that address financial flows sustaining war economies” (2007:20). There are UN high profile initiatives such as the Global Compact, or John Ruggies’ work as UN Secretary General Special Representative for Business and Human Rights.

Research participants in the private sector believe that stakeholder action has also influenced expectations that governments have of companies bidding for extractive concessions in terms of development opportunities. Social responsibility is becoming a key determinant to the license to operate.

Business has responded by introducing fora like the Caux Round Table (a network of business leaders who promote socially responsible capitalism) code of conducts, industry standards and global certification schemes.

Social responsibility is increasingly apparent in the way corporations operate. And it is through its social responsible behaviour that a company can positively contribute most to market building. Tennent and Lockie (2011) highlight examples for food industry.

I will draw on Total’s experience in Myanmar which offers an example of what a corporation can do when it decides to be proactive. The decision and ability to play a constructive role is the result of a dynamic process of exploration of what is possible, where and when.

The significance of Total’s experience lies in the learning journey the company has made. There is no claim that what the French company is doing is the best, nor that it will on its own bring fundamental change to the way “business is done” and to how markets will develop in Myanmar or elsewhere. The significance of Total’s experience lies in the recognition that companies are social actors, that something can be done and that it needs continuous effort to “get it right”.

Total’s operation in Myanmar

Total is the fifth largest publicly-traded oil and gas company in the world (Datamonitor 2010). In 2010 Total sales were Euro 159,300 billion (Total 2011a). Its activities span upstream, downstream and chemical sectors of the industry. It is present in 130 countries, with oil and gas exploration and production in 40 and oil and gas production in another 30 countries (Datamonitor 2010).

In Myanmar Total operates through a subsidiary, Total E&P Myanmar (TEPM). I will use the term Total to refer to the group as a whole and TEPM to refer specifically to the Myanmar subsidiary.

The French oil company signed a “Production Sharing Contract” in July 1992 for the Yadana gas fields in the Andaman Sea (Total 2010a) - before EU sanctions were passed. Today, Total is one of the few Western investors in the country (Bissinger 2011).

The Yadana project is a joint venture between four investors. TEPM is the operator company (31.2%). The others are: a subsidiary of Unocal, now Chevron (28.3%); Petroleum Authority of Thailand-Exploration & Production (PTT-EP, 25.5%); and Myanma Oil and Gas Enterprise (MOGE, 15%).

Construction work occurred between 1995 and 1998.
Criticisms levied against the company

TEPM’s presence in Myanmar has been challenged by civil society groups. Advocacy organisations as ERI (ERI 2009a, 2009b, 2010) raise similar arguments to those mentioned in section 4. The company has been accused of sustaining a dictatorship through the revenue it creates and of being complicit in human rights abuses and forced labour, and of running an ineffective social programme locally. It has also been heavily criticised for the lack of transparency regarding the revenue the investment generates.

The controversy about human rights and forced labour seems underpinned by different interpretations of which geographical area falls within the ‘responsibility’ of Total and what that responsibility entails. ERI, for example, claims that as the military unit assigned to the pipeline is there for the protection of the pipeline, Total is responsible for the abuses committed (ERI 2009a). Total refutes the argument that the military is there for the company’s protection, and denies the allegations of forced labour and human rights abuse (Total 2010a), claiming that no forced labour occurs on the pipeline.

The two Western partners of the Yadana project were brought to court for complicity on human rights abuses committed by the Myanmar military in the area: Unocal in 1996 - the company settled in 2005; Total in 2002 both in Belgium and France. In 2005 Total settled as well. A €5.2-million solidarity fund was created to compensate the plaintiffs
and any other individual who could demonstrate to have had a similar experience in the pipeline area. About €4 million has been granted to both individuals and to organisations connected to refugees in the area along the Myanmar-Thai border and in Thailand. According to Total, no individual “claimed to have worked on the Yadana.” (Total 2010a:51). Both legal cases were dismissed in 2007.

The French company’s position and expectations by those who advocate a principled engagement

Total believes that as a company it can “influence the economic development of countries where it undertakes oil and gas projects:

- Develop the reserves in line with the principles of sustainable development by trying to obtain the highest possible recovery rate within the overall confines of project profitability and by adhering to strict environmental standards, thereby helping the country make the most efficient use of its resources.
- Employ local workers to the greatest extent possible, train them and provide them with fair and satisfactory working conditions and career prospects.
- Strive to provide direct socio-economic benefits to the people living in the project area so that they enjoy real improvements in their lives.” (Total 2010a:48)

With specific reference to Myanmar, Total emphasises the positive impact it has has, citing creation of job opportunities, capacity building, transfer of technology, the local social investment, the environmentally conscious development of the project, and being a witness to the situation in the country (Total 2010a).

Proponents of principled engagement in Myanmar (a resumption of economic initiatives with Myanmar, on behalf of those countries which have imposed sanctions, underpinned by an agenda of exerting positive influence in terms of work practices, human rights, good governance etc.) have called upon the French company to draw on its resources as a business leader to start constructive engagement among business’ and the government and nurture conversations around effective business practices and accountability.

The above arguments are built on two observations. The first relates to the failure of sanctions to influence a democratic turn of the regime. The second emphasises the need to counterbalance the presence of Asian companies (in particular Chinese) mostly perceived as having poor ethics and exploiting the resources and people of Myanmar. (Chinese 2011, Global Witness 2009).

Black (2009) reports suggestions made by national and international civil society organisations, local businessmen, managers of corporations and local community members on how a company like Total can positively contribute to Myanmar. These include:

- Conducting environmental, social and human rights impact assessments - ensuring that their operations do not have negative
impacts on the environment, society and individuals. Inclusivity and appropriate compensation to local communities are prioritised.

- Employment and training - training and employment opportunities; economic development; creating new opportunities for local business.
- Socio-economic programs - providing access to goods and services; offering education and health services, support for local economic activities.
- Modelling ‘responsible’ corporate behaviour – corporations are seen to provide training at ‘higher’ standards and contribute to developing a more responsible business culture.
- Influencing local business - individual businesses have the potential of playing a leadership role in the private sector on development issues. There is a need for collective business action to foster systemic change.
- Soft influencing: human rights training; direct communication lines with the government for example on forced labour, responsive governance mechanisms as well as infrastructure and macro-economic policy.
- Business diplomacy – overt participation, given the access and exposure corporations enjoy, in conflict transformation by brokering agreements between armed groups/disputants.
- Influencing global business – promotion of responsible practices and intervention globally.

Total seems to be involved in most of these.

**Total and TEPM’s initiatives: potential and critical considerations**

In considering TEPM’s activities it is also important to look at group-wide initiatives. Local general managers, in fact, rotate every 3 - 5 years. Sustainability therefore depends on the directives and principles that are decided and implemented at group level.

Although I refer in the paper to TEPM (as my research looks into the changes within Total as a company) all initiatives undertaken by TEPM must be understood as initiatives of the Yadana project partnership (TEPM, Chevron, PTT-EP and MOGE). The only exception is the partnership with UNITAR which is between Total and UNITAR.

**A) Self-regulation**

The backbone to the company's behaviour is its Code of Conduct and Ethics Charter (www.total.com). Total is adamant that it will not operate in places where it cannot adhere to its Ethics principles and Code of Conduct. The CEO De Margerie stated in an interview: “That line [where we work or not] is drawn by our Ethics Charter.” (Aujourd’hui 2009).
The Code of Conduct has been operational since 2000. Its key ethical principles are: respect, accountability and exemplary behaviour (Total 2011b). Implementation is the responsibility of the Group’s Ethics Committee (directly reporting to the CEO) and the company has been commissioning ethics audits to the UK based organisation GoodCorporation since 2007 (Caillaud 2011, Total 2011b). In its Business Principles, Total makes specific reference to the Universal Declaration of Human Rights, the ILO conventions, OECD guidelines for MNEs, and the principles of the UN Global Compact. The Voluntary Principles on Security and Human Rights (VPs) are referred to in its security guidelines.

TEPM’s operations are informed by its own tailored Code of Conduct, first adopted in 1995 and revised in 2005. The Code of Conduct inspired guidelines for behaviours and attitudes, and have influenced company policies (Total 2010a).


B) Building capacities, influencing behaviours and attitudes

Cultural awareness: TEPM cultural awareness raising efforts have been strengthened adding yearly workshops to a longstanding publication. Topics covered include: the general socio-economic and cultural situation (with emphasis on the region where the pipeline is), advice and guidelines on local customs, how to interact with the local populations and forms of communication to improve mutual understanding (Total 2010a). Workshop participants recognise the need for such sessions: “(f)or sure, it is necessary for newcomers to understand Myanmar culture and attitude” (TEPM 2010:5).

Openness: In an attempt to break-down barriers, TEPM has also opened its operations to visits from people of the surrounding villages and beyond by organising open days at regular intervals. Site visits are organised for people further afield.

Raising awareness on labour and human rights: In 2009-2010 TEPM piloted training sessions on relevant international human rights standards and consensus building with the Danish Institute of Human Rights (Total 2011) and later with the ILO. These sessions involved Total employees, MOGE, as well as pipeline area local authorities, villagers and local entrepreneurs (Total 2011b). Such efforts have an important educational effect and can contribute to a shift in the underlining context. An NGO worker commented on the value of improving knowledge especially among local staff. This person felt that previously there has been a lack of understanding of CSR and of the issues raised by advocacy groups, which staff believed in part to be a Western campaign against Myanmar (Anon 2011i).

At a group level, the company has undertaken several initiatives to raise staff knowledge and skills on issues as human rights and community engagement “fostering the professional development of the 300 people involved in community issues, tapping NGO expertise, and creating and assessing new tools tailored to each specific case.” (Total 2011b:9) Several internal manuals have been published (for example the Human Rights - Internal Guide). A new professional figure has been created within the company which is responsible for dealing with societal aspects (aspects that are related to interaction with
society - community and sustainable development, relationships etc.). There is also an established internal network connecting people dealing with these issues.

C) Working conditions

Dealing with abuses in the pipeline: TEPM has a complaint mechanism by which individuals in the pipeline corridor are invited to report attempts and/or episodes of forced labour. The company investigates reports and raises the issue with the military through its partner MOGE. Pipeline villagers have commented that as a result of the presence of TEPM they can “sleep without fear” (CDA 2002:11).

Although broadly effective locally, this mechanism does not however guarantee that more abuses will not be committed, especially when there is a change in the military unit allocated to the area. It also does not provide a sufficiently effective example that could be sustained without the presence of a corporation (CDA 2011). Although forced labour was declared illegal in 1996, by then the same government, in the early 1990s, had promulgated a policy for military self-reliance. Consequently, in a context where free labour contributions to temples and other village activities are culturally accepted (CDA 2002), where there is poor awareness of what constitutes forced labour, as defined by international standards, and where the army needs to provide for itself, it is unsurprising that abuses occur. Hence the value of aiming at behaviour change. An international organisation worker observed that should the TEPM be able to engage with the local military in a way that leads to sustainable behaviour change then other organisations could promote this experience to the government (Anon 2011a).

Labour conditions: Merit-based hiring is at the core of TEPM’s hiring policy. However at the time of construction, specific “targets were set for hiring local villagers”. (Total 2010a:13) Currently new local employees are hired following the recommendation of the Village Communication Committees (VCCs) indicating the most needy and deserving (CDA 2011). Although well intentioned, CDA notes that this process is not perceived as transparent and encouraged the employers to consider ways in which job opportunities could be communicated more transparently (CDA 2011).

Myanmar observer Derek Tonkin comments: “the Total work force are the only employees in Burma able to bargain freely and collectively with management. The Total Works Council acts as a trade union and is a model for Burma generally” (Tonkin 2010:4). (In October 2011, the government of Myanmar passed a legislation allowing the formation of trade unions).

There is a minimum wage for each job category which is higher than the local average pay scales, and takes into consideration potential inflationary effects. Workers are provided with appropriate safety equipment and clothing and training and awareness campaigns are on-going (Total 2010a, TEPM 2010). The company has also been invited to sponsor skills development through scholarships (for example to technical institutions) linked to future employment in TEPM (Sann Oo and Zaw Win Than 2007). Training is extremely valuable in the country and most interviewees have remarked on the lack of skills and expertise amongst the majority population.
Higher standards in training, work practices and organisational culture do not go unnoticed locally. There is an immediate effect on the labour market. A civil society representative relates how there is an unspoken ranking of preferences among job seekers. On similar earning potential, job seekers often prefer foreign companies as they are perceived as offering greater opportunities to their staff. There is also a cultural dimension that underpins such preferences. Local businesses have a strong family orientated approach to management which is reflected in much of the hierarchical/patriarchal structure of society from which it is difficult to detach (Anon 2011c). The patriarchal structure of society is often reflected in the way many of these family oriented businesses are managed.

**D Social Development**

Market building through social development initiatives occurs indirectly, mainly by improving economic opportunities for the underprivileged, developing institutions, improving participation in decision making and raising accountability. A key challenge for corporates running social initiatives is ensuring that the benefits outlive the presence of the company (and its financial resources). This requires engendering local processes which on the one hand enable local communities to take responsibility for their needs and on the other catalyse the resources and actors needed. It is far easier for a company to organise and provide services; however this approach does not ensure transfer of skills and may result in undermining the role that the relevant institutions and organisations should have, with detrimental effects.

*Fighting HIV:* Myanmar has one of the highest prevalence rates of infection in Asia - 0.6% (UNADIS 2009). Run by an international NGO, TEPM contributes to fighting this disease nationally. A company employee comments: “the program is deeply rooted in the public health structure” (Anon 2011b). TEPM’s strategy has been to develop effectiveness by strengthening local capacities rather than provide services and goods.

*Social Economic Programme:* Total started its Social Economic Programme (SEP) in 1995. Today it covers 25 villages mainly located in the pipeline area (see map below) which include 31000 people of the Dawai (Burman subgroup), Karen and Mon origin (TEPM 2009:11).
SEP is the immediate manifestation of how TEPM works towards its goal to contribute to the development of the areas where its projects are (section 5.2 above). SEP uses a three prong work-frame to define its activities:

1. Improve income of villagers
2. Enhance access to educational and professional skills
3. Reduce health vulnerability of the local populations.” (TEPM 2009:11)

In 2009 it had budgeted $2.65 million. Overall “more than $20 million have been spent since 1995” (Total 2010b:56). A SEP impact assessment was carried out in 2010 by Myanmar research company MMRD. Caillaud (2011a) during a presentation at Hong Kong University anticipated the following results:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>SEP</th>
<th>Control</th>
<th>HDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of individuals who use bed nets</td>
<td>91.2</td>
<td>82.3</td>
<td>70</td>
</tr>
<tr>
<td>% of HH using fly proof latrine</td>
<td>85.9</td>
<td>74.6</td>
<td>70</td>
</tr>
<tr>
<td>% of HH using improved drinking water source</td>
<td>64.7</td>
<td>48</td>
<td>57</td>
</tr>
<tr>
<td>Net enrollment ratio in primary education</td>
<td>95.9</td>
<td>89.8</td>
<td>89</td>
</tr>
</tbody>
</table>

Since it was raised by external observers in 2002 (CDA 2002, 2003a, 2003b, 2005, Kouchner 2003), TEPM has had to consider sustainability as an issue. TEPM’s SEP was revisited between 2007 and 2008 to embrace community development principles, hence moving away from a service delivery approach. “Instead of processing villagers” requests internally and of organising support according to our specifications, we seize villagers’ requests as occasions to enhance their organisational skills and to promote the constitution of local committees taking ownership of development projects.” (TEPM 2009:28)

Through its SEP, TEPM has been developing skills through community development training and by encouraging participative decision making processes (CDA 2008, Total 2011b). Empowering communities to identify development needs and supporting them in their realisation should smoothen the period of transition when the company will withdraw, at the end of the life-span of the project (foreseen for 2028 (Total 2010a)). In its last report CDA acknowledges TEPM’s drive towards project sustainability. CDA however also encourages the company to build further on efforts to strengthen existing structures as it did in the HIV initiative (CDA 2011).

TEPM also has been able to expose villagers to democratic election processes by instituting elections for the VCCs - the main principal interface between the SEP team and villagers (TEPM 2009).

Group-wide too, Total seems to have espoused the role of the facilitator rather than delivered: “our support for local economic development is guided by three principles: cooperation with governments, specialised organisations, and our business and institutional partners; consistency with regional plans; and integration in the relevant subsidiary’s corporate social responsibility strategy.” (Total 2011b:51)

G Influencing business practices

Supply chain: A contractor commented on the unprecedented rigour of the due diligence process his company had to undergo (Anon 2011f). TEPM’s contractors and partners are required to abide by its Code of Conduct. “In 2009, a new Burmese-language version of our Code of Conduct reaffirmed and explained our rules of professional conduct, both internally and to our partners.” (Total 2010b:56) Integral to each contract is the company’s Code of conduct, Ethics charter and Health, Safety & Environment (HSE) policy (Caillaud 2011).

TEPM has also audited contractors’ HSE systems in an attempt to understand and review the support they need. “HSE workshops and forums are regularly organised to allow for experience sharing between contractors and TEPM” (Caillaud 2011:9). Developing skills among contractors is a group-wide policy. “Our goal here is to bring more and more local contractors up to international standards in terms of quality, safety and working conditions” (Total 2010b:50).

Sharing knowledge: TEPM convenes an informal forum with representatives of Daewoo, PTT-EP and Petronas working in the oil and gas sector in Myanmar. Its purpose is to share experiences and lessons learnt. CDA’s findings indicated that the Yadana project’s experience and this forum have been influential in the development of other companies’ guidelines and standards (CDA 2011). CDA also suggest that TEPM and PTT-EP (whose nearby Zawtika pipeline is at the initial phases) could share business practices on how to maximise local content (CDA 2011).
On the global stage, Total joined the UN Global Compact and EITI initiatives in 2002. Eight years later it was admitted to Global Compact LEAD. CDA with TEPM are piloting in Myanmar the Global Compact/Prio Guidelines on Responsible Business in Conflict-Affected and High-Risk Areas (UN Global Compact 2010, Anon 2011g). In 2010 TEPM invited the Myanmar government to the regional EITI seminar (CDA 2011). Other memberships include the Global Business Initiative on Human Rights (GBI).

Soft influencing government

TEPM believes that by “(l)everaging our influence where we can help to create conditions that may enable the country to break out of the isolation imposed under a sanctions policy that has apparently reached a blind alley, and to move toward better governance.” (Total 2010b:53) A number of participants in my research from academia, the business sector and civil society think this is the case. In the words of an international organisation worker: “Total is one of the most trusted foreign forces in this country.” (Anon 2011a) CDA in fact reports that “government officials cited Yadana’s work as the model for socio-eco standards by which they expect and require other companies to operate.” (CDA 2011:15)

Total has partnered with UNITAR (United Nations Institute for Training and Research) in 2006. As part of this partnership TEPM has supported two courses jointly organised by UNITAR and the Myanmar Ministry of Foreign Affairs (in 2006 and in 2009) on “human rights, humanitarian, refugee, maritime and environmental law, the United Nations system and multilateral relations” (Total 2010b:57) aimed at government officials.

Interestingly, the overall influencing potential of companies is being recognised by civil society including advocacy groups too. They acknowledge business may have a complementary role in realising their social objectives by having the ear of governments. Companies hence become means of communicating needs to policy makers and influencing relevant norms.

All the initiatives mentioned in this section, seem to involve strengthening relationships between TEPM and local population by setting minimum standards for behaviour, improving skills, and raising awareness of international accepted standards. They also indicate a “repositioning” of the company’s relationships vis à vis the government as a “resource” in relation to the company’s own areas of expertise. This suggests that, going beyond the regulatory connotations of code of conducts and standards or the outcomes of social engagement, CSR is about relationships.

Engagement, change and impact

A) Social responsibility as a tool for engaging in market development

Social responsibility is about how one does business and shapes relationships. These may be internal relationships, in the way the organisation is guided and managed (for instance, through employment policies) or external relationships, in the way the organisations engages with its environment and stakeholders (for example with contractors and local communities). As illustrated by the following diagram, there is a high degree of mutual influence among the types of a company’s relationships. There is great fluidity in terms of “ripple effects”, between the two spheres (hence the intermittent lines and undetermined
shapes). The human resource policy of a company (as illustrated in the previous section) may have implications outside the company itself. The reverse is also true: how a general manager engages with local authorities may have implications for internal company policies.

Figure 3: Company relationships
Mapping TEPM’s local initiatives, the following picture emerges. The blue area in the diagram above roughly shows the potential reach of some of Total’s initiatives.

Figure 4: Reach of TEPM’s CSR initiatives
Why the emphasis on relationships? The actual impact of one company's action on the market as a whole is constrained by several factors, which I will discuss in the next paragraph (the ability to see its interdependencies with the context, how a company perceives risk, consistency in the company's actions, the degree of a company's legitimacy, the ability to communicate, leverage, and the fragmentation of the private sector). This idea builds on conflict transformation theory which emphasises the quality of relationships (whether between individuals, or groups, or institutions or between individuals/groups and institutions) as agent for change (Lederach and Maiese 2003). Given the limitations to impact the private sector can have, I believe, it is by shaping relationships that a company has the greatest potential for change. For instance, demanding that contractors abide to its code of conduct as part of the contractual agreements indicates Total’s precise expectations it has in terms of both technical and behavioural standards. If there is constancy in these expectations and they are accompanied by capacity building as TEPM is doing, the seed for change is planted (either through individual or organisational exposure or both).

In sum, one company can only influence market building. Market building, as argued by Scott, Cafaggi, and Senden (2011) and Patey (2007) and requires the critical involvement of governments and other actors like international organisations for policy making and mechanisms for accountability as advocacy groups and legal structures.

B) Challenges to how the private sector can impact market building

**Ability to see its interdependencies with the context**

The ability (and/or willingness) of management to see the interdependencies within the system in which the enterprise operates as well as the role the company's action may have, is the first critical step that informs corporate engagement. Focusing on the micro-cosmos of its operations and core business, hinders the ability to understand and accept the complexity of such interdependencies.

Skills aside, as Killick, Srikantha, and Gündüz (2005) explain, this partly depends on the perception of what is 'political' and partly on the business’ belief of the extent to which they can influence the environment.

Total’s journey has definitely been one of change. Kouchener in 2003 commented “(m)ost of all the Company needs to open its mind. Like it or not, this is what is known as having a political vision of the world.” (2003:14) Six years later, as mentioned in section 6.2, the company was talking about using its leverage. Locally, for example, for TEPM this has translated in a shift from service delivery to community development, and introducing ILO and DIHR training. This leads us to the second point.

**Perception of risk:** Companies analyse their decisions through a “risk” lens. Zandvliet remarks that “companies weigh the risks and opportunities of one context against the risks and opportunities of another” (2005:5). More specifically, broad risks to the investment made can be grouped as:

- “Security risks from operating in areas that lack law and order, either due to criminal groups, rebels or other armed non-state actors
• Legacy or dependency risks when companies are compelled to provide services (such as electricity, healthcare, education) that normally should be provided by governments – the so-called ‘double taxation’
• Legal risks for the company to be, either directly or indirectly, associated with human rights violations in a country.
• Reputational risks of providing revenues and legitimacy to authorities whose practices are publicly and internationally questioned conflict as a factor of risk management.” (Zandvilt 2005:5)

In Colombia, for example, research by Rettberg (2008) shows that it is the degree of the company’s exposure to conflict that determines the risk’s perceived entity. Interviewees noted how Total was a different company today, having learnt from its experience in Myanmar. Mr Robinson West, chairman of US based PFC Energy (consultants to Total) said in an interview to the New York Times: “(t)hey are (...) prepared to ride through storms” (Mouawad 2009:4). The fact that the company has been able to approach sensitive topics (as human rights) with the Myanmar authorities indicates that the perception of what is “risky” has changed. In Yemen this shift is represented by the decision to stay in the country and work thorough relationship building and social development programmes (Mouawad 2009).

Consistency in the company’s actions: The degree of change in the way of working and social responsibility, its consistency and influence can vary considerably depending on context, organisational and individual perceptions, skills, culture and personalities. At the heart of the process of change is: behaviours, attitudes, communications, interactions between individuals and groups, strategies, policies, procedures and culture. Lederach, Neufeld and Culbertson (2007) referring to the process of change in conflict transformation synthesised these factors into four dimensions depicted in the matrix below: personal, relational, structural and cultural. Continuity and sustainability of efforts therefore depends on new ways of being rooted in all four dimensions mentioned above and in the consolidation of a new paradigm in the organisation: a new “this is how we do business here”. (This is said with the clear understanding that there will always be a range between commitment and compliance among a company’s staff.)

<table>
<thead>
<tr>
<th>Personal</th>
<th>Structural</th>
</tr>
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<tbody>
<tr>
<td>Relational</td>
<td>Cultural</td>
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Figure 5– Dimensions of conflict transformation. (Lederach, Neufeld and Culbertson 2007)

A preliminary analysis of Total’s documentation and research interviews indicate the change has been occurring in at least three.
a. From a structural perspective, new bodies have been set up, for example the Ethics Committee (2001), directly responsible to the CEO. The Compliance Department and Ethics Committee have been working since 2008 “on the legal issues associated with business integrity, corruption prevention, human rights and community development issues.” (Total 2011b:7) Policies have changed too: the code of conduct, ethics charter and the introduction of the ethics process are an example. Other examples are the shift toward multi-talented teams, the newly created professional figure responsible for societal concerns and relevant internal network.

b. There seems to be a shift in the approach to relationships. There is greater awareness of the need to appreciate interdependencies between its operations and local context: “(b)y understanding local challenges, focusing on the development of capabilities and limiting the negative impacts of our operations, we solidify our local roots a little more each day, a prerequisite for sustainable, shared growth.” (Total 2010b:10) Language used is more inclusive and focuses on engagement with stakeholders, drawing on the experience of others and sharing knowledge. The last two CSR reports (Total 2010b, Total 2011b) for example emphasise listening, dialogue, respect for local communities, stakeholders and employees. The approach is also different: “key determinant will be our ability to listen, explain and take into account — in short, to have transparent, constructive conversations with our stakeholders.” (Total 2010b:3)

c. Buy-in from individuals has certainly made a difference. Without hesitation a Total employee stated that at the highest levels of the company people are fully committed. As seen earlier, Total is making considerable investments in developing social responsibility skills of both its employees and contractors. An NGO worker emphasises the difference that an improved understanding among national staff in Myanmar of CSR made on SEP: “(t)hey gradually built trust with local communities. Their efforts paid off and today they are secure and there is a good relationship.” (Anon 2011i)

d. When asked about how far social responsibility is embedded in the culture, Total employees suggest that it is work in progress. The strategic guidelines are clear that it is a vital characteristic of the business model (www.total.com). As the group-wide initiatives mentioned in section 6 show, the company is investing resources and energy into enabling change to root. To date it is the Code of Conduct that is included in the formal performance review. Some feel that in order to consolidate this new modus operandi into Total’s culture, formal managerial accountability needs to specifically include social responsibility.

Legitimacy: The firm’s ability to influence its environment depends on its perceived legitimacy. Legitimacy is closely linked to the nature of the individual firm (Tripathi and Gündüz 2008). The degree of perceived legitimacy, Oetzel, Getz, and Ladek explain, is influenced by the “consistency of organisational goals with societal functions” (2007:349), the firm’s behaviour, the reputation it has internationally and in the host country, as well as
the type of industry it operates in (companies that are involved in natural resources tend to be disadvantaged). Legitimacy will also determine a company's bargaining power. Oetzel, Getz, and Ladek (2007) add that the level of influence depends on the company's closeness/experience of the issues, region and investment size.

Comments on the French company offer a good example of how much the issue of legitimacy can be multifaceted. If on the one hand the company is considered as trusted by the regime (section 6.2.1), on the other an NGO worker comments on the dilemmas of the Nargis aftermath. Some local organisations were reluctant to accept money from TEPM because they did not trust it as a result of the campaign by advocacy groups, and because they were concerned that if they did, international donors would not work with them in the future. Communication too, the next point, plays a crucial role. My interview with another NGO worker, highlighted how the perceived lack of communication with local groups perpetuates this mistrust till today (Anon 2011j).

*Communication*: The impact that any of the company's initiatives may have also depends on the ability to communicate its experience and lessons learnt beyond its immediate circle. If the new community development approach adopted by SEP is known, recognised and appreciated by people directly connected to TEPM and SEP, my research shows that it is still relatively unknown in circles beyond that. Wider communication, for example to civil society, of what Total is doing may enhance encourage others to at least demand that it would be adopted by other companies. A contractor believes the company is improving: “Total seems to be more confident and their ability to communicate has increased.” (Anon 2011f)

*Leverage*: Zandvliet (2005) explains that there is an inverse relationship between who and what the company can (and will) influence and the stage of its operations. Prior to investments there is greater leverage at macro-level with the leadership (usually governments). As implementation takes place, the corporation's impact on the environment increasingly shifts to the local/micro context.

*Fragmentation*: Even if the above considerations were a non-issue, scale is. The private sector in general is not monolithic including the extractive industry sector (Patey 2007). Fragmentation occurs along multiple lines such as industry sector, geographical operation, business cycle, and organisational culture. In the same situation, companies engage differently. Therefore, although Total may share knowledge and practices with others, the degree to which these are accepted and internalised the latter.

How does this fragmentation impact the possibility for a coherent contribution to market building from the private sector? If coherence and cohesion may be a challenge in an environment where more or less the drive is towards the same CSR paradigm, what happens where attitudes and behaviours have different points of references?

In some industrial sectors fragmentation, as Tennent and Lockie (2011) show, has been addressed through certification and/or industrial standards. In the oil and gas industry there are a number of initiatives led for example by IPIECA, EITI, UN Global Compact and guidelines as the VPs, or the *Guidance on Responsible Business*. However, although connected, do not form a comprehensive set of standards for the sector as a whole.
With regards to CSR, Asian companies still associate it to philanthropy (Welford 2011). The Asia Editor of Ethical Corporation Mr. Chhabara believes that one of the most important CSR drivers for Asian companies is compliance. According to Chhabara public relations also has influence but it results in well packaged reports of little substance (Tobias 2010). Patey (2007) raises the issue of how state owned/backed companies like China National Petroleum Company (CNPC) can withhold more pressure from advocacy groups. Their imperviousness is sometimes used it as a competitive advantage. Furthermore why would companies implement better standards abroad than “home”?

In Myanmar CSR is mostly still a Western concept. A business person observed: “business is currently focussed on profits and does not think about the consequences of their own behaviour.” (Anon 2011h) Given this outlook in Myanmar, are the efforts of a company like TEPM too little, too late?

At this stage an evaluation is difficult. TEPM seems to have made a difference to those it is involved with. Furthermore, a civil society representative commenting on the influence that being part of the supply chain of an international company has on local firms says: “some companies in Myanmar are doing CSR (…) but they do not know it is CSR” (Anon 2011c). Zhu (2011) describes the controversy around the operations of CNPC in Myanmar and the company’s CSR initiatives. These are very similar arguments and responses to those concerning Total made about a decade ago. CNPC and Total are actually partners in other parts of the world. Will the learning of the French company transfer to the Chinese one? According to CDA “based on MOGE’s use of the Yadana project as a model, the new CNPC project has committed to spending US$ 6 million for the first year of socio-eco programmes along their pipeline.” (CDA 2011:15)

To conclude, given all these variables, it is possible to see is why private sector influence alone is not enough to build markets.

Conclusion

Total’s experience shows how a company can constructively influence its environment by being socially responsible. As some observations made earlier indicate, the French company has challenges to think about. Furthermore, the criticisms regarding its involvement in Myanmar, either for its role in bringing income to a less than transparent regime, or for the behaviour of some military, will not end suddenly. However, it has demonstrated that when a company commits to engaging constructively it can change. Research participants agree that the French corporation embarked on learning journey on how to work responsibly and constructively in complex environments. Some of Total’s initiatives like hiring and supply chain policies have immediate effects locally. Others like social investments, soft-influencing of policy makers and business in addition to short-term outputs, are more likely to have radical impacts in the long-run.

However, what leads business to proactively engage with its environment depends on the ability of its managers to see the interdependencies that exist in the system including the impact of company operations, and embedding social responsibility in the company culture. The type of action is influenced on the one hand by the perception of the degree of risk that engagement will imply for the corporation. On the other, the degree of legitimacy a business has will determine the breadth and scope of its initiatives. Ultimately,
it will be the ability to communicate its experience and learning that can have a multiplier effect on "the market" as a whole.

Communication is very important as what happens in one company does not reflect automatically what happens in others. The private sector is an abstract category which in practice is characterised by fragmentation along multiple lines. Furthermore, the evolution of markets depends on multiple actors pulling towards the same direction. In addition to policy makers, stakeholders activism and companies, other organisations like international financial institutions play a role.

As shown by this paper, it was the influence of a government controlled body MOGE that led CNPC to draw on the Yadana example. Given the variables involved in reaching impact by the private sector, especially due to its fragmentation, the involvement of other actors in market building is crucial. Governments and international organisation need to foster the operating frameworks though policy. The stakeholders’ role is to keep governments and companies accountable for their behaviour.

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