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Doing Business with Rights Violating Regimes Corporate Social Responsibility and Myanmar's Military Junta

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ABSTRACT. Whether to do business with rights violating regimes is one of many dilemmas faced by socially responsible corporations. In this article the difficult case of Myanmar is considered. Ruled for decades by a closed and sometimes brutal military elite, the country has long been subject to informal and formal sanctions. However, as sanctions have failed to trigger political reform, it is necessary to review the policy options. The focus here is on the contribution socially responsible corporations might make to change. The article sketches contextual features of the case, examines the recent history and present pattern of business links with Myanmar, and assesses whether current approaches can stimulate reform. Concluding that they cannot, it considers fresh possibilities for corporate engagement. The argument is that socially responsible corporations, committed to improving individual life chances through engagement with developing societies, should undertake collaborative and principled direct investment in Myanmar. The underlying strategy and problems of codification and implementation are all analyzed. To close, the article contends that, by doing business with Myanmar's rights violating regime, multinational corporations can extend the frontiers of global corporate social responsibility.

KEY WORDS: Burma, business ethics, constructive engagement, corporate social responsibility, foreign direct investment, multinational corporations, Myanmar, sanctions, socially responsible investment

In many parts of the globe, corporate social responsibility (CSR) and socially responsible investment (SRI) have become core elements of good business practice. While not wholly uncontested, their overlapping agendas substantially shape the operating environment of the world's leading commercial and financial organizations, and make ethical screens a key feature of contemporary capitalism. Prominent among many screens now in existence is one designed to identify regimes that engage in systematic human rights violations. Follow-up action often seeks to throw an isolating economic ring fence round the target society, with the aim of undermining the regime and prompting thoroughgoing reform.

Burma/Myanmar, ruled by a closed military elite for nearly 45 years since a March 1962 coup, is routinely captured in ethical screening exercises. Its dictatorship became especially noxious in September 1988 when, having brutally suppressed a broad pro-democracy movement, it performed an internal coup and instituted a formal military junta. In June 1989, the junta changed the name of the country from Burma to Myanmar. In May 1990, it ignored the result of a nationwide general election giving a landslide victory to Aung San Suu Kyi's National League for Democracy (NLD), and moved to consolidate its hold on power. It has maintained a firm grip ever since, regularly harassing and incarcerating opposition figures, and engaging in human rights abuses that include forced labor in agriculture, infrastructure construction, and the military. Aung San Suu Kyi herself, Nobel peace laureate in 1991, remains under house arrest today.

In consequence, prominent North American and Western European corporations have largely stopped doing business with Myanmar. Heightened awareness of CSR and SRI among executives in leading MNCs played a role in the withdrawal

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process. Informal sanctions were important as intensive lobbying campaigns targeted major inward investors. Some formal sanctions were also imposed. However, other corporations continue to trade and invest, partly because their top executives have fewer or simply different ethical concerns, and partly because sanctions have never been more than partial. Only the USA has implemented comprehensive formal sanctions. Informal sanctions are usually directed solely at MNCs with high visibility in the West. The result is that Myanmar has not been isolated, and its rights violating junta, though inconvenienced, has not been decisively weakened. It currently shows few signs of sponsoring real reform.

There is therefore a pressing need to review strategies for change in Myanmar. As corporate engagement has been central to debate, it is particularly important to look again at the role MNCs might play in triggering political reform. To do that, this article begins by sketching contextual features of the case, examining the recent history and present pattern of business links with Myanmar, and assessing whether current strategies can succeed in stimulating change. Concluding that they cannot, it then considers possibilities for new forms of corporate engagement. The argument is that socially responsible corporations, committed to improving individual life chances through engagement with developing societies, should engage in collaborative and principled direct investment in Myanmar. The underlying strategy and problems of codification and implementation are all analyzed. To close, the article contends that, by doing business with Myanmar's rights violating regime, MNCs can extend the frontiers of global CSR.

Context

In an analysis of this kind, context is critical. Strategies that succeed in one place may fail in another. It is therefore necessary to begin by sketching key contextual features of the case. The task is especially important for Myanmar which, though a country of some 50 million people with a strategic location in Asia, remains largely *terra incognita* (Steinberg, 2001a, p. xxxii). That this is so is partly the result of strikingly isolationist policies pursued by both democratic and authoritarian regimes ever since Burmese independence from Britain in January 1948 (Liang, 1990; Silverstein, 1977, 2001). It also reflects the isolation imposed on Myanmar by Western powers during the past decade and a half.

Internal

Myanmar is one of the most diverse societies in the world. The majority Burman ethnic group comprises around two-thirds of the total population. The remaining one-third is divided between about a dozen major ethnic groups living mainly in the hill country that rings "Burma proper." Fragmentation, evident in civil wars fought since 1948 by the mainly Burman military and insurgent ethnic minority forces, is one key feature of contemporary society (Smith, 1999). Fear of the military that has dominated the country for more than four decades is another (Aung, 1995; Skidmore, 2004). On occasion, both fragmentation and fear have given way to mass protest. Most notable was the broad popular mobilization of summer 1988, sparked by economic hardship, fuelled by student activism, and stoked by widespread demands for a full democratic transition. Since 1988, however, the military junta has reasserted control over much of the society, arranging ceasefires with insurgent armies and repressing the rest of the population (Callahan, 2001).

Economically, the country has experienced catastrophic failure since the 1940s. Rich in natural resources, provided during the colonial period with good transportation, a functioning legal system and a population literate in English, Burma seemed likely to become an Asian success story (Steinberg, 2001a, pp. 32–34). Yet in December 1987, the UN General Assembly designated it one of the world's ten least developed countries (Steinberg, 2001a, p. 131). At the start of the twenty-first century, Myanmar remains a chronic underachiever (Collignon, 2001), scarred by extensive poverty and rampant disease (UNICEF, 2005; WHO, 2005). In *Human Development Report 2004*, the UNDP estimated its 2002 per capita GDP, using purchasing power parities, at $1027, the lowest in East Asia. On the 2004 Human Development Index, it ranked 132, above only Laos at 135 in East Asia (UNDP, 2004). One of the few booming industries is narcotics, on which both the military and insurgent groups depend (Lintner, 1999, 2000). The UN's *World Drug Report 2004* identified Myanmar as a leading narco-state, with production of opium second only to that of Afghanistan (UNODC, 2004).

Politically, Myanmar is dominated by the military that has been in power since 1962. After the democracy summer of 1988, the army boosted its numerical strength and currently monitors the society through a force of around half a million men (Selth, 2002). Clearly such a large force cannot be totally monolithic, and even the top leadership displays some internal tensions. In October 2004, for instance, the comparatively liberal prime minister, General Khin Nyunt, was removed from power, placed in detention and charged with corruption. Hardline Senior General Than Shwe consolidated his position as head of state. However, the military has long been a great deal more cohesive than many of its counterparts in Asia (Taylor, 2001). Furthermore, although it has never succeeded in establishing total control, through nearly 45 years of dictatorship it has become the critical political actor (Callahan, 2001). In 2001, Steinberg wrote that the military has "enveloped the society" (Steinberg, 2001a, p. 75). Today it can even claim some legitimacy (Thawnghmung, 2003a). Informed observers hold that it is certain to play a central political role for years to come (Thawnghmung, 2003b). Under its rule Myanmar is not exactly in crisis. Rather, an uneasy political stasis has descended on the country.

The rights violations that take place in Myanmar and result in its capture in ethical screening exercises are amply documented. The US State Department's *Country Reports on Human Rights Practices* always list major problems (US Department of State, 2004). Transparency International in 2004 rated Myanmar 142 out of 146 states on its Corruption Perceptions Index (Transparency International, 2004). The military junta is known to be at the heart of most rackets. Freedom House in 2005 identified Myanmar as one of seven "worst of the worst" states in the world. All recorded the lowest rating of 7 for political rights and 7 for civil liberties (Freedom House, 2005). Nongovernmental organizations (NGOs) such as Amnesty International and Human Rights Watch regularly issue damning evaluations (Amnesty International, 1997, 2000, 2002, 2003; Human Rights Watch, 2002).

External

By any standard, Myanmar's external environment is complex. The most important outside actor is China, with which the country shares a long frontier of 2185 kilometers (Silverstein, 1977, pp. 170–80). Links have been particularly vibrant since the late 1980s, when in the space of less than nine months the rulers of both states brutally repressed student-led pro-democracy movements and found themselves subject to international condemnation and isolation. For China in the midst of a dynamic economic reform process, a clear opportunity to reinforce ties with a near-destitute and desperate neighbor arose. It was seized through direct state support for the military junta, often in the form of arms supplies, and extensive economic investment by both state and non-state actors (Malik, 2000, pp. 246–254). Chinese political and strategic influence in Myanmar is now considerable, and is buttressed by a major economic presence. China has made no public comment about the political course pursued by the junta. When Vice-Premier Wu Yi visited in March 2004, she took the standard Chinese line, holding that Myanmar's internal affairs should be coordinated and resolved by the government and people themselves.

For some years other regional powers had contrasting ideas about how to deal with Myanmar (Bray, 1995; Malik, 2000, pp. 256–262). Indeed, for much of the 1990s Thailand and India, also large neighbors, adopted critical stances informed by historical disputes and tensions. However, Myanmar's strategic importance and China's influence and presence convinced both to engage with the junta. Thailand now represses refugees, asylum seekers and migrant workers from Myanmar (Human Rights Watch, 2004). India, in October 2004, welcomed Senior General Than Shwe to New Delhi for the first official visit by its neighboring head of state in nearly 25 years. Additional regional powers, such as Indonesia, Malaysia and Singapore, have long sought to bring the junta in from the cold, notably by sponsoring Myanmar's July 1997 accession to the Association of Southeast Asian Nations (ASEAN). Japan relies on quiet diplomacy to edge the junta toward accommodation with opposition forces (Japan Ministry of Foreign Affairs, 2005; Holliday, 2005b). Above the realm of states, regional development initiatives include Myanmar as a full partner. In one form or another, constructive engagement is the policy line pursued throughout Asia.

From outside Asia, a very different cluster of positions is taken by the USA and its major allies. Here is found the argument for sanctions also made courageously and insistently inside Myanmar by Aung San Suu Kyi and some other NLD members. However, Western nations are in no sense united. US sanctions are easily the toughest and include total bans on new investment since 1997 and on trade since 2003 (US Department of State, 2003). In some parts of America, further sanctions also operate at the state and local level (Rodman, 2001, p. 219). Beyond the sphere of government, the International Labor Organization (ILO) imposed moral sanctions on Myanmar in 2000 for "widespread and systematic" use of forced labor (ILO, 2000). Other sanctions regimes are quite limited. The EU adopted a Common Position in October 1996, and hardened its stance in 1997, 1998, 2000, 2003 and 2004 (European Union, 2005). Individual EU member states also put pressure on companies not to invest in Myanmar. Australia and Canada take similar stances. No government has followed the US lead and imposed comprehensive sanctions on investment and trade (Holiday, 2005a).

Political stasis inside Myanmar is thus replicated in its external environment. The two major powers have long taken extreme and uncompromising positions, with China engaging in business as usual and the USA imposing tough sanctions. Key neighbors and allies have maintained paler versions of these polar positions. Despite a persistent lack of political reform inside Myanmar, outside agents have rarely recast their policy stances.

Business links with Myanmar

Under the dictatorship that ruled Burma for a quarter of a century from the early 1960s, links with foreign corporations were strongly discouraged. Not all were eliminated, but a regime that was nominally socialist on the Leninist model, fiercely xenophobic and nearly autarkic ensured that external corporate involvement with Burma declined significantly (Silverstein, 1977). Since the late 1980s, by contrast, the military junta has become more technocratic, has adopted market-oriented policies, and has opened Myanmar to trade and investment (Christie and Smith, 1997). Businesses have thus been able to build links.

Reliable data on inward investment are by no means easy to find. Official statistics are not entirely trustworthy. Other databases draw information from a range of sources and tend to be unsystematic. In consequence, although the broad outlines of corporate engagement look reasonably clear, the detail is murky. Taking foreign direct investment (FDI), the Myanmar Ministry of Foreign Affairs reported that on December 31, 2002, 367 foreign enterprises had invested in the country. It identified the five leading sources, accounting for 60% of the total number, as Singapore (71 enterprises), Thailand (49), the UK (37), Malaysia and South Korea (both 32) (Myanmar Ministry of Foreign Affairs, 2005). More broadly, Global Unions amassed data on companies with any form of linkage with Myanmar in the period after the imposition of ILO sanctions in November 2001. In January 2005, it reported that 439 companies had some form of linkage. The five leading sources, accounting for 42 percent of the total, were the USA (46 corporations), Japan (43), Singapore (33), Thailand and the UK (both 31) (Global Unions, 2005).

Standing behind the statistics lies a history of almost total withdrawal by prominent MNCs. In the early 1990s, Levi Strauss, Eddie Bauer, Liz Claibourne, J. Crew, Columbia Sportswear, Apple Computers, Kodak, Motorola, Disney, and PepsiCo all pulled out. When Levi Strauss & Co. left in 1992, it held that it was "not possible to do business without directly supporting the military government and its pervasive human rights violations" (Schermerhorn, 1998, pp. 121–122). In a single week in July 1996, Danish brewer Carlsberg and Dutch brewer Heineken announced that they were halting commercial engagement. Carlsberg had planned to invest $30 million in a bottling plant. Heineken was involved in a half-built brewery project. Each now decided to withdraw. "Every billboard in the country will come down," declared Heineken. "Out is out."

All of these pullouts were prompted not by formal sanctions on investment, which in the case of the

USA came later and in other cases scarcely materialized at all, but by informal sanctions, reinforced by internal corporate reflection. Informal sanctions take multiple forms, including lobbying campaigns, legal challenges, shareholder revolts, street protests, and letter-writing initiatives (Zar and Apple, 2000). In a famous case, Unocal was pursued through the California courts for forced labor practices linked to its exploitation of a gas field close to the Andaman Islands (US Court of Appeals, Ninth Circuit, 2002). In December 2004, it negotiated an out of court settlement running to millions of dollars. However, informal sanctions are largely restricted to North America and Western Europe, and formal sanctions find few proponents in other parts of the globe. Indeed, MNCs headquartered in Asia can often count on tacit government support for their Myanmar operations (Rüland, 2001). While FDI is thus well below expected levels (Pedersen, 2000), quite a few major MNCs retain some degree of involvement with the country. From Japan, for example, corporations such as Hitachi, Mitsubishi, Mitsui, Nippon Oil, Sumitomo, Suzuki and YKK all have a presence, though often it is small (Global Unions, 2005).

The result is that business links with Myanmar have not ceased, but have instead become patterned in significant ways. One is decreed by the regime. All large inward investors must negotiate a joint venture with the military-controlled Union of Myanmar Economic Holding Company (UMEH) (Christie and Smith, 1997, pp. 37–50; Callahan, 2001, p. 426). A second reflects the skewed nature of corporate engagement and disengagement. Few major corporations with headquarters in the West now trade or invest (Boyd, 2003; Frost, 2004a). A third is more nebulous and relates to the character of companies linked with Myanmar. The leading MNCs that cut their ties all chose, for one reason or another, to acknowledge the moral issues raised by engagement. Many, though in fairness not all, of the companies that retain links refuse to do so (Global Unions, 2005).

Debating engagement with Myanmar

Although several forms of global engagement with Myanmar are conceivable (Schermerhorn, 1999), debate has long focused on sanctions and constructive engagement. Furthermore, while such contrasting approaches might be expected to generate a vibrant exchange of ideas, in actual fact that is not the case. Indeed, far from raging or even threatening to catch fire, debates about Myanmar have largely burnt themselves out. Today, the two main camps mainly talk past each other. This largely reflects fundamental problems with the arguments made on both sides.

Sanctions

The case for sanctions is that piling up pressure through economic isolation offers the only feasible way of forcing Myanmar's military junta to bring oppositional forces into the political process and sponsor political reform. However, this argument assumes that sanctions can be made to work, which is at least questionable and quite probably false.

General experience shows that sanctions are effective to the extent that they are comprehensive (CSIS, 1999). In the case of Myanmar, notwithstanding the optimistic assessments occasionally made by Burmese exiles and US think tanks (Burma Campaign UK, 2003; Dillon, 2003; Zaw, 2002), the chances of developing a watertight sanctions regime are close to zero. A telling case is a July 2003 pullout made by British American Tobacco in response to an "exceptional request" from the British government. In complying, the company sold to a Singaporean investor its 60% share in the joint venture set up with UMEH, and as part of the deal arranged to "license brands to the new owner to manufacture and market them locally" (BAT, 2005). The Myanmar operation thereby continued largely unchanged.

Although such a direct substitution may be unusual, it is indicative of sanctions' failure to have the impact intended by their authors. Indeed, it is now widely accepted that for every investment not made by a corporation subject to either government sanctions or informal modes of moral suasion, a balancing investment is likely to be made by a corporation not subject to such pressures (Jagan, 2003). In the gas sector that is central to the sanctions debate, and thus difficult for visible MNCs to enter, a consortium of Korean and Indian corporations in February 2004 located a huge deposit in the Arakan

Sea. Early predictions were that Myanmar would secure annual revenues of between $800 million and $3 billion over a 20-year period from the end of the present decade. "This project effectively bulldozes a very large hole through the sanctions wall," wrote Frost (2004b).

It is possible that the trade ban imposed by the USA in July 2003 could have a bigger impact, as it closes access to the world's biggest market and reduces the options for sale of products made in Myanmar. The country's export trade to the USA, worth some $350 million in 2002, cannot legally take place while sanctions remain in place (Kurlantzick, 2004). However, again the impact seems likely to be small. For one thing, the USA is a relatively unimportant market for Myanmar, which is predominantly agrarian and trades mainly within Asia. For another, it is possible that new markets will be found for some products. For yet another, goods may continue to make it to the USA. In January 2004 and again in February, $55 sweatshirts manufactured in Myanmar were found on the shelves of the National Basketball Association's Manhattan store, in direct contravention of federal law (Associated Press, 2004). In March 2004, a Bush-Cheney '04 campaign jacket available for sale online was found to carry a "Made in Burma" label (Bohan, 2004). US projections that 100,000 jobs will be lost, mainly in the garment trade, thus look exaggerated. Furthermore, in this sphere too there are substitution effects. Part of the July 2003 measures was a ban on trade with Myanmar in US dollars. That trade quickly shifted into euros (Mathiason, 2004).

The likelihood of sanctions ever eliminating investment in and trade with Myanmar is thus slight (Hadar, 1998). There are distributional shifts. There is also a clear reduction in total social welfare prompted by the disengagement of prominent MNCs (Arnold, 2003). However, there is no economic ring fence, and therefore no more than limited pressure on the military junta (Callahan, 2001, p. 413). Identifying the net gain is not easy.

Constructive engagement

The case for constructive engagement with Myanmar is also problematic. To invest means not only dealing with, but also supporting and underpinning, a regime from which many people instinctively recoil. However, if the aim is to work out, in the medium to long term, how life might be made better for ordinary citizens, there is an argument for focusing strictly on pragmatic ways forward. That is the foundation on which this case is built.

Arguments for engagement with ethically suspect regimes often operate at the level of benefits expected to derive from investment of any kind. Many inward investors make this argument about China, currently the test case, stressing the danger of isolating Beijing and the improvements that might flow from engagement (Paine and Katz, 2002). The basic contention is that prosperity will soften the hardline authoritarian regime, foster the emergence of a middle class keen to engage with it, and engender political reform. This line of argument is also made with respect to Myanmar, for instance by ASEAN leaders and a number of corporate executives (Global Unions, 2005). It draws support from known cases of political change, notably South Korea and Taiwan in the 1980s.

Constructive engagement also has one major advantage over sanctions, which is that it does not rely on false analogies with the South African case. There, external action focused initially on constructive engagement (Coker, 1986). However, first informal and then comprehensive formal sanctions were introduced, triggering the collapse of apartheid. Unfortunately, the Myanmar case is very different (Rodman, 2001). As Pedersen argues, the economy is less integrated into the global trading environment, the junta is less isolated from its main external support base, and the domestic opposition is less powerful (Pedersen, 2000, p. 212). Critically, despite many provocative steps taken by the military junta, Myanmar's immediate neighbors have shown few inclinations to impose informal or formal sanctions.

In its present form, however, constructive engagement cannot be supported. The fact that some 70% of inward investment takes place through joint ventures with the military-controlled UMEH puts a particular spin on FDI (Rüland, 2001, p. 151). "[I]n essence the company operates an immense off-budget slush fund on behalf of the military leadership, " noted Callahan (2001, p. 426). As Levi Strauss & Co. argued in 1992, there is no option but to reinforce the position of the military junta. It is also hard to find a constructive element in current forms of engagement, which essentially amount to a do nothing policy. Giving the regime a free pass cannot be the right way forward.

Rethinking corporate engagement with Myanmar

When neither of the two existing approaches offers any real hope of change in Myanmar, it is necessary to think again about what is to be done (Badgley, 2004a). On both sides of debate, protagonists must be persuaded of the need to change course. Proponents of sanctions need to see that partial bans, boycotts and embargoes do little more than inconvenience and embarrass the military junta. At the same time, they do a great deal of harm to the very citizens they seek to help. Proponents of constructive engagement need to accept that, in effect, the existing approach amounts to no policy at all. Its major contribution is to allow the regime to keep the country in the abject state in which it has subsisted for far too long. Once a rethink does take place, the role of MNCs inevitably surfaces quite quickly, for they are in large part the focal point of contemporary debate. Furthermore, within the corporate domain, the linked and sometimes controversial agendas of CSR and SRI provide a natural context for analysis (Henderson, 2001; Sparkes and Cowton, 2004). In refashioning corporate engagement, the three key issues are the underlying strategy, how it might be codified, and how it might be implemented.

Strategy

The central argument for constructive engagement is that involvement with Myanmar and its problems makes more sense than isolation of the regime and the people it rules. This is an important insight (Badgley, 2004a). For one thing, isolation is not going to happen. The support of China, Thailand and India is already decisive for the military junta, and it is by no means the sum total of its external support. For another, it is increasingly clear from global experience that political reform and stable institutions must be rooted in a strong civil society. They cannot be parachuted into a country from outside, but must be built from within (Ottaway and Carothers, 2000). After decades of systematic repression, Myanmar has no civil society to speak of (Tegenfeldt, 2001). The chances of successful political reform therefore depend critically on prior construction of a basic set of civil institutions. The isolation sought by sanctions cannot accomplish this task. Only some form of engagement, deep rather than surface, can do it.

The core argument for sanctions is that at present engagement can take place solely on terms set by the military junta, and must therefore reinforce its position. This insight is also important. The military, through its perverse and corrupt governance, stands at the center of almost everything in Myanmar, and exercises a truly pervasive control (Callahan, 2001). To promote a new future for the country, it is essential to foster a commitment to values embodied in the Universal Declaration of Human Rights and linked charters. As currently practiced, constructive engagement does not begin to address this issue, however much regional leaders and inward investors might argue that it does (Global Unions, 2005). It merely applies a surface gloss of international legitimacy to the junta's dictatorship. Only a principled way forward can start to entrench human rights.

Additionally, the assumption made by contributors on both sides of contemporary debate is that states are and should be the key players in dealing with Myanmar, in large part because they can exercise the greatest leverage. However, looking to the past, the set of critical actors has in fact been much wider. Corporations have performed important roles, as have NGOs that have led campaigns against them. Furthermore, looking to the future, it is apparent that states may not be best placed to facilitate change in Myanmar precisely because they do not have the greatest leverage. Rather, that may actually lie in the hands of socially responsible MNCs with a commitment to development. If such corporations could build a sizable coalition of direct investors, they would be able to offer the regime critical assistance in attaining invaluable economic growth, and local people improved employment opportunities and enhanced benefit packages. They would thereby be able to boost overall social welfare (Arnold, 2003). By working together, MNCs can thus become critical actors in the Myanmar case.

Combining these three elements, the strategy that emerges is collaborative and principled MNC engagement. First, it seeks real involvement with Myanmar and the many problems it faces. Merely by living and working inside the country external actors can make a difference. Through sheer presence they can bear witness, have a say, and act as passive, or even active, constraints on the junta's worst excesses (Kyaw, 2004). In the longer term, more positive impacts should be possible. Second, it insists that key principles be respected by all. Among corporations, these typically take the form of stakeholder statutes, value statements or codes of conduct that publicly advertise moral commitments (Kaptein, 2004). No engagement with Myanmar should take place other than on this sort of foundation, and for this reason none should take place through a joint venture with UMEH. Third, it highlights the significant leverage that a coalition of socially responsible MNCs could exercise in the Myanmar case. For this reason, it argues for MNC presence inside the country, and favors direct investment rather than sourcing or contracting from outside. Local people would also draw immediate benefit from inward investment.

Codification

Developing a strategy is one thing, putting it into practice quite another. A strategy of collaborative and principled MNC engagement mandates some form of codification to give expression to core values. This raises three main issues. The first is procedural and focuses on the broad manner in which codification is to take place. The second is substantive and addresses the kinds of principles that are appropriate in framing MNC engagement. The third is regulatory and concerns how corporate codes might be validated so that calls for corporate accountability are met.

Business conduct can be codified through international treaties and agreements, global codes, and voluntary self-restraint (Cavanagh, 2004). To date, the first of these three types has been adopted for deals on trade (North Atlantic Free Trade Agreement), the environment (Kyoto Treaty on Global Warming), corruption (OECD Anti-Bribery Agreement), and infant safety (Infant Formula Agreement). None offers a clear precedent for addressing the Myanmar problem. Furthermore, the extent of disagreement among states rules out this type in this case. The third type has been adopted by MNCs to deal with ethical issues such as global sweatshops and environmental degradation. However, there is little reason to pick it up in the contemporary Myanmar context, as it was implicitly rejected by leading MNCs in the 1990s and could not now be revived. That leaves the second type, global codes of business conduct (Williams, 2000). Such codes have been created most notably in the Caux Round Table Principles for Business, launched in 1994, the Global Sullivan Principles, released in 1999 but inspired by a pioneering code developed in South Africa in 1977, and the UN Global Compact with Business, inaugurated in 2000 (Cavanagh, 2004). In each case, the process for developing a global CSR code comprised broad consultation among a wide network of business leaders. Such a procedure would also be entirely appropriate for the Myanmar case.

Turning to substance, Sethi holds that a responsible corporation must deal with all stakeholders in a fair and equitable manner, act as a positive and proactive agent of change, and adopt compliance standards that are mandatory, transparent and subject to external validation (Sethi, 2003, p. xi). The Caux Principles, Global Sullivan Principles and UN Global Compact present overlapping ways of fleshing out these broad requirements and giving them detailed meaning. If MNCs were to operate inside Myanmar and comply with any one of these codes, they would not only be able to outlaw forced labor practices, but also make a clear contribution to change in many other domains. The substance of any or all of these codes is fully relevant to the Myanmar context.

Finally, regulation is often a major area of contention. Sethi and Williams argue that a key lesson drawn from implementation of the Sullivan Principles in South Africa was the vital need for an independent oversight monitoring function. In their view, this function is an absolute necessity, must be truly independent, and must be undertaken by competent evaluators (Sethi and Williams, 2000, p. 392). Williams also notes that lack of such a function is "the most significant criticism" of the

UN Global Compact (Williams, 2004, p. 762). At present, the Global Reporting Initiative, committed to triple bottom line accounting in the economic, environmental and social domains, is the most visible corporate response to such criticism (Global Reporting Initiative, 2005). A similar approach would need to be taken if group-based codification formed the basis for corporate engagement with Myanmar.

Implementation

Devising a strategy and thinking through how it might be codified lead up to the final issue of actually making it happen. This is the most intractable problem of all. On one side, it is hard to see why MNCs would sign up for this program. It is certain to provoke the sanctions lobby. It will renew wider charges about MNC exploitation of third world countries. It could expose executives to all manner of corrupt practices and other difficulties. For prominent MNCs that have chosen to duck the international sweatshops debate (Maitland, 1997), and that prefer not to invest in highly corrupt societies (Voyer and Beamish, 2004), there is little incentive to get involved with Myanmar. On the other side, it is equally difficult to imagine the military junta going along with any of this when it has successfully rebuffed all previous attempts to use investment as a lever for domestic political change (Rüland, 2001). Nevertheless, there are some grounds for optimism.

On the MNC side, long-term strategic considerations, reinforced by commitments to development, provide the most important incentive for engagement. ''Today's operations are not commercially viable,'' said a representative of Japanese MNC Mitsui in 1996, ''but we believe this country has big potential'' (Schermerhorn, 1998, p. 121). Other MNCs recognized that potential in the late 1980s, but chose to forego pursuing it when political problems became acute in the early 1990s. Lack of political reform continues to dissuade prominent MNCs from going into Myanmar. However, if a new engagement strategy, espousing a clear commitment to development, could be articulated, there might be renewed interest. In this regard, a key dimension is the group-based approach that is integral to this proposal. The leverage that a critical mass of MNCs might exercise over the military junta has already been identified as one of its advantages. Another is the united and weighty front that a coalition of MNCs making a public commitment to development in Myanmar would be able to present to an inevitably skeptical world. Indeed, only on a collective basis could this strategy ever work.

To build an MNC coalition, one option would be to turn to MNCs that are already present in Myanmar. Their advantage is that they can already see some reasons for investing, or at least maintaining a token representation. However, these MNCs also create problems, for they can readily be criticized for dirty hands. Although that gives them an incentive to take an ethical approach that might show them in a different light, it does not make them the best place to look for a base constituency. Far better would be MNCs that have kept a principled distance from Myanmar, that take CSR and SRI seriously, and that might be prepared to look afresh at strategies for corporate engagement.

In addressing executives in these corporations, the best approach would be to operate at the level of open and explicitly ethical debate. Executives in the world's most successful firms are conscious of CSR and the moral issues it raises (Snider et al., 2003). They frequently have personal values that align with and drive CSR (Hemingway and Maclagan, 2004). Similarly, in the linked world of mutual funds and unit trusts, SRI is now an established and accepted part of the landscape (Sparkes, 2002; Schueth, 2003; Schwartz, 2003). There is therefore no reason to seek anything other than frank moral exchange. Moreover, at a time when individuals working in commercial and financial organizations find themselves largely on the defensive in CSR and SRI debates, there is a chance that ethically aware executives in leading corporations might respond to a bold, collaborative initiative designed to promote change in one of the world's most promising but least fortunate countries. In doing so, they could demonstrate that they take seriously their role as increasingly important global citizens, and are prepared to assume the positive obligations of assistance now being mapped out for them (Hsieh, 2004).

Looking more practically for vehicles through which this strategy might be promoted, the Caux Round Table is one possibility. In introducing its principles, it argues that ''the world business community should play an important role in improving economic and social conditions." Its two basic ethical ideals are the Japanese concept of *kyosei*, which means "living and working together for the common good enabling cooperation and mutual prosperity to coexist with healthy and fair competition," and the wider notion of human dignity (Caux Round Table, 1994). The *kyosei* ethic, rooted in Confucian thought but expressive of values with currency throughout Asia (Boardman and Kato, 2003), could provide a powerful foundation for engagement with Myanmar. More fancifully, leading MNCs with large investments in China might constitute an option. They have regional presence and local knowledge, and they could exert some leverage on China, the junta's major external sponsor. Currently, the Quality Brands Protection Committee (QBPC), launched in March 2000, brings together 111 prominent MNCs with a shared mission of "fighting fakes in China" (QBPC, 2005). While QBPC's existing agenda is reactive and defensive, it provides a useful demonstration of the collaborative action that is possible among MNCs. If such a powerful alliance could be persuaded to adopt a positive agenda for principled engagement with Myanmar, it might facilitate real change.

On the regime side, it is difficult to know whether this strategy could ever succeed. The military state is now so thoroughly institutionalized that almost all initiatives seem doomed to failure (Callahan, 2001). However, two factors point in a more hopeful direction. One is that the military junta has internal divisions (Callahan, 2001, p. 427; Steinberg, 2001b, p. 42), and must contain elements that would respond constructively to a strategy informed by the Chinese development model. With hardline Senior General Than Shwe in charge, and Suharto's Indonesian New Order at the forefront of military thinking (Callahan, 2001, p. 427), the prospects are not now good. However, Than Shwe will not retain control for ever, and outsiders need to be prepared to exploit internal regime changes. The second factor is that the sizable MNC coalition on which this strategy depends could make the military junta an inward investment offer that has never been made before, and that would be very difficult to refuse. Again, the Chinese precedent would be helpful in making clear the benefits of that offer. Furthermore, beyond all calculation, something needs to be done to promote change in Myanmar, and allowing despair to act as a veto on every kind of initiative will not help.

Ultimately, the extent of the difficulties that this strategy would inevitably confront means that some form of political leadership and cover would almost certainly be necessary to launch it. Within the home countries of the world's leading MNCs, this agenda would certainly be an interesting assignment to hand to, say, the Bureau of Democracy, Human Rights and Labor at the US State Department or the UK's Department for International Development. However, neither the Bush administration nor the Blair government is likely to want to go down the road mapped out by this strategy. For one thing, each has already staked out a clear position. For another, the form of engagement proposed here is at variance with the visionary, millennial statements about the global spread of human freedom that now emanate from the White House and 10 Downing Street. In these circumstances it is necessary to look elsewhere.

The EU, emerging as a proponent of soft power in international politics, might be one possibility. However, it has internal conflicts about approaches to the Myanmar problem (Badgley, 2004b, p. 25), and would probably have difficulty in reaching agreement. A far better option would therefore be to look in Asia, and to locate leadership on the Myanmar question within its own region. Under present political arrangements, China would find it hard to promote this agenda, at least on its own. India has long been rather distant from its neighbor. The ASEAN states have no track record of leadership. That leaves one important regional power, Japan, which has a long history of close engagement with Burma/Myanmar and remains the major donor (Steinberg, 1993). Furthermore, diplomats in Tokyo have spent many years pondering how to make constructive engagement work, and are concerned to balance Chinese influence in Southeast Asia (Holliday, 2005b). They currently oversee a significant array of MNC representation in Myanmar. This proposal is thus in many ways a plausible extension of Tokyo's existing involvement with the Myanmar problem. Furthermore, Japan is ideally placed to secure some degree of US acceptance of a new way forward (Hoshino, 2000), and might through skilful diplomacy be able to engage the ASEAN states and even China.

Conclusion

Doing business with rights violating regimes is always problematic. In 1988, the year of the democracy crackdown in Burma, Bowie argued that "businesses have obligations to pull out of oppressive countries if there is little hope of reform" (Bowie, 1988, p. 530). After a brief flirtation with Myanmar, many prominent MNCs took note of the military junta's response to the 1990 general election and quickly followed his advice. Both the reasoning and the action are entirely comprehensible. However, in the many years since, Myanmar has been forced by military repression into a form of political stasis that shows few signs of lifting. Today, the problems run so deep that observers with intimate knowledge of the country view it as almost beyond help. "My prognosis is bleak," wrote Myanmar political scientist Kyaw, "unless Western governments and NGOs become involved in helping civil society inside Myanmar to recover" (Kyaw, 2004, p. 85). While arguments for aid from states and NGOs are evidently important parts of the search for new ways forward in Myanmar (Pedersen, 2004), still more critical is the leading role that MNCs can play, possibly in collaboration with NGOs (Santoro, 2003).

The framework within which MNCs should seek to engage with Myanmar is the debate about global CSR and SRI that has emerged in the years since Bowie wrote. MNCs now have commitments not only to negative forms of engagement with developing economies, but also to positive forms. It is this dimension that makes possible exploration of the significant role they could play in solving the intractable Myanmar problem. In addition, by undertaking coordinated engagement founded on shared codes of business conduct, MNCs would be able to make an important contribution to global CSR debates through creation of a much fuller understanding of the core concept than any currently in existence. Moreover, if Asian governments and corporations were to take the lead, which they are well placed to do, they could create a real and substantial Asian alternative to the bankrupt sanctions strategy promoted by the USA and many of its allies.

Major difficulties would remain. If this strategy were adopted, the military junta would not be overthrown. In the short and medium terms, it could even reinforce its position. In the long run, however, collaborative, principled MNC engagement could be expected to have a catalytic and channeling effect on political development, eventually guiding it in a reformist direction. Furthermore, it is necessary to be clear about the alternative. Even if this strategy is not implemented, investment will continue to flow into Myanmar in the years ahead, and the military junta will remain the essential political actor. There is therefore a strong argument for saying that it would be desirable if at least some inward investment could take place on a conditional and constructive basis.

Prominent MNCs should form a powerful coalition and seek to do business on principled terms with Myanmar's rights violating regime. Although implementation of such a strategy is likely to require political mediation, the driving force should come from some of the world's leading corporations. By taking up this proposal, they can both contribute to change in Myanmar, and extend the frontiers of global CSR.

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