Myanmar’s China Threat: How the UN global Compact is changing development in Southeast Asia

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Abstract

In May 2012, UN Secretary General Ban Ki-moon successfully launched the United Nations Global Compact (UNGC) in Myanmar. The initiative was endorsed by fifteen prominent Burmese business leaders who voiced their commitment to uphold the core principles of the Compact. The UNGCs appeal within the Myanmar context is important considering its established reputation as an influential voluntary governance regime. With over 8700 signatories worldwide, the UNGC is a popular initiative for business actors seeking to promote corporate social responsibility; however, the scheme is frequently criticised for elitism and its inability to monitor and enforce the principles upon its members. It has been referred to as a ‘toothless’ mechanism and little more than a sophisticated public relations platform for industry. This paper argues that despite its weakness, the UNGC has the potential to be an effective initiative for promoting ethical business in Myanmar. This paper thus frames the Compact as a transformative governance mechanism that incorporates the language of ethics into corporate and local business practices.

Key Words: Myanmar, UNGC, Development, Governance, Asia, CSR
Introduction

Development and corporate social responsibility are not two concepts/perspectives that come to mind when dealing with Myanmar, a pariah state that has been isolated from mainstream development in Southeast Asia for decades. Beginning in 2011 however, the government made some determined efforts to promote liberal economic and political reforms in an effort to modernise and open itself to the region and the world. Myanmar still remains fragile though and is ranked 21st most dysfunctional state on the Failed State Index (Foreign Policy, 2013). The country suffers from endemic corruption, systematic human rights violations, weak rule of law and infrastructure, combined with a negative business climate (Bissinger 2012). Despite such a bleak investment environment, the Asian Development Bank (ADB) expects Myanmar to experience some of the region’s fastest growth rate in the coming decade (ADB 2012). Activists and analysts alike have now expressed concern for such growth as bringing adverse social and environmental consequences. The easing of sanctions coupled with the so-called ‘scramble for Burma’ atmosphere prompted Human Rights Watch to comment that new investments moving into Myanmar may contribute to rights abuses and undermine any reform (Human Rights Watch, 2012). Still as Kell (personal communication, 2013) notes, there is an urgent need to build markets in Myanmar.

International non-governmental organizations are not alone in demanding greater accountability from would-be investors. Freedom House along with four other rights groups signed an open letter arguing that there is “a direct correlation between foreign investment and human rights abuse in Burma, particularly in the resource-rich ethnic minority areas” (Freedom House, 2012). In mid-2012, the Asean Inter-Parliamentary Myanmar Caucus (AIPMC) raised concerns citing Cambodia’s development struggles as an example of a flooded market that has a limited ability to endorse ethical investment (Mizzima News, 13 July 2012). More recently it has been suggested that greater investment could harm ethnic minorities who are often left out of the business equation (ANC, 2013). As fears mount over the emergence of a new ‘Great Game’ in Myanmar, the government and the local business community have reacted to these concerns (Economist, 2011). And one of the more significant responses to such fears has been the introduction of the United Nations Global Compact (UNGC) in Myanmar.

In May 2012, UN Secretary General Ban Ki-moon successfully launched a local chapter of the UNGC in Myanmar. The initiative was endorsed by fifteen prominent Burmese business leaders who voiced their commitment to uphold the core principles of the Compact. The UNGCs appeal within the Myanmar context is important considering its established reputation as an influential voluntary governance regime. With over 8700 signatories worldwide, the UNGC is a popular initiative for business actors seeking to promote corporate social responsibility; however, the scheme is frequently criticised for elitism and its inability to monitor and enforce the principles upon its members. It has been referred to as a ‘toothless’ mechanism and little more
than a sophisticated public relations platform for industry. Still, Ban Ki-moon called the launch a ‘milestone’ for Myanmar’s commitment to CSR (United Nations, 2012).

This paper asks whether the UNGC has the potential to be an effective initiative for promoting ethical business and human rights in Myanmar. To address this question, we have divided this paper in four sections. First, we provide a general overview of Myanmar’s development process within a human rights context. Second, we draw on ideational arguments and frame the Compact as a transformative mechanism that incorporates the language of human rights and ethics into corporate and local business practices. Third, we present findings based on a series of semi-structured interviews with elite stakeholders that argue the UNGC is an essential mechanism for promoting development in the country. Finally, the paper offers a set of policy recommendations of how foreign investors can implement the UNGC into their business models in Myanmar. The paper concludes that although a local UNGC network has emerged in Myanmar, human rights will likely remain a low priority for business in the foreseeable future. On the other hand, the UNGC in Burma is opening new space for ethical investors. In this sense, the UNGCs long term impact could bring significant human rights gains by shaping the discourse around business and rights in Burma.

**Development in Myanmar**

Myanmar is one of Asia’s poorest countries with a per capita GDP ranging between $800-$1000/annum (World Bank 2013). The average Burmese citizen struggles to establish basic levels of human security with nearly a fifth of population living in extreme poverty on less than $US 1.25/day while 75 percent of the population has no access to electricity (World Bank 2013; UNDP 2012; Holliday 2011a). In 2012, Myanmar ranked 149 out of 186 states on the UN’s Human Development Index and was classified the fifth most corrupt country in the world by Transparency International (UN-MDG 2012; TI 2012). The country’s lack of development coupled with political instability and protracted ethnic conflicts have created a fragile state of insecurity (Howe and Jang 2013).

These development struggles are not new in this context; rather, they are entrenched and have been present since the country’s inception. Nearly five decades of military rule under General Ne Win along with the establishment of a quasi-socialist economy until the late 1980s posed major challenges (David and Holliday 2012). The military regime that took power first operated as the Burma Socialist Party Programme (BSPP) and later renamed the National Unity Party. This party held power for nearly 30 years before losing control to the State Law and Order Restoration Council (SLORC). Myanmar’s democratic transition only began in 2010 with elections which led to the installation of a hybrid-civilian government a year later.

50 years of military rule virtually destroyed the economy and any basic human rights. Pick and Thein (2010) refer to Myanmar’s development model as ‘grabber governmentality’. This can be be defined as “a mode of government in which the state has no limits, and
inscribes itself into private life, the market, civil society and so on, that are dominated and administered at will to further the aims and interests of the ruling elite at the expense of the nation and its people” (p. 275). They argue the former regime deliberately endorsed bad governance decisions coupled with limited development in the pursuit of maintaining power.

Despite such policy, Myanmar continues to attract FDI leading to an overreliance on the natural resource sector (Pick and Thein, 2010). There has been little discussion surrounding human rights in the country’s resource rich areas. With the Burmese ethnic group representing roughly 70 percent, the media has had little incentive to provide information on rights abuses of other ethnic groups. In general, there is a lack of awareness towards environmental degradation and dam development amongst business executives. Meanwhile, endemic rights violations remain widespread despite the country’s dramatic political reforms (AHRC 2012).

Authorities continue to conduct low-level violations such as illegal searches of property and use of arbitrary threats against the public by law enforcement to acquire information. Myanmar’s judiciary has not undergone reform since the day of military rule and questions surrounding its independence and transparency remain. The Asian Human Rights Commission (2012) has reported that the government continues to give direction on what cases should be considered by the court suggesting “legal professionals agree that the judiciary remains compliant and beholden to administrative demands” (p.2). Corruption is endemic and “pervades all aspects of the work of the justice system” (AHRC 2012, p. 3).

For the past three decades, the police in Myanmar have acted as part of the apparatus for enforcing military rule and are generally perceived as the armed reserve of the state (Selth 2012). Yet while they are reforming to reflect the new civilian led government, policing remains weak and the public hold a deep resentment towards its members (AHRC 2012; Selth 2012). Torture continues to be a method of investigation with reports of deaths in custody while the mechanism for filing a complaint against an official is complicated and contentious (AHRC 2012). Child labour is widespread with many coerced into situations of what may be termed modern day slavery (AHRC 2012).

The 2011 Farmland Law has also proved controversial by prioritizing any state interest in land acquisition without judicial recourse. The Asian Legal Resource Center (2012) reported that the military-backed conglomerate Union of Myanmar Economic Holding Limited (UMEHL) has been active in ‘epidemic’ levels of land grabbing (Mizzima News, 7 June 2012). In 2011, a vocal group of protesters brought international attention to the problem after land was seized in the Northwest region of the country to develop a copper mine. A year later, an official report was released suggesting the government compensate those forced off their land for state development purposes. Acting on the report, Prime Minister Thein Sein set up a commission on finding ways to implement such recommendations (Reuters 2012).
Historically, Myanmar’s human rights situation has been fragile. Human Rights Watch (2009) has frequently cited examples of arbitrary arrests, political prisoners and child soldiers. They accused the military of attacking civilians and fuelling ethnic conflict in the north of the country. In 2010, Amnesty International also accused the junta of similar violations and argued that “The authorities continued to target ethnic minority activists involved in various forms of resistance to government policies, practices, and project” (Amnesty 2010).

Myanmar’s rights record had also led many governments in the West to apply sanctions against the regime. For example in 2003, the United States introduced sanctions: the Burmese Freedom and Democracy Act of 2003 (BFDA) was designed to target the finances of the regimes rulers through a series of restrictions on the importation and exportation of goods to the US market along with investment in the country (US Treasury 2008). Others such as Canada, Japan and the EU followed suit while the United Kingdom government instructed its corporations to not do business with the regime.

As sanctions have eased since Myanmar’s democratization process, there is a vibrant debate on whether the country’s former rulers can be held accountable for their past offences. David and Holliday (2012) have considered the implications of introducing an international tribunal to explore past crimes. However, they suggest that such a commission could undermine the purpose of sanctions in the first place (David and Holliday 2012, p. 122). Their study also argues that a significant grouping of prominent Burma scholars consider the lifting of sanctions as only having a marginal utility within the context of international justice. Still, the dramatic changes in the country’s governance model have opened new space for human rights.

Since 2011, Burmese citizens have started to experience some liberal economic and political freedom. The easing of restrictions on media has the potential to bring substantial change to the rights discourse. The government has also established a human rights commission although it has been accused of being little more than a toothless office that acts as an extension of government (de Lang 2012). Still, the Myanmar National Human Rights Commission (MNHRC) was created in 2011 “with a view to promoting and safeguarding fundamental rights of citizens described in the Constitution of the Republic of the Union of Myanmar” (p. 2). While the MNHRC faces many hurdles, it has opened a space for greater awareness towards rights and the UN human rights mechanisms (de Lang 2012). Even with new freedoms, violent crackdowns on illegal protests and government propaganda continue. The human rights situation remains uncertain and time will tell if the government is serious about improving human security.
Foreign Business Actors in Myanmar

The main investors in Burma are China, Hong Kong, South Korea and Thailand (Bissinger 2012). Western investment is still noticeably absent but this is set to change. On what has been referred to as a type of ‘gold rush’, hundreds of Western multinational enterprises are considering how they may best enter Asia’s newest emerging economy (Forbes 2013; Guardian 2012). Western energy firms are among the most eager to enter the market. The government has announced exploration licenses for foreign firms so long as they enter a joint-venture partnership with a Burmese company. The country’s new foreign investment law (FIL) has also proved valuable with foreign direct investment (FDI) in the manufacturing sector is on pace to double in 2013 from the previous year while FDI in the tourism and telecom sectors is set to surge (Myanmar Times 2013). According to Chen, Murphy and Murphy (2012), the FIL gives foreign investors greater protection and more opportunities including:

- Basic "guarantees" against nationalization and arbitrary state action: "that a business formed under the permit shall not be nationalized"; that the government will not "suspend any investment business carried out under the permit ... before the expiry of the permitted term without any sufficient cause"; and that invested foreign capital may be remitted in the same currency upon expiry of the term of the investment contract.9
- Provisions for the repatriation of profits and invested funds on an ongoing basis, subject to payment of taxes and creditors.10
- Long-term leases for permitted foreign or joint venture companies with terms of up to 50 years extendable twice for further 10-year periods (i.e., to a maximum of 70 years).11
- Enforcement of the "dispute settlement mechanism" in joint venture and investment agreements.

(Mondaq Online 2012).

Such protection legal protection has raised the confidence of investors. Since the law was institute, the Myanmar Investment Commission has reported that food processing and the garment sector alone have received over $400 million. Still, the bulk share of total FDI originates from China, Hong Kong, Japan and Singapore. Even with greater confidence from Asian investors, Myanmar still has its hopes set on tapping into the lucrative US and EU markets (Myanmar Times 2012).

Myanmar’s weak rule of law and endemic corruption has raised concerns within the Western investment community. The country’s banking sector has been deemed dysfunctional while a lack of infrastructure development has investors concerned over rising costs and productivity (Bloomberg 2013; Hanlon and Christie 2012). Still, Bissinger (2012) notes that most FDI that has entered the economy has not translated directly into significant employment growth even with large scale investments from in the extractive sector. Extractives account for 68 percent of total foreign investment with China serving as the country’s top investor (Bissinger 2012).

China’s influence in Burma is contentious. Interviewees throughout this study commented on the deep distrust towards China’s State-Owned-Enterprises (SOE). Many felt that Chinese FDI did not benefit the average Burmese citizen. Instead they helped a small group of elite officials and the management of the SOE. Sun (2013) found similar results noting that many Burmese hold hostile perceptions towards Chinese investment based on allegations of
corruption and pollution. This has driven Myanmar’s business community to seek joint ventures with other investors such as Hong Kong companies (p. 59).

China’s relationship with Myanmar is extensive and dynamic (Kulczuga 2013). As Cook (2012) notes, ethnic Chinese in Myanmar used to be called *pauk phaw* (brothers) and the relationship between the two has developed out of strategic necessity in terms of both development and security (Cook 2012; Karthick 2012). China’s growing energy needs and ‘two-ocean nation’ strategy has been critical in widening Beijing’s interest (Karthick 2012). As Cook (2012) and Holliday (2011a; 2011b) note, China has become a low-level interventionist state in Myanmar due to its reliance on diplomacy and lobbying at the non-state level although the relationship is anything but cohesive.

However, hostility towards Chinese investment is growing with recent examples such as Naypyidaw resistance to the Myitsone Dam project which was seen as a “major policy reorientation” (Kulczuga 2013). Other projects have been stalled including a rail link between Burma and Yunnan. The Burmese lost confidence in the China’s ability to develop the Yangon-Naypyidaw high speed railway after the Wenzhou train collision in 2011 (Sun 2012). Indeed, Myanmar is exploring other options. As Kulczuga (2013) notes:

> One problem China faces is that while it has poured billions of dollars into investment projects in Burma, it has failed to maximize goodwill through the exercise of soft power. The Chinese bring their own laborers and resources, and don’t use local companies. Because they keep themselves isolated from the local culture, they fail to provide many of the ancillary benefits host nations have come to expect from foreign developers. This “insensitivity” is a large reason why the Burmese as a whole are orienting themselves toward the West, and America in particular, and away from Beijing. Young people in Burma today are more interested in learning English than Chinese.

(p. 37).

The Myanmar state is interested in diversifying its trade relationships. Western investors bring significant added-value that China is unable to capitalize on especially with regards to the level of technology (Sun 2012). Myanmar’s leaders are aware of the US-China rivalry and are set to capitalize on it. As Kulczuga (2013), Obama visit to Burma was about the containment of China, rather than the opening up of Burma. Still, the liberalization process in Burma is expected to change the country dramatically as Fuller (*cited in* Wang 2012) notes that “foreign investments will bring earth-shaking changes to Myanmar’s extractive industries, especially natural gas and oil, deforestation, and mining, as well as the land resources and forest resources in the near future” (p. 230). Certainly, indicators suggest that Burma is set to become one of Asia’s fastest growing economies (Bloomberg 2012).

Still, Myanmar faces immense development challenges especially in the areas of labour and the environment. Sovacool (2012) notes that resource industries such as logging, fishing and prospecting will be increasing on the rise with calls for sustainable development becoming ever more critical. The private sector’s endorsement of the UNGC signals a shift in thinking on what type of investment Burmese people consider appropriate. The government has even called on a national minimum wage to ensure Burmese citizens perceive the reform period in a positive light (Kulczuga 2013).
Politically endorsed sustainable development and corporate social responsibility not only places the onus of responsible development on the investor, it signals that the government is serious towards the wellbeing of the community. Furthermore, it sends a clear message to Myanmar’s current investors that it expects certain levels of social responsibility. Pledging support for the UNGC can essentially act as a barrier to companies that do not incorporate its principles into its business model.

We argue that the launch of the UNGC in Myanmar is little more than a signal to the international community that local entrepreneurs are looking to diversify their investment portfolio. Interviewees throughout this study have suggested they signed the compact to counter what they see as negative influence of China and other Asian investors. CSR is slowly emerging as a key theme of doing business in Myanmar’s reform period. Myanmar’s contentious relationship with China is driving the private sector to endorse voluntary global governance mechanisms such as the UN Global Compact.

The UNGC Regime

The United Nations Global Compact (UNGC) is founded on the idea of business-society relationship that injects political, economic and institutional discourse into the consciousness of business (Kell 2012, p. 34). It can be described as a global policy network that endorses a set of ten principles that center around human rights, labour standards, the environment and anti-corruption (See Table 1.1). Baylis, Smith and Owens (2008) define a global policy network as “complexes which bring together the representatives of governments, international organizations, NGOs, and the corporate sector for the formulation and implementation of global public policy” (p. 565).

Table 1.1: United Nations Global Compact: 10 Principles

| Principle 1 | Businesses should support and respect the protection of internationally proclaimed human rights; and |
| Principle 2 | make sure that they are not complicit in human rights abuses. |
| Principle 3 | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; |
| Principle 4 | the elimination of all forms of forced and compulsory labour; |
| Principle 5 | the effective abolition of child labour; and |
| Principle 6 | the elimination of discrimination in respect of employment and occupation. |
| Principle 7 | Businesses should support a precautionary approach to environmental challenges; |
| Principle 8 | undertake initiatives to promote greater environmental responsibility; and |
| Principle 9 | encourage the development and diffusion of environmentally friendly technologies. |
| Principle 10 | Businesses should work against corruption in all its forms, including extortion and bribery. |

Source: UNGC 2013
According to Blowfield and Murray (2008), the UNGC can be understood as a set of voluntary guidelines as opposed to a regulated code of conduct. Second, the Compact does not replace governmental regulation. Third, the UNGC endorses a shared set of universal claims of justice and rights. Finally, the Compact is considered a partnership between various stakeholders looking to develop greater awareness around issues of social responsibility. Based on Blowfield and Murray’s description, the UNGC can be considered a voluntary global governance regime.

Baylis, Smith and Owens (2008) define global governance as “The loose framework of global regulation, both institutional and normative, that constrains conduct. It has many elements; international organizations and frameworks; elements of global civil society; and shared normative principles” (p.565). And McGrew (2008) notes that global governance mechanisms are complex while bringing together diverse stakeholders under a common purpose. A challenge that global governance seeks to address is bringing accountability to actors. Private actors are becoming more influential in the field of private global governance. Private global governance “involves the relocation of authority from states and multilateral bodies to non-governmental organizations and private agencies” (McGrew 2008, p. 27).

The UNGC also seeks to mobilize a vast global policy network. The compact is not meant to solve the challenges of capitalism or any other economic system for that matter; instead it is meant to raise awareness social awareness within the business community especially towards concerning values endorsed by the UN (Kell and Levin 2003). Rasche et al. (2012) define the compact “as a public and private, global and local, as well as voluntary initiative” (p. 11). Still, power inequalities within global policy networks exist (McGrew 2008). The UNGC has been criticized for giving too much attention to the interests of transnational corporations. Power imbalances between non-business participants and industry are seen as difficult to overcome (Fritsch 2008).

As the UNGCs executive director Georg Kell (2012) notes, the United Nations (UN) recognition of multinational corporations (MNC) as significant actors within the sphere of international relations signals a fundamental shift in thinking at the UN. No longer is the intergovernmental organization reserved for nation-states; rather, the institution now regularly consults non-state actors such as MNCs and non-governmental organizations on issues ranging from economic trade to global conflict. This change has been primarily brought on by globalization and has pressured the intergovernmental body to consider how non-state actors influence the international landscape.

Kofi Annan recognized this transformation early on and introduced the idea of a Global Compact in a keynote address at the World Economic Forum. Annan’s vision aimed to improve trust between the UN and business community while aligning UN issues with the emerging corporate social responsibility (CSR) movement (Rasche and Kell, 2010). Annan challenged the business community noting
Many of you are big investors, employers and producers in dozens of different countries across the world. That power brings with it great opportunities — and great responsibilities. You can uphold human rights and decent labour and environmental standards directly, by your own conduct of your own business. Indeed, you can use these universal values as the cement binding together your global corporations, since they are values people all over the world will recognise as their own. You can make sure that in your own corporate practices you uphold and respect human rights; and that you are not yourselves complicit in human rights abuses.

(UNEP n.d., p. 15).

Annan’s attempted to communicate the UN’s mandate in the hopes of shoring up support from the American business community (Kell 2012). The speech was risky since it raised the issue of how the IGO would tackle globalization. It also highlighted the need for nonfinancial issues such as human rights and the environment to be considered a part of the business agenda. Moreover, it was introduced without the consultation of its member states. Initially, countries from the developing world were skeptical and feared the Compact would create trade barriers.

Today, virtually all governments see the UNGC as a tool to mobilizing the private sector. In OECD states, the UNGC is seen as a positive mechanism for addressing the backlash of trade liberalization. It represents the emerging trend towards institutionalized CSR (Vogel, 2008, 2010; Waddock, 2008). Governments now take a proactive lead in developing and promoting the UNGC. Business participants have grown roughly 50 percent since its inception. As of October 2012, the UNGC had 7,000 businesses based in 145 countries, while by January 2011 roughly 2,048 companies had been expelled for non-compliance (Kell, 2012).

Corporate social responsibility (CSR) has become increasingly important since it seeks to address a major challenge of globalization: global governance without global governments (Blowfield and Murray 2008; Stiglitz 2002). It has been referred to as an effort to contain the downside of neoliberal economics (Hanlon 2011; Ruggie 2003). CSR not only focuses on the profit maximizing; rather it incorporates social and environmental themes into the discourse of business. The Corporate Social Responsibility Initiative at Harvard defines CSR as “Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm” (CSRI Online 2013).

Post (2012) cites three periods that contributed to the emergence of contemporary CSR. The first period is what he calls the resistance era (1940-1970). This period was marked by spectacular scandals that brought the world’s attention to how the private sector behaves especially in the developing world. For example, firms that conducted business in South Africa raised serious questions towards the relationship between business and society. Greater calls for accountability and transparency were raised along with demands for greater responsibility in a firm’s sphere of influence. The second period refers to the responsive era (1984-1990). Scandals involving sweet shops and the chemical industry including the Bhopal disaster led to greater calls for action. Industry could no longer sit on the fence and had to take proactive measures to ensure that firms kept their social licence to operate. The final period is the engagement era (2000-present). This period is marked by greater interaction between the
business community and civil society. This is the era of the UNGC, where transnational business actors are expected to be a part of the solution.

Historically, the UN has struggled to partner with the private sector on account of years of mistrust between each side (Tesner, 2000). Early attempts by the UN to address the issue of MNCs were challenging. For example, the UN’s Centre on Transnational Corporations was an early attempt at bridging the gap between the UN and business only to be abolished in 1993. The UN Global Compact helped to overcome mutual distrust between the UN and the private sector (Sagafi-nejad, 2008; Teller, 2007). It has legitimized CSR globally (Rasche et al. 2012) and the UNGC provides institutionalized space for local actors to engage in multi-stakeholder dialogue (Gilbert and Behman 2012; Kell, 2012; Rasche et al. 2012; Barkemeyer, 2009; Leisinger, 2008). To some extent it works because it offers an idea diverse enough to be endorsed by the private sector, has strong and effective leadership while continuously striving to find ways of operationalizing the principles (Kell 2012).

The UNGC and Myanmar

This paper argues that the power of ideas will influence industry and political elites in Myanmar to consider CSR as an important business strategy. We propose that basic arguments for endorsements of social responsibility will spread within the business community. If further suggests that by positioning the domestic private sector as a responsible investment community, Myanmar will be able to leverage itself as a progressive and stable FDI destination. Moreover, we posit that although the UN Global Compact is a voluntary and relatively new initiative in Burma, it has significant potential for shaping the direction of Myanmar’s business discourse. Despite the impact of the UNGC being minimal in the initial stages, we argue the long term impact of the Compact has potential for becoming a meaningful mechanism for building trust amongst diverse stakeholders. This trust will be a critical step in developing an investment climate around social responsibility.

As Gilbert and Behman (2012) have argued, the theme of ‘trust’ is central to the UNGC. Supporting the UNGC can lead to the advocacy of business ethics, the promotion of codes of conduct, knowledge sharing and CSR capacity building (Witte and Reinicke 2005, p. X). It also allows participants to promote free markets through an ethical framework that does not simply view profit as the only function of business. When Kofi Annan laid out his vision for the UNGC, Waddock (2013) noted that “Annan’s speech made an immediate impact on the executives in attendance in part because they were already attuned to the criticisms of globalization that their companies faced and were open to doing something constructive about those criticisms” (p. 52). The Compact moved beyond an ideology of maximizing profits and provided perspective on the social and environmental impact of business (Smurthwaite 2008).
With the majority of MNCs originating in Europe and the US, greater scrutiny was given to the impact of corporations in the context of development with some suggesting they could play a positive role (Sagafi-Nejad, 2008). As Lederach (2008) notes, the business community can take on leadership roles in investment and peacebuilding and suggests industry has unique access to leaders, holds special skills at mediating and building trust, brings together diverse groups of stakeholders and understands how to find solutions in conflict situations. For Lederach, business actors can serve as instruments of justice. The question we raise in this research is whether the UNGC can serve as a mechanism for justice in Myanmar within the context of corporate social responsibility.

As Rashe et al. (2012) notes, there has been little written on UNGC networks in Asia. We selected Myanmar as our case study for three reasons. First, there has been a sharp rise in foreign business activity in the country since social and economic reforms. We are interested in understanding how this investment is impacting the country. While all the interviewees noted the challenge of increased FDI, many held different perceptions as to what impact the inflow was having on development. For example, while several managing directors noted that FDI was changing the way Burmese entrepreneurs think about growth opportunity, one consultant noted that the impact was almost unnoticeable outside any major urban centres. A second reason is that it is widely considered one of Southeast Asia’s last investment destinations; Myanmar is playing catch-up with the region. Again, we are concerned with how development will proceed especially in the context of the government’s recent reforms. There are serious questions being raised whether an increase in Myanmar’s FDI will have a trickledown effect and improve the livelihood of the majority. Finally, the launch of the UN Global Compact in Myanmar in May 2012 was met with much fanfare and yet uncertainty remains on whether the Compact can contribute to any meaningful dialogue around CSR. We therefore set out to understand how relevant the Compact is in Myanmar within the context of the state’s changing political and socio-economic environment.

Findings

Through local policy networks, the Compact has potential to becoming a meaningful voluntary governance mechanism. To test this, we employed a qualitative research methodology that drew on an extensive literature review. We also conducted a series of semi-structured elite interviewees. The interviewees include three original signatories of the UNGC in Myanmar, two senior UN officials involved with implementing the UNGC in Myanmar, one consultant based between Bangkok and Yangon, one high profile Burmese activist living and a former political leader living in exile. Informants were contacted via email while interviews were carried out on Skype or phone. Two respondents preferred to answer the set questions through email response.
Informants were selected based on their expertise and familiarity with development and the launch of the UNGC in Myanmar. We must, however, acknowledge that there are many other stakeholders involved in shaping Myanmar’s economy that we have not interviewed. It is therefore plausible that a new set of results could emerge if other informants were consulted. At no time do we claim that this is a representative study of the Burmese business community. Still, our informants are well positioned to speak to the subject. The majority of our interviewees, including the Executive Director of the UNGC, have been personally involved in the Compact’s launch in the country. We are therefore confident that these findings can offer valuable insight into the process of market building in Myanmar.

We first asked participants what drives the CSR dialogue in Myanmar. As was pointed out by several interviewees, business ethics in Myanmar have traditionally revolved around how the family company sees the relationship between business and society. For example, one managing director of an original signatory company noted, “Employers usually take care of employees’ social activities as well. As a Buddhist, I also believe we have to share back what we earn from the society and environment. CSR dialogue is a kind of what we have been doing for the whole life and could be a more structured and organized way of helping society and environment” (M4).

According to another signatory, CSR is a new concept in the country and really only emerged after Cyclone Nargis. The tragedy made Burmese think about communities outside their immediate neighbourhood. The rural destruction motivated the private sector into action by providing donations and aid to help victims cope with the tragedy (M1; M3)\(^2\). Another driver of CSR in Myanmar is the changing landscape of investors. Several interviewees argued that since foreigners want CSR, Myanmar needs to adapt if it is to secure new investment. (M3). A changing business environment has emerged since reforms began with the emergence of start-ups. The business community is young and growing (M1).

Business is the driving force even behind UNGC in Myanmar (M2). While many interviewees argued this was a local initiative, others have suggested it is politically driven and is an effort to secure the Generalized System of Preference (GSP) for local companies to access the US market. Still, Myanmar companies have CSR programs especially those in the extractive industries, and planting trees. Some companies are even running full page adds in Myanmar Times (M3). According to one interviewee, “For a signatory, we have committed ourselves to be more socially responsible business entity. As for the country, other biz (sic) will follow this noble attitude that will be leading to a better world” (M4).

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\(^2\) Interviewees are coded throughout this paper to inform the reader how each informant responded to the research question. To show this, M1 signals ‘Myanmar 1’, or interview one. See Appendix for full-list of interviewees.
When then asked a follow-up question of whether the business community was concerned about public perception should a firm be unable to commit to the Compact’s principles. However, most showed little fear. One interviewee argues NGOs and journalists where seen as assisting the legitimation of the UNGC if a company could not implement the principles by showing the severity of Myanmar’s development situation. Still, there is much confusion by stakeholders on what the UNGC requires and hopes to accomplish (M1). Kell stressed the importance of closing this gap (M8). As a result, foreign companies are finding consultants to advise them on due diligence, reputation of JVs, financial standing of JVs (M3).

A second question asked was asked what benefits a signatory could expect for participating in the initiative. Respondents gave many reasons for joining the compact. This is not surprising, as reasons for joining include peer pressure, motivation for financial return, improving corporate images, and ethical reasons (Waddock, Mirvis, and Ryu, 2008; Cetindamar and Husoy, 2007). According to one participant, signing the UNGC allows his company to make a personal commitment and reflect on moving towards more ethical business practices while offering guidance on how to treat employees.

A public statement of support for the UNGC not only shows a commitment to CSR but also signals to potential clients, the corporate values they are expected to hold should they enter into future partnerships (M1). According to another interviewee, the UNGC raises the level of CSR in the country and can bring increased expectations to future partners and agencies (M2). One signatory noted that signing the UNGC was an opportunity to meet Secretary General Ban Ki-moon and learn more about the UN’s work but went on to suggest signing the UNGC is an important personal promise; a self-commitment to sustainability and CSR (M2). Even the Burmese military conglomerate Union of Myanmar Economic Holdings (UMEHL) is considering the implications of the UNGC (M3).

But there are more concrete examples. According to one UN official who works on the Myanmar portfolio, the UNGC can provide business with new opportunities to learn pragmatic implementation skills involving corporate sustainability. He went on to note that the UNGC can develop:

- An association with the UN, the universality of the UNGC principles
- Opportunities to network on a national, regional and global level with like-minded businesses.
- The vast learning platform on sustainability challenges and solutions.
- An opportunity to engage in collective action.
- An opportunity to enter into partnership projects with the UN and its agencies
- Access to practical resources and cutting-edge guidance on relevant sustainability issues.

Signatories are expected to form a Global Compact Local Network (GCLN) which is set to help them liaise with New York and develop expert knowledge (M5). As Kell (personal communication, 2013) notes, the UNGC can offer an important platform for companies looking to minimize risk and improve credibility (M8).
A third question asked how to describe business risk in Myanmar with regards to the new political climate. According to one interviewee, corruption remains the biggest challenge facing development in Myanmar. He noted that it remains a part of everyday life and that he had seriously considered not signing the UNGC on the account that it would impossible to follow the Compacts anti-corruption provisions (M1).

While each participant claimed that all business is risky, there was still a general consensus that business risk superseded political risk in the country. Although cronies are still the richest and most powerful in Burma, the country is stable (M3). According to one consultant, the thought of a return to military rule is misguided, arguing that there is too much to gain for the former regime by reversing the recent trends and reforms, citing significant financial benefits for the military. He felt that this commitment would ultimately lead Myanmar towards greater stability similar to Thailand and Vietnam (M3).

The fourth question asked how respondents would describe the government’s commitment to CSR and if it can have a meaningful impact in the country. One interviewee argued that Myanmar’s top-down political climate has yet to buy-into the CSR discourse. He felt that political endorsement of the UNGC principles would be a major boost for CSR suggesting “We need a global compact from government” (M1). The new government is trying to hit the reset button on many of policies of the past but the priority continues to be political stability (M1).

One interviewee argued the government would continue to slowly privatize key industries but CSR will not likely emerge as an important political issue until after the 2015 election. Until then, business will continue to be the key driver of CSR and sustainability which is challenging. He went on to note that industry would struggle without clear political encouragement (M1). Indeed, a commitment from government is always important (M2), still while the government has a clear commitment to CSR, the general consensus is that they have more pressing issues to deal with before they can prioritize CSR.

Finally, participants were asked what implications foreign investment could have on Myanmar’s development and how Asian investors (especially China) could compete compared to their Western counterparts. According to one interviewee, there is a feeling that foreign companies are not following the same rules in Myanmar as they are at home. Companies only send people to work in the country that understand how to leverage influence and generate profits using questionable business practices. In other words, foreign firms are sending management teams that have learned how to operate in emerging business environments with many of these strategies that are counter to the UNGC principles (M1). While MNCs can contribute positive spillover effects which are defined as “external benefits brought to the host country through inward FDI and the associated presents of foreign MNEs” (Rugman and Doh
p.18), yet many noted, ordinary citizens are not experiencing benefits of FDI. According to one consultant, ‘Boom is just in the newspapers’. Outside cities, all is the same as before (M3)

The perception is that China does not care while at least Western investors have an understanding and respect for the rule of law (M2). FDI has a positive impact but FDI from China has been centrally placed around heavy infrastructure investment and is often associated with government favours (M1). Tension with Chinese companies has been on the rise and local start-ups are looking for more partners with the West (M3). As one interviewee noted, “We felt we were being exploited by unethical investors, not only China but also some Asean members and neighbors, who mainly took away all our natural resources and left nothing in terms of human capacity, technology, employment etc”. He went on to say “Hopefully, with more competitors from all over the world, we are able to select qualified, ethical, socially responsible investors who bring win-win strategy for Myanmar” (M4).

Still, China is transforming itself and is contacting Burmese companies and communicating that they are changing their old policies of aligning with the regime. According to several interviewees, Chinese investors are focusing on people to people transactions and are trying to position themselves as committed to helping communities by building hospitals and schools. Prior to reform the government was the central influencing authority over how Chinese business investors engaged the community. Many would donate funding to government supported NGOs. Today, China’s investors are reaching out directly to local business leaders in trying to understand how best to promote local development (M1). As Kell (personal communication 2013) notes, China is going global and seeks to build trust, engage communities and localize business operations. Successful market building is not discriminatory and China is learning how to best leverage its interests.

Conclusion

Myanmar has emerged from decades of developmental isolation into a new context in a world region that has defined for many the economic concepts of globalization. In the 1990’s East Asia and Southeast Asia were at the forefront of an economic miracle according to the World Bank. By the end of that decade this miracle had dissipated and collapsed leaving insecurity and hardship as the region realised it was subject to the vagaries of capitalism like anywhere else. In many ways Myanmar was immune to the miracle and in part the collapse that followed. The region’s fortunes have been revived recently and now the former pariah state has
emerged to hopefully benefit from this revival. In political and economic liberalization, it seeks to carve out a new niche in the economic dynamism of the region.

Concomitantly, this also involves certain political and social structures that might at first glance prove difficult. These include ethical investment and business, human rights and corporate social responsibility, in a society where these views are almost alien.

The analysis used ideation arguments broadly applied to explain that norms, ideas and institutions are crucial elements in the thematic relationship between Myanmar and the United Nations via the lens of the UN Global Compact (UNGC). This entails a business-societal relationship that claims a political mandate over the business sector. The UNGC operates as a networked agency that tries to frame business around basic normative principals such as human rights, labour standards and anti-corruption among others.

We conclude several things. The first is that the power of ideas vis-à-vis the UNGC is a positive and powerful force which can have an important impact in shaping business to work as a mechanism for back-door diplomacy and forge pathways to peace. However this must be tempered by the context and Myanmar is still an incredibly fragile state with a weak infrastructure that needs fixing.

Secondly it seems likely that hybrid-liberal peace investments will continue to be influenced more by Asia than by the West. Even with the launch of the UNGC, Myanmar will continue to rely heavily on its Asian neighbours especially China and Japan. Without a UNGC buy-in from Asian investors it is unlikely that the voluntary governance regime will have any meaningful impact. As was pointed out by several interviewees, Myanmar is actively trying to gain access to the US market while diversify its investment portfolio by courting Western investors. Supporting the UNGC can help leverage Myanmar’s reputation in a positive light if it can show it is serious about human development.

Finally the UNGC needs to deal with issues of vagueness as to its purpose and formulation and its serious lack of accountability and successful implantation in the areas it works. There is extensive confusion and understanding of what the UNGC signals amongst some of the signatories while CSR continues to be a weak concept in the country. Without a concerted effort to build a vibrant local UNGC network, CSR will never capture the imagination of local entrepreneurs and human rights will remain a low priority for business. All of these processes are still to a large extent in their infancy and the growing pains will likely get worse before they get better.
Appendix 1

1M: CEO (2012), Original Signatory of UNGC Myanmar, Interview conducted via Skype.
2M: CEO (2012). Original Signatory of UNGC Myanmar, Interview conducted via phone
3M: Director/Consultant. (2012). Bangkok-based CSR consultant to MNCs entering Myanmar, Interview conducted via Skype and Phone
4M: Managing Director. (2012). Original Signatory of UNGC Myanmar, Interview questions sent via email
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