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# Creating genuine shared values in industrial clusters: The contribution of the human rights approach

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Supervisor: Professor Elisa Giuliani

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**DR JÖRG MEYER-STAMER-SCHOLARSHIP RESEARCH PAPER SERIES**

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Title: Creating genuine shared values in industrial clusters: The contribution of the human rights approach

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## **Abstract**

The evidence of 'low road' clusters is extensive, but there has been a growing body of scholarly research aimed at understanding whether and how industrial cluster firms manage to escape a 'low road' trap and conduct business in a manner that is less likely to infringe on the rights of local communities and workers. So far, the Creating Shared Value (CSV) approach has rapidly become very prominent among managers, as it is claimed to be a win-win strategy for the firms and society. This paper discusses the intricacies of the CSV approach in the light of a set of original case studies of industrial clusters in Asia and Latin America: the lack of direct focus on 'doing no harm', the risk of window-dressing and the lack of a clear benchmark of what is considered lawful and ethical. On these grounds, we contend that cherry picking of CSV initiatives does not help clusters to solve socio-environmental problems per se, and we consider the problem of a relativistic interpretation of what is lawful and ethical to be deserving of more careful attention. We propose an alternative to the CSV approach, which we call *genuine* CSV, by drawing on research on business and human rights. We propose a 3-step agenda to facilitate the actual implementation of a *genuine* CSV approach in industrial clusters as follows: create awareness of business and human rights; undertake human rights due diligence at cluster level; and engage in multi-stakeholder initiatives.

**Keywords:** Industrial Clusters, Creating Shared Values (CSV), Human Rights

*Clara was born in the mining cluster of Cerro de Pasco, a city that claims to be the highest in the world at 4,300 meters above sea level. She led what is considered to be a normal life in the highlands of Peru for nearly twenty years. She went to primary school and then she started to help her mother in the family shop.*

*When Clara was 19 she married Hector. Her family was happy because Hector was a miner, and in Cerro de Pasco everyone knew that miners worked hard and earned good salaries.*

*Soon after the wedding they had their honeymoon, during which they spent one week in the house of a parent in Lima. It was the first time that Clara had seen the ocean. They returned to Cerro de Pasco in love and with plenty of good plans for the future.*

*However, when they decided to start a family, their lives changed abruptly. Clara had two miscarriages in 12 months. Her relationship with Hector started to deteriorate, because, according to the rural macho-oriented Latin American society, a woman must be able to produce a child for her man. People in the village, including her own family, started to see Clara as a bad wife.*

*However, Clara soon realized that miscarriages were quite common among women in Cerro de Pasco, and she then joined a clandestine group that met once a week to share their stories. Some people in the group claimed that the high incidence of miscarriages in the town (between three and six times higher than the national average) was due to the pollution caused by the mine. At that time, Clara did not believe this explanation to be true, and continued to try to become a mother. In fact, when she reached the age of 22, she did finally manage to give birth to a beautiful baby, which they named Esperanza. Both families were happy and peace returned to Clara and Hector's lives.*

*Esperanza grew rapidly, but as she grew up it became evident that she suffered from severe coordination problems, for which Clara was blamed as a bad mother.*

*No one in the mining town was able to understand why Esperanza was unable to coordinate her movements and walk, grip objects or clap her tiny hands. So Clara and Esperanza were sent to Lima. It was the second time that Clara saw the ocean.*

*The diagnosis was clear: cerebral atrophy, a disease that normally prevents children from reaching the age of ten years. Cerebral atrophy normally affects one child in more than a million, and Esperanza was the ninth case in Cerro de Pasco (80,000 inhabitants) in one year. In Esperanza's blood doctors found 111 µg/dl of lead and other pollutants. Clara had similar levels. The correlation was clear: Esperanza and Clara had both been poisoned by mining waste, which largely affected Esperanza. Doctors informed Clara that there was a real epidemic of pollution-related illnesses in Cerro de Pasco. Congenital malformations were 15 times higher than the normal ratio, cancers were 4-6 times higher and cerebral atrophy was more than 10,000 higher.*

*The bad mother was not Clara but the mining cluster itself.*

*(Source: Flaviano Bianchini, own research)*

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## 1. Introduction

Abuses of the right to health of communities living in close proximity to industrial clusters<sup>1</sup> such as Cerro de Pasco are unfortunately not uncommon. Anecdotal and case-study evidence from all over the world shows how industrial activities taking place in clusters or other production sites can produce significant negative externalities caused by their contamination. Recently Liu (2010) reported on numerous cases of ‘cancer villages’ in China, which are characterized by a higher-than-average incidence of different types of cancers – often due to these villages being close to industrial sites or to rivers into which these sites discharge toxic waste (on environmental contamination in clusters, see also Hamann et al., 2014; Puppim de Oliveira and Jabbour, 2014; Nadvi and Yoon, 2012; Kennedy, 1999). In other cases, cluster activities involve the use of land or the extraction of natural resources that cause the forceful and undue displacement of indigenous communities, which are deprived of their right to land. Furthermore, there is evidence of clusters where employees are not guaranteed decent working conditions and violations of labour rights (e.g. child labour, infringement of the right to minimum wage and gender discrimination in the workplace work, among others) (Jamali et al., 2014; Mezzadri, 2014; Carswell and De Neve, 2013; Lund-Thomsen, 2013; De Neve, 2012; Lund-Thomsen and Nadvi, 2010; Taylor, 2011; De Neve, 2009). Giuliani (2014) defines clusters where the business sector systematically infringes on different local stakeholders’ human rights as ‘low road’ clusters, and she claims that these clusters are often located in countries characterized by a weak rule of law, absence of civil society activism and limited exposure to external market pressures.

However, while evidence of ‘low road’ clusters is extensive, there has been a growing body of scholarly research aimed at understanding whether and how industrial cluster firms manage escape a ‘low road’ trap and conduct business in a manner that is less likely to infringe on the rights of local communities and workers. Evidence shows that firms in some clusters have started to adopt international codes of conduct and other Corporate Social Responsibility (CSR) initiatives to comply with the requirements of multinational enterprises (MNEs) and global buyers interested in sourcing from suppliers located in clusters (e.g. Lund-Thomsen and Pillay, 2012; Lund-Thomsen et al., 2012; Lund-Thomsen and Nadvi, 2010). While the effectiveness of these initiatives is still under scrutiny (Egels-Zandén, 2014), another important approach, which claims to be an alternative to conventional CSR, came to the forefront: Porter and Kramer’s (2011) ‘creating shared value’ (CSV). CSV is defined as “policies and operating practices that enhance competitiveness of a company while

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<sup>1</sup> Industrial clusters are defined here as geographic agglomerations of economic activities that operate in the same or interconnected activities. This definition both differs from and overlaps with the numerous terms adopted in the literature to analyse similar economic phenomena (for an overview of definitions of industrial clusters, see Giuliani, 2005)

simultaneously advancing the economic and social conditions in the communities in which it operates” (Porter and Kramer, 2011: p. 66). It soon became very influential among managers, as it claims to be a win-win strategy for the firms and society.

CSV stands in stark contrast to the ‘shareholder value maximization’ view, which takes the view that firms create value for society by being profitable, by generating employment opportunities, as well as by paying taxes that governments can also use to solve market failures, such as negative externalities (Sundaram and Inkpen, 2004; Jensen, 2002; Friedman, 1970). According to Porter and Kramer (2011: p.66), the ‘shareholder value maximization’ conception of business is an outdated one, since it is based on a type of competition where “the communities in which companies operate perceive little benefit even as profits rise. Instead, they perceive that profits come at their expense”. The CSV approach – generating social good while contemporaneously maximising business profits – is promoted as an alternative to that model, and it soon came to appeal to the business sector as well as policy makers.

CSV has also attracted policy makers interested in promoting the competitiveness of industrial clusters, which are the focus of this article. Emphasis on industrial clusters is justified by the fact that most production activities are spatially and industrially clustered (Marshall, 1920), and clusters have long been considered as one of the key engines of countries’ industrialization and competitiveness (Altenburg and Meyer-Stamer, 1999; Porter, 1998). Given this relevance, adoption by firms in a cluster of a CSV approach appears indispensable and timely. However, as the proponents of the concept themselves admit, the CSV approach is clearly no panacea for fixing all societal and environmental problems, and in fact its legitimacy has been recently debated by business ethics scholars (see Crane et al., 2014).

Our main concern in this paper is not to question the validity of the CSV approach per se, but to identify the potential threats that may exist in promoting this strategy globally to cluster practitioners and policy makers. We thus elaborate an alternative approach, which we call *genuine* CSV. A key concern of this paper is that if it is not correctly framed, the CSV strategy will be misunderstood, and will therefore be mainstreamed as yet another CSR initiative. This will not relieve the misery of communities residing in local clusters, but rather has the potential exacerbate them. We discuss the intricacies of the CSV approach in light of a set of original case studies of industrial clusters in Asia and Latin America, and propose an alternative to the CSV approach by drawing on research on business and human rights. We contend that our approach is more likely to create *genuine* shared values.

The article is organized as follows: in Section 2 we explain the concept of CSV and fine-tune its meaning for industrial clusters. Section 3 critically analyses the CSV approach as elaborated by Porter and Kramer (2011)

and subsequent works and presentations. We do so with the aim of elaborating our *genuine* CSV approach, which we discuss in Section 4. Section 5 concludes by giving details of a set of concrete steps to create *genuine* shared values in industrial clusters.



## 2. Creating shared values in industrial clusters: a review of the concept

Shared values is conceived as a win-win strategy where firms undertake policies that allow them to make profits by solving key societal and environmental challenges in the communities in which they operate. In essence, CSV, as compared to the 'standard' CSR approach,<sup>2</sup> places social and environmental concerns at the *core* of corporate strategy, not to one side. According to its proponents, CSV is created in three ways, namely by:

- (a) Re-conceiving products and markets so that they can meet true societal and environmental needs, and target underserved markets. There are widely differing examples of the 're-conception' of products and markets – from the production of healthy food and environmentally friendly products, to Bottom-of-the-Pyramid (BoP) products and markets (Prahalad, 2004), as well as other underserved markets (poor urban areas, lower income and disadvantaged people), among others.
- (b) Re-defining productivity in the value chain: since production is nowadays organized along local or global value chains, firms that want to be competitive need to improve their efficiency along the value chain. A way to achieve this aim is by adopting eco-friendly and pro-social operations and production processes (e.g. use water and energy more efficiently; reduce the use of packaging, increase recycling and re-use). Furthermore, firms that follow a CSV approach are expected to provide support to, rather than put pressure on, weak suppliers and help them to access credit and other assets, so that they can be more effective in procurement. Similarly, they are expected to improve the working conditions of employees (by raising wages, increasing benefits, investing in safety and wellness, etc.) since this is supposedly a way to increase labor productivity.
- (c) Building supportive industry clusters at the company's sites, since "firms create shared value by building clusters to improve company productivity while addressing gaps or failures in the framework conditions surrounding the cluster" (Porter and Kramer, 2011: pp. 72-73). This in essence means that firms are expected to stimulate the generation of a sound local eco-system, where firms and other organizations cooperate for both the greater good and the common achievement of economic goals. This is considered to be a crucial aspect of competitiveness because, according to its proponents, human misery is an impediment to firms' access to healthy human resources and consumers. For instance, "gender or racial discrimination reduces the pool of capable employees" (Porter and Kramer, 2011: p. 72), while "poverty limits the demand for products and leads to environmental degradation, unhealthy workers, and high security costs" (Porter and Kramer, 2011: p. 72). Furthermore, CSV in clusters should be promoted through, among others, the formation of "open

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<sup>2</sup> CSR was originally associated with corporate philanthropy and discretionary initiatives (see Carroll, 2008). More recently, the concept of CSR has been extended to other activities, among which are certifications, principle-based initiatives and sustainable reporting, as discussed in Gilbert et al. (2011).

and transparent markets” given that “in inefficient or monopolized markets where workers are exploited, where suppliers do not receive fair prices, and where price transparency is lacking, productivity suffers” (Porter and Kramer, 2011: p. 73).

As their main focus of interest was the firm, Porter and Kramer (2011) did not explicitly define CSV as a strategy for industrial clusters per se. In this paper we define CSV more narrowly in industrial clusters and consider them as our unit of analysis. Accordingly, a CSV approach is pursued in industrial clusters when first, *cluster* firms work for the development of new products and markets in order to meet true societal and environmental needs, and second, when these firms redefine the productivity of their local (and global) value chain by addressing or solving social and environmental constraints, and third, when they cooperate with other firms/organizations in their own cluster to achieve a shared value goal.

### 3. Key pitfalls of CSV: reflections for industrial clusters

CSV is a relatively novel concept to industrial cluster scholars,<sup>3</sup> but it is rapidly attracting the attention of cluster practitioners worldwide. For instance, in 2014, the global practitioners' network for competitiveness, clusters and innovation (TCI Network), one of the most important networks on industrial clusters and competitiveness, organized its annual event in Mexico specifically on "Creating shared value through clusters for a sustainable future."<sup>4</sup> Under the auspices of Michael Porter, the Bogotá Chamber of Commerce in Colombia was among the first to push forward a CSV agenda in its cluster development initiatives,<sup>5</sup> and many more initiatives of this kind are likely to follow suit. In this article, we claim that, while very appealing in principle, the CSV approach in clusters may be troublesome in its actual implementation. In particular, there are three key issues that Porter and Kramer (2011) leave unattended, which, if they are not more clearly and explicitly elaborated, may hamper the success of CSV strategies – at least in terms of their positive repercussions on society and the environment at large. We discuss these unattended issues below.

#### 3.1. Lack of a direct focus on business responsibility to 'do no harm'

In its original conception, CSV focuses on activities that promote pro-social goods, reduce contamination or degradation in society, but it does not *directly* address the issue of business responsibility of 'doing no harm'. By 'doing no harm' we are referring here to the explicit commitment of firms not to infringe on the rights of different stakeholders, which means, among others, not to abuse workers' rights, not to violate indigenous communities' right to land, and not to hamper the right to health of local residents. We acknowledge that the thinking underpinning the CSV approach is meant to stimulate cluster entrepreneurs to promote such rights, but we have reservations that, in its current form, it is unable to pass on this message. This is even more true if we consider that industrial cluster firms may *use* the infringement of rights as their only viable strategy to be competitive in the market or to be lucrative (Giuliani, 2014) due to their gains in efficiency or access to other resources they obtain by abusing rights. The cluster of Mae Sot in Thailand (Box 1) is a case in point, and it clearly illustrates firms' lack of respect for the negative duty of doing no harm.

The CSV approach does not tell us much about how to deal with these situations. On the contrary, it does not enter this problematic terrain, as it considers that respect for the law and for ethical principles are prerequisites for the successful accomplishment of CSV strategies. As Porter and Kramer (2011: p.75) put it:

<sup>3</sup> For instance, according to both GoogleScholar and Scopus databases, there is currently no published paper on CSV in industrial clusters.

<sup>4</sup> <http://www.tci-network.org/tci2014>

<sup>5</sup> Based on the authors' own interviews and International Chamber of Commerce, Cámara de Comercio de Bogotá (2014).

“Creating shared value presumes compliance with the law and ethical standards, as well as mitigating any harm caused by the business, *but goes far beyond that*” (emphasis added). We argue that it goes so far beyond that, that it almost completely overlooks it. In line with the view of Crane et al. (2014), we maintain that the presumption of compliance with the law often does not hold in the real world, especially in developing countries, which are characterized by weak governments and rule of law, and loose regulations (e.g. Wettstein, 2010; Gond et al., 2009; Frynas and Pegg, 2003).

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**BOX 1 - Mae Sot garment and textile cluster in the Thailand-Myanmar border**

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Located 400 km north-west of Bangkok, Thailand, Mae Sot is an industrializing border town with about 60 to 80 thousand Burmese migrant workers employed by 200 factories which produce for the lowest value-added micro-segment in the global garment and textile industry.

Most of the factories in Mae Sot are currently outsourced by buyers who are often little known to consumers, and hence do not concern themselves with CSR or human rights. Informants report that there have been widespread violations of labor and human rights, such as discrimination against migrant workers, illegal employment, child labor, and the right of workers to organize. Therefore the industry continues to operate in Mae Sot with decreasing value added. Many factories in the area are at the bottom of the supply chain, producing lowest value-added goods. They use extreme means to cut costs. Moreover, most of the factories in Mae Sot are sub-contractors to bigger factories in Bangkok or central Thailand, the value chain is more complex, making it difficult to identify the origin of the products. Legal status and language barriers also prevent migrant workers from joining unions or exercise their right of collective bargaining. Migrant workers who join unions face the risk of being dismissed or mistreated by the employers. In Mae Sot, there are very few or almost no workers' unions to support migrant workers in fighting for their rights. The most active is the Federation of Trade Unions-Burma; however, it is not recognized under Thai law. Therefore its power and influence are limited to dissemination of information and collaboration with international organizations on research and policy recommendations. Besides, most of the larger factories with proper workers' unions are located in central Thailand. Due to the distance, there is no connection between these unions and migrant workers in Mae Sot.

There has been support by international non-government organizations (such as the International Labour Organization of the UN, the Red Cross, the International Rescue Committee, etc.), either directly or at policy level. However, due to the weak capacity of the state of Myanmar and the unwillingness of the Thai government to deal with the issues, they have little impact. Employers in Mae Sot are often backed by the authorities. For instance, reports on misconduct by employers do not receive a response from the police

or the authorities; informal schools have been established by some organizations for children of migrant workers who cannot attend public schools, but they are not recognized by the Thai education system. Despite a slight improvement made during the past ten years, the severe situation of CSR and human rights practice in Mae Sot needs more attention. Efforts by the Thai government as well as Thai and international organizations and institutions in recognizing and promoting the rights of migrant workers are called for.

Note: See Appendix 2 for an overview on the collection of information about the case.

### 3.2. Risk of window-dressing

When confronted with situations where rights are not respected by the business sector, and often where they are not protected by the national or local governments either, the CSV approach can easily become a strategy through which cluster firms can achieve economic goals by cherry picking relatively 'easy' social or environmental issues (or certain types rights), while leaving others, perhaps more complex ones, unattended. For instance, cluster firms may choose to reduce waste and build a pro-environment cluster identity (Romanelli and Khessina, 2005) centred on recycling and waste management, but they may at the same time displace indigenous communities without prior consultation with them to expand business activities in their land. This business conduct leads to the development of window-dressing clusters in the context of conventional CSR, defined by Giuliani (2014) as follows:

*[clusters] whose firms' widespread adoption of CSR policies is purely symbolic and aimed at obtaining licences to operate with big global buyers and enter international markets, whilst systematically violating human rights (Giuliani, 2014: p. 5)*

Window-dressing conduct often occurs when clusters are export oriented and their member firms belong to global value chains led by mega-brands, producers and retailers with high visibility which have an interest in promoting CSR and codes of conduct (Giuliani, 2014; Jamali et al., 2014). Boxes 2 and 3 provide evidence of clusters where infringements of different types of rights occur in spite of CSR policies being in place. We believe that the adoption of CSV in industrial clusters can result in window-dressing strategies as well, especially in countries whose state capacity is weak and unable to monitor and sanction unlawful business conducts.

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***BOX 2 - The Yanacocha mine cluster in Peru***

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The mining cluster of Yanacocha, approximately 800 kilometers north-east of Lima, contains South America's largest gold mine. Its operations are situated between 3,500 and 4,100 meters above sea level with development activities in four primary basins. They are operated by Minería Yanacocha, a joint venture between Newmont (51.35%), Minas Buenaventura (43.65%) and the International Finance Corporation (5%). Several other mines have been started around the mine of Yanacocha. Among these Conga mine has created many concerns among the local population and international non-governmental organizations (NGOs). The Conga gold and copper project is owned by Minería Yanacocha.

Several international standards apply to the mining sector, including those of the International Council for Mining and Minerals (of which Newmont mining is a member), the new International Responsible Mining Assurance (not in force yet) and the Extractive Industries Transparency Initiative of which Peru is a member. There are several international certification systems clean gold production, such as the no-dirty-gold initiative or the ethic gold. However, there is not kind of certification for silver, and the certification for gold is extremely weak with limited power over mining companies.

Nevertheless, each mining company often has its own CSR policies and strategies. Newmont has a big campaign pertaining to CSR, and Minería Yanacocha in 2008 became the first major mining project in Peru as well as one of the largest in the world to receive ISO 14001 certification for its entire operation.

Despite this fact, their inherent impact on their environment, together with poor working conditions and general misunderstanding of local populations and local context, has generated a negative reputation. After a serious mercury spill followed by local protests in 2001, the Compliance Advisory Ombudsman (CAO) of the International Finance Corporation intervened and held a series of meetings and carried out analyses to better understand the situation. The CAO sponsored water monitoring until 2006 and concluded that the area was polluted, and suggested a need for a forum for transparent dialogue between the community and Yanacocha. Amidst continuous protests and with some part of the mine being blocked by local communities in August 2006, on 2 November 2006 Edmundo Becerra Corina, an environmentalist and opponent of the mining project, was shot dead in Yanacanchilla. In the same period, members of GRUFIDES, a local NGO, faced death threats from a mining security group, according to an investigation. The situation came to an end when Amnesty International released an urgent action to defend the activists. On 15 June 2007, several local farmers, among whom were two minors, were injured and taken into custody by public and private police forces hired by Yanacocha in Totoracocha village. The farmers occupied equipment of the mining cooperation as they were protesting against a lack of payment for construction work they had been carrying out for Yanacocha.

The neighboring Conga mine is located at the convergence of five major river basins in the area. The inevitable pollution from the mine puts the region's waterways, livelihoods and water rights at risk. The Conga mine project is threatening to destroy four lakes, affect 680 springs, and consume at least 228,000 liters of water per hour in a region already prone to water shortages. One of the major concerns of the Conga project is that ILO Convention 169 on indigenous and tribal populations has never been taken into account. The Convention states that indigenous groups must be consulted on any activity that takes place within their territory. Peru ratified ILO 169 in 1994, but local communities have been never consulted about the Conga project. Moreover, local communities have tried themselves to organize indigenous consultation in the area, but local governments have always rejected it. In 2012 the Latin American Tribunal of Water ruled against the state of Peru for not guaranteeing access to water for all people in Cajamarca. In 2013 section 147 of the Inter-American Commission of Human Rights rebuked the state of Peru for the extreme use of force against protesters in the country, including the protesters against the Conga and Yanacocha projects.

Note: See Appendix 2 for an overview on the collection of information about the case.

### ***BOX 3 - Phnom Penh garment and textile cluster in Cambodia***

Four hundred and thirty-eight out of 696 Cambodian garment factories are located in Phnom Penh, which has witnessed an explosion of the number of factories in the industry in recent years. Since the establishment of the US-Cambodia Textile Trade and Apparel agreement in 1999, the city has become an exporting platform where manufacturers produce partial or complete products to supply domestic and mostly international buyers, including Adidas, Calvin Klein, Clarks, H&M, Levi's and Walmart. In line with the trend, the concept of CSR has been introduced to the cluster by these global buyers. Moreover, since evidence of labor and human rights abuses in Phnom Penh factories were broadcast through the media, adoption of CSR and human rights practices has received considerable attention from different stakeholders. The garment textile sector in Cambodia is characterized by a reliance on foreign partners, investors and buyers. Multinational and international brands from countries where concepts of CSR and fundamental rights have already been familiar have set minimal codes of conduct and labor and environmental standards for their suppliers. While imposing CSR standards and codes of conduct on Cambodian suppliers, global buyers' monitoring and support of local firms to adopt rights-oriented business practices remains relatively low. They lack careful assessment and coordination with suppliers to promote the practices, as well as monitoring the implementation. This has led to recent cases of non-compliance with working conditions and violation of workers' rights in garment factories in Phnom Penh and surrounding areas. There has been reportedly evidence of labor and human rights abuses in Phnom

Penh which was broadcast through the media, such as long working hours, poor working conditions and low wages, oppression of workers' union activities, etc., which drew considerable attention from various stakeholders. In particular huge workers' demonstrations in Phnom Penh demanding wage increases targeted at the Cambodian government as well as global buyers, sometimes combined with political motivation, have gained public attention. Faced with these negative events, global buyers may either shift to another location or continue sourcing in Cambodia but with greater efforts to change their positions. So far, global buyers' concerns have been limited to the issue of minimum wages for garment workers in Cambodia, but there are many other fundamental rights and standards that need better monitoring and support.

Note: See Appendix 2 for an overview on the collection of information about the case.

### 3.3. Lack of a clear benchmark of what should be considered lawful and ethical

When Porter and Kramer (2011) presume compliance with the law and ethical standards in the implementation of CSV, they do not elaborate further on what the benchmark is that should be referred to. As national and local governments are sometimes unable to guarantee respect for the rule of law in their own jurisdictions, and ethical values are influenced by the diverse cultural and ethnical contexts where business operations are rooted (Donaldson and Preston, 1995), what standards do we expect cluster businessmen to comply with? The CSV strategy is silent in this respect, and one concern of ours is that cluster members will have sufficient freedom to decide – almost arbitrarily – what is considered ethical within their own operational context. In other words, there is a risk of a relativistic turn that leads to the acceptance of practices that do not necessarily respect local stakeholders' rights.

In the context of clusters, this relativistic turn can even be amplified by the geographical co-location of economic and institutional actors. Research on industrial clusters tends to emphasise the *positive* outcomes of inter-organizational collaboration, stressing its importance to enhance competitiveness and innovation (among others Mesquita et al., 2007; Porter, 1998; Schmitz, 1995). However, local networking and collaboration can have perverse outcomes (Tendler, 2002), as local entrepreneurs can network to lobby *against* the introduction of new regulations and the enforcement of the rule of law in their own territories.



#### 4. A rights-oriented twist to creating a '*genuine*' CSV approach

Taken together, the lack of direct focus on doing no harm, the risk of window-dressing and the lack of a clear benchmark of what is considered lawful and ethical constitute important weaknesses of the standard CSV approach. On these grounds, we contend that cherry picking selected CSV initiatives does not help clusters to solve socio-environmental problems per se, and we consider that the problem of a relativistic interpretation of what is lawful and ethical deserves more attention. We thus propose to use the 1948 Universal Declaration of Human Rights (UDHR) (for details see Appendix I) and the subsequent treaties as an ideal reference point for cluster entrepreneurs and managers. Our argument is inspired by recent advancements in the field of business and human rights, which have received heightened academic attention with the appointment in 2005 of John Ruggie as the Special Representative of the UN Secretary-General for Business and Human Rights (Wettstein, 2012). Ruggie's responsibility in promoting an agenda on the respect of human rights by business enterprises largely influenced the current business and human rights debate, which now revolves predominantly around his 'Protect, Respect, Remedy' (PRR) Framework (Cragg et al., 2012; Ruggie, 2010) – see Box 4 for an overview.

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##### **BOX 4- Summary of the UN's 'Protect, Respect, Remedy' (PRR) Framework**

In 2008 the United Nations Human Rights Council endorsed a new set of guiding principles for business and human rights designed to provide for the first time a global standard for addressing and preventing the risk of adverse impacts on human rights linked to business activities. The PRR Framework is the product of six years of research led by Professor Ruggie during his mandate as Special Representative of the UN Secretary-General for Business and Human Rights, involving governments, companies, business associations, civil society, affected individuals and groups, investors and others around the world. It is based on 47 consultations and site visits in more than 20 countries, an online consultation that attracted thousands of visitors from 120 countries, and voluminous research and submissions from experts from all over the world. The PRR Framework outlines a conceptual and policy framework for addressing the business and human rights governance gaps that have arisen with the rise of globalization, and it applies to all states and to all business enterprises, both transnational and others, regardless of their size, sector, location, ownership and structure. The PRR Framework is based on three pillars:

**1. THE STATE'S DUTY TO PROTECT HUMAN RIGHTS.** The state's duty to protect against human rights abuses by third parties, including business enterprises, taking appropriate steps to prevent, investigate, punish and redress such abuse through effective policies, legislation, regulations and adjudication. Ruggie has proposed five priority areas through which states can work to promote corporate respect for human rights and prevent corporate-related abuse. They include: (a) striving to achieve greater policy coherence

and effectiveness across departments working with business, including safeguarding the state's own ability to protect rights when entering into economic agreements; (b) promoting respect for human rights when states do business with businesses, whether as owners, investors, insurers, procurers or simply promoters; (c) fostering corporate cultures respectful of human rights at home and abroad; (d) devising innovative policies to guide companies operating in conflict-affected areas; and (e) examining the cross-cutting issue of extraterritoriality.

**2. THE CORPORATE RESPONSIBILITY TO RESPECT HUMAN RIGHTS.** The corporate responsibility to respect human rights means acting with due diligence to avoid infringing on the rights of others, and addressing harms that do occur. The responsibility to respect human rights is a global standard of expected conduct acknowledged in every voluntary and soft-law instrument related to corporate responsibility, and now affirmed by the Human Rights Council itself. A company's responsibility to respect applies across its business activities and through its relationships with third parties connected with those activities—such as business partners, entities in its value chain, and other non-state actors and state agents. In addition, companies need to consider the country and local contexts for any particular challenges they may pose and how those might shape the human rights impacts of company activities and relationships. The corporate responsibility to respect applies to all human rights since business enterprises can have an impact on virtually the entire spectrum of internationally recognized human rights. Drawing on well-established due diligence practices and combining them with what is unique to human rights, the UN framework describes the core elements of human rights due diligence: based on a statement of commitment to respecting rights and supporting policies, human rights due diligence should include assessing human rights impacts, integrating respect for human rights across relevant internal functions and processes, and tracking as well as communicating performance.

**3. ACCESS TO REMEDY.** Even where institutions operate optimally, adverse human rights impacts may still result from a company's activities and victims must be able to seek redress. Effective grievance mechanisms play an important role in both the state duty to protect and the corporate responsibility to respect. As part of their duty to protect against business-related human rights abuse, states must take appropriate steps within their territory and/or jurisdiction to ensure that when such abuses occur, those affected have access to effective remedy through judicial, administrative, legislative or other appropriate means.

Sources: Adapted from: United Nations (2012), Ruggie (2011, 2010, 2008), Business and Human Rights Resource Centre<sup>6</sup>.

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<sup>6</sup> See Business and Human Rights Resource Centre at <http://www.business-humanrights.org/Aboutus/Briefdescription> Accessed 10 August 2015.

The PRR framework highlights the concept of firms' responsibility to avoid infringing on the rights of others, and it thereby reaffirms their duty not to do harm while conducting business operations. Respecting human rights thus becomes a "baseline expectation, [since] a company cannot compensate for human rights harm by performing good deeds elsewhere" (Ruggie, 2008: p. 17). According to Ruggie (2010: p. 3):

*the corporate responsibility to respect applies to all [human] rights,<sup>7</sup> including those codified in several international instruments (such as the 1948 UDHR and the subsequent treaties on civil and political rights, economic, social and cultural rights; racial discrimination; women; torture; children; and the ILO Conventions on labour rights) and those recognized under international customary law.*

Taking the PRR Framework as a reference point to orient responsible business conduct in clusters would help to fill the CSV approach's key pitfalls discussed in Section 3. First, it would compensate for the lack of regulations and weak rule of law characterizing many developing countries and, second, it would also help to overcome the relativistic turn on ethnic and cultural issues – for instance, it would settle issues such as child labor or gender discrimination by asking entrepreneurs to break away from local habits and align with international principles and conventions. Accordingly, managers and entrepreneurs taking the PRR Framework as a guideline in their business conduct would contribute to the development of a *genuine* CSV approach in industrial clusters.

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<sup>7</sup> Use of the term 'responsibility' rather than 'obligation' reflects the fact that states continue to be the sole bearers of human rights obligations under international law, but also constitutes an authoritative acknowledgement of the existence of corporate responsibilities that are grounded in internationally sanctioned values.

## 5. Taking action: how to promote '*genuine*' CSV in industrial clusters?

It is possible that many small and medium-sized entrepreneurs in clusters will be tempted to associate our *genuine* CSV approach, grounded on the PRR framework, with obligations, legal liability and institutional constraints, and as a consequence oppose it. However, the UN PRR Framework and its connected UN Guiding Principles (UNGP) (see Ruggie, 2011) are currently among the most prominent and internationally legitimized soft-law initiatives, to which the largest global corporations are aligning.<sup>8</sup> Similarly, many firms worldwide have now endorsed the UN Global Compact's (UNGC) 10 principles, another soft-law initiative promoted by the UN that emphasises respect of human rights in conducting business operations (Kell, 2013; Rasche, 2009; Kell, 2005). This global trend towards greater respect for human rights by the business sector means that a traditional CSV approach will soon fall short in generating international legitimacy and a rights-oriented identity for industrial clusters. On these grounds, we feel that there is a need to augment the traditional CSV approach with a more profound understanding of the trade-offs that exist between pursuing economic goals and respecting human rights. We propose a 3-step agenda to facilitate the actual implementation of a *genuine* CSV approach in industrial clusters.

### Step 1: Create awareness of business and human rights

Awareness of the concept of universal human rights is a fundamental first step in building a *genuine* CSV strategy. Often local stakeholders have no prior knowledge of what their rights are – based on anecdotal evidence, local residents may not be aware of their right to health or access to water. Indigenous communities may not be aware of their right to be consulted before being displaced forcefully to another territory. At the same time, entrepreneurs may have little interest in investing in the promotion of rights when this generates a cost to them. Raising awareness means allowing local communities and the business sector to familiarize themselves with the concept through specific policies and development projects that promote adequate training for local stakeholders and entrepreneurs. It also means alerting NGOs, watchdog organizations and the press of the need to monitor and report corporate misconduct in a bid to inform the general public about possible abuses in the conduct of business operations.

### Step 2: Undertake human rights due diligence at the cluster level

In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, firms in clusters should carry out human rights due diligence. According to the UNGP's Guiding Principle 17,

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<sup>8</sup> For instance, following the UN Guiding Principles, Unilever released its first Human Rights Report in 2015, see [http://www.unilever.com/Images/sd\\_Unilever-Human-Rights-Report-29-June-2015\\_tcm244-429448.pdf](http://www.unilever.com/Images/sd_Unilever-Human-Rights-Report-29-June-2015_tcm244-429448.pdf).

(Ruggie, 2011) human rights due diligence should analyse and foresee any adverse human rights impacts that the business enterprise may cause or contribute to through its own activities or through the activities of third parties that are linked to the firm (for instance suppliers or clients). In doing so, firms should be aware that human rights due diligence is an ongoing process, which should be initiated as soon as possible (preferably prior to starting a new productive activity in the cluster), and should persist over time, since human rights risks may change over time as the business enterprise's operations and operating context evolve. According to Guiding Principle 18 of the UNGP (Ruggie, 2011), firms should carry out human rights due diligence, drawing on both internal and/or independent external human rights expertise, as well as by having meaningful consultation with potentially affected groups and other relevant stakeholders.

The advantage of conducting adequate and timely human rights due diligence is that it helps the firm to avoid committing human rights abuses, which can result in legitimacy losses or being subject to expensive legal actions. The conventional CSV approach does not require firms to engage in human rights due diligence, it rather seems to promote a vaguely specified pro-social and pro-environmental agenda, which, as explained in the previous sections, are likely to encourage cherry-picking behaviour where certain abuses are given less prominence, and therefore less consideration, than others. Without undertaking a clear mapping of all the actual or potential human rights abuses incurring in a cluster, and without assigning to all types of abuses the same priority or dignity, we run the risk of leaving entrepreneurs and managers with too much room for manoeuvre, where they can arbitrarily decide what right to protect and what to abuse. Our *genuine* CSV approach is meant to mitigate this important limitation and is based on a serious assessment of the human rights risks present in a cluster, providing the basis for a cluster-wide solution or management of these risks.

### **Step 3: Engage in multi-stakeholder initiatives**

While human rights due diligence is a fundamental step in our approach, we are aware that once key human rights risks are identified, their management or solution is a hard task for firms. Particularly in the context of industrial clusters, where firms are often small and medium-sized, and may therefore lack the skills or resources to address the human rights risks of their operations, cooperation may prove fundamental. But cooperation among cluster firms is not enough, as they should seek to partner with other key stakeholders, such as local and national governments (where present or willing to collaborate), and with other local, national and international key stakeholders, such as social movements, NGOs, UN agencies or other international organizations. In a word, what cluster members should invest in is the formation of multi-stakeholder initiatives, which appear to be among the most relevant fora in addressing conflicting interests and trade-offs between economic and rights-oriented goals (Scherer and Palazzo, 2011). Since governments in developing countries are often part of the problem, we should not expect them to fix institutional voids,

and in this sense collaboration with numerous other organizations may act as a trigger for improving such institutional voids and address the cluster human rights risks.

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## Appendices

### I. The Universal Declaration of Human Rights Preamble

(<http://www.un.org/en/documents/udhr/>)

Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world,

Whereas disregard and contempt for human rights have resulted in barbarous acts which have outraged the conscience of mankind, and the advent of a world in which human beings shall enjoy freedom of speech and belief and freedom from fear and want has been proclaimed as the highest aspiration of the common people,

Whereas it is essential, if man is not to be compelled to have recourse, as a last resort, to rebellion against tyranny and oppression, that human rights should be protected by the rule of law,

Whereas it is essential to promote the development of friendly relations between nations,

Whereas the peoples of the United Nations have in the Charter reaffirmed their faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women and have determined to promote social progress and better standards of life in larger freedom,

Whereas Member States have pledged themselves to achieve, in co-operation with the United Nations, the promotion of universal respect for and observance of human rights and fundamental freedoms,

Whereas a common understanding of these rights and freedoms is of the greatest importance for the full realization of this pledge,

Now, Therefore THE GENERAL ASSEMBLY proclaims THIS UNIVERSAL DECLARATION OF HUMAN RIGHTS as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction.

**Article 1.** All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.

**Article 2.** Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.

**Article 3.** Everyone has the right to life, liberty and security of person.

**Article 4.** No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

**Article 5.** No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.

**Article 6.** Everyone has the right to recognition everywhere as a person before the law.

**Article 7.** All are equal before the law and are entitled without any discrimination to equal protection of the law. All are entitled to equal protection against any discrimination in violation of this Declaration and against any incitement to such discrimination.

**Article 8.** Everyone has the right to an effective remedy by the competent national tribunals for acts violating the fundamental rights granted him by the constitution or by law.

**Article 9.** No one shall be subjected to arbitrary arrest, detention or exile.

**Article 10.** Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of his rights and obligations and of any criminal charge against him.

**Article 11.** (1) Everyone charged with a penal offence has the right to be presumed innocent until proved guilty according to law in a public trial at which he has had all the guarantees necessary for his defence. (2) No one shall be held guilty of any penal offence on account of any act or omission which did not constitute a penal offence, under national or international law, at the time when it was committed. Nor shall a heavier penalty be imposed than the one that was applicable at the time the penal offence was committed.

**Article 12.** No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honour and reputation. Everyone has the right to the protection of the law against such interference or attacks.

**Article 13.** (1) Everyone has the right to freedom of movement and residence within the borders of each state. (2) Everyone has the right to leave any country, including his own, and to return to his country.

**Article 14.** (1) Everyone has the right to seek and to enjoy in other countries asylum from persecution. (2) This right may not be invoked in the case of prosecutions genuinely arising from non-political crimes or from acts contrary to the purposes and principles of the United Nations.

**Article 15.** (1) Everyone has the right to a nationality. (2) No one shall be arbitrarily deprived of his nationality nor denied the right to change his nationality.

**Article 16.** (1) Men and women of full age, without any limitation due to race, nationality or religion, have the right to marry and to found a family. They are entitled to equal rights as to marriage, during marriage and at its dissolution. (2) Marriage shall be entered into only with the free and full consent of the intending spouses. (3) The family is the natural and fundamental group unit of society and is entitled to protection by society and the State.

**Article 17.** (1) Everyone has the right to own property alone as well as in association with others. (2) No one shall be arbitrarily deprived of his property.

**Article 18.** Everyone has the right to freedom of thought, conscience and religion; this right includes freedom to change his religion or belief, and freedom, either alone or in community with others and in public or private, to manifest his religion or belief in teaching, practice, worship and observance.

**Article 19.** Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

**Article 20.** (1) Everyone has the right to freedom of peaceful assembly and association. (2) No one may be compelled to belong to an association.

**Article 21.** (1) Everyone has the right to take part in the government of his country, directly or through freely chosen representatives. (2) Everyone has the right of equal access to public service in his country. (3) The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

**Article 22.** Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.

**Article 23.** (1) Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. (2) Everyone, without any discrimination, has the right to equal pay for equal work. (3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection. (4) Everyone has the right to form and to join trade unions for the protection of his interests.

**Article 24.** Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

**Article 25.** (1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. (2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

**Article 26.** (1) Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit. (2) Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace. (3) Parents have a prior right to choose the kind of education that shall be given to their children.

**Article 27.** (1) Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits. (2) Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.

**Article 28.** Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized.

**Article 29.** (1) Everyone has duties to the community in which alone the free and full development of his personality is possible. (2) In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society. (3) These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.

**Article 30.** Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein.

## II. Methodology

For this document we have collected information on different cases through interviews with key informants (Mae Sot and Phnom Penh), direct observation and data collection in the clusters (Yanacochoa, Cerro de Pasco).

For the case study of Mae Sot we used as sources personal interviews with Dr Dennis Arnold (Arnold 2007a, 2007b, 2005, 2004), McGeown (2007) and the International Labour Organization (2006). For the case study of Phnom Penh we conducted an interview with Dr Dennis Arnold and consulted the following sources: International Labour Organization (2014; 2009); Losada, (2014); Brignall (2014); Dara (2014); The New York Times (2014: May 30); Tolson (2014); Wallace (2014); Kasztelan (2014); Larson (2014); Business and Human Rights Resource Centre (2013); Arnold (2013); Dicaprio (2013); Savchenko and Acevedo (2012); Community Legal Education Centre & Clean Clothes Campaign (2012); Whitehead (2012); Arnold and Toh (2010); Cambodian Center for Human Rights (2010).

Interviews with Dr Denis Arnold were based on the following semi-structured questionnaire:

## III. Questionnaire for key informants

### Human Rights Conduct in Industrial Clusters of Developing Countries



**Respondent Name and Surname:** \_\_\_\_\_

**Organization:** \_\_\_\_\_

**Email:** \_\_\_\_\_

**Date and Time:** \_\_\_\_\_

### **Semi-Structured Discussion Guide**

#### **Introduction**

Good morning/afternoon (respondent's name), this is (your name). Let me thank you for agreeing to talk to me and share with me your experience in working with industrial clusters in developing countries.

To provide you with a little background information, in this project we are collecting anecdotal evidence about the way in which firms operating in clusters deal with human rights issues and with corporate social responsibility policies. We will clarify both concepts, where needed, in the interview.

If you have any questions about this project, you may e-mail Prof. Elisa Giuliani, who is supervising the project (elisagiuliani@gmail.com).

Finally, before we begin, I would like your permission to record our discussion for note-taking purposes. We will destroy the recording when the project is completed. I want to assure you that the information from the discussion that we use to prepare our report to the Jörg Meyer-Stamer Foundation will be aggregated with the responses of other researchers whom we interview.

**START TIME:** \_\_\_\_\_

I am first going to ask a set of questions on the adoption of Corporate Social Responsibility (CSR) policies adopted by the firms in the clusters you have studied/analysed. By CSR we refer to all voluntary self-regulatory measures that firms undertake in order to contribute positively to the environment and to society (e.g. codes of conducts, social and environmental certifications, adherence to principle-based initiatives like the UN Global Compact, philanthropic initiatives in favour of different stakeholders, issuance of sustainability reports, etc.).

When answering these questions please make specific reference to one or more clusters (place, industry, etc.) so that we can then dig into specific cases through archival and secondary data.

- 1. In your research/analysis of industrial clusters in developing countries, did firms adopt CSR policies? If so, where (what cluster(s)) and of what kind?**
- 2. What kind of firms were more likely to adopt CSR policies?**
- 3. Why do you think the firms adopted CSR policies? (e.g. what stimulated adoption, why, etc.).**
- 4. Did you perceive the adoption of CSR policies was instrumental in achieving some economic goals by the firm? If so, what were those goals?**

I am now going to ask you more about the human rights conduct of cluster firms. By human rights we refer here to the 1948 Universal Declaration of Human Rights and therefore include all kinds of workers' rights, as well other stakeholders rights like those of local communities' right to health, local children's' rights to education, local indigenous communities' rights not to be displaced, among others. With reference to these, we would like you to give us your impressions on the following issues:

**5. In your research/analyses of clusters did you notice cases of clusters where firms placed particular emphasis on the respect of human rights? Can you elaborate on what rights? And can you be specific about what clusters (name of cluster based on place and industry)?**

**6. Why do you think the firms were particularly respectful of human rights? (e.g. local rules, ethicality of entrepreneurs, etc.).**

**7. Do you think that some rights were respected more than others? What rights? Can you elaborate?**

**8. In your research/analyses of clusters did you notice cases of clusters where firms placed no particular emphasis on the respect of human rights? Did they systematically abuse human rights? Can you be specific on what rights were most frequently abused? Can you specify the cluster(s) in which this occurred?**

**9. Why do you think firms were not respectful of human rights?**

**10. Do you think that some rights were sacrificed while other rights were safeguarded? What rights? Can you elaborate?**

**11. In your opinion, what factors contribute to the transition of a low-road or window-dressing cluster towards becoming a rights-oriented cluster?**

**12. What are the factors that permit a more rights-oriented approach to business while enabling cluster firms to thrive in international markets?**

Finally, we would like to ask you to take one or two clusters you have analysed/studied and let us know whether you would classify them as 'low road', 'window-dressing' or 'rights-oriented', and explain why.

Below we provide a definition for each typology.

**Low-road** clusters whose firms neither adopt CSR policies nor respect the negative duty not to harm, and do not promote enjoyment of human rights at the local level;

**Window-dressing** clusters whose firms' widespread adoption of CSR policies is purely symbolic and aimed at obtaining licences to operate with big global buyers and enter international markets, while systematically violating human rights;

**Rights-oriented** clusters where all cluster firms demonstrate strong respect for the negative duty not to infringe others' human rights while conducting business operations, and/or promote enjoyment of human rights. This group includes clusters whose firms have adopted explicit CSR policies ('substantial' CSR) and those who have not adopted an explicit CSR policy, but de facto commit to respecting the local labour environment and the local community, and their human rights (an option often defined as 'silent' CSR).

Thank you for your collaboration. We will email you the output of this research and your name will appear in the acknowledgements.

**END TIME:** \_\_\_\_\_

To document evidence on CSR and CSV in industrial clusters we interviewed the following key informants:

- Artemisa Gomez Garcia, Instituto Tecnológico Superior de Tepeaca, Mexico, 11 November 2014
- Claudia Milena Vaca, Bogotá Chamber of Commerce, Colombia, 11 November 2014
- Diego Peña Caicedo, Bogotá Chamber of Commerce, Colombia, 12 May 2015
- Etienne Choupay, Pontificia Universidad Católica de Valparaíso, Chile, 12 November 2014
- Armando Peña Castro, Simon Bolivar University, Colombia, 12 November 2014
- Carlo Figà Talamanca, Sustainable Green Fuel Enterprise/ Cambodia & Green Business Committee/ European Chamber of Commerce in Cambodia, Cambodia, 4 December 2014
- Pavla Bruskova, Tomas Bata University & National Cluster Association-CZ, Czech Republic, 7 December 2014
- Dennis Arnold, University of Amsterdam, Netherlands, 17 December 2014