

# **Global Versus National Norms: Are Codes of Conduct Converging Across Regions?**

Simon F. Reich

Director of the Ford Institute for Human  
Security, Graduate School of Public and  
International Affairs, University of Pittsburgh  
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“Most importantly it is the behavior of the company that counts – not the existence of a formal set of business principles to which management “signs up.” So whether or not a company decides to adopt and publish a business code, vision, principles, or similar communication vehicle should not be seen as an indicator of its commitment to good business practices.”

Enrico Massimo Carle, “Corporate Social Responsibility and Competitiveness,”  
OECD Global Forum on International  
Investment, November 26 – 27, 2001.

Perhaps Enrico Carle is correct, simply signing up for or adopting a code is not an indication of behavior. But there is a countervailing view; that even if codes are cynically formulated as instruments to protect corporations, they become measures against which corporate behavior is evaluated. As such, code violations can be deeply problematic for them. More optimistically, they may reflect norms—national or global—and thus reflect the values of a broader community.

The attempt here is to provide a plausible answer to the following question: to what extent are the corporate codes of conduct isomorphic—i.e., converging in character—and to what extent are they distinctly national in character?

Minimally, codes express the principles by which corporations operate—if only to meet compliance requirements or to protect the corporation from legal, political or social pressures. Maximally, they actually reflect a corporation’s values and guide its behavior.

Regardless, the issue of whether the primary determinants of the content of a corporation's code of conduct is the nationality of the firm's 'ultimate beneficial owner' (UBO) or if global initiatives and norms predominate is an important one for at least two reasons.

First, the content of a code is indicative of the central issues that corporations encounter—or fear—in the 'naming,' 'shaming,' or sanctioning process in the countries in which they operate. Second, such codes may express broader social values that prevail in different countries—and where any broad global congruence is taking place. As such, they are indicative of areas of consensus as well as of conflict within societies.

I examine the comparative content of codes of the world's largest firms in order to assess whether purportedly global firms are influenced by global norms or domestic factors. I shall now discuss the relevant literature and genealogy of the question; outline the simple methodology used in generating data for a provisional test of the central argument; and then present my findings before offering an assessment as to whether global or national influences prevail in the content of codes.

## **Relevant Literature: From Comparative Political Economy to Comparative Corporate Codes**

Discussion of the issue of corporate social responsibility (CSR) has mushroomed in the course of the last two decades. Much of the interest can, predictably, be attributed to four interrelated developments in this period: the end of the Cold War, the acceleration of globalization, the ensuing proliferation of foreign direct investment and trade, and the digital revolution. Together they created a paradox. In an environment where firms have been freer to stride the globe, their behavior is also more likely to be monitored—and criticism of any errant behavior disseminated on a widespread basis. These same factors

also purportedly created an environment where non-governmental organizations (NGOs as representatives of civil society) could flourish as the state retreated, outsourced, and was dismantled.<sup>1</sup> According to proponents of this view, many NGOs observe corporate behavior and guard human rights. The ‘open’ or civil society literature has thus emphasized the role of domestic and transnational advocacy networks in influencing the agenda of public policy – both within domestic institutions and in international organizations.<sup>2</sup> Exploitative corporate behavior that would formerly have remained obscured from public view is now reported by these NGOs or the media ‘in real time.’ This situation generates a greater risk that any exploitative corporate behavior could lead to consumer boycotts or even large-scale lawsuits in American courts for acts committed far away in terms of both time and space.<sup>3</sup>

Within this context of shifting power structures, both liberals and constructivists have argued (albeit from contrasting ontological and epistemological positions) that national politics is of decreasing importance. Global economic, political, and

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<sup>1</sup> There is an extensive literature on this issue. See, e.g., Boli, J. and Thomas, G.M., 1997. World Culture in the World Polity: A Century of International Non-Governmental Organization. *American Sociological Review*, 62 (April), 171-90.; Gaventa, J., 1999. Crossing the Great Divide: Building Links and Learning Between NGOs and Community-Based Organizations in North and South. In: D. Lewis, ed., *International Perspectives on Voluntary Action*. London: Earthscan, 21-38.; Thakur, R., 1997. Human Rights: Amnesty International and the United Nations. In: Diehl, P.F., ed., *The Politics of Global Governance*. Boulder: Lynne Rienner. 365-87.; Wahl, P., 1998. NGO-Transnationals, MacGreenpeace and the Network Guerilla, On Some Trends in International Civil Society. *Peripherie*. 71. <http://www.comlink.apc.org/weed/ngos/ngotrends.htm>.

<sup>2</sup> On this point see, as examples, O’Brien et. al., and Martha Finnemore and Kathryn Sikkink, ‘International Norm Dynamics and Political Change’ in *International Organization at Fifty: Exploration and Contestation in the Study of World Politics*, *International Organization*, Volume 52, Number 4, Autumn 1998, especially, p.893.

<sup>3</sup> This general issue is addressed, for example, in Meintjes, G. 2000. An International Human Rights Perspective on Corporate Codes. In: Williams, O.F., ed., *Global Codes of Conduct: An Idea Whose Time has Come*. South Bend, IN: University of Notre Dame Press, 83-102. For a discussion of the role of courts in restitution and compensation cases see Michael Bazzyler, 2003. *Holocaust Justice: The Battle for Restitution in America’s Courts*. New York: NYU Press.

sociological trends have taken on even greater importance in determining the behavior of domestic actors. Domestic institutions and culture may refract these global trends. But they certainly are not determinative of such trends. Global politics, rather than foreign policy, has assumed a dominant position in this literature.

Yet my prior co-authored work challenged this assertion.<sup>4</sup> This body of work challenged the claim that global patterns were the primary influences of corporate behavior. We reasoned that private sector firms were purportedly the most flexible of actors, and that the largest of corporations were most vulnerable to global market forces and thus multinationals would therefore be the most likely candidates to respond to ‘follow the leader’ or ‘best model’ strategies of economic behavior. The result, in according to the conventional globalization argument, should be an observable convergence in corporate behavior.

Flying in the face of much of the imagery of convergence depicted in the business and popular press, we offered a contrasting hypothesis: that the world’s largest multinational corporations in fact sustained discernible and important national traits despite their global expansion. Even as a Japanese firm internationalized, or a German one globalized, the values that it epitomized and its structure of operations remained quintessentially national rather than global. We argued that historical factors had created an institutional and normative context in which private sector actors consistently reflected differing, discreet modes of behavior. The theoretical novelty of the argument was that the historical institutionalist approach to comparative politics had previously only been

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<sup>4</sup> See Paul Doremus, William Keller, Louis Pauly, and Simon Reich. 1997. *The Myth of the Global Corporation*. Princeton, NJ: Princeton University Press and Louis W. Pauly and Simon Reich, “National Structures and Multinational Corporate Behavior: Enduring Differences in a Globalizing World.” *International Organization*, vol. 51 (1), Winter 1997.

applied to explaining state policy. It had not been applied hitherto to the behavior of private sector actors.

We conducted both field research interviewing senior corporate and government officials, and also compiled a wealth of aggregate statistical data.<sup>5</sup> Our research systematically examined three areas of corporate activity: governance and finance; research and development; and trade and direct investment. It revealed three discernable clusters of behavior across the operational areas, epitomized by the cases of the three largest national economies—Germany, Japan and the United States.

Without rehashing the details of the findings, they were—in short—revealing: corporate finance and governance, research and development, and trade and investment were far more nationalist in orientation in Japan and consistently more liberalized in the United States. Germany represented a third cluster—more similar to Japan in governance, finance, trade, and investment but more liberal like the United States in the area of R&D. Our explanation for these distinct patterns focused on the interaction between historical patterns of institutional investment and the ideological proclivities that they facilitated. Each of the three countries had a unique cluster of institutional and ideological characteristics that influenced the behavior of corporations. These distinctions are captured in Table 1, on the next page.

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<sup>5</sup> Because this study had begun under the auspices of the U.S. Congressional Office of Technology Assessment, the authors had greater access to corporate executives in Asia, Europe and North America than generally accorded to scholars. The result of these efforts was two government publications. See William Keller, Carol Evans, Kenneth Freeman, Louis Pauly, Simon Reich and David Rosenfeld, 1993. *Multinational Corporations and the National Interest: Playing by Different Rules*. Office of Technology Assessment. Washington, DC and William Keller, Paul Doremus, Louis Pauly and Simon Reich. 1994. *Multinationals and the U.S. Technology Base*. Office of Technology Assessment: Washington, DC.

**Table 1: Attributes of National Corporation Types**

| <b>The Distinctiveness of National Corporations</b> |  |   |  |
|---|--|---|--|
|   | <b>United States</b>   | <b>Germany</b>  | <b>Japan</b>   |
| <b>Political institutions</b>                       | Liberal democracy/<br>divided government/<br>interest group<br>liberalism                            | Social democracy/<br>weak bureaucracy/<br>corporatist legacy  | Developmental<br>democracy/strong<br>bureaucracy/“recip-<br>rocal consent” between<br>state and firms  |
| <b>Economic institutions</b>                        | Decentralized, open<br>markets/unconcern-<br>trated, fluid capital<br>markets/antitrust<br>tradition | Organized<br>markets/tiers of<br>firms/ dedicated,<br>bank- centered capital<br>markets/certain<br>cartelized markets | Guided, closed,<br>bifurcated<br>markets/dedicated,<br>bank-centered capital<br>markets/ tight business<br>networks/cartels in<br>declining industries |
| <b>Dominant economic ideology</b>                   | Free enterprise<br>liberalism  | Social partnership  | Technonationalism  |

In sum, if the world’s largest corporation (purportedly the progenitors of globalization) were not converging in terms of the behavior in the activities that they adjudge to be most strategically important to them, then the proponents (and indeed prophesiers) of globalization were obviously overstating their case. National champions may have been disappearing like the dinosaurs, but national patterns of behavior were not.

## **The Current Context: Why Codes?**

My earlier co-authored work therefore questioned the assertions of convergent economic behavior among the world’s largest corporations—the apparent progenitors of globalization. That body of work generates the central question of this paper—whether the primary determinants of the content of codes are generated by domestic factors or are

derived from global sources? An increasing number of voices argue in favor of a growing global consensus, even though it is often difficult to discern whether they are describing or simply proposing such codes be adopted.<sup>6</sup>

In addressing this question there are clearly a number of caveats that are in order. First, codes may be central in expressing the ideational foundations of a company or may only be peripheral in paying ‘lip service’ for the purposes of public relations. Second, their content is highly varied in both scope and sophistication. While many corporations offer one-page vision statements, others produce a multitude of CSR documents. Third, if they do contain references, codes do not ensure provisions regarding monitoring and enforcement. If—as is overwhelmingly likely—they do, the provisions regarding those aspects are likely to be self-regulatory. Many may, however, refer to an increasing body of national legislation of central importance to a firm’s operation.

Two points are clear. First, that both the existence and content of a code is informative about the politics of a country; its regulatory aspects, the relative importance of various ‘stakeholders,’ and the values that generally become consensually accepted within that society. Second, codes reflect what firms are most concerned about in terms of potential vulnerabilities. For example, the fact that the Japanese corporations we examined in our sample have codes that contain little about the environment beyond platitudes, and nothing about discrimination on the basis of sexual orientation, is arguably indicative of the lack of saliency of these latter issues to domestic stakeholders. The fact that corporations from a particular country are much more likely to have codes, or to

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<sup>6</sup> Typical of the cross over between advocacy and description is the Oliver F. Williams’ introduction in his edited book published in 2000, *Global Codes of Conduct: An Idea Whose Time Has Come*. South Bend, IN: University of Notre Dame.



discuss particular issues with greater specificity, may be reflective of both political pressure and domestic law.

Codes may just have an instrumental value to some corporations, an expression of underlying principles to others. What may start out as instrumental may be internalized over time.<sup>7</sup> Nonetheless, codes are generally formulated in response to government legislation, the political pressures of civil society, and the (presumed or expressed) demands of stakeholders. What is clearer is that a company caught in conflict with its own code faces a daunting problem. In that sense, codes are windows on domestic politics.

Perhaps most surprisingly, there is little evidence of any recent attempt to systematically compare corporate codes of conduct by nationality. The authors of some efforts admit that they are unsystematic or that they include codes devised by others (such as international organizations or NGOs) along with corporate codes.<sup>8</sup> Plenty use anecdotal examples or case studies. The only systematic attempt to examine code by nationality we located was published in 1990 when codes were relatively underdeveloped and unsophisticated.<sup>9</sup> But we could not locate any attempt to take a representative sample and ‘codify the codes’ across regions.

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<sup>7</sup> I discuss this general point in my article in 2000. See *The Four Faces of Institutionalism: Public Policy and a Pluralist Perspective*. *Governance*. 13(4), 501-22.

<sup>8</sup> For an example of both see Kathryn Gordon and Maiko Miyake, 2000. *Deciphering Codes of Corporate Conduct: A Review of their Conduct*. Working Paper on International Investment, 1999/2. Paris: OECD Directorate for Financial, Fiscal and Enterprise Affairs.

<sup>9</sup> See Catherine C. Langlois and Bodo B. Schlegelmilch, 1990. *Do Corporate Codes of Ethics Reflect National Character? Evidence from Europe and the United States*. *Journal of International Business Studies*, 21(4), 519 – 535.

## **A Brief Methodological Note**

The goal of this study was to capture the variety of content contained within the CSR documents currently disseminated by the world's largest multinational corporations. We employed a methodology with four components to accomplish this objective.

First, we collected the codes of conduct for the top 100 multinational corporations listed on the 2002 Fortune Global 500. Nine firms were eventually excluded for methodological reasons (as discussed below). Fifteen of these firms did not have a code of conduct. This left a final total of 76 corporations in our sample. Second, we collected corporate documents that were available online through corporate websites. Third, we reviewed documents that were drafted in the English language. Finally, we selected documents that were generally related to the broad topic of CSR. By intentionally maintaining such a broad focus, we were able to collect a variety of documents with titles such as: Corporate Governance Codes; Supplier Codes; Codes of Ethics and Mission or Vision Statements.

Once these documents were collected, we grouped them thematically according to country (see Appendix 1) and region (see Appendix 2). We initially created two different regional groupings to evaluate whether cultural and/or regional differences existed with respect to multinational corporate codes of conducts. In our first grouping, we combined corporations based within the United Kingdom with corporations based within the United States<sup>10</sup> to determine whether common Anglo-Saxon cultural trends in fact exist. A second attempt to organize the data by regional grouping combined corporations based within the United Kingdom with those based on the European continent to determine

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<sup>10</sup> For the purpose of this research paper, the lone Bermudian corporation was grouped with the corporations located within the United States.

whether convergent European regional trends exist. We eventually decided on a third option; to omit the six British firms completely from the analysis because they would skew either group. For both regional groupings, Japanese and South Korean corporations were combined to create a third regional group, while Mexican and Chinese corporations (a very small total N of 3) were combined to create a fourth group that was omitted from our findings due to the fact that the corporations were from developing countries, and so operated under a set of conditions that might skew the data as well.

An exhaustive content analysis of the 67 remaining corporations was then performed. Specific focus was placed upon identifying the existence of CSR trends in terms of four major areas:

- Relationship to global codes and norms;
- Code formulation and documentation;
- Specific code attributes for issues such as discrimination, labor rights, environmental stewardship and community development; and
- Code monitoring and enforcement.

We identified, coded, and recorded code attributes using a bimodal variable formulation.

After the data coding process was concluded, the raw data was examined to determine the number of instances that code trends and attributes occurred within a specific region.

The number of corporations within the three regions was not numerically equivalent. The raw figures that had been generated were therefore converted into percentages to establish the probability that a corporation located within a specific region would have a specific code trend or attribute.

We recognize that the research methodology utilized in this research project is subject to clear and specific limitations. First, there exists significant variance in the design and content of the documents analyzed, being neither stylized nor systematic. Not all are called corporate codes, although we use the term loosely to group them here unless specified otherwise. In some cases there is a single document, in others there are several. Second, our data analysis had to study and code the documents very carefully because the content is varied. There nonetheless remains an element of subjective interpretation on the part of the researcher that future studies must endeavor to overcome because the field of CSR lacks a standardized lexicon for codes of conduct. Third, the terminology and nomenclature adopted by the multinational corporations to establish their specific policies on issues such as child labor or environmental stewardship are not uniform. Finally, my earlier co-authored work captured distinctions among European firms. That effort revealed the biggest difference was between British and Continental European firms, with relatively minor variations among the latter group. Here we omitted British firms (as already mentioned) and the relatively small N for some European countries (see Appendix 1) in this data set ensured that making distinctions among Continental European firms was trivial.

One abiding conclusion is that in the absence of a standardized lexicon for codes of conduct, there remains an element of subjective interpretation on the part of the researchers in coding this data to which sensitivity is required. Any future research in this project will continue to work to address this issue, designed to refine techniques to take account of differences in the use of language.

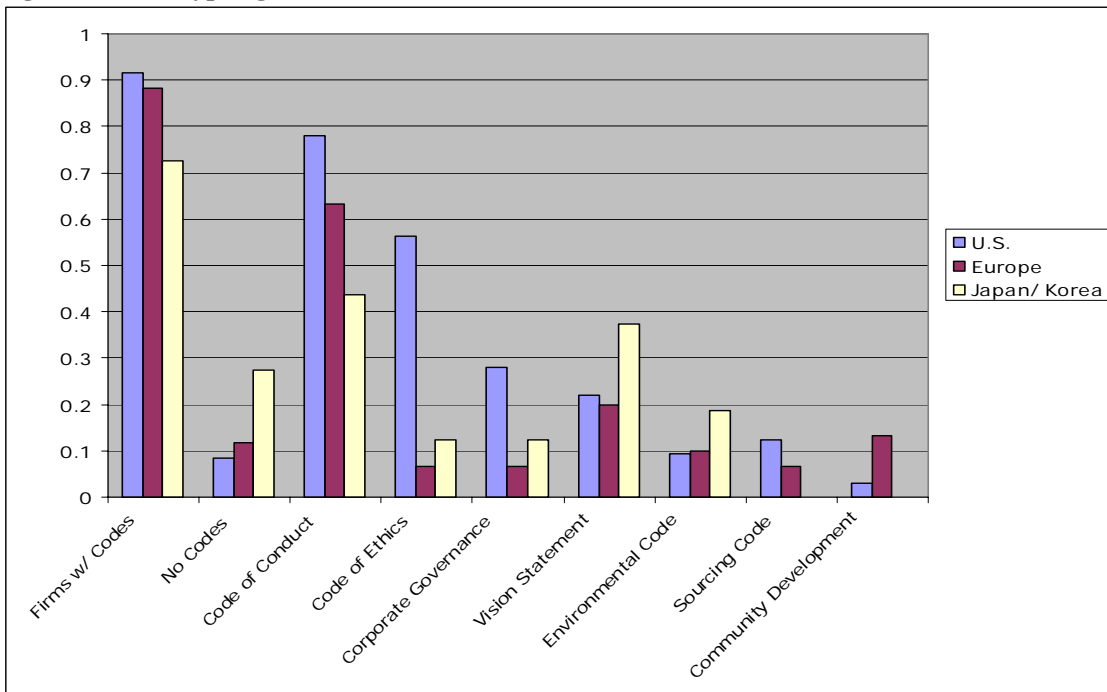
# Introductory Assessment of Some General Questions

## What kind of document is used by a corporation in articulating a code?

In this section I attempt to address some fundamental questions about corporate codes to see if they are currently converging in structure or content. I begin by examining what kind of declaratory documents corporations use. The term ‘code of conduct’ is often used loosely to apply to a broad series of documents that may be very different in character as reflected in Figure 1.

This chart lists the major sources for codes along the horizontal axis and measures the reference rate by region along the vertical axis. As in all subsequent charts, the measurement rate on the vertical axis indicates what percentage of firms with codes cited the relevant information. A reading of 0.1 indicates in this case, for example, that 10 % of corporations examined made reference to a specific document.

**Figure 1: Code Typologies**



These findings suggest that most firms have some kind of documentation that stipulates their principles and process of operation, overwhelmingly so in the U.S. and only marginally less so in the case of European firms. Most U.S. firms have what we commonly term ‘a code of ethics’ because this is mandated by the rules and regulations of the Sarbanes-Oxley Act of 2002.<sup>11</sup> Similarly, most American firms also have something described as a code of conduct, while slightly less than 30 % have a document pertaining to corporate governance.

Notably, almost half of Japanese and Korean firms do not have any equivalent document at all. Those Japanese and Korean firms that do have CSR documents often have a code of conduct or a vision statement. Some have statements of corporate ethics or governance (in a very few cases they have both). A greater number have an environmental statement (about 20 %). My research consistently found that what is characteristic of all these documents, whatever their title, is that they are generally truncated and vague when used by Japanese or Korean firms. Vision statements are usually one- or two-page documents that are rhetorical and generally insubstantial. So we probably shouldn’t find it surprising that they are the only categories in which Japanese and Korean firms outnumber their European counterparts.

If a firm has any single document, it is likely to be a code of conduct. These codes, and their contents, vary by region in terms of specificity and variety of documents. The complexity of the statements in these documents (not captured in Chart 1 but substantiated by it) varies significantly.

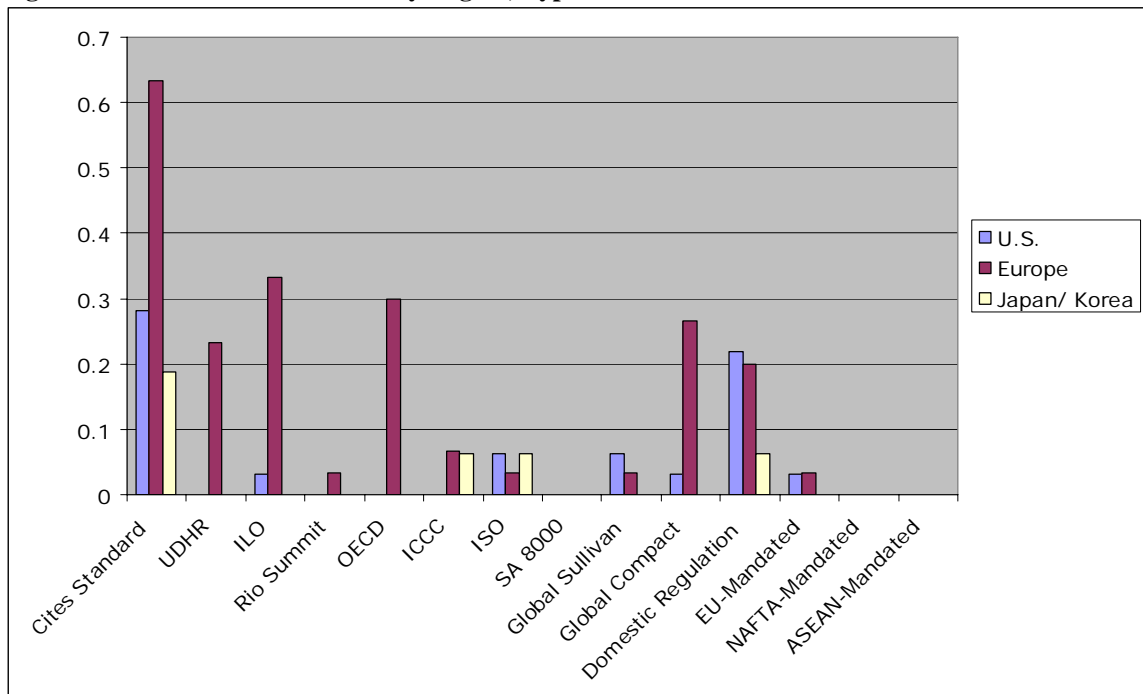
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<sup>11</sup> See Final Rule: Disclosure Required by Sections 406 and 407 of the Sarbanes-Oxley Act of 2002, available at [www.sec.gov/rules/final/33-8177.htm](http://www.sec.gov/rules/final/33-8177.htm).

## Global or Domestic Reference Points?

Next, I inquire whether the codes examined reference high profile global documents or domestic sources. If global norms prevail, then one measurement should be whether the largest global firms cite the most notable global conventions, codes and statements of principles – or focus on domestic sources. My findings are illustrated in Figure 2 below.

**Figure 2: Global Code References by Region, Types of Codes Referenced**



The first column, labeled ‘Cites Standard,’ is a depiction of the percentage of firms who made reference to *any* of the subsequent thirteen documents listed. These documents include the Universal Declaration of Human Rights, the ILO Convention, OECD Guidelines, the Global Compact, as well as various regulations mandated by regional or domestic regulations, and less notable global conventions and statements of principles.

The findings are quite startling. The percentages of corporations who cited any of these sources are relatively small, with only European firms showing a propensity to cite

a global source. Less than 30 % of U.S. firms do so, and less than 20 % of Japanese firms make any reference to the sources we examined.

Some corporations may cite more than one individual document. Yet in no case did a majority of firms cite any one major document. Only European corporations cited the Universal Declaration of Human Rights or the OECD Guidelines. Very few U.S. firms cited the International Labor Organization Convention or the Global Compact (which approximately 30 % of European firms cited in both cases). Indeed, the only case where U.S. firms were the most likely to commonly cite any source at all was that of domestic regulation, principally the Sarbanes-Oxley Act of 2002.

Japanese and Korean citation of any such source was even more limited, with domestic regulation also being their primary reference point. Japanese and Korean corporations only mention either ISO or ICCC codes in a very small number of cases.

Clearly, European corporations are far more likely to refer to an international standard in the framing of their code language than their American or Japanese counterparts – but only on a selective basis, without any consensus as to a key source. Similarly, there is no single authoritative global document that European firms have identified as the most legitimate source. American and Japanese firms go further, overwhelmingly ignoring these international standards.

### **Who is a ‘Stakeholder?’**

The language of corporate social responsibility consistently makes reference to the concept of ‘the stakeholder’. Perhaps, by analogy, stakeholders are to CSR what ‘citizens’ are to democracy and ‘consumers’ are to markets. Yet what our data makes clear is both that the concept of a stakeholder is only vaguely defined (if at all) and that



the constituent groups that corporations reference when discussing stakeholders is undetermined.

Figure 3, below, outlines the candidates for inclusion in code documents. It reveals the important similarities and differences between firms from the three regions. First, it should be clearly noted that relatively few corporations in our sample actually define the term (as depicted in the first set of columns). The primary ‘stakeholder’ referent for European firms is clearly employees, although other possible coded groups get included in decreasing proportions. Interestingly, American firms follow exactly the same pattern in terms of the relative importance of each specific group as their European counterparts, but in proportionately smaller terms. Those few Japanese or Korean firms that do employ the term, however, primarily define it in terms of shareholders. The paradox here is that shareholders generally do not hold a position of prominence in Japan. This paradox may be explained, however, if the reference is to other *keiretsu* member companies who engage in cross-shareholding arrangements in order to ensure the firm is protected against takeovers.

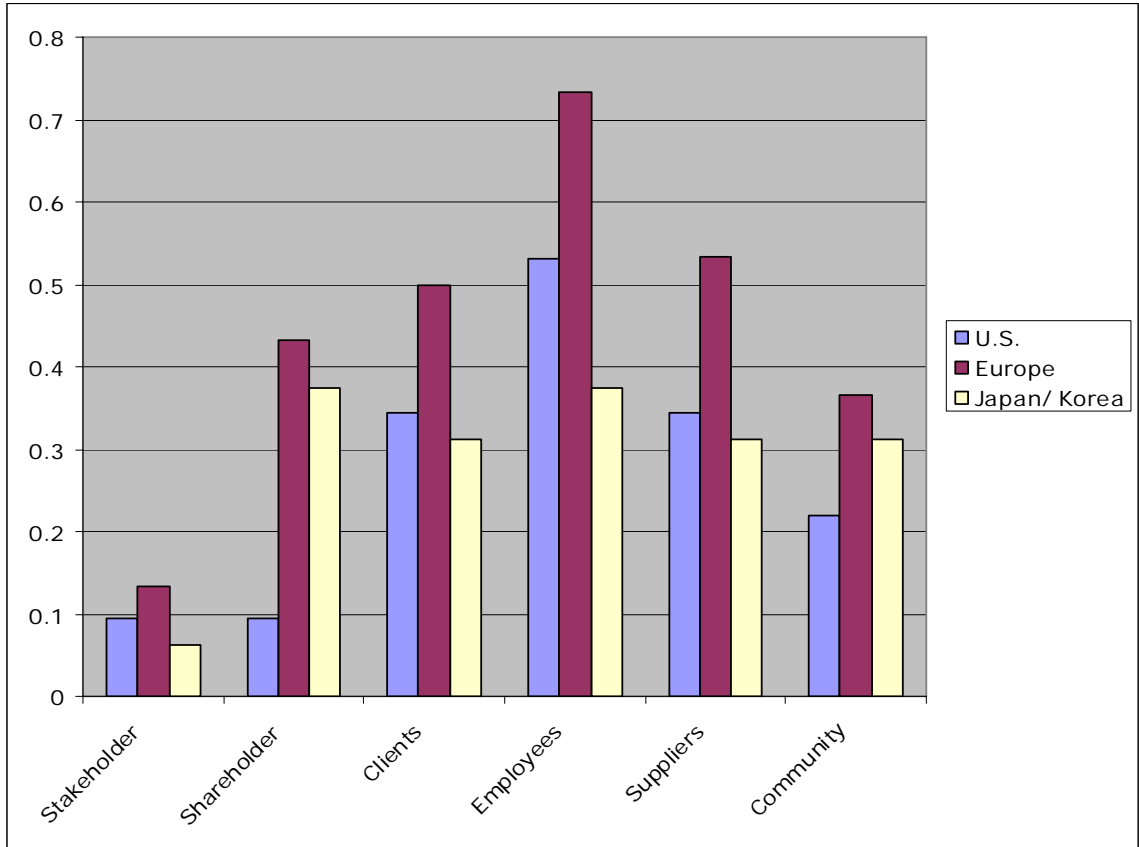
Figure 3 begs two questions we propose to pursue in further research. First, is the proportion of firms who refer to and define the term stakeholder growing? Second, is the reference to employees as stakeholders focused on employees’ rights or their responsibilities to the corporation?<sup>12</sup> What is probably most revealing about these

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<sup>12</sup> Among the CSR documentation, there appears to be a trend in the difference between the focus on employee rights and employee responsibilities. This focus closely follows skill-level: codes that include a large number of employees in less-skilled service/retail production jobs include language about employee “rights” and highly-skilled service/white collar jobs include language about employee “responsibilities.” While many firms blur the distinction of being either purely skilled or less-skilled, the concept of “rights” tends to be fully explored in firms that have a larger proportion of less-skilled employees. This is true in the instances of both supplier codes and individual codes of conduct: Target, Hewlett-Packard and Wal-Mart, for example, include this language in their supplier codes. Costco, Procter and Gamble, DaimlerChrysler, Atria Group, and Nestlé include examples of codes that discuss employee “rights.” Bank

findings are the relative few firms that use the term (in contrast to its popularity in the media) and how U.S. firms do mirror their European counterparts, albeit at a lower level.

**Figure 3: Type of Stakeholders Referenced by Code**



## Getting to Some More Specific Questions

In this section, I offer some preliminary findings about variance and convergence with respect to specific issue areas discussed in codes. These issues areas are corruption, discrimination, labor rights, and wages. Considering the importance of these areas to corporations, the manner in which they are addressed should reveal similarities and disparities among firms across regions.

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of America, Verizon, Cardinal Health and IBM include examples of those that focus on employee “responsibilities.”

## Law and Order: Is this a real concern?

Much has been made about the movement towards ‘the rule of law’ in both academia and the popular press.<sup>13</sup> In part, the discussion reflects the onus that placed upon the movement towards democratic governance (especially by the U.S.) in a post-Communist world. This concept is often captured by the term ‘good governance’; one employed by both the UN and various civil society NGOs, both of whom (perhaps surprisingly) share the American focus.<sup>14</sup>

This tendency, however, has many facets, one being the shift towards transparent rules of accounting and borrowing associated with liberal variants of capitalism with stable markets. Such variation is reflected in the vague way in which corporations refer to the concept in our sample. They generally equate it with the importance of law and its relationship to corruption itself, rather than specifying any detailed relationship to either accountability or transparency.<sup>15</sup> In Figure 4 (below) we examined the issue of whether (and which) firms focused on law and order issues.

This figure reveals that the trend towards creating institutions consistent with the rule of law is reflected in the content of company codes. Most companies, regardless of region, offer rhetoric (however vague) about the rule of law. Costco Wholesale’s code of conduct, for example, states that: “Absent a moral imperative to challenge a law, we must

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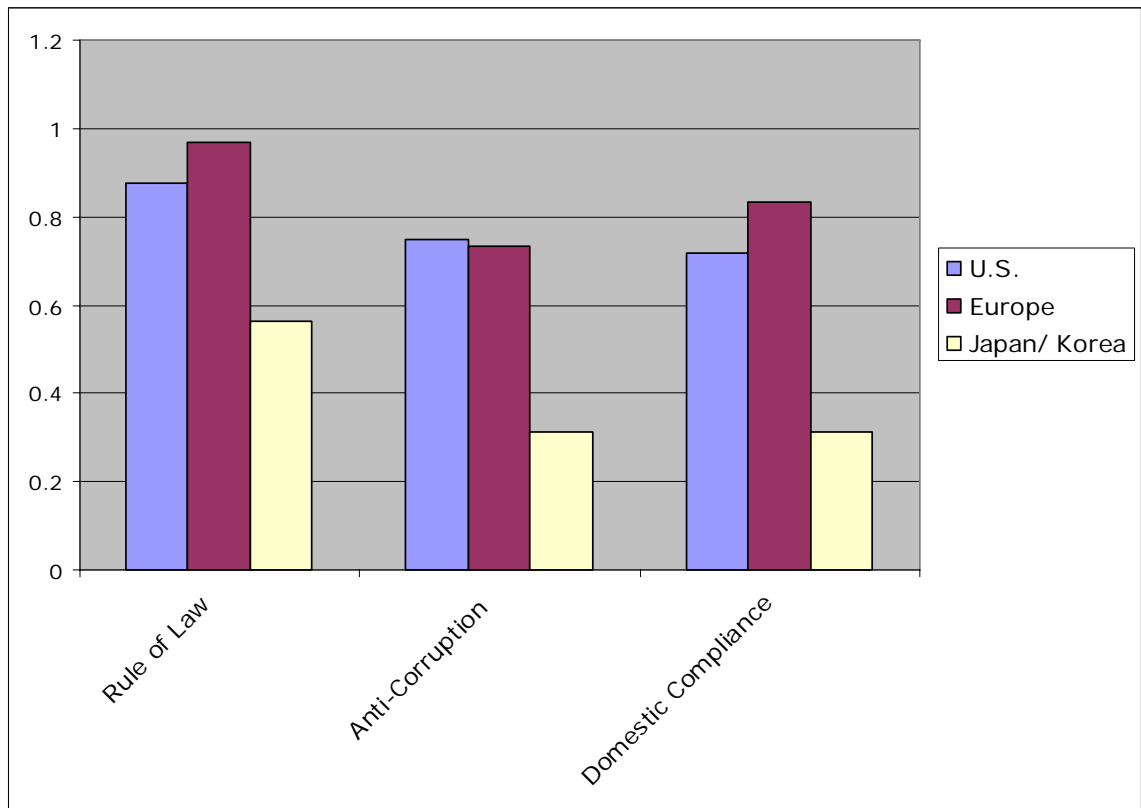
<sup>13</sup> For a helpful discussion see Fen Osler Hampson et al., 2002. *Madness in the Multitude: Human Security and World Disorder*. Ontario, CA: Oxford University Press, 18 – 23.

<sup>14</sup> See Kofi Annan, 2000. *We the Peoples: The Role of the United Nations in the 21st Century*. New York: United Nations Press. Jan Aarte Scholte. 1999. *Global Civil Society: Changing the World?* Warwick: University of Warwick. <http://www.warwick.ac.uk/fac/soc/CSGR/wpapers/wp3199.PDF>; Morten Ougaard, 1999. *Approaching the Global Polity*. University of Warwick. CSGR Working Papers, 42/99. <http://www.warwick.ac.uk/fac/soc/CSGR/wpapers/wp4299.PDF>.

<sup>15</sup> There appears to be a difference between behavioral norms that NGOs and IGOs perceive as good corporate behavior and what firms include in their codes. Concepts such as “accountability, transparency and good governance” do not closely match the focus of behavioral norms set forth in CSR documentation, which defer to the rule of law as a standard for behavior in most instances.

conduct our business in total compliance with the laws of every community where we do business.” But in regards to more specific questions about either forbidding corruption or adhering to domestic legislation in host countries where they invest, there is a clearly discernable difference between European and U.S. responses on the one hand, and Japanese and Korean ones on the other. When it comes to the content of codes, ethics—at least as defined in terms of good governance—seems to still be a transatlantic phenomenon that corporations feel needs to be addressed by ‘official’ documents that bring corporate policy in line with legal regulations.

**Figure 4: Law and Order Content by Region**

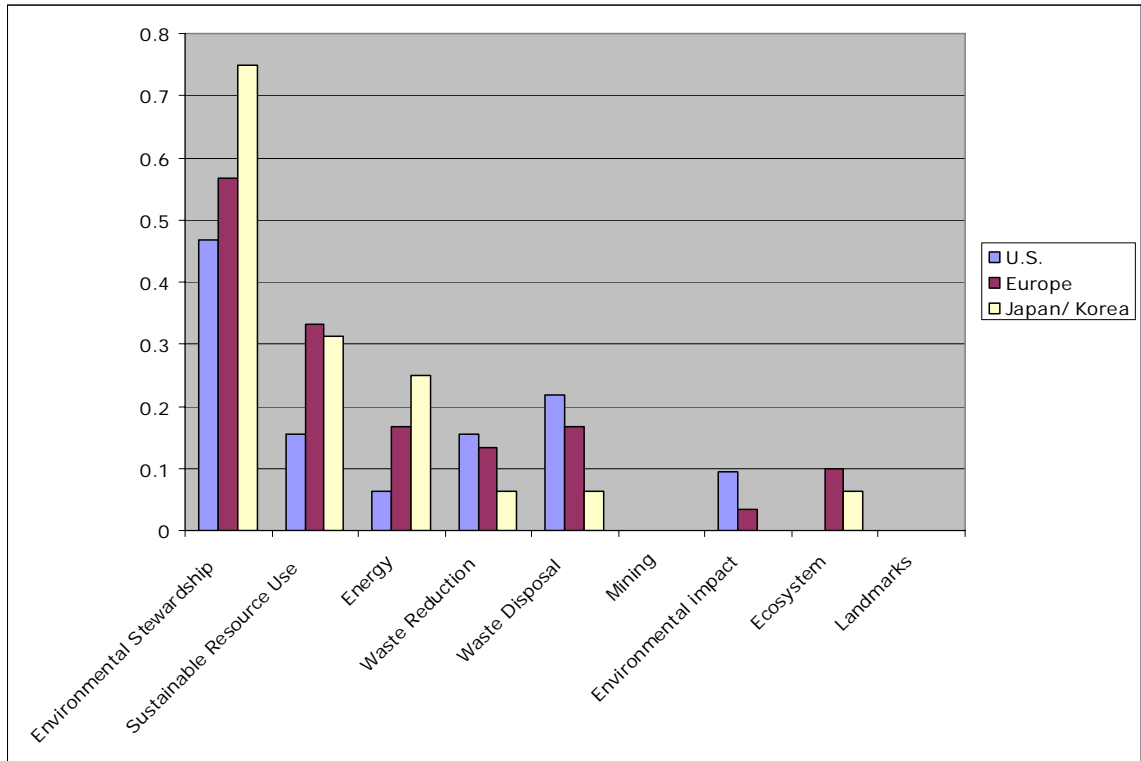


## Environmental and Ecological Considerations

Every firm professes to love and respect ‘mother earth.’ Even oil companies re-brand themselves to refer to notions such as ‘beyond petroleum.’ But how specific are

the environmental commitments espoused within CSR documents? Our coding divided between three elements: general rhetorical statements; more detailed statements about conservation; and those most specifically focused on practices relating to addressing the ecological impact of the corporation’s behavior. These distinctions are captured in Figure 5 below:

**Figure 5: Type of Environmental Activities Referenced by Codes of Specific Regions**



The first column of Figure 5 indicates the general propensity towards making statements of any form. Here the vast majority of Japanese and Korean firms such as Samsung Electronics were inclined to employ phrases within their codes such as, “We consider the environment foremost in all business activities, including product development, manufacturing, and sales.” They were also just about as willing as their European counterparts to mention the issue of resource conservation and energy allocation (columns 2 and 3).

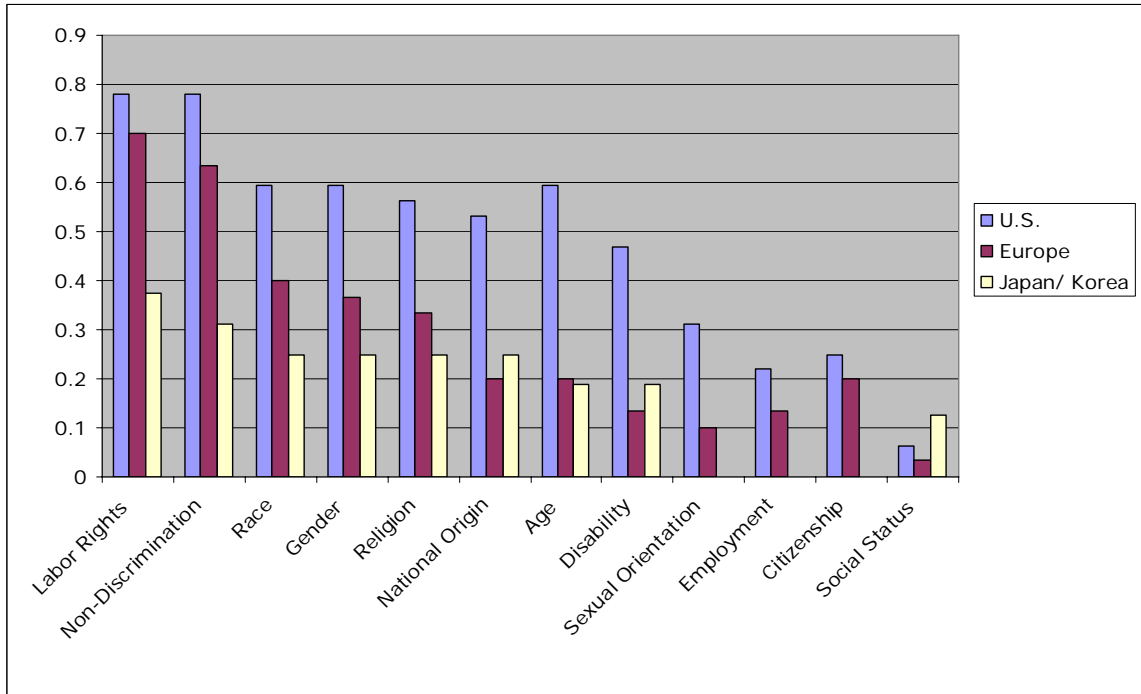
But very few firms, regardless of region, were interested in addressing specific issues regarding the environmental impact of their behavior on populations, ecosystems, or on the reduction or disposal of waste. Nobody mentioned preserving historical landmarks. The more specific the issue became, the less corporations had to say—giving credence to the skeptical view that codes are intended primarily for public relations purposes. Hyundai Motor Company provides an interesting example of this rhetoric in their code:

Civilization has modernized itself with the help of science. It has achieved economic growth, but also presented problems such as environmental pollution, resource exhaustion, human rights abuses, labor problems and unfair trade. These features, which once were recognized as non-fundamental issues, are now being recognized as serious threats to the sustainable development of our world and the planet we bequeath to our descendants. There have been a multitude of forums such as the World Summit on Sustainable Development in Johannesburg, which dealt with these issues reconsidering the quantitative, growth-oriented modern development model. These days, all aspects of human activities are reformed for sustainable development.

### **Nondiscrimination**

This is the counterpart to that of wage and benefit rights. Again, it is potentially reflective of national legislative compliance issues as well as cultural moirés. When coding, we again moved from the more general to the specific and the results as depicted in Figure 6, conformed to our now broader pattern.

**Figure 6: Labor Rights and Types of Discrimination Banned**



The clear majority of U.S. firms expressed support for the general concept of nondiscrimination. A smaller majority of European firms did, and—interestingly—only a minority of Japanese and Korean firms mentioned the issue.

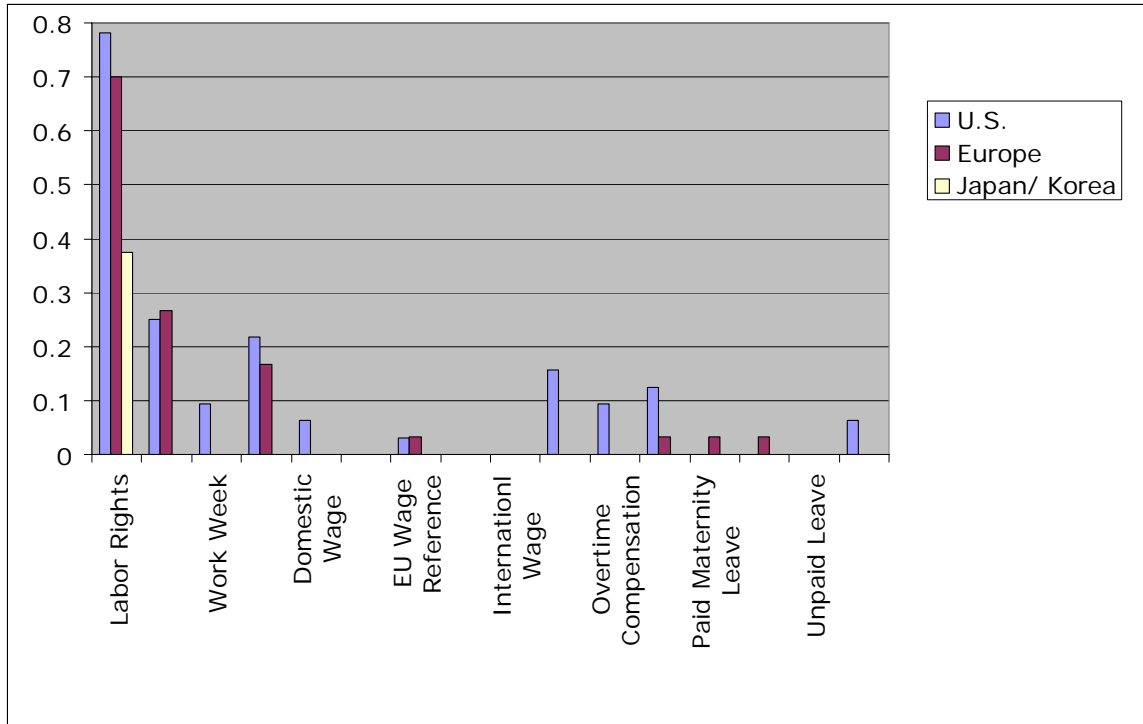
Consistent with this pattern, U.S. firms were far more likely to specify who was being protected than their European or Japanese and Korean counterparts across the board of categories. Between 40 – 50 % of U.S. firms mentioned the elements of race, gender, religion, national origin, age, and disability. The fact that these are the major categories denoted under U.S. domestic OEEC legislation, prompt the hypothesis that protection from compliance concerns may again explain the higher propensity of corporations from the U.S. to include this language in their codes.

### **Labor and Wages: Rights, Wages, and Benefits**

A second, increasingly specific issue contained in codes is that of the corporate responsibility to employees. This can take many forms, such as consideration of the

corporation’s (or its suppliers) use of forced or slave labor, or of child labor. In our coding, we again attempted to work from the general to the specific in order to assess how explicit firms have become about what their employees can expect from them. The findings are illustrated in Figure 7.

**Figure 7: Types of Rights Mentioned in Codes**



Most American and European firms mention the rights of labor. A minority of American and European firms both use rhetoric in this case that indicates that its employees “must be paid a wage.” Costco Wholesale, for example, pledges to provide its employees with a competitive wage and great benefits. In contrast, not one Japanese or Korean firm makes any mention of wages and benefits for its employees. Again, this chart reveals that there is a pattern; that firms are increasingly unlikely to mention specific rights or make reference to specific legislation (national or regional). Despite this trend, it is American firms who generally are more likely to use specific language (although still constituting only 25 % of those sampled) with the exception of paid



paternity leave, which is mandated in a very few European countries. Only American firms discuss the issue of banning mandatory overtime work, an issue that receives a great deal of press in manufacturing outside the advanced industrialized world.

### **The Monitoring and Enforcement of Provisions**

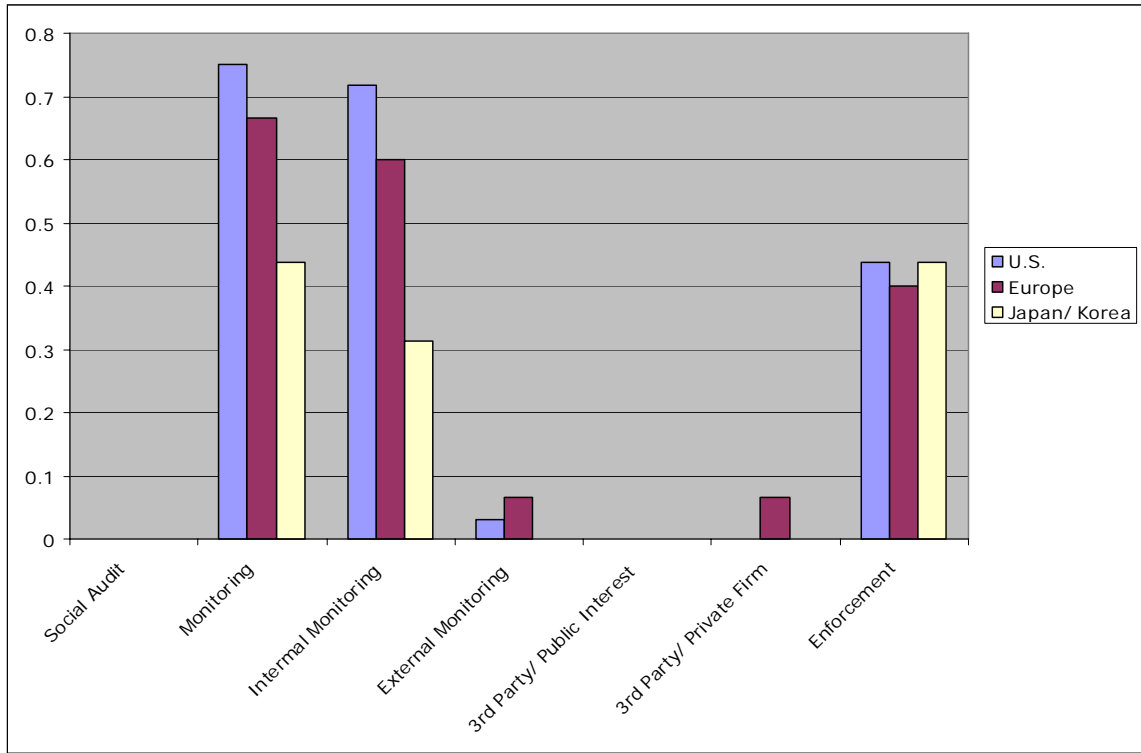
The utility of a code is arguably limited without a means of enforcement. One consistent criticism lodged against company codes is that though they may monitor, they lack any teeth when it comes to the issues of enforcement and compliance. Several large corporations discussed the content of their codes at a workshop held at the University of Pittsburgh in the spring of 2004.<sup>16</sup> What was notable was the ways in which they stressed the issue of internal monitoring and enforcement. The onus was clearly on how employees were supposed to report any evidence of malfeasance to their superiors.

In our coding, we attempted to compare the relationship between monitoring and enforcement. These findings were less predictable, as shown in Figure 8.

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<sup>16</sup> The workshop was entitled “Beyond Rhetoric: Highlighting Integrity and Corporate Codes of Conduct” and was held on March 25, 2004 at the University of Pittsburgh. There, senior corporate officials from H.J. Heinz, Mellon Financial and Medrad Inc. spoke about their respective codes.

**Figure 8: Types of Monitoring/Enforcement by Region**



American firms were both more likely to mention monitoring in general and internal monitoring in particular. While there was a notable distinction between American and European firms, the gap to Japanese and Korean firms was far greater. Approximately half as many Japanese and Korean firms even mentioned internal monitoring compared to their American counterparts. Yet while many American and European corporations discuss the issue of monitoring, a significantly smaller percentage actually mentioned any enforcement provisions. Clearly, many American firms contemplate monitoring without enforcement.

Although they are far less inclined to include provisions for monitoring in their codes, Japanese and Korean firms that do generally link monitoring to enforcement. When they include provisions regarding the former, they almost always include provisions for the latter. In the absence of national or regional legislation, this suggests a

very interesting puzzle regarding the distinct cultural and institution difference between this region and that of Europe or the United States.

## **Summary of Findings**

I have presented a series of findings here that moved from the broadest of issues to an increasingly specific comparative assessment. It progressed from an analysis about the structure of codes to details about the contents of codes in the most common of areas. I now present the details of these findings in a succinct way in Table 1 (below).

I have attempted to present these findings with the intent of evaluating whether the contents of codes are converging in nature and content. I understand that this table is potentially simplistic, and that it constitutes a ‘snapshot’ of current codes of conduct (and is therefore limited because it doesn’t inform us about movement over time). I nonetheless believe that it is worth asking the question as to where the similarities and differences are in codes as defined by region.

The table ‘codes’ responses and characterize them as ‘low’, ‘medium’ or ‘high’ for the purpose of comparison (a medium constituting a finding in the 40 – 60 % range). As the table suggests, there are very few areas of uniformity (alternatively characterized as ‘consensus’). The codes are commonly vague about defining the term ‘stakeholders.’ Moreover, they all have relatively little to say about the issue of child labor and a little more to say about the enforcement of codes, although the drop-off in the percentage of firms discussing monitoring is significant in the U.S. and European cases. That is where commonality ends. Sometimes there is great variance; European corporations are far more inclined to refer to global norms than their American or Asian counterparts. The same pattern holds true for ‘stakeholder references.’ In other areas, the figures of firms

from two of the three regions are comparable. Where compatibility exists, it is generally between American and European firms.

Perhaps what is most evident is that there are few areas of consensus—or necessary evidence of a growing one. Anecdotal evidence supports that finding. German and Swiss companies primarily refer to their own governments' instituted national codes. The limited evidence we found regarding British corporations is that their behavior doesn't mirror that of any other country. Much of what we could characterize as 'consensual' in the codes is so vague that it could be attributed to sheer political acumen. "We must work to protect the environment" is a concept that is so popular that even heavy polluters ascribe to the view. So that doesn't really indicate consensus around a norm. It only gives credence to the skepticism felt by many regarding the significance of codes—reflected in Carle's comment cited at the outset.

## **Conclusion: What Does 'Coding Codes' Tell Us?**

The problems of the self-regulation of corporations are too legion to list here. One aspect of self-regulation is clearly the use of codes of conduct by corporations as avenues for expressing their values and social commitment to a broader community. Much of the research to date on codes has been limited in scale to those of individual companies or has looked at the development of a national consensus. There has been remarkably little work employing a cross-national comparison.

In the project, currently at its infant stage, we initiated research on the world's largest firms, because that it is where we would be most likely to find any convergence towards any global norm. The largest companies in the world are generally also the most global in terms of their spread of operations, exposure to international market forces, and

because they are generally the most subject to media scrutiny. They are also the firms most likely to be exposed to any global trends in ideas (such as those epitomized by the UN's Global Compact).

We do not find any evidence here that the globalization of capitalism has also been accompanied by a globalization of a corporate morality—as represented in the content of their codes of conduct. Nor do our findings suggest that American tort law is creating a globalization of standards. Such claims, our findings suggest, only describe one side of the phenomenon. The American model is not being exported. The issue, rather, is more complicated than that. Certainly, the passage of Sarbanes-Oxley corporate governance laws in the United States has meant that foreign firms have to accommodate American corporate governance norms in order to be traded in the United States on private stock exchanges. As a result, the U.S. subsidiaries of foreign corporations may be tailoring documents (and in some cases policies) to accommodate U.S. corporate governance law. But they often have distinct codes that they use at home. Based on anecdotal data that we have collected, for example, we can report that European firms such as Allianz, Deutsche Bank, Deutsche Telekom, and Japanese firms such as Matsushita Electric Industrial produce two types of documents; ones which stress “compliance” with the host country legislation, and ones which stress “explanation” of how they accommodate the differences in norms. Allianz and Matsushita, for example, stress “compliance,” and Deutsche Bank stresses “explanation” in their documents. “Explanation” is a regulatory norm for both German and UK corporate governance codes. These examples illustrate that different legal or regulatory demands do not necessarily lead to convergence; rather they are often arbitrated by firms.

**Table 2: Summary Findings for Comparative Coding of Corporations by Region<sup>17</sup>**

|  |   | Region  |  |  |
|--|---|---|--|--|
|  |   | United States   | Continental Europe   | Japan/South Korea  |
| The Prevalence of Corporate Code Content | <b>Percentage of Companies with Social Responsibility Documentation</b> | <b>91%</b>  | <b>85%</b>   | <b>68%</b>   |
|  | <b>Reference Global Standards</b>                                       | <b>Low</b>  | <b>High</b><br>Reference ILOC, UDHR, OECD, GC  | <b>Low</b>   |
|  | <b>Corporate Social Responsibility</b>                                  | <b>Medium</b>   | <b>High</b><br>Focus on community enhancement and ethical sales                              | <b>High</b><br>Considerable focus on community enhancement and ethical sales |
|  | <b>Code Monitoring</b>  | <b>High</b><br>Internal monitoring  | <b>High</b><br>Internal monitoring   | <b>Medium</b>  |
|  | <b>Code Enforcement</b>   | <b>Medium</b>   | <b>Medium</b>  | <b>Medium</b>  |
|  | <b>Law and Order</b>  | <b>High</b><br>Focus on eliminating corruption and complying with domestic laws         | <b>High</b><br>Focus on eliminating corruption and complying with domestic laws              | <b>Medium</b>  |
|  | <b>Stakeholder Definition</b>   | <b>Low</b>  | <b>Low</b>   | <b>Low</b>   |
|  | <b>Stakeholder References</b>   | <b>Low</b><br>Focus on employees  | <b>High</b><br>Focus on employees, clients and suppliers                                     | <b>Low</b><br>Focus on employees and shareholders                            |
|  | <b>Wage &amp; Benefits</b>  | <b>Low</b><br>Focus on competitive wage and compensation with reference to overtime pay | <b>Low</b><br>Focus on competitive wage and compensation                                     | <b>None</b>  |
|  | <b>Environmental Stewardship</b>  | <b>Medium</b><br>Focus on conservation of resources, waste reduction and disposal       | <b>Medium</b><br>Focus on conservation of resources and energy, waste reduction and disposal | <b>High</b><br>Focus on conservation of resources and energy                 |

I resist the temptation to conclude that firms are simply concerned with profit making and are amoral. Our findings do not support that conclusion. In contrast, I can suggest that the evidence supports the conclusion that values are indeed expressed in their codes. Some of these values are vague and unspecified. Others are less so. What is

<sup>17</sup> **KEY TO UNDERSTANDING THIS TABLE:** This table reflects the proportions listed on the Y-axis of Graphs 1 through 8, where Low in this table represents values from 0 to .39, Medium from 0.4 to .59, and High = 0.6 to 1.0.

common to them all, beyond the purely rhetorical, is that firms clearly seem to respond to national exigencies rather than global patterns when deciding what to include in their codes.

Japanese and Korean firms are clearly and understandably more prone to be concerned about energy conservation because they have few natural resources. American firms focus most on corporate corruption, both because financial impropriety has been the subject of such scandal at home (the Worldcom syndrome) and because the export of law and order has been such an important element in U.S. foreign policy (and the initiative of many NGOs) in the last decade or so. And the greater European focus on global initiatives mirrors the greater efforts of European governments to invest in regional and multilateral organizations as they ‘pool’ sovereignty and attempt to use such institutions to promote alternative agendas to that offered by the United States.

The next stage of our work will focus in three tasks. First, we shall attempt to expand the data set to incorporate a far greater number of the Fortune Global 500 companies. Second, we shall try to improve on our coding operation by studying important nuances in meaning but also formulating better questions to ask about codes. Finally, and most ambitiously, we hope to attack the issue of the relationship between words and deeds—between the contents of codes and the ways in which corporations behave.

What can we conclude, however, from this work to date? Our provisional findings are consistent that of my earlier co-authored work. There we concluded that capitalism, as represented by the behavior of the world’s largest firms, was still a great deal more national than some scholars, business gurus and the popular press would suppose. Here I

offer the conclusion that the values that are professed by companies are symptomatically national in character. Whether driven by national culture, regulation or scandal, what drives a firm to incorporate particular elements in its code has little to do with global declarations, compacts, or conventions. Rather, the values of global capitalism are still, by propensity, highly domestically bound.



## Appendix 1: Corporations Included in this Analysis and Country of Origin

|  |         |
|--|---------|
| Fortis N.V.                            | Belgium |
| Tyco International Ltd.                | Bermuda |
| China National Petroleum               | China   |
| Sinopec                                | China   |
| AXA Group                              | France  |
| BNP Paribas                            | France  |
| Carrefour                              | France  |
| Credit Agricole                        | France  |
| Electricite De France                  | France  |
| France Telecom S.A.                    | France  |
| Metro                                  | France  |
| Peugeot                                | France  |
| Suez                                   | France  |
| Total Fina Elf S.A                     | France  |
| Vivendi Universal S.A.                 | France  |
| Allianz                                | Germany |
| Bayerische Hypo- und Vereinsbank AG    | Germany |
| BMW                                    | Germany |
| Daimler Chrysler AG                    | Germany |
| Deutsche Bank AG                       | Germany |
| Deutsche Post                          | Germany |
| Deutsche Telekom                       | Germany |
| E.ON AG                                | Germany |
| Munich Re Group                        | Germany |
| RWE AG                                 | Germany |
| Siemens AG                             | Germany |
| UBS                                    | Germany |
| Volkswagen AG                          | Germany |
| Assicurazioni Generali S.p.A.          | Italy   |
| ENI S.P.A                              | Italy   |
| Fiat                                   | Italy   |
| Dai Ichi Mutual Life                   | Japan   |
| Fujitsu                                | Japan   |
| Hitachi                                | Japan   |
| Honda Motor Co. Ltd.                   | Japan   |
| Itochu Corp.                           | Japan   |
| Marubeni Corp.                         | Japan   |
| Matsushita Electric Industrial         | Japan   |
| Mitsubishi Corp                        | Japan   |
| Mitsui and Company Ltd.                | Japan   |
| NEC Corp.                              | Japan   |
| Nippon Life Insurance                  | Japan   |
| Nippon Telegraph and Telephone Company | Japan   |
| Nissan Motor Company                   | Japan   |
| Nissho Iwai                            | Japan   |
| Sony                                   | Japan   |

|                                    |             |
|------------------------------------|-------------|
| Sumitomo Life Insurance Co.        | Japan       |
| Sumitomo Mitsui Banking Corp.      | Japan       |
| Tokyo Electric Power Company, Inc. | Japan       |
| TOSHIBA                            | Japan       |
| Toyota Motor Company               | Japan       |
| PEMEX                              | Mexico      |
| Royal Ahold                        | Netherlands |
| Royal Dutch/ Shell Group           | Netherlands |
| ING Bank Śląski S.A.               | Poland      |
| Hyundai Motor Co.                  | South Korea |
| Samsung                            | South Korea |
| Credit Suisse Group                | Switzerland |
| Nestle                             | Switzerland |
| Zurich Financial Services          | Switzerland |
| Altria                             | U.S.        |
| American International Group, Inc. | U.S.        |
| AmerisourceBergen                  | U.S.        |
| AOL Time Warner                    | U.S.        |
| Bank of America                    | U.S.        |
| Berkshire Hathaway                 | U.S.        |
| Boeing Co.                         | U.S.        |
| Cardinal Health                    | U.S.        |
| Chevron Texaco Corp.               | U.S.        |
| Citigroup                          | U.S.        |
| ConocoPhillips                     | U.S.        |
| Costco Wholesale                   | U.S.        |
| ExxonMobil                         | U.S.        |
| Fannie Mae                         | U.S.        |
| Ford Motor Company                 | U.S.        |
| Freddie Mac                        | U.S.        |
| General Electric                   | U.S.        |
| General Motors Corp.               | U.S.        |
| Hewlett-Packard                    | U.S.        |
| Home Depot                         | U.S.        |
| IBM                                | U.S.        |
| JP Morgan Chase                    | U.S.        |
| Kroger                             | U.S.        |
| McKesson HBOC                      | U.S.        |
| Merck                              | U.S.        |
| Procter and Gamble                 | U.S.        |
| SBC Communications                 | U.S.        |
| State Farm Insurance               | U.S.        |
| Target                             | U.S.        |
| U.S. Postal Service                | U.S.        |
| Verizon Communications             | U.S.        |
| Wal-Mart                           | U.S.        |
| AT&T                               | U.S.        |
| Sears, Roebuck, & Co.              | U.S.        |

## Appendix 2: Corporations Included in this Analysis Grouped by Region

| Fortune Magazine Global 500 Corporate Rank | Corporate Name                     | Region |
|--|------------------------------------|--------|
| 91   | Tyco International Ltd.            | U.S.   |
| 1  | Wal-Mart                           | U.S.   |
| 2  | General Motors Corp.               | U.S.   |
| 3  | ExxonMobil                         | U.S.   |
| 6  | Ford Motor Company                 | U.S.   |
| 9  | General Electric                   | U.S.   |
| 13   | Citigroup                          | U.S.   |
| 15   | Chevron Texaco Corp.               | U.S.   |
| 19   | IBM                                | U.S.   |
| 24   | Verizon Communications             | U.S.   |
| 25   | American International Group, Inc. | U.S.   |
| 27   | U.S. Postal Service                | U.S.   |
| 30   | Altria                             | U.S.   |
| 36   | ConocoPhillips                     | U.S.   |
| 37   | Home Depot                         | U.S.   |
| 39   | McKesson HBOC                      | U.S.   |
| 40   | Hewlett-Packard                    | U.S.   |
| 43   | Boeing Co.                         | U.S.   |
| 45   | Fannie Mae                         | U.S.   |
| 50   | Merck                              | U.S.   |
| 51   | Kroger                             | U.S.   |
| 53   | Cardinal Health                    | U.S.   |
| 56   | State Farm Insurance               | U.S.   |
| 64   | Bank of America                    | U.S.   |
| 67   | AmerisourceBergen                  | U.S.   |
| 72   | Target                             | U.S.   |
| 75   | JP Morgan Chase                    | U.S.   |
| 76   | SBC Communications                 | U.S.   |
| 78   | Berkshire Hathaway                 | U.S.   |
| 80   | AOL Time Warner                    | U.S.   |
| 86   | Procter and Gamble                 | U.S.   |
| 90   | Freddie Mac                        | U.S.   |
| 92   | Costco Wholesale                   | U.S.   |
| 61   | AT&T                               | U.S.   |
| 81   | Sears, Roebuck, & Co.              | U.S.   |
| 4  | Royal Dutch/ Shell Group           | Europe |
| 7  | Daimler Chrysler AG                | Europe |
| 13   | Allianz                            | Europe |
| 14   | Total Fina Elf S.A                 | Europe |
| 17   | ING Bank Sl'aski S.A.              | Europe |
| 20   | Volkswagen AG                      | Europe |

|    |  |              |
|----|--|--------------|
| 21 | Siemens AG                             | Europe       |
| 29 | Carrefour                              | Europe       |
| 31 | AXA Group                              | Europe       |
| 35 | Royal Ahold                            | Europe       |
| 38 | Nestle                                 | Europe       |
| 42 | Vivendi Universal S.A.                 | Europe       |
| 44 | Assicurazioni Generali S.p.A.          | Europe       |
| 46 | Fiat                                   | Europe       |
| 47 | Deutsche Bank AG                       | Europe       |
| 48 | Credit Suisse Group                    | Europe       |
| 49 | Munich Re Group                        | Europe       |
| 52 | Peugeot                                | Europe       |
| 54 | BNP Paribas                            | Europe       |
| 55 | Deutsche Telekom                       | Europe       |
| 58 | Metro                                  | Europe       |
| 63 | ENI S.P.A                              | Europe       |
| 65 | Electricite De France                  | Europe       |
| 68 | E.ON AG                                | Europe       |
| 71 | France Telecom S.A.                    | Europe       |
| 73 | Fortis N.V.                            | Europe       |
| 74 | Suez                                   | Europe       |
| 79 | UBS                                    | Europe       |
| 82 | RWE AG                                 | Europe       |
| 83 | Zurich Financial Services              | Europe       |
| 87 | BMW                                    | Europe       |
| 88 | Deutsche Post                          | Europe       |
| 98 | Credit Agricole                        | Europe       |
| 99 | Bayerische Hypo- und Vereinsbank AG    | Europe       |
| 8  | Toyota Motor Company                   | Japan/ Korea |
| 10 | Mitsubishi Corp                        | Japan/ Korea |
| 11 | Mitsui and Company Ltd.                | Japan/ Korea |
| 16 | Nippon Telegraph and Telephone Company | Japan/ Korea |
| 18 | Itochu Corp.                           | Japan/ Korea |
| 22 | Sumitomo Mitsui Banking Corp.          | Japan/ Korea |
| 23 | Marubeni Corp.                         | Japan/ Korea |
| 26 | Hitachi                                | Japan/ Korea |
| 28 | Honda Motor Co. Ltd.                   | Japan/ Korea |
| 32 | Sony                                   | Japan/ Korea |
| 33 | Nippon Life Insurance                  | Japan/ Korea |
| 34 | Matsushita Electric Industrial         | Japan/ Korea |
| 41 | Nissan Motor Company                   | Japan/ Korea |
| 59 | Samsung                                | Japan/ Korea |
| 62 | TOSHIBA                                | Japan/ Korea |
| 77 | Dai Ichi Mutual Life                   | Japan/ Korea |
| 85 | Tokyo Electric Power Company, Inc.     | Japan/ Korea |
| 93 | NEC Corp.                              | Japan/ Korea |
| 94 | Hyundai Motor Co.                      | Japan/ Korea |
| 96 | Nissho Iwai                            | Japan/ Korea |
| 97 | Fujitsu                                | Japan/ Korea |

|     |                             |                |
|-----|-----------------------------|----------------|
| 100 | Sumitomo Life Insurance Co. | Japan/ Korea   |
| 69  | China National Petroleum    | China & Mexico |
| 70  | Sinopec                     | China & Mexico |
| 95  | PEMEX                       | China & Mexico |

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