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Trading Diamonds Responsibly

Institutional Explanations for Corporate Social Responsibility

Franziska Bieri and John Boli

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Conflict or blood diamonds are "rough diamonds used by rebel movements or their allies to finance armed conflict aimed at undermining legitimate governments" (Kimberley Process Secretariat). Conflict diamonds have fueled calamitous civil wars in Angola, Sierra Leone, Liberia, the Democratic Republic of Congo, and Côte D'Ivoire. For most of the 1990s, the conflict diamonds issue went unnoticed. In 1998–1999, however, parallel efforts by a few NGOs and the United Nations catapulted the issue onto the global stage. The result was the Kimberley Process, a series of negotiations involving states, NGOs, and industry but not the United Nations itself. With surprising speed, the KP generated the Kimberley Process Certification Scheme (KPCS) to regulate the diamond trade by certifying that diamonds are conflict-free. "Two and a half years is lightning speed by international negotiating standards" (Smillie). Although the road to success was by no means straight, the conflict diamonds campaign moved unusually quickly from raising concern about the problem to establishing a global mechanism to solve it.

At the heart of the campaign were accusations that De Beers and the Antwerp trading center bore culpability for the brutal civil wars fueled by the diamond trade. NGOs made these powerful actors aware of a new global social problem and redefined long-standing business practices as unacceptable. That they were able to engage the industry and states relatively quickly was a reflection of the growing legitimacy

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and value of NGOs as moral guides; industries worldwide were recognizing that it was better to engage with than to fight NGOs.

The campaign efforts were facilitated by the general legitimacy of CSR ideology, which increased greatly in the 1990s. The growth and pervasiveness of CSR ideology in recent times has been documented by various scholars. Vogel gives striking evidence of widespread interest in and acceptance of CSR norms.

> A recent search on Google for "corporate social responsibility" found more than 30,000 sites. More than 15 million pages on the World Wide Web address dimensions of corporate social responsibility, including more than 100,000 pages on corporate websites. Amazon lists 600 books on the subject. More than 1,000 corporations have developed or signed codes of conduct governing dimensions of their social, environmental, and human rights practices, and more than 2,000 firms now issue reports on their CSR practices.

Many global organizations institutionalize CSR principles, such as the UN Global Compact, the International Business Leaders Forum, and Social Accountability International and its SA 8000 standards. In addition, a plethora of surveys have found evidence of growing CSR expectations among consumers. Obviously, opposition to CSR persists, particularly among neoliberal economists; in the early stages of norm construction, contestation is often high, but norms can be powerful even when contested, and their power is normally directly correlated with the prevalence of violations brought to public attention. For CSR norms, violation reporting is increasingly widespread and intense.

In a general sense, growing acceptance of CSR norms is due to economic and cultural forces of globalization. States are deemed increasingly unable to police transnational corporations effectively. At the same time, companies have become more vulnerable to civil-society campaigns, especially those companies that have high-profile global brands. Coupled with the emergence of world citizenship obligations that expand the responsibilities of companies and NGOs, these factors have produced a fertile breeding ground for the global expansion of CSR norms.

Moreover, companies have come to believe that "doing good" can mean "doing well," however dubious that connection may be empirically. According to Vogel, 70% of business executives think that CSR is beneficial to the bottom line, as a result of three processes. First, claims about the virtues of the "triple bottom line" have been widely disseminated in books, popular media treatments, and official documents, such as the European Union's White Paper on CSR. Second, managers who have struggled with conflicting norms regarding profits and philanthropy find that the triple bottom line principle allows them to resolve this conflict. Third, managers have learned that CSR makes sense by observing the success of high-profile companies that have made responsibility a keystone of their operations, such as the Body Shop and Ben and Jerry's.

Apart from these general trends, two specific factors contributed crucially to the positive engagement of the diamond industry with the norms embedded in the KPCS. These factors constitute concrete mechanisms by which the diffuse principles of CSR as world-cultural ideology were "brought home to roost" in the diamond industry. First, social movement organizations in the conflict diamonds campaign defined and pushed the new norms about the responsibilities of the industry, dramatizing their position by publicizing vivid images associating diamonds with destruction. Second, some key industry and state figures were particularly receptive to CSR thinking; as forward-looking leaders, they pulled more reluctant industry and state players into the process.

Global CSR Norms: Opportunities for the Conflict Diamonds Campaign

CSR ideology provided a favorable climate in which the conflict diamonds issue could flourish. Several key developments lead to this conclusion. The first NGO report that sought to put conflict diamonds on the global agenda, *A Rough Trade*, accused De Beers of buying conflict diamonds in violation of UN Security Council Resolution 1173, which had been passed in June 1998. *A Rough Trade* framed Angolan conflict diamonds squarely in terms of unacceptable corporate conduct rather than as an international relations or Angolan peace issue. It portrayed De Beers as irresponsible, nontransparent, and unethical. Global Witness, the tiny, low-budget NGO that prepared the report, exhorted De Beers to heed its own code of conduct, which could readily be interpreted as disallowing the trade in conflict diamonds. De Beers was singled out as the dominant firm and standard-setter in the industry. "It is time that a business which operates in an arcane way, like a family business, re-assesses its operation and accepts that corporate accountability is now an important factor in international business. The South African-British group De Beers and its Central Selling Organisation (CSO), as the major player in the diamonds trade, must assume significant responsibility for this". The report concludes that "it is encouraging to note that De Beers do have pre-existing corporate statements on ethics and transparency, and so Global Witness challenges De Beers to tackle this complicated and necessary process of change to drag the diamond business into the next century and ensure that key issues of concern such as public scrutiny, accountability and ethical consideration are put in place". Global Witness thus invoked global CSR principles and shamed De Beers for not abiding by them. De Beers was behind the times – it was not keeping up with the world-cultural model of the responsible corporate citizen. Precisely because De Beers had previously portrayed itself as a progressive and responsible leader in the industry and had formally committed itself to CSR practices, it was an obvious target for NGOs pushing new normative concerns.

Meanwhile, the consumer-oriented arm of the campaign developed rapidly. Put together by a coalition of mostly small NGOs under the name Fatal Transactions, the campaign focused on the consumer's "right to know," thus targeting diamond retailers. Fatal Transactions was not the first such effort; previous consumer awareness campaigns had targeted furs, the hunting of baby seals, and so on. Consumer awareness campaigns, including boycotts, had become an important political tool, despite uncertainty about the effects of such activism on corporate behavior. Precisely because many consumers were already sensitized to "care," NGOs' efforts to recast the symbolism of the industry were not likely to be ignored. Such symbolic delegitimation was clearly linked to potential material consequences: declining sales and falling profits. In the conflict diamonds case, however, a boycott was not pursued due to concern about the negative effects on diamond miners. The goal was not to reduce sales but to prompt prospective customers to accept only conflict-free diamonds. Of course, heightened consumer awareness may seem tantamount to a boycott, particularly when no alternative products or brands are available, but most of the NGOs' activities targeted policymakers and industry officials rather than consumers. The primary purpose of the consumer awareness campaigns was to keep governments and industry worried about a potential drop in demand.

The strategy seems to have worked. While the vast majority of consumers remained completely ignorant, De Beers became gravely concerned about the possibility of a boycott. As the company's Head of Public Affairs, Andrew Bone, recalled: "We were concerned that the way the NGOs were putting it at the time was that this was a consumer awareness campaign. Now we knew that with the complexity of the issue, it was too complex for a message to get across to the public in a way that would not alarm them, and therefore instigate a boycott."

That the rupture regarding the symbolic character of diamonds was deep and wide is indicated by the extreme violations of sacred entities (individuals, groups, peoples) publicized by the campaign. The civil wars involved indiscriminate rape, mutilation, and massacre of civilians, particularly women and children, and the forced soldiering of children. Many human rights and principles of law were severely transgressed, and the Fatal Transactions campaign depicted companies and states engaged in the diamond industry as aiding and abetting the transgressors. The Sierra Leone war was especially vicious, magnifying the moral responsibilities of the industry. First-hand observation of the brutal realities of the war prompted some politicians and industry leaders to urge industry action. Martin Rapaport, perhaps the biggest name in US jewelry diamonds, was sufficiently moved by a trip to Sierra Leone to become a key proponent of change. Most telling about Rapaport's reaction is that, in the article he published after that journey, "Guilt Trip", he argued not only that the industry must cooperate fully with states and the United Nations to address the problem, but also that the industry was responsible for ending the war regardless of the cost. Rapaport's trip was prompted by the concerns raised by NGOs and it had the best outcome they could have hoped for: his willing embrace of the industry's social responsibility to end great harm. Winning over Rapaport helped the NGOs greatly in their efforts to bring pressure to bear on more reluctant parties.

Early initial support from proactive state representatives was also crucial to the search for a solution to the conflict diamonds problem. These governmental allies of the NGO campaign, including Canadian Ambassador Bob Fowler at the United Nations, House of Representatives member Tony Hall in the United States, US Special Negotiator for Conflict Diamonds J. D. Bindenagel, and the European Union's Kim Eling, helped create a sense of urgency about conflict diamonds. Numerous other state representatives in the KP were essential to the success of the negotiations, particularly the first two chairmen of the KP, Abbey Chikane of South Africa and Tim Martin of Canada. Notwithstanding the importance of such figures, it appears that governments largely were impelled by nonstate actors to address the issue of conflict diamonds. A key case in point is US involvement. Ian Smillie of the small NGO Partnership Africa Canada, the man who is often described as the "key architect" of the KP, put it this way: "It was really because the American jewelry industry was so scared of what would happen if there wasn't an agreement that they pushed the government to do the right thing. NGOs pushed the industry. Industry pushed the government".

Judging by the response of De Beers, the NGOs, though annoying and potentially harmful, were not seen as illegitimate interlopers imposing misguided morality on the industry. Their cultural authority is further evident in the fact that De Beers decided not to launch a counterattack on the NGOs as being uninformed, incapable, or simply wrong. One of the authors of a report on Sierra Leone, *Heart of the Matter*, later acknowledged that several claims in the report were inaccurate. De Beers had previously sued other groups for disseminating damaging or false information, but it refrained from litigation regarding the conflict diamonds reports and no evidence suggests that it even seriously considered this option. De Beers did dispute some facts, such as the estimate that conflict diamonds were 20% of the trade, but it never tried to vilify or de-legitimate these groups.

Remarkably enough, De Beers perceived the NGOs as potential and credible threats. Consider the paradox: a firm that had tightly controlled the diamond industry for decades felt unable to ignore a handful of small NGOs publishing reports that were not even widely disseminated in the popular media at the time. The consumer awareness campaign, meanwhile, was gaining little traction; customers were not habitually asking jewelers about the link between diamonds and village massacres in Sierra Leone. The threat that they might do so was real enough, however, and the combination of the consumer awareness campaign and the moral exhortation of the NGOs, backed by careful documentation of horrors that could be laid at the door of the diamond industry, impelled positive engagement by the industry. The NGOs were defining a new form of irresponsibility relative to the diamond trade and, thus, a new social responsibility to be met by diamond companies as morally obligated world citizens.

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Translating Norms into Practice: The Kimberley Process

Ever since its inception, the Kimberley Process has been a fully tripartite endeavor, engaging states, NGOs, and the industry. This multistakeholder arrangement is not a façade obscuring behind-the-scenes domination by the industry or major states. NGOs have participated vigorously in all aspects of the KP, including plenary meetings, working groups, and country review visits. Their influence—and often leading role—in the process is well documented by Bieri.

The issue of legitimacy is crucial in explaining the willingness of states and the industry to allow nongovernmental actors to become so heavily engaged in the KP. Practical considerations helped: the NGOs came to be seen as valuable experts in KP working groups, and in many ways they have proven themselves more knowledgeable about the conflict diamonds issue than any other party. But states have also learned that a formal role for NGOs lends the Kimberley Process Certification Scheme greater legitimacy and enhanced moral standing, as a quote from the former KP Chairman illustrates.

> I think it [NGO and industry participation] is essential to the functioning of the Kimberley Process system and I think this is a characteristic of the new diplomacy that we'll see with respect to emerging international challenges …. Something else I would add, and I don't think is always recognized but we see this in the operations of the Kimberley Process, is that Partnership Africa Canada and Global Witness have deep understanding, knowledge, and bring a lot of technical and analytical assets to the Kimberley Process. So it's not a situation where it's, we're being impelled by civil society affecting public opinion—although it does that, and that's healthy—but civil society participates in an integrated, informed, professional, technical way as well.

Even reluctant states understand that the Scheme's reputation as a mechanism that effectively curbs the trade in conflict diamonds is crucial to assure consumers that diamonds are "clean." Obviously, the NGOs' influence in the KP far exceeds their material resources, and their involvement has been not only tolerated but welcomed, not least because they have shown such deep commitment to the success of the KP by devoting themselves so wholeheartedly to it.

NGO strengths include their legitimacy, dense networks, technical expertise, and knowledge of the issues. These strengths can benefit companies and international organizations, like the KP, which associate themselves with NGOs. The legitimacy of NGOs as the "conscience of the world" provides a favorable opportunity for companies faced with global campaigns criticizing their operations; developing partnerships with NGOs holds the promise of achieving a better social responsibility image. Companies can bask in the glow of NGOs' moral legitimacy, which is rooted in world-cultural assumptions about the virtues of NGOs as global champions of the poor, the suffering, and the excluded. Through NGO links, companies can show their commitment to universal rights and the rule of law. In turn, as self-appointed guardians promoting the universal protection of individuals from abuses, NGOs hold companies responsible for their commitments, while at the same time questioning the sincerity of companies' motivations. This legitimacy framework helps explain the striking growth of multistakeholder initiatives.

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The rising legitimacy of CSR as a world-cultural complex also provides opportunities to NGOs. They can latch on to progressive industry leaders to put pressure on less enthusiastic firms by claiming that socially responsible actions make business sense, even if the claim is questionable. Several recent collaborations between companies and NGOs show that dominant industry players (e.g., Nike, Coca-Cola) often feel obliged to match their leading role in the market with leadership on CSR matters, setting the tone for the rest of the industry. However, research on the effects of CSR on profitability yields mixed results: scholars continue to debate whether CSR adds to or harms the financial bottom line of corporations and society at large.

Still, the notion that profits and social responsibility go hand-in-hand aids campaigns in pitching their messages toward wider company audiences. The lack of a clear negative effect of CSR commitments on profits means that, on the one hand, NGOs can argue that they are not asking firms to sacrifice by improving their behavior. On the other hand, the lack of a clear positive effect means that NGOs can avoid engendering criticism from other NGOs for being "too close for comfort" by helping firms improve the bottom line. NGOs can skeptically but honestly present the lack of clear effects of CSR on profitability as a way to bring companies on board while also preserving their legitimacy.

In many cases, companies under fire have had experience with NGOs on previous occasions, which usually makes it easier for NGOs to engage them on new issues. Initial company reactions can be rather dire; they may see NGOs as extremists and imagine worst-case scenarios that threaten their very existence. Once over this hurdle, however, they often find that NGOs are highly professional, knowledgeable, and even constructive in their criticism. In the conflict diamonds case, De Beers and progressive key figures such as Rapaport and Izhakoff relatively early on detected NGO campaign efforts and, despite initial misgivings, soon engaged and pulled the rest of the industry in with them. [...]