

## BOOK REVIEW

# Corporate Social Responsibility of Multinational Corporations in Developing Countries: Perspectives on Anti-Corruption

*Corporate Social Responsibility of Multinational Corporations in Developing Countries: Perspectives on Anti-Corruption*, Adefolake O. Adeyeye, Cambridge University Press, pp. xxi+223, Hardcover: £75 and \$115, 2012, ISBN 9781107013629

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In *Corporate Social Responsibility of Multinational Corporations in Developing Countries: Perspectives on Anti-Corruption* by Adefolake O. Adeyeye, the author argues that a Corporate Social Responsibility (CSR) approach should be adopted to curb Multinational Corporation (MNC) involvement in corrupt practices, particularly in developing countries. The book's viewpoint is premised on the argument that corruption is a CSR issue and engages in critical discussions on how best to regulate corporations within this (CSR) framework. In other words, it critically analyses the voluntary and legal approaches to regulating MNCs, particularly to curb their involvement in international corruption (transnational bribery). An interesting implicit part of the argument is that if MNCs are dissuaded from corrupt practices, the ugly trend will abate as the financial inducement often moves from the supply (corporations) to the demand side (often government officials). The analysis of CSR mechanisms; voluntary and legal, applicable to curbing international corruption are comprehensive with reference to relevant examples and cases across international jurisdictions thus providing the reader with a wide berth for understanding and comparison.

Corporate Social Responsibility (CSR) and corruption are the two themes that resound throughout the book with the former being the more controversial. Unlike corruption, the concept of CSR is contentious mainly because its theoretical underpinnings and practical interpretations remain divisive. Friedman's conception of CSR (the neoliberal approach) is that the primary function of the corporation is to make profits as long as it 'engages in free and open competition, without deception or fraud.' A lot of the debate on the nature and scope of CSR emanates from the above expression, with critics such as the stakeholder theory group arguing that the responsibility of a corporation extends beyond the purview of its shareholders. They argue that the complexity of the modern business environment is such that 'business success depends on motivated employees, satisfied consumers, institutional investors with a long-term investment horizon, trusting regulators etc.' In other words, corporations have a wider spectrum of those that impact and may be affected by corporate activities. The radical political economy perspective disagrees with these views. Emphasizing the power of corporations and the limitations of self-regulation, they express the view that corporations should be held accountable for their actions, hence the need for legal rules. With such differing theoretical underpinnings to the concept, it is easy to criticise, or even disagree with a viewpoint on CSR however painstakingly researched and effectively communicated. Adeyeye avoids the theoretical debates and proceeds from the pragmatic viewpoint that MNCs 'social responsibilities' to avoid international corruption (or, transnational bribery) are regulated by both voluntary guidelines and legal rules.

The book is divided into two sections with the first discussing the conceptual topics; that is, CSR and corruption. Section two focuses on the 'mechanisms for curbing international corruption through the lens of CSR' and is spread over five chapters. The arrangement of the chapters makes for easy reading. Each chapter is premised by an introduction that sets the tone of the discussion to follow and a conclusion that succinctly recaps the issues addressed, as well as the contribution to the book's general theme. Chapter One addresses three questions that define the character of CSR. First, do corporations' responsibilities extend beyond profit

making? Second, is CSR subject to voluntary or mandatory rules and finally, are universal standards of CSR evolving? The author posits that 'CSR should no longer be considered only in the light of profit maximisation' as they have broader responsibilities towards society. These responsibilities are regulated by rules, mandatory and voluntary that are evolving universally. The author argues that the soft laws are ineffective for regulating CSR and hard laws are required to effectively do so. Avoiding the divisive opinions (and critiques) on the characteristics of CSR, the author develops the discussion towards establishing international corruption as an element of CSR.

Chapter two begins with a definition of corruption, highlighting how corrupt practices impact developing countries and examples of international corruption involving MNCs in developing countries are presented. Self-regulatory tools to combat international corruption are discussed to highlight their practical impacts, specifically regarding effectiveness in holding MNCs responsible for indulging in such practices. This chapter concludes that despite the popularity of self-regulation, these 'non-binding rules by themselves are inadequate and ineffective to ensure corporate responsibility for corrupt practices.' The discussion moves on to consider relevant mandatory rules in the United Kingdom (UK), United States of America (USA) and Nigeria. Although the author posits that these 'mandatory or binding rules provide better scope for corporate responsibility', they are 'inadequate to deal with international corruption.' It should be noted that the impacts of the new UK Bribery Act (2010), which theoretically should be more effective than the US Foreign Corrupt Practices Act, was not discussed given that work on the book concluded shortly after it became law. However, it will be interesting to note in a couple of years if the UK Bribery Act changes these perceptions significantly. This is an area, along with other laws relevant that evolve especially in developing countries that may be interrogated in a second edition.

Part II of the book titled 'Special Focus on Mechanisms for Curbing International Corruption from a CSR Perspective' critically analyses the CSR mechanisms that may be used to tackle international corruption. The implications of these mechanisms are each discussed in a chapter - global governance (3); international law (4); civil remedies (5); and corporate governance (6). Global governance involves the collaboration of states, multilateral institutions and non-state actors to establish multiple policies and practices, through global administrative law. There are issues with regulation through global administrative law including: multiplicity of actors hence difficulty in reaching consensus even on conceptual understanding of key issues; the voluntary nature of the rules developed within this regime; and the negative impacts of imposing developed rules on developing countries. Nonetheless, the author believes that global governance has the potential to contribute to development and curbing corruption, albeit with 'caution in abstract application of these applications of these principles to developing country contexts.'

Chapter Four analyses the role of international law in combating international corruption from regional and multi-regional perspectives. The author argues that regional international laws are not very effective in dealing with international corruption with the Inter-American and African Union Conventions not addressing transnational bribery. Regarding the possible contributions from multilateral organisations with references to the Organisation for Economic Co-operation and Development (OECD) Anti-Bribery Convention and UN Convention against Corruption (UNCAC), the author concludes that even though there is great potential for both treaties to be useful tools in the war against international corruption, limitations exist in that state parties are responsible for giving effect to treaty provisions. As an alternative, the chapter then considers direct corporate responsibility, however the recognition of corporations as objects and not subjects of international law is a major hindrance.

The role of civil remedies, specifically the enforcement of arbitral awards that have allegedly been tainted by bribery is examined in Chapter Five. It presents the argument that arbitration tribunals have an important role to play in curbing international bribery by adhering to global condemnation of corrupt practices. In Chapter Six, the author considers the role that corporate governance may play in curbing international bribery as 'limited but important.' The argument is premised on the presumption that while corporate governance deals with the internal regulation of the corporation, issues of bribery are external to it. Also, the author refers to the limited success of shareholders' derivative suits but this is not enough to suggest that the role of corporate governance itself is limited. With effective corporate governance structures in place, management activities may be subjected to scrutiny with (possible) grave repercussions where they have, on behalf of the corporation, engaged in transnational bribery. There are some prospects in the utilisation of corporate governance mechanisms towards curbing international corruption. For instance, the reality of the threats and possible impacts of whistle-blowing and/or shareholders derivative suits (despite practical limitations highlighted in the book) may pressure management to reconsider the repercussions of indulging

in and/or promoting international bribery. Possible outcomes include the devaluation of the corporation's share price and profitability, as well as bad press. These are impacts that may lead to management of erring corporations losing their jobs and make others tread cautiously.

The book's conclusion advocates a multifaceted approach of the CSR mechanisms to curb international corruption and this is no surprise. The argument towards this conclusion is developed through the entire book which highlights the prospects and limitations of each mechanism discussed. Given that each chapter had a concluding section that succinctly recapped the discussion therein, there is not much discussion in the concluding chapter. However, that chapter may have gone further to briefly discuss the challenges that developing countries may face in adopting the multipronged approach suggested and suggest the basis for prioritising approaches, if necessary.

The book is certainly a welcome contribution to the developing literature on the CSR/corruption discourse as it is evidently a product of painstaking research, albeit with a couple of limitations. The lack of theoretical underpinnings to the book that would have contributed positively to the quality and value of the book, for instance, was apparent. Such discussion would have provided the foundations to the arguments why certain elements of CSR cannot effectively curb international corruption. Nonetheless, the copious references to practical examples – factual illustrations and cases (analysis and decisions) – to back up arguments make up for some of the losses of the absence of a theoretical discourse. Also, the approach adopted ensured that particular aspects of CSR that are directly relevant to international corruption - the essence of the book - were emphasised from earlier on and throughout the book.

With a book that aims to focus on perspectives from a developing country, some relevant issues are not fully expressed. For example, the book does not consider how developing countries may best tackle the scourge of international corruption involving MNCs that wield more financial and political power than them. It may have considered the merits of strengthening local capacity, seeking international assistance, advocating for international regulation of these MNCs, for examples. While some of the answers to these relevant questions may be implicit in the book, they could have been teased out in some detail. Also, the author stopped short of identifying, or prioritising the options that developing countries are better of identifying with or adopting in the short, medium and/or long term. While the conclusion clearly suggests a multi-pronged approach, it is impracticable that all the approaches discussed be adopted concurrently by developing countries. Thus, there will have to be prioritisation of approaches towards achieving a multi-faceted system that will include several of the voluntary and legal, national and international, regional and global systems discussed.

Overall, Corporate Social Responsibility of Multinational Corporations in Developing Countries: Perspectives on Anti-Corruption achieves its stated objective. The book is well researched, properly laid out and produced in easy flowing language. The book should be of interest to a wide audience including academics, researchers, MNCs, international institutions, donor organisations, NGOs, government institutions as well as students. I strongly recommend this book to anyone interested in the broad topics of MNC regulation, CSR and corruption.

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