LAPORAN PENELITIAN MADYA

FOREIGN DIRECT INVESTMENT AND GLOBAL CORPORATE SOCIAL LEADERSHIP

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Agustus 2011

HALAMAN PENGESAHAN LAPORAN PENELITIAN

1. a. Judul Penelitian : Foreign Direct Investment and Global Corporate Social Leadership
   b. Bidang Ilmu : Ekonomi
   c. Kategori Penelitian : Pemecahan Masalah Pembangunan

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   f. Pusat Penelitian : Jurusan Ilmu Ekonomi, Fakultas Bisnis dan Ekonomika

3. Jumlah Anggota Peneliti : 1 (satu) orang
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4. Lokasi Penelitian : Indonesia

5. Lama Penelitian : 4 Bulan

6. Anggaran Penelitian dari SPP Jurusan Ilmu Ekonomi Tahun Akademik 2010/2011
   Kode 2309 : Rp 12.500.000,00 (dua belas juta lima ratus ribu rupiah)

Surabaya, Agustus 2011

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ABSTRACT

The contribution of Foreign Direct Investment (FDI) on host countries welfare has long been a subject of debate. This present study investigates the contribution of FDI from four important issues. The first issue is the contribution on economic growth, the effect on pollution, and the impact on social security of host countries. The macroeconomic perspective is examined in this first issue, in order to probe into the FDI-Growth hypothesis. The pollution issue is relevant to the hypothesis of Pollution Haven, and the social security issue is highlighted to evaluate the life quality of labours. The second important issue relates to Corporate Social Responsibility (CSR). The presence of Multinational Companies (MNCs) in host countries is argued positively associated with CSR management. MNCs tend to provide high-quality standard of CSR to society. This second issue serves as a complement to the first issue, by collecting the puzzle of related literature. The third issue is on stakeholder partnership. The green technology becomes the center of analysis, by implementing the pareto efficiency model on environmental issue. The fourth issue focuses on FDI and community development. A case study of game interaction between Kaltim Prima Coal (KPC) and the Dayak Basab community is surveyed, to provide qualitative analysis on the issue.

Chapter 1 of this study discusses the subject matter, by presenting the background, the research objectives, empirical approach, and theoretical foundation. Chapter 2 examines the FDI-Growth Hypothesis under Turckan's model, investigates the pollution haven hypothesis using Akbostanci's model, and estimates social security model to test the preposition of "unfair competitive advantage" of Sharna. Chapter 3 evaluates the relationship between FDI and CSR initiatives. By surveying related literature, the FDI initiation to conducting CSR is discussed for probe in sight into the CSR issue. Chapter 4 analyzes stakeholder partnership for FDI, focusing on environmental issue. In this chapter, 93 MNCs are investigated and four "go green" models are developed to test the partnership issue. The analysis in this chapter is performed on firm-level, which complement the country-level analysis in Chapter 2. The final chapter is a case study analysis, conducting under qualitative frameworks of game strategy.

The empirical results of the macroeconomic analysis in Chapter 2 show that FDI fosters growth and prompts environment quality. However, it is found that there is no significant effect of FDI on social security policy in host countries. These findings indicate that FDI provides positive advantages to host countries in the forms of an increase in GDP growth and a rise in environmental quality, but it has no significant effect on social security policies of host countries.

The literature surveys in Chapter 3 find that there is a positive relationship between FDI and CSR initiatives. Focusing on developing countries in Asia, Europe, the US, and Africa, this chapter argues that FDI has positive association with CSR management structure. This finding is in line with results in Chapter 2, although the focus of analysis in this chapter under different paradigm.

The firm-level study on MNCs in Chapter 4 provides empirical evidence that the environmental friendly policy highly positive correlated with green rank of the companies. Companies that promote "go green" policies have higher green rank and

green scores. The findings imply that MNCs tend to improve their concerns on environmental-friendly policies in order to increase their green ranks or green scores.

The case study analysis in Chapter 5 serves as a complement for the empirical analyses in Chapter 2 and Chapter 4. While Chapters 2 and 4 provide quantitative justification for the benefit of FDI, Chapter 5 offers qualitative validation on whether the MNC under study provides benefit, in the form of development program, on the local community. The findings in this chapter justifies the theoretical argument of Neumann-Morgenstern on that the equilibrium solution of a zero-sum game. The game strategies between Kaltim Prima Coal (KPC) as an MNC and the Dayak Basab as a local community resulted in a win for KPC, but a lost for Dayak Basab. According to the dynamic sequence of the players, where the KPC acts as a leader and Dayak Basab acts as a follower, to solution refers to the Trust Game of David Kreps. Hence, the case study provides results supporting a win-lost solution.

The findings from Chapter 2 to Chapter 5 re-assure the argument that evident from macro-level analysis (either countries-level or firm-level) might be different with findings from micro-level analysis (case study). The macro-level analyses have an advantage on the availability of data, as the subject of observation could be many countries or many firms. The case-study analysis has an advantage of providing specific case to answers the question of “how”. Hence, complementing empirical analysis with case study provides a comprehensive analysis on the benefits of FDI on host countries.

ABSTRAKSI

Kontribusi Penanaman Modal Asing (PMA) terhadap kesejahteraan negara tujuan telah lama menjadi topik perdebatan yang hangat. Penelitian ini mencoba menginvestigasi kontribusi FDI dari empat topik penting. Topik pertama adalah kontribusi PMA terhadap pertumbuhan ekonomi, peningkatan polusi, dan dampak terhadap jaminan sosial di negara tujuan. Analisis dari perspektif makroekonomi terhadap PMA dan pertumbuhan ekonomi dilakukan untuk membuktikan hipotesis FDI-Growth, yang telah menjadi perdebatan panjang dalam literatur. Analisis terhadap polusi dilakukan untuk menguji hipotesis Pollution Haven. Sementara, analisis terhadap jaminan sosial dilakukan untuk mengkaji dampak PMA terhadap kualitas hidup pekerja. Topik kedua berhubungan dengan tanggung jawab sosial perusahaan (Corporate Social Responsibility – CSR). Keberadaan perusahaan multinasional dianggap mempengaruhi secara positif pelaksanaan CSR di negara tujuan. Dengan menyatukan 'serpihan puzzle' dalam literatur terkait, topik kedua ini dikaji dengan survei pustaka. Topik ketiga membahas tentang hubungan perusahaan multinasional dengan stakeholders, dengan mengambil fokus pada isu lingkungan. Green technology menjadi pusat analisis, dengan mengaplikasikan model Pareto efficiency. Topik keempat merupakan studi kasus terhadap interaksi antara Kaltim Prima Coal (KPC) dan komunitas Dayak Basab. Dengan menggunakan Game Theory sebagai dasar analisis, analisis kualitatif dilakukan melalui Focus Group Discussion (FGD) dan interview langsung dengan direktur KPC dan para tetua komunitas Dayak Basab.

Bab 1 penelitian ini memberikan gambaran dasar tentang permasalahan yang diteliti, mencakup latar belakang masalah, tujuan penelitian, pendekatan empiris yang dipergunakan untuk menyelesaikan permasalahan, dan landasan teoritis yang dipergunakan. Bab 2 mengkaji tentang hipotesis FDI-Growth dengan model Turckan, menguji hipotesis Pollution-Haven berdasarkan model Akbostanci, dan mengestimasi model jaminan sosial berdasarkan preposisi "unfair competitive advantage" yang dikemukakan oleh Sharna. Bab 3 mengevaluasi hubungan antara PMA dan CSR. Dengan survei pustaka, inisiasi CSR oleh PMA menjadi fokus analisis mendalam. Bab 4 menganalisis stakeholder partnership oleh PMA, dengan mengembangkan isu tentang lingkungan. Pada Bab 4 ini, 93 perusahaan multinasional diinvestigasi dan empat model "Go Green" dikonstruksi untuk mengkaji isu partnership. Analisis pada bab ini dilakukan pada tataran perusahaan, yang menjadi pelengkap bagi analisis tataran negara di Bab 2. Bab terakhir merupakan studi kasus yang dijalankan dengan rerangka analisis kualitatif menggunakan Game Strategy.

Hasil empiris dari analisis makroekonomi pada Bab 2 memperlihatkan bahwa PMA mendorong pertumbuhan ekonomi dan meningkatkan kualitas lingkungan di negara tujuan. Namun, kajian empiris menemukan bahwa tidak ada pengaruh signifikan dari PMA terhadap jaminan sosial pekerja, dalam bentuk jaminan kesehatan. Penemuan ini mengindikasikan bahwa PMA memberikan dampak positif signifikan bagi negara tujuan dalam bentuk pertumbuhan GDP dan peningkatan kualitas lingkungan, tetapi PMA tidak memberikan dampak signifikan terhadap kebijakan jaminan sosial.

Dari survei pustaka pada Bab 3, ditemukan bahwa terdapat hubungan positif antara PMA dan inisiasi CSR. Dengan mengkaji negara berkembang di Asia, Eropa, Amerika Serikat, dan Afrika, dapat dinyatakan bahwa PMA memiliki asosiasi positif

dengan struktur manajemen CSR perusahaan. Temuan ini sejalan dengan hasil empiris dalam Bab 2, meskipun fokus analisis berbeda.

Analisis tataran perusahaan (firm-level analysis) di Bab 4 memberikan bukti empiris bahwa kebijakan yang ramah lingkungan memiliki hubungan positif dengan ranking hijau (green rank) dari perusahaan multinasional. Perusahaan dengan kebijakan peduli lingkungan memiliki ranking hijau (green rank) dan nilai hijau (green scores) yang relatif lebih tinggi dibandingkan perusahaan yang tidak peduli lingkungan. Temuan ini mengimplikasikan bahwa perusahaan multinasional cenderung meningkatkn kepeduliannya terhadap lingkungan dengan berbagai kebijakan ramah lingkungan untuk memperoleh ranking atau nilai hijau (green rank or green scores) yang tinggi.

Studi kasus pada Bab 5 merupakan komplemen terhadap kajian empiris pada Bab 2 dan Bab 4. Justifikasi kuantitatif dilakukan pada Bab 2 dan Bab 4, sementara validasi kualitatif dilakukan pada Bab 5. Validasi kualitatif pada bab ini dilakukan dengan memfokuskan pada program pengembangan (development program) yang dilakukan oleh KPC bagi komunitas Dayak Basab. Temuan pada Bab ini memperkuat argumen teoretical Neumann-Morgenstern, bahwa selalu terdapat ekuilibrium zero-sum game dalam sebuah proses tawar-menawar. Strategi permainan (Game Strategies) dipergunakan untuk menganalisis studi kasus ini. Hasil analisis memperlihatkan bahwa KPC mendapatkan posisi tawar-menawar yang kuat sebagai leader, sementara Dayak Basab mendapatkan posisi tawar yang lemah, sebagai follower. Berdasarkan dynamic sequence yang dikemukakan oleh David Kreps, KPC diuntungkan dan Dayak Basab dirugikan. Sehingga, studi kasus ini memperlihatkan win-lost solution. Dengan demikian, keberadaan perusahaan multinasional tidak memberikan kesejahteraan bagi komunitas lokal.

Temuan dari Bab 2 sampai Bab 5 memperkuat argument bahwa hasil penelitian dengan analisis tataran makro (macro-level analysis), baik tingkat negara maupun tingkat perusahaan, mungkin memberikan hasil yang berbeda dengan analisis tataran mikro (micro-level analysis), seperti studi kasus. Keunggulan dari analisis tataran makro adalah ketersediaan data, sehingga analisis dapat dilakukan dengan jumlah observasi yang besar dan dapat mewakili keseluruhan populasi. Keunggulan dari analisis tataran mikro adalah kemampuannya untuk menjawab hal spesifik, seperti bagaimana proses benefit yang diberikan oleh PMA kepada komunitas lokal. Sehingga, penggabungan analisis empiris dengan data kuantitif dan analisis studi kasus dengan data kualitatif menyajikan hasil analisis yang komprehensif terhadap manfaat PMA bagi negara tujuan.

PRAKATA

Telaah komprehensif tentang dampak Penanaman Modal Asing (PMA) terhadap kesejahteraan negara tujuan masih langka ditemukan dalam literatur. Kajian yang ada umumnya menelaah hanya pada tingkatan makro (level negara) dan mengabaikan kebenaran mikro yang terjadi pada level perusahaan atau individu. Di lain pihak, sebagian literatur menelaah pada level mikro melalui survei dan interview kepada subyek penelitian, namun melupakan rekomendasi tingkat makro untuk tataran kepentingan yang lebih besar.

Sebuah studi yang komprehensif, yang mencakup analisis tingkatan makro dan analisis tingkatan mikro, sangat diperlukan untuk memberikan kajian yang lebih komprehensif dan holistik terhadap subyek permasalahan. Penelitian ini menawarkan kelebihan tersebut. Dengan melakukan investigasi level makro (tingkat negara), level mezo (tingkat perusahaan), dan analisis tingkat mikro (studi kasus satu perusahaan), penelitian ini mencoba melihat dari berbagai sisi tentang kontribusi PMA terhadap perekonomian, lingkungan, pekerja, dan komunitas. Harapannya, studi komprehensif ini dapat memberikan kontribusi terhadap celah yang belum diisi oleh penelitian sebelumnya.

Penelitian ini tidak terlepas dari bantuan berbagai pihak. Penulis mengucapkan terima kasih kepada Jurusan Ilmu Ekonomi Ubaya yang telah mensponsori dana penelitian. Ungkapan terima kasih juga penulis sampaikan kepada reviewers dan rekan sejawat di jurusan Ilmu Ekonomi, yang telah memberikan masukan dan komentar untuk penyempurnaan penelitian ini. Masih banyak pihak yang membantu penulis dalam hal administrasi dan teknis, dan penulis mengucapkan banyak terima kasih.

Tahapan lebih lanjut setelah penelitian ini selesai adalah men-diseminasi-kan dan mempublikasikan penelitian ini sebagai kontribusi pada keilmuan dan berbagi pengetahui kepada penelitian yang mendalami hal serupa. Rencananya hasil penelitian ini akan di-sharing-kan di konferensi nasional dan internasional untuk mendapatkan masukan lebih lanjut. Sehingga, suatu saat kemungkinan penelitian ini dapat diterbitkan di jurnal terakreditasi nasional atau jurnal internasional.

Surabaya, 13 Agustus 2011

Penulis

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CHAPTER 1: INTRODUCTION

1.1. BACKGROUND

Demand for Corporate Social Responsibility (CSR) activities has just soared. Beyond the corporate world, CSR is providing fertile ground for think-tanks and consultancies. Governments are taking an even keener interest. In 2006, Britain Companies Act introduced a requirement for public companies to report on social and environmental matters. The United Nations promotes corporate social responsibility around the world with the Global Compact. Business school also adds course and specialized departments to respond the demand.

1.2. PURPOSE OF STUDY

This current paper addresses the initiatives of global corporate social responsibility. The issue is important since it deals with fostering the economic development of societies, promoting environmental movement, and engaging social transformation. It also investigates a conflict of interest among three bottom-line players in developing countries, i.e. local communities, government and foreign direct investment.

1.3. RESEARCH OBJECTIVES

The main objective of this research is to answers the following research questions:

1. To what extend that the interest of foreign direct investment is associated with the initiative to foster local economic growth, to nurture environmental movement, and to promote social protection policy?
2. Whether the FDI's initiative could be associated with the CSR management structure that the company has in place, employment and environmental practices, supply chain policies and systems, level of corporate philanthropy that the company engages in, and new business opportunities arise from policies toward CSR?
3. What factors that encourage FDI to initiate partnership with local development initiators such as local governments, volunteers, donors, or employees? How MNCs persuades local people to be more supportive?
4. How partnership or alliances among communities, non-profit organizations, and corporations can be configured to be a win-win situation for all parties?

1.4. EMPIRICAL APPROACH

The study reviews corporate social responsibility programs conducted by 500 largest companies according to The Fortune Global 500. In a context of global perspective, the current study reviews CSR reports of giant MNCs based on the definition of The Fortune Global 500. The data are obtained from CSR report of the observed companies published annually. For companies that not publishing this information, a questionnaire will be send to the CSR workers in relation to an issue of the interest of MNCs in fostering local economic growth, nurturing environmental movement, and promoting social protection policy. There will be a model for addressing the

research objectives, which include linear regression, analysis of variance, and logit and probit models.

After addressing the first objective, the current study investigates the potential channels behind such initiative in social corporate responsibility. It thereby tests a dispute between market failure theory and transformational leadership theory, which question whether that power struggles inside conglomerates are at the root of the market inefficiencies or development policy initiative. The main contribution of the researches lies in the ability of data to empirically document such effects of power and connections on the initiative of social corporate responsibility.

To run up against the partnership issues, the case study will adopt game theory approach in which the partnership coordination will be assessed to identify the payoffs to the players which could be the impact of relationship, efficiency, and profitability. Although Nash equilibrium does not always entail strategies that are preferred by the player as a group, the work of Neuman and Morgenstern reveals that there is an equilibrium solution to any zero-sum game. Moreover, cooperative game theory will be preferred for the study of triple bottom line (corporate– government–community relationship) in which parties negotiate and jointly agree on the term of their relationship. This research will consider contract as an integral part of strategic attention.

1.5. THEORETICAL FOUNDATION

1.5.1. DEFINITION

A. Foreign Direct Investment

Foreign direct investment is considered as the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors (World Bank, 2010).

Direct investment represents on an asset or liability which associated with a category of cross-border investment made by a resident entity in one economy (the investor) aims to earn profit resulting from acquisition and sales of shares and other security (OECD, 2008). This includes Special Purpose Entities, Special Purpose Vehicles, brass plate companies, holding companies, and other similar entities that have minimal (or no) physical presence in the economy of their legal domicile (Joisce and Patterson, 2006).

B. Multi National Corporation

A multinational corporation or enterprise is a corporation or enterprise that manages production or services in more than one country (Pitelis, 2000). The research define MNC broadly as any corporation with operations in more than one country. It needs to be pointed out that by MNCs we do not just mean Western or Japanese MNCs, but also a growing number of MNCs from emerging economies in Asia, Africa, and Latin America. According to Fortune Magazine, amongst the 500 top global companies in 2007, seventy are from emerging economies, compared to 47 in 2005 (Zang, 2008). Moreover, Rugman (2004) considers that a multinational corporation as a global corporation if it has 30% of production or export to other

regions and considers that most business activity by large firms takes place within regional blocks, namely North America, the EU, and Asia-Pacific.

Moosa (2002) distinguishes between the terms 'international', and 'multinational business'. Multinational firm has evolved from changes in the nature of international business operations, while international business firm refers to the cross-border activity of importing and exporting. Therefore the firms become multinational when they undertake FDI.

C. Adjustment National Income

Adjusted net national income is Gross National Income (GNI) minus consumption of fixed capital and natural resources depletion. GNI comprises value of all products and services generated within a country in one year (i.e., its gross domestic product), plus net income received from other countries (notably interest and dividends). This consists of the personal consumption expenditures, the gross private investment, the government consumption expenditures, the net income from assets abroad (net income receipts) and the gross exports of goods and services, after deducting two components: the gross imports of goods and services, and the indirect business taxes. The GNI is similar to the gross national product (GNP), except that in measuring the GNP one does not deduct the indirect business taxes (Lequiller and Blades, 2006).

1.5.2. CORPORATE SOCIAL RESPONSIBILITY

Many MNCs work under a social license. Those companies are expected to support local development where they operate by hiring local employees, providing training programs, sourcing locally, and consequently supporting the local economy. Corporate responsibility or sustainability becomes a prominent feature of the business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management.

A. Global Corporate Social Leadership

While leadership is considered as the a way for people to contribute to making something extraordinary happen (Argyris, 1976), business leaders need to be sensitized to the effect of globalization toward global transformation. These major transformations require national and global companies to approach their business in terms of sustainable development, and both individual and organizational leadership plays a major role in this change.

Live learning can be an important source of new ideas about shifting toward an integrated knowledge economy which need socially responsible leadership. Amato et al, (2009) urges further research to create a clearer understanding of what is required, both in leadership itself and in the field of leadership development.

B. Conflict of Interests

Globalization and the mounting number of conflicts occurring in regions where multinational corporations (MNCs) operate have prompted international organizations, the media, human rights groups, social investors and consumers, as well as some corporate executives, to discuss the responsibility. MNCs share in promoting peace and avoiding conflict to deal with increasing complexity of business, products, services, technologies in interconnecting world prompts

challenges for firms and organizations keen to climb up the next stages of competitiveness leveraging cooperative strategies. It also fosters the need to innovate more effective ways to explore the opportunities, while addressing complex problems such as environment and social economic issues (Bennettt, 2002).

C. Net ODA received per capita

ODA is official development assistance which becomes a commitment among developing countries to support under developing countries. The effort to promote development endeavors to grant flows comprise contributions of donor government agencies, at all levels, to developing countries ("bilateral ODA") and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions include loans with a grant element of at least 25 percent (calculated at a rate of discount of 10 percent). Net official development assistance (ODA) per capita consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients; and is calculated by dividing net ODA received by the midyear population estimate. (OECD, 2009).

D. Environmental Issue

Stakeholders and business environment are considered as key element to the decision making. Mitchell et al (2010) indicate managers make more erratic strategic decisions in hostile environments. Similarly, hostility and dynamism interact in their effect on erratic strategic decisions in that the positive relationship between environmental hostility and erratic strategic decisions will be less positive for managers experiencing high environmental dynamism than those experiencing low environmental dynamism. These results have important implications for strategic decision-making research.

For a long time the concept of CSR has been questioned in terms of its validity and usefulness for profit-making companies. Milton Friedman, for example, famously asserted that "the social responsibility of business is to increase its profits."3 Although one can still hear "the business of business is business" type of argument, the question for today is no longer whether companies should practice CSR, but what, specifically, and how. Ultimately, the concept of CSR itself may disappear, as a corporate social agenda will be an integral part of business strategy in the 21st century (Zhang, 2008).

1.6. LITERATURE REVIEWS

1.6.1. THE INITIATIVE OF FOREIGN DIRECT INVESTMENT

A. Local Economy: In recent years there has been substantial growth in the number of principles, guidelines or codes produced for business by governmental and non-governmental organizations. Companies face multiple and sometimes conflicting demands to endorse these initiatives. This has led more companies to consider how they should approach corporate responsibility issues, and more specifically whether they should develop their own business principles and which external codes they should use as reference points. Eilbert and Parket (1973) conceptualize CSR at the micro level in terms of good neighborliness, which

encompasses the responsibility not to spoil the neighborhood (negative injunction duties), and the voluntary assumption of the obligation to help solve neighborhood problems (affirmative duties). On this basis, the first emerging issue is that CDPs have the potential to make a difference to CD; especially addressing local communities' immediate infrastructural needs and help reduce the incurred financial cost for oil TNCs as highlighted by the partnership literature.

Marketplace issues extend across a wide range of business activities that define a company's relationship with its customers. These activities may be grouped into six categories: (1) integrity of product manufacturing and quality; (2) disclosure, labelling and packaging; (3) marketing and advertising; (4) selling practices; (5) pricing; and (6) distribution and access. Emerging issues include obesity and nutrition; integrity of the food chain, privacy and technology, drug pricing for the poor and elderly, marketing to children, heightened expectations for product safety, and extended product responsibility (Zhang, 2008).

B. Environment: Traditionally, environmental protection has been considered to be "in the public interest" and external to private life. However, the roles of sectors have been changing, with the private sector becoming an active partner in environmental protection. Although developed countries' economies have become more information and service intensive, globally, the unsustainable use of raw material and fossil energy has exploded during the past 50 years, with dire consequences for the world environment. Approximately 60% of the ecosystem services that support life on Earth—such as fresh water, oceans, soils, and climate—are being degraded or used unsustainably. In the past two decades, corporate environmental responsibility has evolved and expanded to cover substantially more than legal compliance, waste minimisation, and pollution prevention. Companies have embraced a variety of environmental initiatives while integrating environmental responsibility at all levels of their operations. (Zhang, 2008).

Although there are a significant number of good practices around the world, for many critics CSR has achieved quite illusive effects so far. As CSR activities are basically based on a voluntary approach, environmental externalities are observable to stakeholders, but often not verifiable. Generally, the concern about CSR is that, instead of big number of initiatives, there is no comprehensive frame that would cover at the same time issues such as: government standards, management systems, codes of conduct, performance standards, performance reporting, and assurance standards. Companies, usually, implement separate components, or join selected initiatives, often forgetting for example about transparent monitoring mechanisms (Mazurkiewicz, 2005).

C. Social protection: Workplace issues cover a wide and expanding array of topics, the most prominent being labour standards. In addition to traditional human resource areas, workplace issues now include HIV/AIDS, work-life balance, diversity, sexual harassment, employee privacy, downsizing, and organisational development issues related to overall workplace culture and work processes.

1.6.2. THE CSR INITIATIVES

The term "corporate social responsibility" spread widely in the late 1960s and early 1970s. It is about initiative to promote equal interest among stakeholders, which mean those on whom an

organization's activities have an impact, was used to describe corporate owners beyond shareholders. Freeman (1984) promotes the stakeholder as an instrumental theory of the corporation strategy.

Corporate social responsibility which is also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business is a voluntary action associated with the social justice, ethical standards, and international norms. CSR movements aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere (.

A. The Local Partnership

Public–private partnership (PPP) describes how the government service and private business venture stick together to embrace convenience business environment. They fund and operate through a partnership of government and one or more private sector companies. This involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. In some types of PPP, the cost of using the service is borne exclusively by the users of the service and not by the taxpayer. In other types (notably the private finance initiative), capital investment is made by the private sector on the strength of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government. Typically, a private sector consortium forms a special company called a "special purpose vehicle" (SPV) to develop, build, maintain and operate the asset for the contracted period. In cases where the government has invested in the project, it is typically (but not always) allotted an equity share in the SPV (Moszoro, 2008)

The World Summit on Sustainable Development in Johannesburg in 2002 calls for collaborative alliances between the three sectors, business, government, and community. Following that, the partnership model has gained further ground as a new approach to development and an important tool to attain the Millennium Development Goals. The model is not only supported by the development community but also by the private sector (http://www.un.org/events/wssd/).

Swanson (2002) point outs, the concern in business-society relationships today is not about making money the way one wants and then giving a portion of it back to the community; rather, it is about how a company earns its money, and how that company is run and how it interacts with communities. However, much of the partnership discourse fails to appreciate this concern, and tacitly assumes that meeting affirmative duties via social investment is a sufficient compensation for failure to address negative injunction duties. Unfortunately, there is no amount of road or bridge construction, provision of electricity or awarding of scholarships that can compensate for the loss of daylight resulting from gas flaring (Idemudia and Ite 2006a). Neither can cash payments compensate for future loss of livelihood.

Partnership is necessity in presenting to protracted multilateral negotiation. In such cases, coalition supported by progressive stakeholders can foster a favorable political climate. The UN experiences significant opportunity as facilitator and catalyst toward partnership and building enthusiasm for CSR to rural development in Least Developing Countries. Moreover,

skilled leadership and recognition are key determinant to deal with complex local political structure (UN, 2004).

B. Win-win Partnership

Partly in response to the critics' argument that CSR is costly, the "business case" increasingly became a formidable cornerstone for securing business commitment to CSR. The business case suggested that business acceptance of social responsibility invariably results in a "win-win" situation for both business and its stakeholders. As a result, the business case successfully moved CSR from the realm of altruism or morality to the realm of rational economic business decision making. Although findings from empirical research have yet to incontrovertibly support this approach, its appeal has remained enduring both in the business community and in academia (Idenydia, 2007).

For the purpose of gaining further knowledge on the functioning of cross -sector partnerships a framework for evaluation of partnerships has been developed. It is suggested that process as well as results are focused upon in the evaluation of partnerships. Drawing upon network theory a number of evaluation parameters related to actors' strategies and the degree of collaborative advantage vs inertia is proposed for analyses s of partnership processes. With regard to outcomes, evaluation parameters relating to both developmental and business outcomes are included in the framework. With this broad perspective the framework allows for critical analyses of the actual win-win potential of partnerships (Jorgensen, 2006).

1.6.3. CSR and International Business Theory

The mainstream of the international trade theory is trying to answer the nagging question of whether globalization is good or bad. The earlier theory tends to encourage more countries to participate in international trade with a premise that the more likely it to benefit from an open economy, resulting in improving its prospects for rapid socio-economic expansion at home. In the recent years, the widespread discontent with international trade goes well beyond the protest movements that have attracted the attention of the world. Stiglitz (2002) points out that the powerful force of globalization brings up mismanagement, and then millions have not enjoyed its benefits and millions more have even been made worse off.

The subject matter points out some issues about international trade interaction among sovereign countries are ranging from the pattern of trade to the trade strategy. Those theories become premises for the policies of the World Trade Organization which aims to promote fair and free trade. On the other hand, there was another field that considered industrial organization aspects of trade and trade policy in partial equilibrium and descriptive analysis. There were discussions of how policy influenced foreign ownership and attempts to measure the scale and market power inefficiencies caused by restrictive trade policies (Markunsen, 2002).

The papers try to reconcile aspects of regionalism and institutionalism approaches and to discover the pattern of the international trade theory. With the benefit of hindsight, this endeavors to exposit some major issues for integrating the disparate parts into a more unified and coherent theory.

A. Classical International Trade Theory

The earliest trade theory came from David Hume, a Scottish philosopher. The publication titled "Of the trade of balance" commenced in 1758, a couple years before Adam Smith published the

Wealth of Nation. Hume questioned the British trade policy which tried to promote capital account surplus during the outbreak of Napoleonic Wars. When the Britain's current capital account surplus was greater than its financial account deficit, the gold as the international reserve at the time matched the balance, followed by the inflation (Krugman and Obstfeld, 2003). It initiated the trade theory which is associated with foreign exchange theory which perhaps can trigger a question whether the US dollar will keep weakening until the next decade.

Some basic ideas about benefits from international trade came up in the early nineteenth century. At the time, the English economist David Ricardo introduced the trade term of international differences in labor productivity, called Comparative Advantage Theory. One of the most influential, but still controversial, is trade patterns to an interaction between the relative supplies of national resources such as capital, labor, and land one side and the relative use of these factors in the production of different good on the other (Krugman and Obsfeld, 2003; Brakman, 2006). This theory manages to set a strategy to what commodity an economy should produce. If a product specialization takes place in a country which is in line with the comparative advantage, they can reap the benefits of the gains from specialization in terms of achieving higher total production and welfare levels.

Specialization is remarkably high in exporting manufactures, as in many other areas in economics. The distribution is remarkably skewed. Easterly et al, (2009) concluded that export success is mainly driven by technological dispersion, which also explains high levels of specialization. Developing countries export less products to fewer destinations, which helps explaining this. Exporting to more destinations exposes a country to more demand shocks that are uncorrelated with technological dispersion. Therefore, as a country penetrates more markets with more products, demand shocks from those markets and for those products account for a larger percent of variation and hence concentration in exports.

On the other hand, there has been much dispute over the gains of international trade. First, there is a critic that free trade is beneficial only if a country is strong enough to stand up to foreign competition. The idea primarily stands for developing countries. However, the model of comparative advantage explains that both countries still gains from trade. Secondly, a question from developed countries is raising an issue that foreign competition is unfair and hurts other countries when it based on low wages. Krugman (2003) notes example that Ross Perot, a former presidential candidate in 2003, warned that free trade between the US and Mexico. Another provocative question was raising issues that Trade exploits a country and it worse off if its workers receive much lower wages than workers in other nations. Sweet shop was the most dramatic issue of international trade in the US newspapers through contrasting $2 million income of the chief executive officer of the clothing chain, while the worker who produces some of its merchandise get paid $0.56 per hour. What is about Indonesian basic salary which around $100 per month or $4 per day?

Turning to income distribution, Heckscher-Ohlin Model indicates the relative prices of good converge toward equalization of factor prices. The basic relationship theory shows that a country with a lot of capital and not much land will tend to produce a high ratio of manufactures to food at any given prices, while a country with a lot of land and not much capital will do the reverse (Krugman, 2003, p 51). Through the production possibilities theory, it indicates that trade benefits the factors that is specific to the export sector of each country but

hurt the factor specific to the import-competing sectors with ambiguous effect on mobile factors. Again, it raises a question whether the gains of trade outweigh loses.

Francis Ysidro Edgeworth (1845-1926), an English economist tried to examine the exchange of two goods between two people which then acknowledged as Edgeworth box. This box reveals the possible consumption bundles for two consumers which called as the feasible allocations. Following that, France economist Paretto depicts the answer of the nagging question about the trade equilibrium, called as a Pareto efficient allocation. In this level, there is no way to make all people better off without making someone else worse off.

Based on this theory, Wassily Leontif (the Economic Nobel Prize winner in 1973) unfold a paradox that international trade from developed countries, i.e. the Us is less capital intensive than its import though the competitive advantage theory suggested that the economy would be an exporter of capital intensive goods and importer of labor-intensive goods. It is called Leontief paradox (Krugman, 2003). Baskaran et at (2011) points out that when economic growth means an outward shift in a country's production possibility frontier, the standard trade model imposes a question whether growth in the rest of the World good or bad for the US (biased growth). In fact, most countries experienced their income on more domestic products than imported goods due to barrier to trade which causes recipient's raising term of trade.

The international trade theory also forces us to admire a model of internal economic of scale. Contrast to the Richardian international theory, it is that international trade is borderless and called intra- and inter-industry trade. In fact, one-fourth of world trade consists of intra-industry trade (Brankman, 2006). The most impressing point is that multinational corporations do not necessarily charge the same price for goods that are exported and those are sold to domestic buyers. Thus the theory of external economies indicates that when the external economies are important, a country with a large industry will be more efficient in that industry than a country with a small industry.

Leon Walras (1834-1910) extends the idea of equilibrium which refers to a set of prices that each consumer is choosing his or her most-preferred affordable bundle. The Walras' law states that the value of aggregate excess demand is identically zero. This means that zero for all possible choices of prices not just equilibrium prices. This proposes the first welfare theorem which mentions that the equilibrium in a set of competitive markets is Pareto efficient in which the equilibrium takes a place if each agent chooses the best bundle on his budget set. Through a geometric argument, the second welfare theorem indicates that a set of prices will happen if all agents have convex preferences.

The partial equilibrium analysis assesses the equilibrium condition in particular market to deal with classical question about how demand and supply were affected by the price of the particular good we were examining. On the other hand, the general equilibrium focuses on how demand and supply conditions interact in several markets to determine the price of many goods.

B. The Regionalism

Referring to David Hume, international factor movements became a remarkable issue in the twentieth century. Brain drain and international capital flow plays important role on the international economics, especially when a number of countries collapsed due to the financial

crisis phenomenon. Those foster theory of interest parity as basic equilibrium condition for international monetary, followed by Fisher effect theory.

The regional approach enhances understanding the interplay between the forces of globalization and nationalism and lead to a more enlightened management of the ensuing tension between developed and underdeveloped countries. During the 1970s and early 1980s the dominant view was that the beast means to foster economic growth for developing nations was via vigorous development and promotion of its export industry. In 1980s, the import-substitution policies with high levels of tariff and non-tariff barrier gave way to trade liberalization (Niroomand, 1997).

In East Asia, the flying geese model postulated that Asian region would grow as a regional hierarchy in which the technology would continuously move from the more advanced countries to the less advanced ones (Kasahara, 2004). Japan took a lead, the second-tier of nations consisted of the New Industrializing Economies (South Korea, Republic of China Taiwan, Singapore and Hong Kong). Following that, two groups come to the main ASEAN countries, namely Philippines, Indonesia, Thailand and Malaysia. The Japanese multinational companies play pivotal role in the international market in which nearly 64 Japanese companies earn revenue about USD2.94 trillion per annum in 2010 (Forbes, 2010).

In the 21 centuries, the People's Republic of China plays a pivotal complementary role as the premier assembly center within the regional production networks. Athukorala (2011) shows that merchandise trade of Asian developing economies have grown at a much faster rate in the global context, with a distinct intraregional bias. It was expected that the real nonoil will increase at an average annual rate of 8.2 during the next two decades, with a notable convergence of individual countries' rates to the regional average. The share of intraregional trade of nonoil trade will have increased by 53% in 2010 and 58% in 2030.

As the highest income per capita, the US becomes major importer in the World. In 1990s, the US international trade intermediaries moved away from a pure export management company to a trading-company format Perry (1992). However, the September 11 tragedy fostered the terror-free investment screens for non-US multinational corporations (Hemphill and Cullary, 2010). One of the major trade policy problems identified by U.S. interests, including grower groups, traders, and policymakers, is that of pricing transparency. This has been a gnawing issue generally related to the pricing practices of competitor exporting countries with state trading enterprises (STEs). The transparency problem generally refers to the inability to observe rivals' terms of trade (including price, quality, credit, etc.) and is normally associated with commercial exporters competing against STE rivals (Wilson et al, 1999).

The United States are irritated from long-term international trade deficit. Starting late in the 1960s, the trade deficit has been increasing at a large rate since 1997 and increased by 49.8 billion dollars between 2005 and 2006. In 2010, this is setting a record high of 767.5 billion dollars. Frankel (2007) argues that the key problems of the deficit are in macroeconomics, not in trade policy.

In European region, the 10 Euro countries took a lead in the regional trade hierarchy. Wyrzykowska (2010) found that although inter-industry trade still accounts for almost 50% of the EU-10 countries' trade, its share has been declining to the benefit of intra-industry trade shares and deepest specialization was in automotive sectors. Through gravity model, Salvatici (2010) exposes that Western Europe is major market for developing countries' agricultural

exports which contributes to both the extensive and intensive margins, although with significant differences across sectors. Following that competition is fierce, indicated by Bojnec and Ferto (2007) that the effect of trade balance on trade competition is found more significant than the effect of export-import unit values difference. Natural and human factor endowments increase price competition and reduce unsuccessful quality competition. Agricultural labor productivity improves price and quality competition. Less quality differentiated products increase price competition.

In the Europe, the Treaty of Rome is major element to set rule of the game. The anti-competitive agreements were explicitly allocated by the founding treaty (respectively Article 85 and Article 86 of the Treaty of Rome, later renumbered as Article 81 and Article 82). In one of its early decisions, the European Court of Justice (ECJ) made this clear: 'The treaty, whose preamble and content aim at abolishing the barriers between states . . . could not allow undertakings to reconstruct such barriers. Further competences for merger control were granted in 1989, through the EC Merger Regulation (ECMR). However, Neven (2006) indicated that the centralization way of Commission was evident the most ineffective way to reform the system.

In the Middle East, the legal perceptions of international contract principles reflect regional legal thinking which has been influenced by a mixed understanding of regional traditions. Sadah (2010) showed that there is such mixed understanding in which strong regional legal tradition affects commercial contract experiences, such as Islamic contract principles. The regional natural gas markets are expected to gradually become more integrated. Sagen (2009) reveals that the lower LNG costs, more spot trade, and increased need for imports into the US and other key markets will foster the growth of trade of natural gas among continents over the next couple of decades, and that prices in the main import regions will remain around current levels. However, significant constraints on exports from the Middle East may alter this picture.

On the other hand, globalization networks are not always the case. Rugman (2005) points out that only in electronics is production likely to be globalized, as transportation costs are low relative to assembly while production in chemicals, resources, and services is likely to be highly localized. Breinlich and Circuolo (2010) show that only a fraction of UK firms engage in international trade in services that means firm-level heterogeneity is a key feature of services trade. It indicated that huge market is still in developed countries and the borderless economic transaction hasn't took a place entirely. In Australia, El-Higzi (2002) explain trade pattern of inter industry nature of the Australian construction industry which indicated remarkable obstacles with the international market since it is acquaintance of large in scale and specialization.

In a cross-section of countries, government regulation to promote international fair trade is questioned. Aghion et al (2009) try to explain that is highly negatively significant empirical correlation between government regulation in international trade and social capital. The correlation works for a range of measures of social capital, from trust in others to trust in corporations and political institutions, as well as for a range of measures of regulation, from product markets, to labor markets, to judicial procedures. A key implication of the model is that individuals in low trust countries want more government intervention even though the government is corrupt. Consumers face prices that are to a varying degree, location-specific.

Crucini and Yilmazkuday (2009) propose model of production and distribution across cities shows how these differences are shaped by the distances separating cities due to trade costs, the good-specific share of retail distribution and its division between local labor and rental costs.

C. The Institutionalism

Historically, the exports of many developing countries followed the pattern of comparative advantage established during the era of colonization, producing and exporting basic commodities such as fruits, tea, coffee, sugar, rubber, and minerals. But by the middle of the twentieth century, new industrial economies became increasingly concerned that the terms of trade were turning against the influences of western countries.

Turning to the competition issue, competitiveness advantage plays pivotal roles through combining supply chain and business environment. Moreover, theory of supply chain experiences dramatic evolution. In the 1980s, supply chain focused on the demands of just-in-time. In the ’90s, outsourcing mattered most. In the ’00s, it was the Internet. Following that, the nagging question is what will shape supply chain in the new decade. On the other hand, business environment also dramatically changes.

In 1960s, the Green Revolution had transformed from developed countries to the least developing countries by introducing new high-yield-variety strains, fertilizers, and intensive cultivation techniques. But in some respects the Green Revolution actually worked against commodity-exporting LDCs: Higher worldwide agricultural output led to lower commodity prices, further deteriorating terms of trade against the developing countries, a phenomenon labeled as “immiserizing growth” (Jagdish Bhagwati, 1958). This theory suggests that the unchanged structure of supply intensifies the structural dependency and, regardless of growth, there is no development but only 'immiserizing growth.' This situation is especially pertinent for countries with agrarian monoculture. As a consequence, the theory later asked for a speedy industrialization including heavy industry for larger countries (Krugman 2003).

Only recently before, the Organization of Petroleum Exporting Countries (OPEC) had succeeded in quadrupling the price of oil from about $3 per barrel in 1972 to about $12 per barrel in 1974, creating a class of high-income Arab countries virtually overnight. Recently, the oil price is rocketing to more than $100 per barrel and noted as the most dramatic change. The cartel strategy triggers other commodities such as coffee and foods. But the problem with cartels is that the more successful they are at jacking up prices (and profits to their members), the more apt they are to implode (Wydick, 2008).

Instead of abandoning globalization, the mainstream international theory encourages to run up against the globalization problem on account of institutional problem. That focuses on economic players namely government, producers, and consumers which is associated with three bottom line issues (government, business entities, and society). Part of the problem lies with the international economic institutions, with the IMF, World Bank, and WTO which help set the rules of the game. The global protests over globalization against the WTO meetings because it was the most obvious symbol of global inequities and the hypocrisy of the advanced industrial countries. While those countries have forced the opening of the market in the developing countries to the industrial countries, they manage to keep their market closed to the products of the developing countries, such as textile and agriculture (Stiglitz; 2002).

The modern international trade theory runs up against political economy of international trade. Property rights, judicial systems, bureaucracies, police, commercial law, and even international bodies such as the World Trade Organization are other examples of institutions that foster cooperation and mutually beneficial exchange on a widespread level. What remains common to all of these institutions is that their broad-based support and their perceived legitimacy are keys to their success. Ansari (2007) said that if all WTO member states have the political will to agree to one suggestion, the problem can be solved but due to politicization of the WTO, a common view is difficult to be reached. Though all states want protection of the environment, bet when they come to a conflict situation with international trade, differences among them becomes eminent.

Warburton (2010) points out that there is a significant difference in the margin of import tariff hat are applied to imports by the high income and the least developed member and marginal propensity to import is significantly dependent on output for the high-income members but not for the least developed members. This indicates that creating enabling condition for tariff reduction is not enough; the international trade law should aim to increase national earning capacity.

Gstohl (2010) shows that legalization is strong for intellectual property rights, moderate for public health and environmental matters and weak for labor issues. Based on China case study, Sato (2010) questions whether intellectual property rights could have applied the general principle of necessity developed under the General Agreement on Tariffs and Trade and General Agreement of Trade in Services.

As the industrial organization approach to international trade, the oligopoly models had developed while a branch known as strategic trade policy. The literature produced inevitably assumed single-plant nationally owned firms, despite the fact that industries used to motivate the analysis were often dominated by multinationals (Markunsen, 2002).

CHAPTER 2:
FDI AND ECONOMIC GROWTH

The chapter addresses the first research question, that is: "to what extend that the interest of foreign direct investment is associated with the initiative to foster local economic growth, to nurture environmental movement, and to promote social protection policy?" It evaluates the impact of FDI on economic growth, examines the environmental impacts of MNCs, and tests whether MNCs promotes social protection policy in host countries. This chapter proceeds as follows. Section 2.1 provides introduction to the topic. Section 2.2 evaluates the impact of FDI on economic growth using Turckan et al. (2008) model. The effects of FDI on the environmental concern through Corporate Social Responsibility (CSR) are examined in Section 2.3. Social security protection in a relation to the entry of MNCs in host countries is a subject matter in Section 2.4. Conclusion of the chapter is presented in the last section.

2.1. INTRODUCTION

There has been an increasing debate over the role of foreign direct investment and multinational corporations in host countries development. Russ (2009) distinguishes two set of FDI models. The first model is defined according to Markusen (2002) that small capital flows to developing countries related to the scarcity in the supply of skilled labors. The second approach, which is in line with Richardian argument, claims that capital flows is a conceptual starting point triggered by excess labor supply.

Based on these two set of models, Fukao and Wei (2008) classified FDI into two categories, that is vertical FDI and horizontal FDI. The vertical FDI refers to the initiative of intra firm vertical division of labor, while the horizontal FDI is the ability to gain access to local markets.

Accordingly, the environmental impacts of FDI on developing countries have been a concern of the governments. On the one hand, it is argued that FDI devastates environment of developing countries on account of lower environmental standards and "pollution havens." On the other hand, foreign firms come up with promises to improve environmental performance by transferring both cleaner technology and management expertise in controlling environmental impacts.

The ISO 14000 standards set target indicators to guarantee the sustainable management of forests and environmental management of production processes. Even though 60% of FDI in Latin America managed in agreement with this procedure, there are double standards in implementation. For example, there are two standards of environmental management in Chile, that is international certification FSC and the domestic certification scheme CERTFO (Borregaard et al, 2008). This issue becomes an important concern for the government as well as the environmental institutions.

2.2. ECONOMIC GROWTH AND FDI

2.2.1. TURCKAN'S MODEL

Turckan *et al.* (2008) develop a model of an open economy that capital move freely between border, in which both domestic and foreign capital are perfect substitutes for factor productions with the same rate of return, r, the world interest rate. While k represents domestic capital per person and k* is a symbol for foreign capital per person, then (k* - k) represents total foreign investment in host countries. The model assumes an economy with immobile labor and abundant foreign investment, which is indicated by k* - k > 0. Then, budget constraint for the represented economy is

(2.1) $$\dot{k} = w + (r - n)\,k - c$$

where k is domestic capital per person, w is real wage rate, r is the world real interest rate, n is population growth rate, c is the consumption, and a dot on top of variable indicates a time derivative of the variable.

Suppose that the production technology is represented by

(2.2) $$Y = f(K^*, N)$$

in which Y output, K* is total physical stock available in the domestic economy, and N is labor stock. Hence the optimization condition for representative firm indicates equality between marginal product and factor prices:

(2.3) $$f'(k^*) = r$$

(2.4) $$f(k^*) - k^* f'(k^*) = w$$

Turckan substitutes w from equation (2.4) into equation (2.1) and use equation (2.3) to determine the change in asset per capita, and therefore, equation (2.1) can be rewritten as:

(2.5) $$\dot{k} = f(k^*) - r(k^* - k) - nk - c$$

Given that that $\dot{k}^* - \dot{k} = FDI$, Equation (2.5) is rewritten as:

(2.6) $$\dot{k} = f(k^*) - r(k^* - k) - nk - c + FDI$$

Considering that the model is not associated with foreign lending economy, Turckan indicates that the *ex ante* difference between domestic and world interest rates, the size of the economy, the growth rate of economy determines FDI. Then, the following FDI function can represent FDI behavior:

(2.7) $$FDI = f(g_y, M)$$

M represents vector variables next to the growth rate of domestic economy that contributes to the determination of FDI, and g_y is the growth rate of the country.

Furthermore, under Equation (2.6), one might expected that FDI affects growth through the accumulation of capital. Hence, the empirical model derived from the theoretical model of Turckan is as follows:

(2.8) $$y = f(FDI, ODA)$$

The equation above shows that the growth rate of an economy (y) is determined by foreign capital inflows in terms of Foreign Direct Investment (FDI) and Official Development Assistance (ODA).
If it is assumed that Equation (2.8) is linear, then the following equation is formulized:

(2.9) $$y = \gamma_0 + \gamma_1 FDI_n + \gamma_2 ODA_n + \varepsilon_n$$

where y is economic growth, FDI is foreign direct investment, ODA is official development assistance, γ_0, γ_1, γ_2 are parameter to be estimated, n represents the n-th country, and ε is error term.

2.2.2. THE FDI AND ECONOMIC GROWTH ESTIMATION

Utilizing the empirical model in Equation (2.9), this paper estimate the observed data using three panel models: Common Effect (CE), Random Effect (RE), and Fixed Effect (FE). The CE model assumes that all countries have a same constant and slope, which is represented by the estimated coefficient in linear regression. The RE model is applied in an assumption that the unobserved effect is uncorrelated with the explanatory variables. The FE model has certain assumption. When u_{it} is serially correlated, FE is more efficient than first differencing. Hence, the feasible GLS estimator is more appropriate to deal with positive serial correlation in the error term (Wooldridge, 2008).

We use data 2006, 2007, 2008, and 2009 on the 474 countries that reported FDI (foreign direct investment), ODA (Official Development Assistance), and INC (Adjustment National Income). We collected data from the World Bank data (http://data.worldbank.org/). INC refers to adjustment national income which is Gross National Income (GNI) minus consumption of fixed capital and natural resources depletion. FDI is Foreign direct investment is considered as the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. Eventually, ODA is official development assistance which is the grant flows comprise contributions of donor government agencies, at all levels, to developing countries ("bilateral ODA") and to multilateral institutions.

Table 2.1 presents statistic descriptive for the three chosen variables: INC, FDI, and ODA. The table shows that the income disparity among the observed countries was huge and the JB test indicates that null hypothesis of normal distribution was not accepted. The average observed GNI in 2009 was $ 91.3 billion. Five countries with highest GNI in 2009 were China, Brazil, India, Mexico, and Turkey. The GNI of China is around $3800 billion, followed by Brazil and India, with GNI of $1350 billion and $1000 billion, respectively. Indonesia GNI was around

$350 billion. On the other hand, five countries with lowest level GNI were Liberia, Como, Tonga, Saotome and Equator.

Table 2.1: Statistic Descriptive for Variables

	INC	FDI	ODA
Mean	9.13E+10	3.34E+09	69.02827
Median	1.00E+10	4.85E+08	44.30000
Maximum	4.36E+12	1.48E+11	604.1000
Minimum	-1.85E+09	-4.75E+09	-40.40000
Std. Dev.	3.56E+11	1.17E+10	87.18901
Skewness	8.264678	8.716381	2.614729
Kurtosis	83.36610	94.94869	11.09236
Jarque-Bera	132955.6	172979.6	1833.461
Probability	0.000000	0.000000	0.000000
Sum	4.33E+13	1.58E+12	32719.40
Sum Sq. Dev.	5.99E+25	6.48E+22	3595710.
Observations	474	474	474
Cross sections	120	120	120

Table 2.2 presents the estimation results of the three panel models: Common Effect (CE) model, Random Effect (RE) model, and Fixed Effect (FE) model. In all models, it appears that FDI has statistically significant positive impact to income at the 1% level. Meanwhile, ODA has no significant statistic effect to economic growth, which is reflected from the insignificance of the estimates.

Table 2.2: Regression with Dependent Variable: INC

	Common Effect Model	**Fixed Effect Model**	**Random Effect Model**
C	-	8.16E+10	1.45E+10
		(8.378096)	(1.792186)
FDI	28.10262***	2.897850***	24.90658***
	(55.11064)	(2.542598)	(48.88156)
ODA	-47342865	-627092.0	-1.03E+08
	(-0.848809)	(-0.005344)	(-1.564518)
R^2	0.856687	0.957583	0.723655
Akaike info criterion	54.09714	53.38598	
Schwarz criterion	54.11470	54.45701	

Notes: *** indicates significance at 1% level. Numbers in parentheses are t-statistic.

2.3. FDI AND ENVIRONMENT

2.3.1. ENVIRONMENT CSR

Both profit interest and risk management have raised biased on CSR doctrines based on mistaken presumptions about recent economic developments. Henderson (2009) indentifies that mistaken presumption of enterprises would make the world poorer and more over-regulated due to poor of standard regulations. Ralston (2010) argues that aligning the organization culture with existing local social norms and expectations can improve the capacity of organization to become more socially responsible. Thereafter, the most powerful way to create social value is by developing a new mean to address social problems and putting the best practices into widespread practice. It is the role of Chief Executive Officer (CEO) leadership to deserve sustainable development, as Waldman et al (2004) mention that CSR activities are most likely to be related to the firm's corporate and business-level strategies. Unless multinational company forces community and local government to deal with potential issue, the role of business seems never go beyond philanthropy and toward sustainable community development.

Seelos (2004) shows that the experimenting with unfocused CSR often is a zero sum game for society, and CSR without an explicit social compliance framework is lack credibility. It appears that participation in social corporate social responsibility program is not merely a question of rational choosing the right decision in value-free manner, as Berkhout et al (2003) explore contest between competing interests in public policy. While difficult issue rise, such as balancing conflicting stakeholder interests and measuring return to strategic CSR, it needs theory of how balance of tradeoff inherent in serving the various corporate constituencies (Lantos, 2001). The equilibrium has to be reaching a conclusive consensus is often very difficult to be achieved (Waddock, 2004) as different fields of interest (from business ethics to marketing management) cross paths (Bhattacharyya, 2009).

In the less developed countries, it indicates a great deal of pessimism about the ability of the non-industrialized countries to develop properly in the context of open economic relationship with economically advanced countries. Under developed nations often lack of institution capacity that are able to protect buyer and sellers in a efficient market, check corrupt behavior, establish property rights, manage the risk, hold their government accountable, provide incentive for long-term investment, and promote the sustainable use of natural resources (Wydick, 2008). Moreover, most of the labor force is employed by small- and medium- enterprises instead of multinational corporations (Kunt and Levine, 2009). London (2010) argues that motivation, strategies, and persistence turn have practical value for corporate social responsibility and enhancing local and global initiatives that benefit individuals and society.

It appears that multinational corporations in under developing countries are more powerful than local communities, so negotiations between the giant companies and local people become arduous, especially while states do not comply with agreed measures, monitoring is poor and effective sanctions are rarely put in place. Bebbington (2006) points out the credibility of elites and governments with such temptation to weaken, de-legitimize, incorporate or indeed repress social movements. In some cases, CSR regimes have a number of indirect positive effects, such as attention to a shared understanding about causes and effects, and lead to the improvement of institutional structures. Berkhout et al (2003) regards that

effective policy making cannot solely be a matter of governments negotiating with governments to produce new international legal instruments. However, the multiple equilibrium model on account of public distrust which discourages social capital accumulation proposed by Aghion et al (2009) suggest that individuals in low trust countries want more government intervention even though the government is corrupt.

To pursue a better world through promote foreign direct investment and fair international trade, United Nation set an organization, namely UNCTAD. This is part of united national bodies which dealing with trade, investment and development issues. Along with a belief that international trade and FDI as a mean to overcome wide gap between poor and rich countries, the organization aims to foster trade and investment for developing countries associated with world economic integration. This organization also publishes the annual report, namely World Investment Report.

In 2010, World Investment Report reveals the efforts to promote low carbon economy. The key issues of low carbon economy refer on clean-investment promotion strategies. This was about dissemination of clean technology, securing international investment contribution to climate change mitigation, harmonizing corporate greenhouse gas (GHG) emission disclosure, and establish an international low-carbon technical assistance center (L-TAC).

2.3.2. POLLUTION HAVEN HYPOTHESIS

The pollution haven hypothesis or pollution haven effect refers migration of dirty industries from the developed to the developing countries (Akbostanci, 2004). Based on Heckscher-Ohlin model which points out that a region will export goods with abundant local factors as input, the model premises is that environment regulation prompts the cost of key inputs. The econometric models have typically focused on reduced-form regressions of a measure of economic activity on some measure of regulation stringency and other covariates:

(2.10) $$y_i = \alpha R_i + X_i' \beta_i + \varepsilon_i$$

where Y is economic activity, R is regulatory stringency, X is other characteristic that will affect Y, and ε is an error term. The pollution haven hypothesis is that estimates $\partial Y / \partial R$ will be negative ($\widehat{\alpha} < 0$).

Aminu (2005) suspects that firms are heterogeneous in their factor inputs, lobbying power and whether output are exported or consumed locally with all have implications for pollution. This hypothesis implemented in this following model:

(2.11) CO2 fossil-fuel emission = cons + lag FDI inflow + lag GDP

2.3.2. THE ESTIMATION

The variable represents environment quality is CO2 emissions (metric tons per capita), which are stemming from the burning of fossil fuels and the manufacture of cement. They include carbon dioxide produced during consumption of solid, liquid, and gas fuels and gas flaring (World Bank, 2011).

CO2 emission per capita rate indicates who is being most wasteful. For example, the citizens of Australia, Kuwait and Luxembourg are among the world's worst polluters. The Western countries are leading the way in CO2 emissions. Australia has overtaken the U.S. as the biggest emitter per person of carbon dioxide. The average Australian contributes 20.58 tons of CO2 to the atmosphere each year to cool homes, drive cars and generate electricity with coal. The U.S. fell to second at 19.78 tons per inhabitant a year while Canada was third at 18.81 tons.

The average Chinese person emits 4.5 tons of greenhouse gases a year and a typical Indian 1.16 tons. Because of populations in excess of 1 billion, the aggregate emissions of those two countries makes them the first and fourth-biggest emitters, according to the U.S. Department of Energy, which ranks the U.S. second and Russia third. China and India argue that developed nations such as the U.S., Canada and Australia must cut emissions by 40 percent from 1990 levels in 2020, and that poorer countries need room to raise their greenhouse gases to allow them to develop (Loon and Morales, 2010)

The ranking indicates how much more people in wealthier nations emit than those in large developing countries. That was a key argument used by China and India to push for emissions cuts in the U.S., Europe and Japan as the United Nations aims to write a climate-change treaty in Copenhagen Denmark in 2009. On the other hand, that was disaster meeting in which China managed to block the open negotiations for two weeks, and then ensure that the closed-door deal made it look as if the west had failed the world's poor once again. And sure enough, the aid agencies, civil society movements and environmental groups all took the bait. The failure was "the inevitable result of rich countries refusing adequately and fairly to shoulder their overwhelming responsibility.

Table 2.3 presents the descriptive statistics for variables in Pollution Haven Model.

Table 2.3: Environment Data Description

	CO2?	FDI?	INC?
Mean	173482.7	1.17E+10	2.64E+11
Median	12285.40	8.82E+08	1.69E+10
Maximum	6533018.	2.71E+11	1.22E+13
Minimum	91.60000	-6.78E+09	-1.85E+09
Std. Dev.	695867.9	3.29E+10	1.06E+12
Skewness	7.605486	4.773786	8.907714
Kurtosis	64.15040	29.46754	95.52588
Jarque-Bera	54101.41	10786.73	120968.6
Probability	0.000000	0.000000	0.000000
Sum	56728843	3.82E+12	8.65E+13
Sum Sq. Dev.	1.58E+14	3.53E+23	3.66E+26
Observations	327	327	327
Cross sections	164	164	164

Based on Equation (2.11), estimations are performed. Following the previous section, there are three models are employed: CE model, FE model, and RE model. Among these three models, RE model seems to be the most efficient since DW test indicates that series correlation doesn't take place, even though the R2 is the smallest. Those models also have F-statistic for joint

significance of all variables give p-value nearly 0, which means they are jointly significant at any reasonable significance level. Both income and FDI is highly significant in all models with the same direction, however FDI in RE and FE model indicates a tradeoff between FDI and CO2 emission.

Table 2.4: Dependent Variable: CO2 emission per capita

	CE Model	RE Model	FE model
C		73593.17	98724.91
		(33688.02)	(14.17118)
FDI	2.08E-06**	-4.10E-07***	-1.73E-07***
	(1.04E-06)	(1.48E-07)	(-1.111721)
INC	4.77E-07***	3.95E-07***	2.90E-07***
	3.33E-08	(2.21E-08)	9.953575
R2	0.627866	0.507426	0.999628
F-statistic	548.3419	166.8847	2619.555
Akaike info criterion	28.76438		22.86026
Schwarz criterion	28.78756		24.78422
DW stat	0.016498	1.954813	3.987805

Notes: Numbers in parentheses are t-statistic. *** indicates significance at the 1% level, ** indicates significance at the 5% level.

2.4. FDI AND SOCIAL SECURITY

2.4.1. SOCIAL SECURITY

While there is an expectation that FDI can foster economic growth, some developing countries put some efforts to attract FDI sometimes with “unfair competitive advantage”. One of the absolute advantages is cheap labor and enormous labor supply with low labor standards (poor worker rights). Sharna (2005) names the competition as “a race to the bottom” where countries start weakening their regulations in order to gain a competitive edge. On the other hand, it is generally well-accepted that labor standards and workers’ conditions improve by themselves through economic growth and FDI brings this growth. Some international organizations (e.g. OECD and ILO) stick together to run up against the issue of labor standard. However, the absence of enforcement of standards, benefits coming from economic growth may remain restricted to only a small section of privileged workers, failing to improve conditions of majority workers.

Most foreign investors find it risky to invest in developing nations, where only few can afford private treatment or insurance. It is therefore more common to see FDI through joint ventures with local partners to ensure access to qualified personnel and a better understanding of local culture and characteristics (Smith, 2004).

2.4.1. ESTIMATION RESULTS

The variable of social security presents the social security expenditure on health sector in percentage of total government expenditure. The average social security expenditure is about

15% for 120 countries (Table 2.5). The median of 0% indicates that most observed countries spend nearly zero for social security on health sector, and the high standard deviation indicates a large gap in spending on social security among observed countries.

Table 2.5: Descriptive Statistics for FDI and Social Security Model

	SOCH?	FDI?	ODA?
Mean	15.17134	3.32E+09	69.65921
Median	0.000000	4.81E+08	44.60000
Maximum	91.00000	1.48E+11	604.1000
Minimum	0.000000	-4.75E+09	-40.40000
Std. Dev.	23.38005	1.17E+10	87.73311
Skewness	1.548305	8.752520	2.569903
Kurtosis	4.422020	95.72717	10.77143
Jarque-Bera	231.2551	177353.0	1729.019
Probability	0.000000	0.000000	0.000000
Sum	7251.900	1.59E+12	33297.10
Sum Sq. Dev.	260741.0	6.48E+22	3671516.
Observations	478	478	478
Cross sections	120	120	120

Following the same procedure as in the previous section, three models are estimated. Among the three models, FE model is the most efficient model, as DW test shows that there is no error series correlation problem and R^2 indicates the best measurement for the goodness of fit. Hence, we follow the FE model in interpreting the estimation results.

The FE model shows that an increase in income (INC) raises public expenditure for health services, which is reflected from the positive significant estimate of INC. In contrast, FDI does not have significant effect on social security expenditure, although the estimated coefficient is positive.

Table 2.6: Regression with Social Security Expenditure as Dependent Variable

	CE Model	FE Model	RE Model
C		-41.82881**	-65.63902***
		(19.86753)	(15.19045)
FDI	3.66E-10***	2.25E-11	2.79E-11
	(9.05E-11)	(4.58E-11	(4.46E-11)
Log(INC)	0.710408***	2.454052***	3.476803***
	(0.058183)	(0.859922)	(0.651706)
ODA	-0.029079***	0.002378	0.001650
	(0.011549)	(0.004722)	(0.004590)
R^2	0.097360	0.984417	0.060532
F-statistic	25.29362	180.7179	10.05137
Akaike info criterion	9.054966	5.504281	

Schwarz criterion	9.081387	6.587561	
DW stat	0.039301	1.582585	1.183832

2.5. SUMMARY

The empirical analysis indicates that FDI has pivotal role to foster economic growth and prompts environment quality. In contrast, the hypothesis that FDI have positive significant effect on social security policy is not accepted. This indicates that FDI seeks profit through expanding output capacity and increasing environment quality. However, the initiative to develop quality of life is not the key element yet in FDI.

CHAPTER 3:
CSR INITIATIVES

This chapter addresses the second question whether the FDI's initiative could be associated with the CSR management structure that the company has in place, employment and environmental practices, supply chain policies and systems, level of corporate philanthropy that the company engages in, and new business opportunities arise from policies toward CSR? The chapter starts with the global initiatives in Section 3.1, which is followed by regional initiative of CSR in Section 3.2. Indonesian CSR is a matter of subject in Section 3.3, and CSR structure is discussed in Section 3.4. The final section provides summary for the chapter.

3.1. THE GLOBAL INITIATIVES

We notice that at least four immense international movements for CSR initiatives. There are UN Global Compact, ISO 2600, OECD Guidelines and Global Report Inititative. That initiative looks up CSR as a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law. There are also some international and regional watch-dog organizations which try to conduct research to show up which companies adopts the principles of CSR, such as Dow Jones Sustainability Index (DJSI) and Environment Sustainability Index (ESI).

Some forums try to align partners to promote CSR value, while some others conduct a survey to promote CSR standards. Those surveys deal with some challenges to identify valid measurements of the quality of environmental management system. Questioned the ability of KLD ratings to predict significant environmental successes through new products or other means since the measurement associated with beneficial products (Chartterji et al, 2007)

While regulations tend to be static and the initiative procedure is from top to down, standardization works bottom-up, which is dynamic in nature and simple in development. Appelbaum et al. (2009) suggest that organizations require more than ethical safeguards to ensure ethical conduct, such as perceived ethical congruence that positively affects an individual's affective commitment to an organization and reduces turnover intent. Nicholls (2006) points out that there are some major problems on exploiting profitable opportunities in the core activities of their not-for-profit venture or via profit subsidiary ventures and cross sector partnerships with commercial corporations.

The policy for such international movement can be understood as a political project that engages more and more actors who seek for strengthening the current architecture of institutions and networks at local and global levels. The policy-making in any area is not merely a question of 'rationally' choosing the 'right' decisions in a technocratic, value-free manner, but is more fundamentally shaped by contests between competing interests. Eventually, CSR appears to be a source of a conflict between different shareholders in which the chosen level of CSR expenditure is greater than that which maximizes firm value (Barnea and Rubin, 2005). From a social welfare perspective, whether this conflict increases total welfare depends on the question whether firms have a relative advantage in contributing to the society.

Another driver of CSR is the role of independent mediators, particularly the government. It calls for ensuring that corporations are prevented from harming the broader social value, including people and the environment. CSR critics such as Robert Reich argue that governments should set the agenda for social responsibility by the way of laws and regulation (Beeson and Broome, 2008). However, under the fundamental premise that the state is an organization run by self-seeking politician and bureaucrats, and not only limited in their ability to collect information and execute policy but also under pressure from interest group, neo-liberal economists argue that the cost from these government failure are typically greater than the cost of market failure, and that it is usually better for state not to try to correct market failures, because it may make the outcome even worse (Zafirovski, 2003).

Table 3.1 summarizes the main programs in several global initiatives on CSR. The detailed discussion on these initiatives is presented below.

Table 3.1: The Global Social Responsibility Initiative

Num.	Initiative	The goal	Progress
1	UN Global Compact	The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.	Business participants in the UN Global Compact make a commitment to make the Global Compact's ten principles part of their business strategies and their day-to-day operations. At the same time, companies are required to issue an annual Communication on Progress (COP), a public disclosure to stakeholders (e.g., investors, consumers, civil society, governments, etc.) on progress made in implementing the ten principles of the UN Global Compact, and in supporting broad UN development goals.
2	Global Reporting Initiative (GRI)	The Global Reporting Initiative (GRI) is a network-based organization that produces a comprehensive sustainability reporting framework that is widely used around the world. GRI is committed to the Framework's continuous improvement and application worldwide. GRI's core goals include the mainstreaming of	To test the concept GRI has launched a pilot project to develop an National Annex for Brazil. The experiences from this National Annex project will then be used to guide the further development of National Annexes around the world.

		disclosure on environmental, social and governance performance.	
3	OECD Guidelines	OECD is a forum where governments from 30 developed countries stick together to address the economic, social and environment challenges. The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.	The OECD Guidelines for Multinational Enterprises (the Guidelines) are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct consistent with applicable laws.
4	ILO Helpdesk Multinational Enterprises Program	The ILO is the international organization responsible for drawing up and overseeing international labour standards. It is the only 'tripartite' United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programmes promoting Decent Work for all. This unique arrangement gives the ILO an edge in incorporating 'real world' knowledge about employment and work.	ILO launched a helpdesk that provides information access and advice regarding CSR to enterprises

Source: Authors' compilation from several sources.

3.1.1. UNITED NATIONS GLOBAL COMPACT

United Nations (UN) Global Compact is immense corporate voluntary in the world. When Kofi Annan was the leader of UN, he launched the organization which is associated with the United Nations Development Program, the International Labor Organization, UN Commissioner on Human Rights, many international non-government (INGO), and a number of business association.

The Compact promotes then universal principles in the area of human rights, labor standards, the environment and anticorruption. This comprises 10 principles for CSR implementation in the areas of human rights, labor, the environment and anti-corruption. These are associated with The Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Right at Work, the Rio Declaration on Environment and Development, the United Nations Convention against Corruption.

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

3.1.2. ISO STANDARD

ISO 26000 is one of international standards that sets guidance on social responsibility and encourages companies in their efforts to operate in socially responsible manner, which is increasingly demanded by stakeholders. ISO is the International Organization for Standardization which aims to set standards of economic, environmental, and societal actions for business, government and society. The organization has a membership over 160 national standards bodies in all regions of the world with more 18 000 standards. In 2009, ISO launched a comprehensive consultation of its stakeholders all over the world in order to develop the strategies toward 2011-2015 strategic plans.

Specifically, the guidance for social responsibility is set in ISO 2600. In 2009, there was a consensus among the multi-stakeholder representative within ISO Working Group on Social responsibility to move a committee draft to a Draft International Standard (DIS). This was the partners include the United Nations Global Compact and the International Labor Organization (ILO) which try to underline the level of satisfaction among ISO customers.

3.1.3. OECD GUIDELINES

OECD (Organization for Economic Co-operation and Development) is a forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalization. The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United

Kingdom and the United States. The Commission of the European Communities also takes part in the work of the OECD.

Regarding CSR, OECD set guidelines for multinational enterprises. This provides principles and standards of good practice which comprises general policy, disclosure, industrial relationship, environment, combating bribery, consumer interests, science and technology, competition, and taxation. The guidelines are quite detail though they are encourage multinational corporation based on voluntary principle. In term of transparency, enterprises should ensure that timely, regular, reliable and relevant information is disclosed regarding their activities, structure, financial situation and performance. The guidelines even foster multinational to refrain from carrying out anti-competitive agreements among competitors. Those should be within the framework of applicable laws and regulations in which most developing countries still struggle to establish their own system.

3.1.4. DOW JONES SUSTAINABILITY INDEX

Launched in 1999, the Dow Jones Sustainability Indexes the financial performance of the leading sustainability-driven companies worldwide. This reviews over 20% of companies out of the largest 2,500 companies in the Dow Jones Global Total Stock Market (DJGTSM) Index. In keeping with all Dow Jones Sustainability Indexes, the components for the DJSI World Enlarged are selected according to SAM's systematic Corporate Sustainability Assessment, which analyzes company performance in terms of economic, environmental and social criteria. The new index has 513 components, is reviewed on an annual basis, and is weighted according to free float market capitalization. Additionally, there will be a subset index of 459 components excludes companies from the following sectors: tobacco, alcohol, gambling, armament and firearms, and adult entertainment.

3.1.5. ENVIRONMENT SUSTAINABILITY INDEX

The ESI was published between 1999 to 2005 by Yale University's Center for Environmental Law and Policy in collaboration with Columbia University's Center for International Earth Science Information Network (CIESIN), and the World Economic Forum. The Environmental Sustainability Index was developed to evaluate environmental sustainability relative to the paths of other countries. Due to a shift in focus by the teams developing the ESI, a new index was developed, the Environmental Performance Index (EPI), that uses outcome-oriented indicators, then working as a benchmark index that can be more easily used by policy makers, environmental scientists, advocates and the general public. Jha and Murthy (2003) criticized the Index on account of causal variables clubbed into one grand index, the bias environmental government measurements, ignored forest management, incomplete social and institutional capacity, and other methodology approaches.

3.2. REGIONAL INITIATIVE

The emerging corporate responsibility actions prompt some measurements over CSR actions. In the UK, an England business community promotes Corporate Responsibility Index to benchmark corporate responsibility activities. The Asian Sustainability Rating is an environmental-social-government benchmarking tool that was developed from collaboration between Responsible Research and CSR Asia.

Emerging markets present both opportunities and risks for multinational corporations. Nearly two billion consumers in emerging markets represent potential huge markets for MNC. Indeed, the best way to generate both profit and social value is to focus on emerging market. Zhang (2008) was raising questions on what short of CSR model in emerging markets growing whether adopt western-style capitalism or local variants, while many CSR efforts in the west promote universal standards or code of conduct.

Table 3.2: CSR Review

Num.	Region	Organization/ Program	Observed data	Conclusion
1	Asia	Responsibly Report	Hang Seng	**Supply chain issues:** lacking specific supplier codes of conduct regarding the environment, health and safety, and labor standards. In terms of the environment, many lacked measurement systems, specific reduction initiatives and goals, which are the most effective procedures for all companies to follow.
2	European			There are 16 global corporations which are considered as platinum corporate responsibility. However, none of those corporations are considered as Forbes100.
3	The US		over 7,790 consumers in the US	**Consumer perceptions:** significant positive correlation between corporate social responsibility and corporate reputation scores of companies.
4	Africa			

Source: Authors' compilation from several sources.

3.2.1. The US

The CSR Index in the USA was conducted by Reputation Institute's 2010 and the Boston College Center for Corporation Citizenship. This is about public perception about corporation citizenship, government, and workplace practices over 200 companies. Citizenship is about how a company contributes positively to its community from social to environment perspectives, while governance is about how a company conducts a fair and transparent business with high ethical business standards. Eventually, it was a workplace which refers to decent wage and fairly treatment for the workers. The survey over 7,790 consumers in the US indicates significant positive correlation between corporate social responsibility and corporate reputation scores of companies.

3.2.2. Europe

The European Commission (EU) encourages companies to apply fair employment practices that respect human rights, particularly where products come from outside the EU. For the European Commission, CSR means "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." Corporate Social Responsibility is also part of the Europe 2020 strategy for smart, sustainable and inclusive growth. It can help to shape the kind of competitiveness model that Europe wants.

It emphasizes the importance of CSR and challenges business to take leadership. It also outlines ways in which the Commission intends to continue to promote CSR as a voluntary concept, with an emphasis on dialogue between stakeholders. Sustainable growth and more and better jobs are the twin challenges the EU must now address in the face of global competition and an ageing population to safeguard our model for European society, based on equal opportunities, high quality of life, social inclusion and a healthy environment. To enhance the transparency, visibility and credibility of CSR practices, the Commission encourages enterprises that support the Alliance to make CSR information available to all stakeholders, including to consumers, investors and the wider public. Large companies in particular should seek to present CSR strategies, initiatives and their results or best practices in a way that is easily accessible to the public. In addition, the Commission will continue to support stakeholders in developing their capacity to assess and evaluate CSR practices (EU Commission, 2004).

This is why the Commission called for a fresh start to the Lisbon agenda by launching a Partnership for Growth and Jobs in February 2005 and renewing its Sustainable Development Strategy in December 2005. This is also why the informal meeting of Heads of State and Government at Hampton Court in October 2005 called for innovative answers to address the competitive challenge while defending European values.

In 2011, the permanent delegation of the European Union to the United Nations Offices and to other international organizations in Geneva, is pleased to submit to the Special Representative of General Secretary on the issue of human rights and transnational corporations and other business enterprises the comments of European Union.

Should CSR be regulated by law? The current situation in the UK is a celebration of diversity. There are laws or regulations covering things such as the minimum wage, Health & Safety and disclosure to investors, but none covering overall disclosure of environmental impact, little covering supplier relationships and almost nothing on community impact. Opinion in the CSR world is just as diverse, some favouring a legal framework for CSR and others fearing it would destroy everything.

In reality minimum wage legislation has not meant that we are all suddenly paid only that minimum. Environmental legislation has not capped car manufacturers' efforts to produce cleaner cars. Why should CSR, as a whole, be any different? If there is a business case for CSR, then it will still be there after legislation. Legislation on performance functions as a floor. It would remove the long tail of under-performers, not the headroom for high achievers.

Denmark has a law on CSR. On 16 December 2008, the Danish parliament adopted a bill making it mandatory for the 1,100 largest Danish companies, investors and state-owned companies to include information on corporate social responsibility (CSR) in their annual

financial reports. The reporting requirements became effective on 1 January 2009. The required information includes:

1. information on the companies' policies for CSR or socially responsible investments (SRI)
2. information on how such policies are implemented in practice,
3. information on what results have been obtained so far and managements expectations for the future with regard to CSR/SRI.

One of CSR networks in Europe is the CSR Europe. This organization has 70 multinational corporation members and 29 national partners with aim to response the initiative of the European Commission President Jacques Delors. Overall, the networks reach out to more than 3,000 companies from 25 European countries. The Enterprise 2010 is a milestone collaborative strategy toward sustainable inclusive growth.

In the UK, the Business in the Community sets Corporate Responsibility Index to benchmark corporate responsibility to integrate and improve CR. The index has three categorizes of social responsibility, namely platinum, gold, silver, and bronze. There are 16 global corporations which are considered as platinum corporate responsibility, such as Alliance Books, Anglo American, British Broadcasting Corporation, Carillion, Centrica, Costain Group, Friends Provident, Legal & General Group, Pearson, Premier Farnell, RSA Insurance Group, Severn Trent, Tesco, Unipart Group, United Biscuits, and WH Smith. However, none of those corporations are considered as Forbes100. The Forbes100 mentioned only 4 UK companies, namely Vodafone, Barclays, and Rio Tinto.

3.2.3. Africa

Rodinelli (2004) points out that the MNCs in Africa don't show the success efforts at serving consumers as social profiles. They are even accused of undervaluing the staff who works for them in developing countries, what is not mentioned is that these same employees often earn as much as 10 times what they will have made working for a local firm in a comparable or even more tedious capacity. In Ghana, a foreign company even can generate revenue about one-sixth of Ghana's total economic output.

Were we even to grant the premise, shown above to be highly dubious, that MNCs in Africa exists for the purpose of exploitation, doesn't that lead us directly to the question of what kind of society Africa is that allows such unchecked exploitation? What then has become of the role of government to implement regulations to ensure that MNCs abide by the rules?

The argument that MNCs will then simply migrate to other countries does not bear out on scrutiny. How will Ashanti Gold move its operations to Benin to escape firm regulation? And at worst don't organizations like ECOWAS exist to ensure uniform, fair and firm regulation? The question, clearly, therefore leads to the issue of the ''institutional environment'' within which MNCs operate, and this is clearly borne out by noting that very often local companies are not absolved of the same sins we accuse MNCs of committing.

If the point really is that MNCs take advantage of poor countries to abuse the hospitality of these societies, and we make this statement by reference to the assumption that MNCs behave better in wealthier countries, then perhaps it bears reflecting on the differences in environment between rich and poor countries with regards to how all companies – MNCs as well as locals – behave in each respective region. If the results of that reflection is that in poor

societies cronyism and the lack of enforceable standards allows local companies to evade taxes (which by the way MNCs tend to be rather prompt in their payments), disregard laws against pollution, renege on their contractual obligations to their staff and refuse to pay social security contributions, then the proper analysis will be that what is called for is not the demonization of MNCs but rather improvements in the 'institutional environments' of developing countries.

Meridian Group International (2006) was conducting survey in Africa regarding CSR. The result indicated that multinational projects in Africa are focused on ethics, fair labor issues, HIV/AIDS, education, and child labor. CSR is a particularly prominent theme among mining, oil, and gas companies in Southern Africa, due to their potentially significant negative social and environmental impacts. Large South African corporations are increasingly active in the field of CSR, and their reach extends into other Sub-Saharan African countries as well. The Annex provides a list of South African firms with operations in other countries in Africa.

Some African organizations stand for CSR initiatives. For example, The Centre for Corporate Governance Kenya, The African Leadership and Progress Network, Business Action for Africa, the African Institute of Corporate Citizenship, the African Corporate Sustainability Forum, West African Rural Foundation, National Business Initiatives, Center for Corporate Citizenship.

3.2.5. Asia

In Asia, there are two organizations which aim to promote Corporate Social Responsibility. First is **the Asian Forum on Corporate Social Responsibility** which establishes forums in many major cities in Asia, such as Manila, Bangkok, Kuala Lumpur, Jakarta, Ho Chi Minh City, and Singapore. To call for attention, this forum conducted the Asian CSR Awards. Another organization based in Hong Kong is **CSR Asia.** This acquires a social enterprise and serves an advocate of sustainable economical, social and environmental development across the Asia Pacific Region. Moreover, the organization deserves to be financial independent organization which relays on market instead of donors or funding. Its principal sources of funding are the strategic partners, training and conferences, advisory services to companies and advertising.

The Responsible Research endeavors to promote social responsibility through conducting survey with 100 sustainable indicators which grouped into four ASR categories, i.e. general, environment, social, and governance. Those questions were based on a combination of CSR Asia's model on CSR and internationally recognized sustainability indexes and guidelines, namely the FTSE4 Good sustainability index and the Global Reporting Initiative guidelines.

The survey indicated that companies generally lacked detailed initiatives or specific standards for environment, supply chain and workplace. Though there are some codes of conduct, those companies have no effective monitoring systems or targets in place to monitor and evaluate undesirable effects. Moreover, most companies on the Hang Seng Index failed to address supply chain issues, lacking specific supplier codes of conduct regarding the environment, health and safety, and labor standards. In terms of the environment, many lacked measurement systems, specific reduction initiatives and goals, which are the most effective procedures for all companies to follow.

The Japanese entity is so unique, namely "sogo shosa". This refers to traditional export-export resource supply and goes through with enhanced investment. In 1990s, the flying geese model in East Asia postulated that Asian region grew as a regional hierarchy in which the

production of commoditized goods would continuously move from the leader which was Japan as advanced countries to the less advanced ones (Kasahara, 2004). For the global perspective, only in electronics was production likely to be globalized, as transportation costs are low relative to assembly while production in chemicals, resources, and services is likely to be highly localized (Rugman, 2004).

The lead goose in this pattern is Japan, the second-tier of nations consisted of the New Industrializing Economies (South Korea, Republic of China Taiwan, Singapore and Hong Kong). After these two groups come the main ASEAN countries: Philippines, Indonesia, Thailand and Malaysia. The Japanese multinational companies play pivotal role in the international market in which nearly 64 Japanese companies earn revenue about USD2.94 trillion per annum. Japan as the first goose in a V-shaped formation leads other economies toward industrialization, on only passing older technologies down to the followers but also the corporate governance such as business ethic, business culture, and social responsibility.

When the Japanese society began to industrialize, some Japanese businesses recognized that they were social institution. Then, the social responsibility has become a fashion in Japanese business society and more Japanese companies have set up division of CSR. It is now becoming commonplace to publish social responsibility report. While the head quarter set global corporate social responsibility standard, the company representatives then support philanthropic activities that employees undertake as members of the community takes place.

The CSR program is mix of the global perspective on philanthropic activities and also the local circumstances in each nation and region. Tanimoto and Suzuki (2005) indicate that Japanese companies do not always adopt Guidelines in the same way as Western companies. The reason may be culture, the legacy of the traditional system, the diffusion of different practices or the mixture of all those factors. Mirfazli (2008) shows that the main social disclosure from companies registered at the Indonesia Stock Exchange are labor theme (51.60 percent), followed by customer theme (19.40 percent), society theme (14.70 percent) and environmental theme (14.30 percent). Gunawan (2010) finds that there are gaps between the most important information perceived by the stakeholders and the information disclosed by the companies. This result may indicate that the information disclosed by the companies has not fulfilled the stakeholders' needs. Therefore, the stakeholder theory should be investigated further in this context.

3.3. Indonesian CSR

The Government of Indonesia has not yet managed over all CSR activities. With Law No 40 2007 chapter 5 article 74, social and environment responsibility becomes compulsory for every natural-resource-based company in Indonesia. There is no government regulation which should provide technical guidance on how to run CSR program in Indonesia. However, many CSR programs have been taking place a long before the regulation, even for non-natural-resource-based companies.

The initiative of CSR includes a vast range of sectors, from making comfortable work and improving quality of services to wider issues, such as environmental protection and education. Most manufacturers these days will have included in their CSR policy as a minimum, ways to improve the quality of surroundings for workers and customer service improvement.

Every year, Indonesian Automotive Industry Community (GAIKINDO) conducted a special day to appreciate automotive CSR. In 2009, the community awarded PT Honda Prospect Motor (HPM) for the best CSR in Indonesia 2008-2009 on account of valuable environmental movements, namely Blue Sky. The program focuses on planting trees. Started in 2005, in the Indonesian International Motor Show, the company planted one tree for one car sale. In the 2006, the CSR program focused on the Galunggung Street, Green Senayan Action in 2006, on river side area in 2007. There after the company has planted more than 7.000 trees in Jakarta.

3.4. CSR STRUCTURE

3.4.1. JAPANESE CSR

It is notably that automotive industry focus on one element of CSR (ie. sustainability, social, environmental, or business ethics) to the partial exclusion of other factors. On the other hand, the initiative of the Japanese electronics industry indicates the implementation of CSR in the supply-chain domain.

3.4.2. HONDA CSR

Honda CSR initiative is based on the philosophy of "creating the joys" which are about continuing to dream and create new value. The company is manufacturing the PCX scooter in Thailand as a strategic global model as well as a number of hybrid cars, such as CR-Z sport, Fit hatchback, and the EV-neo electric motorcycle.

3.4.3. MITSUBISHI CSR

Mitsubishi aims to realize sustainable corporate value through the creation of economic value, societal value and environmental value. This company conducted the ISO 14001 about environment management system. With goal statement of sustainable and profitable growth, Nissan focus on building trust with stakeholders, i.e. employees, customers, business partners, shareholders, and communities.

Toyota established Toyota Astra Foundation. The organization manages to provide scholarship from Sabang and Merauke. For the earthquake disaster in West Sumatera in 2009, the foundation granted two ambulance cars for the Red Cross. The Mitsubishi Electric Automotive Indonesia also made a donation for the earthquake refugees.

Toyota Eco Youth (TEY) is one of CSR program from Toyota which has been run since 2005. This is competition awards for high school students and more than 260.000 students from 355 schools participated. The program aims to promote environment-friendly school. In 2010, Nissan Motor Indonesia conducted CSR for basic education, namely Nissan friend of Indonesia children. The company donated books, computers, sport equipments for an elementary school in Tangerang. Krama Yudha Tiga Berlian Motor as a Mitsubishi distributor promoted recycled handicrafts which made from fabric, passenger seat, and posters.

3.4.4. FUJITSU CSR

Fujitsu states a commitment of "contribute to the creation of networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world". The company insists on field innovation through continuing such efforts in line with customer's top management intentions as a global business standard, namely "one

Fujitsu". This is about establishing environmentally-friendly data center with attention to energy saving, safety, and security. For example, the London North Data Center shows a model of energy-used simulation technology with free cooling and high efficiency UPS units, the FeDC Singapore implements highly efficient motive power, temperature monitoring, and control equipment and lighting control system, the Australian Homebush Data Center performs re-uses cooling water and heat flow layout with 80% less water and 32% less energy.

3.4.5. HITACHI CSR

Hitachi focuses on raising the quality of products and services outside Japan, with a particular focus in China and throughout Asia as part of the painstaking work to ensure product safety and compliance, and to cultivate human resources. This is associated with the tradition of "monozukuri" craftsmanship that places top priority on quality and the motto of "providing customers with the highest quality products and services. NEC sets a vision 2017 to be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth. NEC achieved its target of zero net CO2 emission by 2011, and come up with a low-carbon society, such reduce CO2 emission from customers and society.

3.4.6. PANASONIC CSR

Panasonic announced the new midterm management plan, namely Green Transformation 2012 (GT12) through promote green lifestyle and offering green business-style. The company tries to increase the number of women serving in a management capacity, such as a top executive, group manager, or team leader. While 2% of the workers are disables, the company also encourages its partners to create a work environment for all regardless of gender, age, or nationality. This shows the good impact, through no commute and less fatigue as well as work efficiency improved.

3.4.7. SONY CSR

Sony achieves breakthrough innovation through creative technology to enhance customers' live and positively contribute to society. Accordingly, Sony is striving to reduce its environmental footprint to zero. Through World Cup 2010, Sony collaborated with UNDP, JICA, FIFA, and African NGOs to utilize soccer as a tool for social marketing, such as public viewings, donating original soccer ball, and film making training. Sony set 2050 long-term goal of life cycle zero and 2015 mid-term target which associated with climate change, resource conservation, chemical management, and biodiversity. This is all about reducing environmental footprint at every stage of product life cycle, from R&D in the area of dye-sensitize solar cells, reducing the operating power consumption, resource conservation, working with certified suppliers, minimizing the impact of operation, shifting modes of transportation to recycling of end-of-life products. Sony also joined the WWF's Climate Savers Program in 2006 and, based on the results of WWF reviews conducted in fiscal year 2009, has agreed to revised targets under this initiative.

3.4.8. TOSHIBA CSR

Toshiba Group sets a basic standard of conduct for the internal environment and focus on natural environment protection, technology education, sport and culture promotion, social welfare, and international exchange and friendship. The company also encourages its

employees for voluntary activities. Most of the social activities were conducted in Japan which run by The Toshiba Group Japan and Toshiba Japan, 51% and 33% respectively. Most of the budget goes for science and technology education at 33%, followed by sport and culture activities and disaster relief. Social welfare program encourages civic society organizations to hold in-house sales at the kiosk of the Toshiba headquarter to help impaired people toward financial independence.

Operating in the domains of energy, resources and materials, the JX Group is confronting more structural changes in its business environment than ever before. The spread of fuel-efficient vehicles, an ongoing switch in the types of energy consumed, and other changes are eroding demand for oil in Japan. The JX Group Mission Statement is to contribute to the development of a sustainable economy and society through innovation in the areas of energy, resources and materials. Furthermore, given the field in which we conduct business, our business activities themselves are closely linked with the natural environment. As such, we consistently work to reduce our environmental impact while meeting the public's demand for development of a sustainable economy and society.

In trading sector, ITOCHU is placing special focus on green crossover project. It is a joint pilot project on a low carbon transportation system using clean energy in order to achieve low carbon society.

3.5 Summary

Whether FDI is positively associated with CSR management structure has became the central issues in FDI literature. Based on case studies, this chapter presented that FDI is associated with an appropriate CSR management structure. From the four global initiatives on CSR, this chapter evaluates that these global initiatives trigger the quality of regional initiatives. Using the case studies of Japanese multinational corporations (MNCs), it is certainly positive effect of the existence of FDI on the CSR awareness in host countries. This current chapter serves a complement to the previous chapter, by providing an alternative angle of evaluating the importance of FDI on host economies. The case studies in this current chapter re-assure the results of empirical studies in Chapter 2, regarding benefits of FDI in developing countries.

CHAPTER 4:
STAKEHOLDER PARTNERSHIP

The chapter addresses the research question number 3: what factors that encourage FDI to initiate partnership with local development initiators such as local governments, volunteers, donors, or employees? How MNCs persuades local people to be more supportive?

This chapter proceeds as follows. Section 4.1 introduces the main idea. It is followed by the model. Section 4.3 discusses the data and variables used for estimation. Section 4.4 presents the empirical results, and the final section is summary.

4.1. INTRODUCTION

"Go green" seems to be a new way of life. Companies ranging from titan retailer Wal-Mart to investment firm Goldman Sachs are going on the green bandwagon and pledging more tangible changes that go beyond the public relations-oriented "green washing". For corporate executives, going green is becoming, if not mainstream, at least more commonplace. On the other hand, some peoples argue that the only way to deal with the rising threat of global warming. Some big companies are even asking that they should be regulated on green house.

Porter and Kramer (2011) reveal that the big part of the problem lies with companies themselves which remain trapped in an outdated approach to value creation that has emerged over the past few decades. Optimizing short-term financial performance in a bubble while missing the most important customer needs and ignoring the broader influences that determine their longer-term success. The purpose of the corporation must be redefined as creating shared value, not just profit per se. The concept of shared value recognizes that societal need beyond conventional economic needs, define markets. It also recognizes that social harms frequently create internal costs for firms, such as wasted energy or raw material, costly accidents, and the need for remedial training to compensate for inadequacies in education.

4.2. THE MODEL

The simple model of environment equilibrium for two industries (let's say steel and fishery) is about aggregate profit of increasing pollution. The model indicates that the efficient provision of environment damage will involve maximizing the sum of the profits of all firms in the industry in which minimizing the total social cost of the pollution (Varian, 2008, p 680-681). This model presumes there were three companies, two fishery companies and one steel company with $c_s(s,x)$ as the cost of the firm in the steel industry (s) of producing and x units of environment damage. In fishery industry, $c_f^1(f_1,x)$ represents the costs for the fishery firm 1 to exploit the resource (f_1). Moreover, while the pollution level is x, $c_f^2(f_2,x)$ is the analogous expression for fishery firm 2 to use resource (f_1). Following this, the Pareto efficient amount pollution refers to the sum of maximizing profits of the three firms:

(4.1) $$\max_{s,f_1,f_2,x} p_s s + p_f f_1 + p_f f_2 - c_s(s,x) - c_f^1(f_1,x) - c_f^2(f_2,x)$$

The effect of on aggregate profits of increasing pollution indicates that increasing pollution lowers the cost of producing but raises the costs of producing fish for each of the fisheries. The appropriate optimally condition for the profit-maximizing problem is

(4.2) $$\frac{\Delta c_s(\hat{s},\hat{x})}{\Delta x} + \frac{\Delta c_f^1(\widehat{f_1},\hat{x})}{\Delta x} = 0$$

This equation means that the sum of the marginal costs of pollution over the three firms should equal to zero. Just as in the case of a public consumption good, it is the sum of the marginal benefits or costs over the economic agent that is relevant for determining the Pareto efficient provision of a public good.

In common model, profit maximization by X producers requires maximizing net revenue from the joint product less the cost of primary input. The maximizing profit model for given level of output is associated with labor, land and level of waste generated (l_t, t_t, g_t). This model is equivalent to treating waste disposal as an intermediate input into the production process for x and minimizing the cost of primary and intermediate inputs. Hence, the unit cost function corresponding to H is

(4.3) $$c^x\left(w, r, p_g^d\right) = \min_{l_t,t_t,g_t} [\, wl_x + rt_x + p_g^d g_x] \; s.t. H(l_t, t_t, g_t\,) = 1]$$

The variables of the models are wage, rent on land and price of waste in which w represent wage, r is the rent on land, and p_g^d is domestic price of disposing one unit of waste.

4.3. DATA DAN VARIABLES

The research adopts the social responsibility measurement data produced by Newsweek and MSCI ESG Research Institution. They aim to assess each company's actual environmental footprint and management of that footprint, along with its reputation among environmental experts. The Global 100 list covers the largest public companies based in developed and emerging markets. Company size was associated with revenue, asset, and market capitalization. Changes resulting from various corporate actions, such as mergers, were taken into account until July 1, 2010, when the company lists were finalized to allow time for the rankings to be calculated and compiled.

Green Score: This score is derived from three component scores: the Environmental Impact Score (EIS), the Green Policies Score (GPS), and the Reputation Survey Score (RSS), weighted at 45 percent, 45 percent and 10 percent, respectively. The Green Score, as well as each component score, is published on a scale from 100 (highest performing) to one (lowest performing).

Environmental Impact: The data source of environmental impact score is trucost a consultant company which provides services such as identifying true cost of business. The total

environmental impacts of a corporation refers to emissions of nine key greenhouse gases, water use, solid-waste disposal, and emissions that contribute to acid rain and smog—figure into the Environmental Impact Score. The company calculates the specific impact as environmental damage cost for each company, such as a dollar value representing the potential cost to society of resulting damage to the environment.

Green Policies: The Green Policies Score measures the quality of each company's environmental reporting, policies, programs, and initiatives. More than 70 individual indicators are incorporated into the Green Policies Score, categorized into the following five issues: climate-change policies and performance; pollution policies and performance; product impact; environmental stewardship; and management of environmental issues. These address, respectively, how well each company manages its carbon emissions; how well each company manages its non carbon emissions to air, water, and land; the life-cycle impacts of each company's products and services; how well each company manages and uses its local resources; and the quality of each company's track record of managing environmental risks. Data on regulatory compliance, lawsuits, controversies, and community impacts are also among the indicators taken into account within each category.

Reputation Survey Score: Adopting from Newsweek, this score is based on an opinion survey of corporate social-responsibility professional, academics, and other environmental experts who subscribe to CorporateRegister.com. The survey went out to 14,921 validated users and asked each respondent to rate a random sample of 15 companies on a sliding scale (100 to one) from "leader" to "laggard" in three key green areas: environmental performance, commitment, and communications. Of those surveyed, 2,480 individuals were identified as "sector specialists"—those having a specific working knowledge of environmental issues within their industry—and were asked only to score companies in their sector of expertise. Additionally, the CEOs from all companies on the NEWSWEEK and Global 100 lists were invited to participate in the survey, 90 of whom responded and either took the survey themselves or designated a senior-level representative to do so on their behalf. Survey responses were collected over six weeks, from July 1, 2010, to mid-August 2010. Chief-executive scores were given a weight of three, sector specialists a weight of two, and other participants a weight of one. Each company's performance, commitment, and communications scores were then averaged to produce its raw Reputation Survey Score.

Ranking the Companies: To calculate a company's overall ranking, the three component scores were standardized, combined with a weighted average, and mapped to a 100-point scale for publication. The raw component scores were first converted to standardized values called Z scores, which reflect how individual companies performed in relation to the average for each of the three scores. These Z scores serve as a common metric, allowing environmental impact, green policies, and reputation—which were measured in very different ways—to be compared, much the way fractions must be converted to have a common denominator before they can be added together.

The overall green Z score is generated by a weighted average of the Environmental Impact (45 percent), Green Policies (45 percent), and Reputation Survey (10 percent) Z scores

was taken. The Green Z score and the three component Z scores for each company were then converted to a scale of 100 (highest performing) to one (lowest performing) for publication. It is important to note that a 45–45–10 weighting applied to the published component scores will not result in the Green Score (the latter is based on the weighted average of the standardized scores, not the scaled display scores).

Industrial sectors: Industrial is about the core business in which the companies run the business. The data considered some major sectors for the observed companies, i.e. technology, retail, pharmacy, oil, consumer goods, bank and insurance (STECH, SRETAIL, SPHARM, SOIL, SCONS, SBANKI).

Regions: The regions represent the head quarter in which the observed companies established. Those companies are in Asia, Europe, and the US.

Financial highlight: To get the financial highlight information about sales, profits, assets and market value, the research adopts data from Forbes 500. This ranks world's biggest companies, measured by a composite of sales, profits, assets and market value from 51 countries and 27 industries.

Table 4.1: Green and Financial Indicators

Companies	GRANK	GSCORE	GIMPACT	GPOLICY	GREP	SALES	PROFITS	ASSETS
Anheuser-Busch InBev»	85	46.64	4.96	74.11	50.21	36.80	4.10	113.80
China Construction Bank»	81	49.46	75.94	31.55	25.96	58.20	15.60	1408.00
Bank of China»	82	48.6	77.92	30.94	22.51	49.40	11.90	1277.80
PetroChina»	95	25.9	9.91	26.2	1	222.30	21.20	251.30
Nokia»	14	86.01	79.9	71.97	100	56.80	2.50	50.30
BNP Paribas»	71	54.26	72.97	34.13	49	130.40	10.50	2680.70
Axa»	30	79.31	86.93	67.82	65.84	162.40	3.70	981.80
Crédit Agricole»	66	60.95	68.91	41.74	61.89	88.90	1.70	2130.80
Total»	62	64.74	21.99	59.81	62.57	188.10	14.20	192.80
Sanofi Aventis»	42	72.21	55.95	58.74	69.82	40.70	7.30	110.30
Carrefour»	53	67.84	41.99	55.47	64.13	120.60	0.58	70.90
France Telecom»	25	81.11	59.91	75.82	53.64	60.90	6.50	120.50
GDF Suez»	68	58.07	13.97	59.29	51.51	113.10	6.20	245.50
Allianz»	19	84.32	69.9	75.28	73.91	142.90	6.70	838.40
BASF»	74	52.14	15.95	40.52	85.69	85.50	6.10	78.20
Volkswagen»	67	58.84	41	41.07	66.93	168.30	9.10	267.50
Daimler»	76	51.7	39.91	35.02	44.08	130.90	6.00	178.70
Siemens»	32	78.81	60.99	63.6	93.76	103.50	5.30	135.00
Bayer»	59	66.4	26.94	55.16	84.38	47.00	1.70	67.50
Metro Group»	69	57.24	46.94	42.85	44.16	90.20	1.10	47.00
Deutsche Telekom»	7	91.4	95.94	84.04	67.04	61.20	3.10	2556.50

Deutsche Post»	38	73.71	83.96	60.33	62.68	68.30	3.40	50.50
E.ON»	93	40.37	8.92	36.79	66.96	124.60	7.90	205.10
China Mobile»	35	77.51	85.94	70.3	41.57	71.80	17.70	129.30
Intesa SanPaolo»	13	86.42	92.97	82.92	37.5	49.90	4.00	889.00
UniCredit»	33	78	91.98	67.7	49.35	68.80	2.40	1318.00
Eni»	80	49.81	12.98	46.8	50.57	130.50	8.40	176.10
Enel»	91	42.86	7.93	45.48	57.86	96.50	5.90	217.40
Mitsubishi UFJ Financial Group»	26	80.43	90.99	74.48	36.61	51.00	4.20	2177.40
Honda Motor»	18	84.98	29.91	85.31	68.43	91.80	2.90	122.20
Toyota Motor»	17	85.15	33.97	82.4	75.71	202.80	2.20	323.50
Nissan Motor»	48	68.88	27.93	63.36	60.96	80.40	0.45	107.90
Sony»	4	96.4	56.94	97.26	64.32	77.20	-0.44	133.40
Panasonic»	8	90.67	44.96	90.63	64.19	79.40	-1.10	85.60
Canon»	24	81.3	34.96	79.36	62.16	45.70	3.00	49.10
Hitachi»	31	79.3	43.97	74.47	57.9	96.00	-1.10	94.60
Nippon Telegraph & Telephone»	16	85.41	94.95	79.42	45.87	108.90	5.30	193.80
ArcelorMittal»	99	12.11	2.98	33.09	35.96	78.00	2.90	130.90
ING Groep»	15	85.56	70.99	80.22	59.85	149.20	4.30	1665.30
Unilever»	65	61.01	6.94	67.6	87.19	59.30	5.70	54.80
Royal Dutch Shell»	88	44.43	22.98	25.93	70.74	369.10	20.10	317.20
Sberbank of Russia»	89	44.11	73.96	21.74	33.27	32.30	0.80	234.40
Gazprom»	96	23.36	11.99	15.94	9.09	98.70	25.70	275.90
Rosneft Oil»	94	34.3	14.96	28.53	21.17	46.10	10.40	93.90
Lukoil»	75	51.73	25.95	46.76	19.9	86.10	9.00	84.00
Samsung Electronics»	54	67.76	48.92	57.45	50.3	133.80	13.70	119.30
Banco Santander»	41	72.28	98.91	54.91	59.62	109.70	12.80	1570.60
Banco Bilbao Vizcaya Argentaria»	61	64.85	82.97	50.24	47.68	43.40	6.30	734.10
Telefónica»	46	69.38	57.93	55.05	66.07	81.30	13.60	166.50
Nestlé»	97	22.95	1.99	63.48	67.95	112.00	36.70	117.70
Novartis»	6	91.48	53.97	89.64	67.43	50.60	9.80	123.30
Roche Holding»	58	66.42	74.95	52.16	52.14	50.80	9.30	62.90
Hon Hai Precision Industry»	90	43.55	28.92	31.64	24.83	61.20	2.40	32.00
Lloyds Banking Group»	21	83.1	76.93	75.48	63.58	96.60	-0.50	1545.90
HSBC Holdings»	9	90.18	96.93	78.8	81.72	103.30	13.30	2467.90
Barclays»	12	86.55	88.91	78.22	64.28	63.90	5.60	2328.30
Royal Bank of Scotland Group»	27	80.31	97.92	70.35	48.22	66.20	-1.60	2265.80
Rio Tinto»	100	1	1	48.65	89.3	56.60	14.30	112.40
BP»	92	41.13	21	29.91	33.6	297.10	-3.70	272.30

GlaxoSmithKline»	5	94.18	64.95	91.36	73.62	44.30	2.50	62.10
Tesco»	44	69.92	37.93	54.68	85.78	79.60	3.50	70.10
Vodafone»	11	87.09	62.97	83.22	61.81	67.50	13.10	236.60
JPMorgan Chase»	34	77.97	89.9	67.75	50.32	115.50	17.40	2117.60
Berkshire Hathaway»	79	50.05	18.92	42.58	43.06	136.20	13.00	372.20
Wells Fargo»	29	79.47	71.98	72.95	49.82	93.20	12.40	1258.10
Citigroup»	22	82.22	100	69.76	61.93	111.50	10.60	1913.90
Bank of America»	55	67.54	66.93	56.15	44.49	134.20	-2.20	2264.90
Procter & Gamble»	51	68.02	23.97	56.5	97.61	79.60	11.20	134.30
Ford Motor»	50	68.42	36.94	56.8	66.79	129.00	6.60	164.70
PepsiCo»	87	44.65	3.97	68.68	65.13	57.80	6.30	68.20
General Electric»	47	69.3	81.98	48.83	86.47	150.20	11.60	751.20
McDonald's»	49	68.55	24.96	67	48.27	24.10	4.90	32.00
Walt Disney»	37	73.83	87.92	65.05	36.79	39.00	4.40	71.00
Exxon Mobil»	70	54.27	16.94	51.37	41.46	341.60	30.50	302.50
Chevron»	86	45.8	19.91	33.48	52.76	189.60	19.00	184.80
ConocoPhillips»	73	52.96	17.93	48.96	42.55	175.80	11.40	156.30
Johnson & Johnson»	3	98.51	42.98	100	77.58	61.60	13.30	102.90
Pfizer»	20	83.18	54.96	78.11	59.27	67.80	8.30	195.00
Wal-Mart»	39	73.51	38.92	59.36	89.61	421.80	16.40	180.70
CVS Caremark»	72	53.56	31	44.03	33.01	96.40	3.40	62.20
Home Depot»	63	63.81	45.95	53.77	42.42	68.00	3.30	40.10
Target»	40	73.16	67.92	60.51	63.74	67.40	2.90	43.70
Walgreen»	77	51.62	32.98	41.29	28.42	68.40	2.20	27.00
Lowe's»	52	67.92	49.91	56.2	55.37	48.80	2.00	33.70
Kroger»	64	63.32	35.95	51.79	57.61	82.20	1.10	23.50
Microsoft»	23	82.01	63.96	74.87	63.16	66.70	20.60	92.30
AT&T»	57	66.73	51	55.66	49.21	124.30	19.90	268.50
International Business Machines»	1	100	93.96	91.3	96	99.90	14.80	113.40
Hewlett-Packard»	2	99.33	58.92	95.56	92.87	127.20	9.10	119.90
Verizon Communications»	45	69.73	51.99	60.42	47.99	106.60	2.50	220.00
United Technologies»	28	80.16	47.93	74.45	61.69	54.30	4.40	58.50
United Parcel Service»	43	71.74	61.98	56.58	75.36	49.50	3.50	33.60
Boeing»	60	65.32	65.94	51.72	49.64	64.30	3.30	68.60

Source: Global 100, Forbes 500.

4.4. THE EMPIRICAL RESULTS

The empirical investigation is based on two main data sources, they are: green 100 by Newsweek and Forbes 500, which have an intersection of 93 titan companies. The observed companies have huge gap in term of assets, profit, sales and market value. All of the financial data aren't normal distribution with significant JB test. The biggest gap is evident in asset data

indicated by maximum and minimum asset, $502 billion and $23 billion respectively (as shown in Table 4.2). However, the green data seems to be normal distribution due to index data with spread from 1 to 100.

All financial indicators are positive skewness distributed. The right tail is longer; the mass of the distribution is concentrated on the left of the figure. It has relatively few high values. This means a few companies have remarkable financial indicators while the rest of them do business with profit, sales, asset, and market value lower than the average.

Table 4.2: Descriptive Statistics of the Variables for Stakeholder Partnership

	GIMPACT	GPOLICY	GREP	MVALUE	PROFITS	SALES	ASSETS
Mean	50.52075	59.77065	57.48570	102.7097	7.831075	102.0527	502.1043
Median	49.91000	59.29000	59.62000	81.50000	6.000000	82.20000	156.3000
Maximum	100.0000	100.0000	100.0000	407.2000	36.70000	421.8000	2680.700
Minimum	1.000000	15.94000	1.000000	15.20000	-3.700000	24.10000	23.50000
Std. Dev.	28.83186	18.92608	19.81081	68.16625	7.197847	68.66164	732.6871
Skewness	0.021752	-0.074032	-0.157144	1.544613	1.322861	2.481808	1.723305
Kurtosis	1.835654	2.391728	3.117656	6.491078	5.345597	10.40849	4.548810
Jarque-Bera	5.260679	1.518680	0.436401	84.20741	48.44397	308.1523	55.32699
Probability	0.072054	0.467975	0.803964	0.000000	0.000000	0.000000	0.000000
Observations	93	93	93	93	93	93	93

The green rank is associated with the level of green score. The higher green rank that a company conducts such CSR program, the higher green score it has. The estimation result indicates that the major variables are statistically significant refers to technology and pharmacy sectors as well as annual sales (Table 4.3). Sales have a positive impact to the green rank and green score, while both pharmacy and technology sector have high average on green rank and green score.

Table 4.3: Estimation Results

Variables	Dependent Variables			
	Green Rank Model 1	**Green Rank Model 2**	**Green score Model 3**	**Green score Model 4**
Cons	-	-	-	60.86349
				(25.17386)
STECH	-38.08585***	-	26.29237***	-
	(8.815826)		(6.152067)	
SRETAIL	2.658641	-	2.122895	-
	(10.86968)		(7.616377)	
SPHARM	-42.42432***	-	31.01335***	-
	(10.94079)		(7.555693)	
SOIL	7.927777	-	-12.70038	-
	(10.06976)		(7.004590)	
SCONS	-16.85587	-	5.415772	-
	(11.27640)		(8.016228)	
SBANKI	-11.43648	-	9.461501	-
	(13.60961)		(9.429823)	
ASIA	-6.610603	-	-7.328994	-
	(8.556318)		(6.235639)	
US	-16.83895***	-	-8.312570	-
	(6.544360)		(4.300227)	
LOG(SALES)	5.112059	13.31117***	9.880704***	-3.684266***
	(5.940537)	(5.049569)	(4.264627)	(4.284299)
LOG(PROFITS)	-3.175262	0.801804	-8.563946***	-5.495888
	(4.476125)	(4.612550)	(3.122089)	(4.021882)
LOG(ASSETS)	-5.398173	-5.238303**	3.120610	3.459313
	(4.649358)	(2.542153)	(3.251912)	(1.756630)
LOG(MVALUE)	18.04372***	3.871302	4.047853	2.921001*
	(6.188494)	(5.855691)	(4.084692)	(5.556820)
R2	0.416392	0.054486	0.411833	0.074118
Akaike	9.262055	9.558508	8.523568	8.814940
Schwarz	9.604522	9.672664	8.868413	8.957634
White-test	23.27233	11.39424	4.427509	12.61075
LM-test	0.533633	1.997756	19.16006	0.518118
RESET test	1.647288	1.281398	5.219819***	1.699734

Notes: Numbers in parentheses are t-statistics. *** indicates a significance at 1% level, ** indicates a significance at 5% level, and * indicates a significance at 10% level.

Table 4.4: Green Representative Survey

	People's perception	Policy	Impact
Cons	-	68.39932***	42.82725
		(25.99038)	(27.77151)
STECH	3.866981	15.09702**	41.94103***
	(5.473871)	(6.021794)	(9.241357)
SRETAIL	-18.41318**	-13.67134	27.31662***
	(7.066822)	(8.003774)	(8.768769)
SPHARM	6.799765	22.30437***	40.64306***
	(6.948788)	(7.554768)	(10.72518)
SOIL	-37.97968***	-18.04634**	7.706460
	(6.073793)	(7.018274)	(5.642918)
SCONS	9.648584	-0.034034	19.11240
	(7.971261)	(8.501924)	(8.301758)
SBANKI	-10.44053	-2.079719	35.55055***
	(8.271398)	(9.140685)	(10.80495)
ASIA	-21.32384***	-3.476918	-0.760822
	(5.514274)	(6.495819)	(7.169999)
EUROPE	1.853881	-11.20988**	-7.134183
	(3.430561)	(4.580183)	(5.088988)
LOG(SALES)	14.73017***	3.578797	-7.857955
	(4.112997)	(4.819442)	(4.970499)
LOG(PROFITS)	-3.831337	-0.292362	0.111722
	(2.771264)	(3.705816)	(3.657138)
LOG(ASSETS)	-1.476168	1.418119	9.931410**
	(2.922835)	(3.168626)	(4.282628)
LOG(MVALUE)	3.525973	-5.899474	-8.371078
	(3.520786)	(5.969174)	(5.974680)
AR(2)	-0.305794***	-0.058380	-
	(0.114148)	(0.133408)	
R2	0.552839	0.425326	0.633049
F-test		3.586720	13.07745
Akaike	8.368852	8.448211	8.847442
Schwarz	8.764560	8.874358	9.223640
LM test	4.939025	1.037448	13.67412
White test	1.038275	20.74331	25.81591

Notes: Number in parentheses are standard error. *** indicates significance at 1% level, ** indicates significance at 5% level.

The reputation can show how MNCs persuades local people to be more supportive. The estimation output indicates that retail and oil industry are statistically significant but bellow than the average. This means those industries have low support from local people on account of poor perspective from the local people. Number of sales significantly plays role to the perception of expert on environmental footprint and management of that footprint.

The initiative to set CSR policy is not associated with financial indicators. Even the R^2 is just about 0.4, as shown in Table 4.4. The initiative for CSR policy in technology, pharmacy and oil industries have bellow rate than the average.

The capacity of company which is represented by the assets plays significant role to the impact of the program. This means the bigger assets the companies have the higher impact CSR program for environment. Moreover, retail, technology, pharmacy and banking industry experience lower impact than the average.

4.5. SUMMARY

Dealing with a nagging question whether corporations experiencing are a sudden rash of social consciousness, it appears that companies are increasingly realizing that going green could be a new way for companies to save, more green as in money. This is strategy implemented by some of the leading-edge companies on account of maximizing profits and mitigating risk.

People expect companies like Whole Foods to have environment initiatives for not only strengthening their public relations efforts, but also making good business sense to preserve resources. However, it seems that goo green policy doesn't make a sense for BP, Wal-Mart, and DuPont.

CHAPTER 5
COMMUNITY DEVELOPMENT: IS CSR A WIN-WIN SITUATION?

This chapter endeavors to address the question on how partnership or alliances among communities, non-profit organizations, and corporations can be configured to be a win-win situation for all parties.

The Community Development Journal covers community development, seen as political, economic and social program which link the activities of people with institutions and government. It aims to develop theory and practice, to compare experience internationally, and to place policies, programmes, methods and practice in their political, economic and social context. Issues covered from this standpoint include, for example, community action, village, town and regional planning, community studies and rural development.

5.1. INTRODUCTION

While coal remains the most affordable fuel for power generation for the industrialized countries, the huge demand from countries with energy intensive industries has been fostering coal mining industry in developing countries, which one of these is Indonesia. In the first mid 2010, the Indonesian coal exports were about 165 million tons, or approximately 76.96% of total coal production in the same period. The largest export destination countries are Japan, China, India, Korea, Malaysia, Philippines and Taiwan (Indonesian Coal Mining Association, 2010). Unfortunately, the local communities seem to be suffering from land devastation instead of fulfilling long-term sustainable development.

The long-term community development relies on the competent leadership which is the cornerstone of development responsibility in the powerful mining industry, then community leadership should stay attentive to the process participative program (Murray et al, 2010). The high risky mining business set the mining company to run up against short term uncertainty. Following that, the company tends to manage to run CSR as a tool for risk management. Even though the government and local community can stand up for the sustainable development goals, it appears that the company can force the stakeholders in many ways. Because it is based on voluntary action, consensus and openness, the result is a positive commitment, rather than a restrictive sense of obligation. The intention is also that the standard will contribute to greater awareness and wider observance of existing legislation and regulation.

It appears that the giant mining business could easily control the local government and local communities in which they operate. The interest of mining company is to keep costs as low as possible to deal with high financial risk, while the expected future value of the assets of mineral deposit is limited by international prices and competing projects. On the other hand, the local community and local government have a lack of organization capacity to deal with potential issues (Focal, 2008). Whenever the mining company comes to explore the remote area, the local people then expected to transform their economies too, such as environment

development and local labor forces. Jones et al (2007) notify that CSR considerations are sufficiently powerful in themselves to bring about systemic change in the management of labor.

This paper explores a case study of negotiation between Kaltim Prima Coal the Indonesia giant coal mining company and Dayak Basap community. It takes advantage to analysis the possibility of leadership issue in corporate social responsibility afforded by the negotiation theory in analyzing sustainable community development in mining industry. It proposes a scenario approach as the framework for incorporating it into policy analysis process to deal with change and uncertainty. Chareonwongsak and Kitthananan (2009) identify some advantageous in a scenario approach, such as the environment overview which might foreshadow a crisis, more realistic about economic, social, and political risks, and flexibility. It examines the possibility of the consensus building which provide a forum in which local community could interact and involve in business strategy with scientific knowledge. This observation relies on a series of over 20 in-depth interviews conducted in 2008. Each interview was semi-structure, build around an informal set of open-ended question that explored the main challenges each groups faced, the key breakthroughs each made, and the dynamics that hindered the progress.

5.2. RELATED LITERATURE

In microeconomics, one of indications of what factors might be important in deciding in a leaders-follower situation is price. The game theory approach indicates the strategic interaction in these cases form a sequential game, while a simulation game is evident in which the players could each simultaneously choose price. In supply chain industry, a firm which dominates the factor markets manages to find the best condition in which the marginal revenue from hiring an extra unit of the factor should equal the marginal cost of that unit (Varian, 2008).

The signals of market prices as main indications for the decision of the leader normally provide are either absent or fail to reflect the true opportunity cost of the resource involved. Moreover, while the mining resources are high level of uncertainty for certain time, financial criteria such as the internal rate of return rule, benefit-cost ratio and the payback period need to be enhanced with net social benefit (total benefit less total cost), valued according to the opportunity cost and willingness to pay principles, is positive rather than negative. ISO 26000 is one of international standards which set guidance on social responsibility and try to encourage corporate leadership in their efforts to operate in the socially responsible manner that society increasingly demands. Many feel that more legislation and regulation is the key to dealing with deficient social responsibility. Although this is certainly justified in some cases, it is rarely the only method of dealing with the problem. Regulation can be considered to be static and comes from the top-down, standardization works from the bottom up, is dynamic in nature and simplifies development.

Based on transformational leadership theory, the role of CEOs in determining the extent to which their firms engage in corporate social responsibility (CSR) is found to be significantly associated with the propensity of the firm to engage in 'strategic' CSR, or those CSR activities that are most likely to be related to the firm's corporate and business-level strategies (Waldman et al, 2006). Angus-Leppan et al (2010) indicated that explicit CSR is linked to an autocratic leadership style, whereas implicit CSR is more closely aligned with emergent and authentic styles. Although our results reinforced key aspects of the explicit and implicit CSR

framework, they demonstrated conflicting systems of both CSR and leadership within our case organization and highlighted the difficulty in categorizing such a complex CSR concept.

It is enormous challenge for a mining industry to deal with their limited responsibility in community development. Dealing with short term uncertainty, mining industry is tempted to define CSR as a tool for risk management. Vargas-Hernandez (2007) shows that formulation and implementation of foreign mining companies tend to avoid damage to the environment, biodiversity, and health of population. Esteves (2008) emphasized the uncertainty and complexity commitment of senior manager in mining companies to long-term social project. Dubbink (2008) pointed out that CSR reporting likewise developed purely driven by market forces, which indicating the embedment of the information. The efforts of a mining company to conduct CSR are also triggered by business strategy to boost the financial performance. Jong-Seo et al (2010) find it is statistical significant that corporate financial performance and the stakeholder-weighted CSR index are positive relationship. The analysis of Arx and Ziegler (2008) also indicates that environmental and social activities of firm compared with other firms within the industry in are valued by financial markets.

Both profit interest and risk management have raised biased CSR doctrines based on mistaken presumptions about recent economic developments. Henderson (2009) indentifies that mistaken presumption of enterprises would make the world poorer and more over-regulated. A standard regulation is not enough. Appelbaum et al (2009) suggest that organizations require more than ethical safeguards to ensure ethical conduct, such as perceived ethical congruence which positively affects an individual's affective commitment to an organization, and reduces turnover intent. It is the role of CEO leadership to deserve sustainable development, as Waldman et al (2004) mention that CSR activities are most likely to be related to the firm's corporate and business-level strategies. Unless mining development forces community and local government to deal with potential issue, the role of business never goes beyond philanthropy and toward sustainable community development.

The corporate community involvement in the mining industry refers to negotiation between a powerful company and poor communities. Seelos (2004) show that the experimenting with unfocused CSR often is a zero sum game for society, and CSR without an explicit social compliance framework is lack credibility. It appears that participation in social corporate social responsibility program is not merely a question of rational choosing the right decision in value-free manner, as Berkhout et al (2003) explore contest between competing interests in public policy.

In the less developed countries there existed a great deal of pessimism about the ability of the non-industrialized countries to develop properly in the context of open economic relationship with economically advanced countries. Under developed nations often lack of institutions that are able to protect buyer and sellers in a efficient market, check corrupt behavior, establish property rights, manage the risk, hold their government accountable, provide incentive for long-term investment, and promote the sustainable use of natural resources (Wydick, 2008, p 3-4). If an entrepreneur believes that the way he will get a business permit is to pay a bribe, then he will probably bribe. If an inspector believes that entrepreneurs will be forthcoming with bribes, then he will probably solicit them. It is called strategic independence.

It is acknowledged that mineral industry is under imperfect market, so negotiations are arduous, especially while states do not comply with agreed measures, monitoring is poor and effective sanctions are rarely put in place. In other cases, CSR regimes have a number of indirect positive effects, such as attention to a shared understanding about causes and effects, and lead to the improvement of institutional structures. Berkhout et al (2003, p 15) regards that effective policy making cannot solely be a matter of governments negotiating with governments to produce new international legal instruments.
Fuller (2009) demonstrates the efforts of integration between local knowledge and scientific knowledge which have to deal with a problem of mismatched places with a series of attached practice differences instead of a lack of power such as influence and resource.

5.3. THE COMPETITION

The strategic interaction can involve many players and strategies, but the case indicates two-player game with a finite number of strategies. It is a sequential game that the player one is KPC CSR office and player two is Dayak Basab Community. Incentives are shaped by the rewards that accrue from different activities, by the institutional framework within which one operates, and by one's expectations about the behavior of others. Adopting the Stackelberg model which describes a dominant firm or a natural leader in Industry, the case identify the KPC mining company plays a leader, and the community is follower.

5.3.1. PLAYER 1: LOCAL COMMUNITY

Dayak is a local tribe in the hugest island in Indonesia, Borneo Island. The ethnic comprises into seven main tribes, which each of them consist of around 18 small sub tribes. One of small sub-tribe is Basab which lives in Karaitan village. It is 30 km away from Segading sub-district town, Sangata Municipality, East Kalimantan.

During the observation, 21 families were living in Segading village. They were still doing nomad farming. They were planting paddy for each rainy season. After the harvest time, they were moving into another field. They kept moving for six times and moved back to the first field. If that so, each family managed over six fields, each was around one to two hectare coverage. They were staying at tend near their farm for four to six months to take care of their plantation and then moved again for another field. To meet protein needs, they were hunting a local deer. As a nomad community, they couldn't do anything for cattle. No wonder that a view number of villagers stayed at their house at Segading village.
In Segading, there are around 20 houses, one school building with three class rooms, and one village hall. They had a teacher for their school children but it was long time ago. They also mentioned that there was a nurse who could help for delivering baby. Once the observer met the local nurse, he just said that it was coincidence that made him become a local nurse. He come from Kediri Java, and was working for a Basab family. When his wife delivered a baby in the middle of the jungle, no one else could help her. He helped her wife to delivery their baby and fortunately it was success. After that, everyone in the village had been calling him for a favor on delivering a baby. He even never graduated from elementary school.

Segading is the third village for this generation of Basab tribe. Their ancestors were living at Karaitan village, far away at a remote area. A small vessel was the only transportation

mode to access other communities. In 1960s, a forest fires had made them to be refugees. They looked for shelters nearby sub district city of Bengalon. In 1970s, the government was running a resettlement program for tribe in remote areas. As one of the target groups, the program provided an area called as Bajang Tidung village to the community. For the first year, the program provided a food and a settlement for each family to start a new life. The second year, it conducted a training for agribusiness. The last year was the strengthening activities for a sustainable business.

After several years in Bengalon, some families of the tribe decided to move back into the jungle for some awkward reasons. First, some women mentioned that they had no land and no right to live over there. Some people mentioned that it was not their way of live to sell something for a life, because their ancestor granted them lands which provide a plentiful of foods. Another reason was a dispute over land ownership and financial support from the government and some coal mining company which started to utilize some lands in their area. Some accused the local leader who managed those resources for abuse power. The disputes made those families separated. Around 20 families moved to Segading, while the village leader and some families still stayed at Bengalon.

It appears that Segading is not the last village for them. The village was surrounded by a number of coal mining companies. Some of mining companies took over their lands for some huge money. After selling their land, almost every family had some modern facilities, like electricity generator, motorbikes, television with parabola antenna, and cellular phones. However, they couldn't do something like their ancestors, especially hunting. No more animal left for hunting due to mining activities, while most of the plants surrounding their homes were getting vanished.[1] They had to go to the jungle for the paddy plantation as far as possible from the mining activities.

They spent much money for the modern equipments. For cellular phone, a family can spend around $50 per month, while they also should buy gasoline about $60 per month for both electric generator and the motorbikes. One of a local leader's wife mentioned that they got money from selling a local deer. They could get around $1500 for a big deer. In fact, they rarely could find a local deer due to the mining activities. Most likely, they still kept some money from selling their lands. It is a big question on how they could survive.

5.3.2. PLAYER 2: THE COMPANY LEADER

In October 2003, BUMI Resources acquired Kaltim Prima Coal (KPC) from Beyond Petroleum and Rio Tinto through its holding companies Sangata Holding Limited and Kalimantan Coal Limited at a price of US$500 million. This was much cheaper than US$ 822 million agreed upon by the government and KPC owners or around US$ 420 million for the 51% shares. Following that, the 51% shares sold to the East Kalimantan regional administration and state-owned Bukit Asam was at US$ 255 million. The local government of East Kalimantan regional then acquired a 31% stake and Bukit Asam to take the remaining 20% stake. The acquisition of KPC turned the company into the country's largest coal producer as well as one of the largest thermal coal exporters in the world, accounting for approximately 8 percent of

[1] In comparison to the average of Indonesia consumption, almost one out of two Indonesians has a cellular phone and just every household has a television set (Roy Morgan Single Source, 2009).

internationally traded thermal coals in 2005.

The BNBR Group was the only non-Chinese business group in Indonesia which successfully survived the transition from the Soekarno period to the Soeharto period and even to Susilo Bambang Yudhoyono regime. Founded by Achmad Bakrie, the father of Aburizal Bakrie, Indonesian Senior Minister, BNBR started its long journey as a trading company in 1942. In 1950s, Soekarno, the first president of Indonesia, stated that Achmad Bakries is the only remarkable pribumi or indigenous businessman. The company pioneered Indonesia's steel pipe manufacturing industry. The company expanded into several other sectors including steel structures, plantations, petrochemicals, trading, mining, food, automobile components, building products, and telecommunications both in Indonesia and abroad.

In the early of 1970s, the company was one of main suppliers for some state-owned company, especially as Pertamina and Krakatau Steel. The key success of this company was the close links between Bakrie Senior and some executives in the state-owned companies, such as Ibnu Sutowo and Tungky Aribowo. Ibnu was the president director of Indonesia state-owned oil company, Pertamina, while Tungky was the director of Indonesia stated-owned steel company, PT Krakatau Steel. Tungky also became Ministers for some departments during the Suharto's cabinet, and was a director in Tommy Suharto's car racing company.

In 1998, the expansion had come into a halt due to Asia financial crisis. BNBR defaulted on its debts and restructured $1.2 billion of debt, converting some into equity (called debt equity swap) between 1998 and 2001. PT Bakrie Sumatera Plantation Tbk decided to repay US$4.2 billion of its debts in 2002 or 75% of its total mature debts, which amount to US$5.6 million. The company had to deal with 150 creditors which controlled over 80% of five companies, i.e. Bakrie Sumatera Plantations, Bakrie Electronic Company, Bakrie Kasei Corp, Arutmin Indonesia, and Iridium LLC. The National Bank-Restructuring Board (BPPN) also controlled 15% asset. The share ownership of Bakrie over those companies dropped from 58% into 2.5%.

After the restructuring program, the management came into another ambitious program toward modem multinational enterprise. The first movement was acquisition of 97.5% of shares of Gallo Oil Ltd[2] in 2000 by Bumi which cost more than Rp9.3 trillion ($1.3 billion). That asset of Bumi jumped to Rp 441.6 billion ($250 million). Then, in November 2001, BUMI took over 80% shares of PT Arutmin Indonesia from BHP Mineral Explorations Inc.[3] Along with four open-cut coal mines in Senakin, Satui, Asam-asam and Batulicin in South Kalimantan, Arutmin was the fourth largest coal producer in Indonesia. The acquisition cost US$ 180 million with support from Bank Mandiri, though Repo $103 million while the rest came from its asset. Surprisingly, this process was done on 10 October 2001, less than two months of the deal. Another information mentioned that acquisition cost US$148.5 million which partially financed by a US$100 million loan from PT Bank Mandiri.[4] Then, BUMI became the first coal mining company producing quality eco-coal for international and domestic power generation

[2] Gallo Oil was established in Jersey, Chanel Island on 17 December 1997.

[3] Since 1981, Arutmin got concession to explore coal mining more than 70,000 hectares in South Kalimantan. According to the agreement of coal mining exploration, it was a mandate for BHP to sell its share for Indonesia after 10 years of concession. Indonesian Coal Mining Association, http://www.apbi-icma.com/news.php?pid=616&act=detail

[4] High Beam Research, November 2001.

companies. After the acquisition, the income of Bumi just kept on rising from Rp10.5 billion in 2000 to Rp61.16 billion in 2001 and Rp91.1 billion in 2002.

Between 2005 and 2008, the price of coal at international spot market was increasing dramatically. The highest price was $1,200 per ton in 2008. Then, BUMI share price rose to a record 8,550 rupiah at the early of 2008 in Jakarta trading, recorded as Indonesia's most valuable company at the time. Three year before, the stock of Bumi Resouces was just around Rp800 when the price of coal was around $50. It triggered Bakrie to expand more over.

In 2004 Aburizal Bakrie was appointed as the chief economic minister of Indonesia by President Susilo Bambang Yudoyono. Subsequently, Aburizal Bakrie had been blamed for poor economic development and business nepotism. During the reshuffling of the cabinet in 2005, he transferred into the Coordinating Minister for People's Welfare.[5] For the following years, the Forbes magazine published Mr. Bakrie as the top billionaire in South-east Asia with estimated assets more than US$9 billion.

Along with the famous name as a controversial minister, BNBR played more important role on Indonesian coal production, especially through Bumi Resources. The sales growth rose by 23% from 35 million ton in 2004 into 44.4 million tons in 2005. In line with the growing global consumption of energy resources, the strong demand for thermal coal had driven higher average selling price. Then, ownership of KPC and Arutmin, BUMI Resources became the largest thermal coal producer in Indonesia, accounting for approximately a third of Indonesia’s total coal production in 2005. With a gross production of 44.9 million tons in 2005, the company was also one of the five largest thermal coal exporters in the world.

Kaltim Prima Coal was the largest coal producer in Indonesia, which accounting for approximately 8 percent of internationally traded thermal coals in 2005. Formerly, it belonged to Petroleum and Rio Tinto. In October 2003, BUMI Resources acquired the most remarkable coal mining company, Kaltim Prima Coal (KPC), from Beyond Petroleum and Rio Tinto through its holding companies Sangata Holding Limited and Kalimantan Coal Limited at a price of US$500 million.

Between 2005 and 2008, the price of coal at international spot market was increasing dramatically. The highest price was evident in 2008 at $1,200 per ton. The Bumi share price rose to a record 8,550 rupiah at the early of 2008 in Jakarta trading, recorded as Indonesia's most valuable company at the time. Three year before, the stock of Bumi Resouces was around Rp800 when the price of coal was around US50. It triggered Bakrie to expand more over.

5.3.3. A GAME THEORY APPROACH

Individual everywhere are part of social, political, and economic networks in which the behavior of others influences their own best choice. A situation in which people’s choice and welfare are independent in this way is called a game. The solution to a game largely relies on the institution framework within which the game is played. Institutions define the framework within which social, political, and economic interaction take place.

[5] Previous positions included the presidency of the ASEAN Business Forum for two consecutive terms from 1991 to 1995, and the chairmanship of the Indonesian Chamber of Commerce and Industry (KADIN) for two consecutive terms from 1994 to 2004. As a member of the Golkar party, Bakrie competed unsuccessfully to become Golkar's candidate for the presidency in 2004; Eventually General Wiranto became the party's candidate.

The coal mining activities reduced the access of Dayak Basab tribe in Segading. The company planned to utilize lands nearby the village which would cross only one access for Segading community. While the company set up high standard for mining access, anyone would not be able to pass the road. Only official vehicle would be allowed to pass the street.

If that so, there would be three options for the communities. As shown in Table 5.1., the community can choose: (a) to move to Bajangtidung, or (b) to go back to Karaitan (the ancestor land), or (c) to find another new places (unknown places). On the other hand, the company would have at least three options. As presented in each row of Table 5.1, the three options are: (1) to bargain to get the best price with lowest cost, (2) to facilitate the transformation process of community development for certain years and at the same time pay land compensation, (3) to facilitate the whole transformation process.

As the KPC is the leader in this game, the best solution for the company is to choose the first option. The company tends to pay land compensation only to the community, since this option gives the maximum utility to the company. If it is the case, the Dayak Basab as the follower, have only three captive options, which might lead to three different solutions.

The following is the situation that might be faced by Dayak Basab, if it is assumed that the KPC chooses to pay only land compensation (see Table 5.1).

The First Option: If the tribe moves to Segading, a small mining town, they will easily get basic rights (i.e. education and health facilities). They should develop basic entrepreneurship skills. While it is a total transformation from a traditional hunter community which entirely rely on forest resources into a trader community which has not only ability to trade and take a risk, it might take one-generation time or about 50 years. During one in depth interview, a senior tribe member pointed that it is impossible for them to transform into traders, which seems to be a lower level of community class. Moreover, they also feel irritated with other communities in the town.

The Second Option: the Dayak Basap tribe could go back to their ancestor's land in a remote area, Karaitan. They would be more flexible to manage the traditional cultivation as they have done for hundred years. On the other hand, they should be able to live without basic services, such as electricity, education, and health services. Recently the modern facilities have enhanced the way of life in many ways. The male rides motorcycle whenever they go to land field, while the house wife enjoy chatting by the telephone.

The third option: each family could sell of their land and spend all the money for a new place. They would make a living in different part of the places. This means that it is no more Dayak Basab community. The worst experiences thought them how difficult to make a living in a new territory.

TABLE 5.1: STRATEGIES OF COMPETITION BETWEEN KPC AND DAYAK BASAP

		Basap's strategies		
		Stay at Bajangtidung Scenario	**Back to ancestor land Karaitan**	**Unknown places.**
KPC	**Land compensation only**	1. Riskiest on the foreign ground	2. Traditionalized civilization.	3. The end of the tribe.
	Combination between land compensation and community development program	4. Surviving on the foreign land	5. Modernizing the jungle.	6. Find the rest of battles.
	Community development program	7. Nurturing the survivors	8. Civilizing the jungle.	9. Sleeping with the enemy.

Source: Authors' investigation based on Focus Group Discussion and surveys on the community and on the MNC.

5.4. SUMMARY

Neumann and Morgenstern prove that there is an equilibrium solution to any zero-sum game, a class of two player games in which a victory by one player implies an equivalent loss to other. Nash insight generalized the result of Neumann and Morgenstern to include a much broader category of social interaction that is not necessary zero sum game.

In economy transactions, one party has an opportunity to take advantage of another. Because of the dynamic sequence of many economic transactions, they frequently involve some element of trust. David Kreps notifies the element of second-stage vulnerability in what is now commonly referred to as a Trust game. Trust game involves one player acting in his selfish interest. If the second players were to restrain from selfish behavior, both would benefit from the transaction.

In the case under study in this chapter, KPC as the leader of the game has an advantage over the Dayak Basab community. As the game is in dynamic sequence and it is referred to Trust Game of Kreps, KPC certainly has an optimum solution by acting in its selfish interest, only paying land compensation at the minimum price. This condition push the follower, in this case is Dayak Basab, to face only three captive situation, which lead them to lost solution, whatever is the option. In this case study, the win-lost solution is applied. The finding of this case study supports the theoretical argument of Neumann-Morgenstern.

CHAPTER 6
CONCLUSIONS

It has been long argued in the literature that FDI provides benefits to host countries. Empirical literature mostly found positive impacts of FDI. However, case-study literature provides inconclusive results. As a contribution to the literature, this study bridges the gap in literature by investigating the FDI benefits using both an empirical study and a case study. Combining case study and empirical study provides a comprehensive analysis on FDI benefits. The results of this study are expected to shed a light on the continuing debate.

The empirical analysis is conducted within country-level data and firm-level data. Under the country-level data, the focus of analysis is on the impact of FDI on economic growth, pollution rate, and social security. Using the firm-level data, the empirical investigation is focused on the initiation of CSR by MNCs.

The case study is conducted using Focus Group Discussion (FGD) and interviews. The main issue is the contribution of FDI on community development. The observed MNC is Kaltim Prima Coal (KPC) and the local community is Dayak Basab. By applying a Game Theory, this study examines the strategies of the two counterparts. Under the Stackelberg model, KPC acts as a leader and Dayak Basab acts as a follower.

Findings of country-level analysis imply that there is a positive effect of FDI on economic growth and on pollution rate. The FDI-Growth hypothesis is confirmed and the Pollution-Haven hypothesis is applied. However, it is found that FDI does not generate positive impact on social security spending. In other words, the presence of FDI does not improve the quality life of labours.

Results of firm-level analysis indicate that the environmental-friendly policy is highly positively correlated with green rank of the MNCs. Companies that promote “Go Green” policies have higher green rank and green scores compared to other companies. The results imply that MNCs tend to improve their concerns on environment in order to increase their green ranks or green scores. Hence, there is a positive effect of FDI on CSR initiatives.

Findings of case study show that FDI has no impact on community development. In the case of KPC and Dayak Basab, the equilibrium solution is zero-sum game. As KPC acts as a leader in the competition, it tends to choose a strategy that provides the most optimum benefits to itself. The solution of the game refers to the Trust Game of David Kreps. Hence, the case study provides results supporting a win-lost solution.

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LAMPIRAN

Appendix Chapter 2

Appendix 2.1: FDI and Economic Growth

A. Common Effect Model

Dependent Variable: INC?
Method: Pooled Least Squares
Date: 08/10/11 Time: 13:44
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 474

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI?	28.10262	0.509931	55.11064	0.0000
ODA?	-47342865	55775652	-0.848809	0.3964

R-squared	0.856687	Mean dependent var	9.13E+10
Adjusted R-squared	0.856384	S.D. dependent var	3.56E+11
S.E. of regression	1.35E+11	Akaike info criterion	54.09714
Sum squared resid	8.58E+24	Schwarz criterion	54.11470
Log likelihood	-12819.02	F-statistic	2821.495
Durbin-Watson stat	1.402751	Prob(F-statistic)	0.000000

B. Fixed Effect Model

Dependent Variable: INC?
Method: Pooled Least Squares
Date: 08/18/11 Time: 13:20
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 474

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.16E+10	9.74E+09	8.378096	0.0000
FDI?	2.897850	1.139720	2.542598	0.0114
ODA?	-627092.0	1.17E+08	-0.005344	0.9957
Fixed Effects (Cross)				
_AFGAN--C	-7.36E+10			
_ALBANIA--C	-7.37E+10			
_ALGERIA--C	1.48E+09			
_ANGOLA--C	-5.92E+10			

_ARGENT--C	1.17E+11
_ARMEN--C	-7.53E+10
_AZERBA--C	-6.41E+10
_BANGLAD--C	-1.14E+10
_BELARUS--C	-4.45E+10
_BELIZE--C	-8.10E+10
_BENIN--C	-7.67E+10
_BHUTAN--C	-8.06E+10
_BOLIVIA--C	-7.25E+10
_BOTSWN--C	-7.36E+10
_BRAZIL--C	1.01E+12
_BURKIN--C	-7.56E+10
_BURUN--C	-8.07E+10
_CAMBO--C	-7.59E+10
_CAMER--C	-6.42E+10
_CAPE--C	-8.07E+10
_CAFRICAN--C	-8.01E+10
_CHAD--C	-7.89E+10
_CHILE--C	-8.05E+09
_CHINA--C	2.98E+12
_COLOM--C	5.84E+10
_COMO--C	-8.12E+10
_CONGOD--C	-7.73E+10
_CONGOR--C	-8.62E+10
_COSTA--C	-6.23E+10
_COTEDI--C	-6.54E+10
_CROAT--C	-4.40E+10
_DJIBOU--C	-8.11E+10
_DOMINIC--C	-5.17E+10
_ECUADOR--C	-4.78E+10
_EGYPT--C	1.01E+10
_ELSALVA--C	-6.60E+10
_EQUATOR--C	-8.39E+10
_ERITREA--C	-8.02E+10
_ETHIOPIA--C	-6.28E+10
_FIJI--C	-7.96E+10
_GABON--C	-7.71E+10
_GAMBIA--C	-8.12E+10
_GEORGIA--C	-7.59E+10
_GHANA--C	-6.69E+10
_GUATEM--C	-5.29E+10
_GUINEA--C	-8.01E+10
_GUINEAB--C	-8.09E+10
_GUYANA--C	-8.03E+10
_HONDUR--C	-7.26E+10
_INDIA--C	8.49E+11
_INDON--C	2.24E+11

_IRAN--C	9.57E+10
_IRAQ--C	-6.34E+10
_JAMAICA--C	-7.34E+10
_JORDAN--C	-7.14E+10
_KAZAKH--C	-6.16E+10
_KENYA--C	-5.74E+10
_KYRGYZ--C	-7.87E+10
_LAO--C	-7.81E+10
_LEBANON--C	-6.71E+10
_LESOTHO--C	-8.01E+10
_LIBERIA--C	-8.16E+10
_LIBYA--C	-5.39E+10
_MACEDO--C	-7.57E+10
_MADAG--C	-7.65E+10
_MALAWI--C	-7.83E+10
_MALAYSIA--C	4.44E+10
_MALDIVES--C	-8.07E+10
_MALI--C	-7.49E+10
_MAURIT--C	-7.98E+10
_MAURIT--C	-7.98E+10
_MEXICO--C	6.39E+11
_MOLDOVA--C	-7.79E+10
_MONGOLIA--C	-8.00E+10
_MOROCCO--C	-1.92E+10
_MOZAM--C	-7.59E+10
_NAMIBIA--C	-7.48E+10
_NEPAL--C	-7.15E+10
_NICARAGUA--C	-7.77E+10
_NIGER--C	-7.81E+10
_NIGERIA--C	2.21E+10
_OMAN--C	-6.63E+10
_PAKISTAN--C	3.88E+10
_PANAMA--C	-6.96E+10
_PAPUANG--C	-7.76E+10
_PARAGUAY--C	-7.05E+10
_PERU--C	-1.03E+10
_PHILIPPI--C	5.67E+10
_RWANDA--C	-7.80E+10
_SAMOA--C	-8.10E+10
_SAOTOME--C	-8.14E+10
_SAUDI--C	4.83E+10
_SENEGAL--C	-7.20E+10
_SIERRA--C	-8.02E+10
_SOLOMON--C	-8.12E+10
_SOUTHAF--C	1.22E+11
_SRILANKA--C	-5.04E+10
_VINCENT--C	-8.13E+10

_SUDAN--C	-5.63E+10
_SURINAM--C	-7.88E+10
_SWAZIL--C	-7.93E+10
_SYRIAN--C	-5.26E+10
_TAJIKIST--C	-7.87E+10
_TANZAN--C	-6.65E+10
_THAIL--C	9.58E+10
_TOGO--C	-7.94E+10
_TONGA--C	-8.12E+10
_TRINID--C	-7.66E+10
_TUNIS--C	-5.95E+10
_TURKEY--C	4.17E+11
_UGAND--C	-7.23E+10
_UKRAI--C	1.03E+10
_URUG--C	-6.30E+10
_UZBEK--C	-7.03E+10
_VANUAT--C	-8.10E+10
_VENEZ--C	1.06E+11
_VIETN--C	-4.26E+10
_YEMEN--C	-6.88E+10
_ZAMBIA--C	-7.57E+10
_ZIMBA--C	-7.77E+10

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.957583	Mean dependent var	9.13E+10
Adjusted R-squared	0.943003	S.D. dependent var	3.56E+11
S.E. of regression	8.50E+10	Akaike info criterion	53.38598
Sum squared resid	2.54E+24	Schwarz criterion	54.45701
Log likelihood	-12530.48	F-statistic	65.67471
Durbin-Watson stat	0.861173	Prob(F-statistic)	0.000000

C. Random Effect Model

Dependent Variable: INC?
Method: Pooled EGLS (Cross-section random effects)
Date: 08/18/11 Time: 13:19
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 474
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	1.45E+10	8.07E+09	1.792186	0.0737
FDI?	24.90658	0.509529	48.88156	0.0000
ODA?	-1.03E+08	65655592	-1.564518	0.1184
Random Effects (Cross)				
_AFGAN--C	1.08E+09			
_ALBANIA--C	-7.21E+09			
_ALGERIA--C	1.25E+10			
_ANGOLA--C	-4.21E+09			
_ARGENT--C	2.69E+10			
_ARMEN--C	-7.59E+09			
_AZERBA--C	1.99E+10			
_BANGLAD--C	2.46E+10			
_BELARUS--C	-6.47E+09			
_BELIZE--C	-6.11E+09			
_BENIN--C	-3.81E+09			
_BHUTAN--C	5.09E+08			
_BOLIVIA--C	-4.25E+09			
_BOTSWN--C	-2.05E+09			
_BRAZIL--C	2.40E+11			
_BURKIN--C	-3.74E+09			
_BURUN--C	-4.46E+09			
_CAMBO--C	-1.16E+10			
_CAMER--C	4.22E+09			
_CAPE--C	1.23E+10			
_CAFRICAN--C	-5.90E+09			
_CHAD--C	-6.02E+09			
_CHILE--C	-1.25E+11			
_CHINA--C	3.78E+11			
_COLOM--C	-3.49E+10			
_COMO--C	-4.69E+09			
_CONGOD--C	-2.04E+10			
_CONGOR--C	-3.61E+10			
_COSTA--C	-1.91E+10			
_COTEDI--C	-1.68E+09			
_CROAT--C	-4.19E+10			
_DJIBOU--C	-1.18E+09			
_DOMINIC--C	-1.58E+10			
_ECUADOR--C	6.86E+09			
_EGYPT--C	-7.97E+10			
_ELSALVA--C	-7.34E+09			
_EQUATOR--C	-1.60E+10			
_ERITREA--C	-6.16E+09			
_ETHIOPIA--C	1.27E+09			
_FIJI--C	-7.25E+09			
_GABON--C	-6.39E+09			
_GAMBIA--C	-6.02E+09			

_GEORGIA--C	-1.36E+10
_GHANA--C	-1.45E+10
_GUATEM--C	1.83E+09
_GUINEA--C	-1.26E+10
_GUINEAB--C	-3.78E+09
_GUYANA--C	3.18E+09
_HONDUR--C	-8.97E+09
_INDIA--C	1.53E+11
_INDON--C	9.15E+10
_IRAN--C	7.34E+10
_IRAQ--C	3.85E+09
_JAMAICA--C	-1.47E+10
_JORDAN--C	-3.40E+10
_KAZAKH--C	-1.54E+11
_KENYA--C	4.78E+09
_KYRGYZ--C	-6.57E+09
_LAO--C	-6.03E+09
_LEBANON--C	-3.86E+10
_LESOTHO--C	-5.65E+09
_LIBERIA--C	-4.09E+08
_LIBYA--C	-3.40E+10
_MACEDO--C	-5.70E+09
_MADAG--C	-1.26E+10
_MALAWI--C	-4.86E+09
_MALAYSIA--C	-9.77E+09
_MALDIVES--C	-8.67E+08
_MALI--C	-1.51E+09
_MAURIT--C	-3.91E+09
_MAURIT--C	-3.91E+09
_MEXICO--C	1.34E+11
_MOLDOVA--C	-7.62E+09
_MONGOLIA--C	-8.95E+09
_MOROCCO--C	-9.59E+08
_MOZAM--C	-7.10E+09
_NAMIBIA--C	-1.48E+09
_NEPAL--C	-1.35E+09
_NICARAGUA--C	-3.73E+09
_NIGER--C	-8.64E+09
_NIGERIA--C	-3.18E+10
_OMAN--C	-2.85E+10
_PAKISTAN--C	6.15E+09
_PANAMA--C	-2.97E+10
_PAPUANG--C	-4.98E+09
_PARAGUAY--C	-3.87E+09
_PERU--C	-3.40E+10
_PHILIPPI--C	4.49E+10
_RWANDA--C	-2.54E+09

_SAMOA--C	9.07E+09
_SAOTOME--C	4.31E+09
_SAUDI--C	-1.57E+11
_SENEGAL--C	-1.88E+09
_SIERRA--C	-4.15E+09
_SOLOMON--C	1.78E+10
_SOUTHAF--C	4.78E+10
_SRILANKA--C	4.97E+09
_VINCENT--C	8.06E+09
_SUDAN--C	-2.80E+10
_SURINAM--C	7.71E+09
_SWAZIL--C	-5.69E+09
_SYRIAN--C	-6.93E+09
_TAJIKIST--C	-8.10E+09
_TANZAN--C	-2.84E+09
_THAIL--C	-1.61E+10
_TOGO--C	-5.74E+09
_TONGA--C	9.03E+09
_TRINID--C	-2.29E+10
_TUNIS--C	-2.35E+10
_TURKEY--C	6.54E+10
_UGAND--C	-9.17E+09
_UKRAI--C	-5.73E+10
_URUG--C	-1.67E+10
_UZBEK--C	-9.46E+09
_VANUAT--C	1.13E+10
_VENEZ--C	1.14E+11
_VIETN--C	-7.19E+10
_YEMEN--C	-1.27E+10
_ZAMBIA--C	-1.13E+10
_ZIMBA--C	-4.60E+09

Effects Specification

Cross-section random S.D. / Rho	5.37E+10	0.2855
Idiosyncratic random S.D. / Rho	8.50E+10	0.7145

Weighted Statistics

R-squared	0.723655	Mean dependent var	5.67E+10
Adjusted R-squared	0.722482	S.D. dependent var	2.28E+11
S.E. of regression	1.20E+11	Sum squared resid	6.81E+24
F-statistic	616.6965	Durbin-Watson stat	1.439694
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.846127	Mean dependent var	9.13E+10

Sum squared resid	9.22E+24	Durbin-Watson stat	1.063983

Appendix 2.2: FDI and Environment

A. Common Effect Model

Dependent Variable: CO2?
Method: Pooled Least Squares
Date: 08/17/11 Time: 20:06
Sample: 2006 2007
Included observations: 2
Cross-sections included: 164
Total pool (unbalanced) observations: 327

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI?	2.08E-06	1.04E-06	1.996316	0.0467
INC?	4.77E-07	3.33E-08	14.29977	0.0000

R-squared	0.627866	Mean dependent var	173482.7
Adjusted R-squared	0.626721	S.D. dependent var	695867.9
S.E. of regression	425151.3	Akaike info criterion	28.76438
Sum squared resid	5.87E+13	Schwarz criterion	28.78756
Log likelihood	-4700.975	F-statistic	548.3419
Durbin-Watson stat	0.016498	Prob(F-statistic)	0.000000

B. Random Effect Model

Dependent Variable: CO2?
Method: Pooled EGLS (Cross-section random effects)
Date: 08/20/11 Time: 15:35
Sample: 2006 2007
Included observations: 2
Cross-sections included: 164
Total pool (unbalanced) observations: 327
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	73593.17	33688.02	2.184550	0.0296
FDI?	-4.10E-07	1.48E-07	-2.774779	0.0058
INC?	3.95E-07	2.21E-08	17.87571	0.0000
Random Effects (Cross)				
_AFGAN--C	-75999.45			
_ALBAN--C	-72677.30			
_ALGER--C	33472.19			

_ANGOL--C	-58152.88
_ARGEN--C	33282.98
_ARMEN--C	-71368.00
_AUSTR--C	77963.36
_AUSTI--C	-104196.8
_AZERB--C	-44857.22
_BAHAM--C	-73448.77
_BAHRA--C	-55276.34
_BANGL--C	-55291.44
_BELAR--C	-19551.59
_BELGI--C	-75839.36
_BELIZ--C	-73436.62
_BENIN--C	-71464.48
_BHUT--C	-73302.44
_BOLIV--C	-64543.40
_BOTSW--C	-71963.30
_BRAZI--C	-104491.0
_BRUNE--C	-69829.23
_BULGA--C	-31279.47
_BURKI--C	-74143.10
_BURUN--C	-73645.54
_CAMBO--C	-71714.08
_CAMER--C	-74654.43
_CANAD--C	78910.80
_CAPEV--C	-73565.90
_CAFRI--C	-73833.23
_CHAD--C	-74131.61
_CHILE--C	-38739.70
_CHINA--C	5223327.
_COLOM--C	-65025.82
_COMO--C	-73553.26
_CONGD--C	-73634.25
_CONGR--C	-71542.79
_COSTA--C	-73798.16
_COTE--C	-72749.90
_CROAT--C	-65616.46
_CYPRU--C	-71311.16
_CZECH--C	6305.704
_DENMK--C	-114589.8
_DJIBO--C	-73295.74
_DOMIN--C	-73496.21
_DOMR--C	-64957.18
_ECUAD--C	-55456.68
_EGYPT--C	74208.16
_ELSAV--C	-73263.18
_EQUAT--C	-67710.96
_ERITR--C	-73432.11

_ESTON--C	-59703.50
_ETHIO--C	-73079.65
_FIJI--C	-72961.28
_FINLA--C	-80403.47
_FRANC--C	-504579.9
_GABON--C	-73086.31
_GAMBI--C	-73312.55
_GEORG--C	-70394.05
_GERMA--C	-319669.9
_GHANA--C	-70312.94
_GREEC--C	-70898.19
_GUATE--C	-71808.66
_GUINE--C	-73089.59
_GUINB--C	-73464.26
_GUYAN--C	-72528.29
_HONDU--C	-69197.32
_HONGK--C	-83594.88
_HUNGA--C	-37032.91
_ICELA--C	-74981.27
_INDIA--C	1120687.
_INDON--C	188948.1
_IRAN--C	354916.6
_IRAQ--C	22735.28
_IRELA--C	-97567.69
_ISRAE--C	-56316.64
_ITALY--C	-255064.2
_JAMAI--C	-64303.17
_JAPAN--C	-245737.4
_JORDA--C	-57337.62
_KAZAK--C	121399.6
_KENYA--C	-70495.38
_KORER--C	70420.42
_KUWAI--C	-16552.45
_KYRGY--C	-68785.72
_LAO--C	-73244.33
_LATVI--C	-72926.33
_LEBAN--C	-66637.87
_LIBER--C	-72921.92
_LIBYA--C	-28327.14
_LITHU--C	-69312.93
_LUXEM--C	-8842.098
_MACED--C	-64731.19
_MADAG--C	-73491.09
_MALAW--C	-73621.41
_MALAY--C	68091.41
_MALDI--C	-72964.47
_MALI--C	-75225.81

_MAURT--C	-72417.45
_MAURI--C	-72121.98
_MEXI--C	85585.89
_MOLDO--C	-70077.38
_MONGO--C	-64450.29
_MOROC--C	-51399.84
_MOZAM--C	-73465.88
_NAMIB--C	-73395.37
_NEPAL--C	-73608.30
_NETH--C	-125857.6
_NZEAL--C	-77287.01
_NICAR--C	-70848.18
_NIGER--C	-74097.39
_NIGRI--C	-17736.34
_NORWA--C	-129367.1
_OMAN--C	-41700.14
_PAKIS--C	31792.94
_PANAM--C	-71863.64
_PAPUA--C	-70694.67
_PARAG--C	-73191.25
_PERU--C	-61557.05
_PHILIP--C	-52200.81
_POLAND--C	127426.5
_PORTU--C	-80858.46
_ROMAN--C	-22205.11
_RUSSI--C	1196145.
_RWAND--C	-74010.01
_SAMOA--C	-73515.86
_SAOTO--C	-73428.77
_SAUDI--C	252235.9
_SENEG--C	-72067.60
_SEYCH--C	-73078.79
_SIERR--C	-72754.71
_SINGA--C	-57160.93
_SLOVA--C	-57719.27
_SLOVE--C	-72164.01
_SOLOM--C	-73472.03
_SAFRI--C	258091.2
_SPAIN--C	-133851.1
_SRILA--C	-72455.88
_SVINC--C	-73445.32
_SUDAN--C	-72468.63
_SURIN--C	-71928.87
_SWAZI--C	-73461.15
_SWEDE--C	-165434.3
_SWITZ--C	-158789.4
_SYRIA--C	-16253.96

_TAJIK--C	-67688.32
_TANZA--C	-73157.66
_THAIL--C	134896.8
_TOGO--C	-73057.92
_TONGA--C	-73446.67
_TRINI--C	-40629.36
_TUNIS--C	-59536.82
_TURKE--C	7357.132
_UGAND--C	-74002.28
_UKRAI--C	204020.4
_UK--C	-366630.4
_US--C	1059985.
_URUG--C	-73860.68
_UZBEK--C	38925.04
_VANU--C	-73574.16
_VENEZ--C	34446.13
_VIETN--C	16504.12
_YEME--C	-56775.11
_ZAMBI--C	-73388.55
_ZIMB--C	-65135.11

Effects Specification

Cross-section random S.D. / Rho	426016.6	0.9980
Idiosyncratic random S.D. / Rho	19107.29	0.0020

Weighted Statistics

R-squared	0.507426	Mean dependent var	5499.367
Adjusted R-squared	0.504386	S.D. dependent var	28422.07
S.E. of regression	20009.10	Sum squared resid	1.30E+11
F-statistic	166.8847	Durbin-Watson stat	1.954813
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.582708	Mean dependent var	173482.7
Sum squared resid	6.59E+13	Durbin-Watson stat	0.003849

C. Fixed Effect Model

Dependent Variable: CO2?
Method: Pooled Least Squares
Date: 08/20/11 Time: 15:35
Sample: 2006 2007
Included observations: 2
Cross-sections included: 164

Total pool (unbalanced) observations: 327

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	98724.91	6966.597	14.17118	0.0000
FDI?	-1.73E-07	1.55E-07	-1.111721	0.2679
INC?	2.90E-07	2.92E-08	9.953575	0.0000
Fixed Effects (Cross)				
_AFGAN--C	-100393.5			
_ALBAN--C	-97053.07			
_ALGER--C	16001.78			
_ANGOL--C	-81341.41			
_ARGEN--C	26128.94			
_ARMEN--C	-95966.87			
_AUSTR--C	107145.9			
_AUSTI--C	-106956.8			
_AZERB--C	-68444.80			
_BAHAM--C	-98196.63			
_BAHRA--C	-79809.57			
_BANGL--C	-74097.54			
_BELAR--C	-41195.45			
_BELGI--C	-83991.39			
_BELIZ--C	-98569.93			
_BENIN--C	-96225.97			
_BHUT--C	-98421.45			
_BOLIV--C	-88905.80			
_BOTSW--C	-96362.36			
_BRAZI--C	-29477.94			
_BRUNE--C	-94624.14			
_BULGA--C	-55773.04			
_BURKI--C	-98802.21			
_BURUN--C	-98768.84			
_CAMBO--C	-96356.12			
_CAMER--C	-98191.33			
_CANAD--C	148254.6			
_CAPEV--C	-98698.46			
_CAFRI--C	-98895.26			
_CHAD--C	-99048.13			
_CHILE--C	-55914.77			
_CHINA--C	5459504.			
_COLOM--C	-76932.29			
_COMO--C	-98718.42			
_CONGD--C	-98308.45			
_CONGR--C	-97132.04			
_COSTA--C	-97086.40			
_COTE--C	-96449.93			
_CROAT--C	-87028.17			

_CYPRU--C	-95250.98
_CZECH--C	-8113.709
_DENMK--C	-116095.3
_DJIBO--C	-98450.85
_DOMIN--C	-98680.69
_DOMR--C	-87157.79
_ECUAD--C	-77616.89
_EGYPT--C	56642.87
_ELSAV--C	-96906.11
_EQUAT--C	-93297.46
_ERITR--C	-98509.82
_ESTON--C	-83816.00
_ETHIO--C	-96793.45
_FIJI--C	-97962.02
_FINLA--C	-87851.79
_FRANC--C	-327104.8
_GABON--C	-97897.06
_GAMBI--C	-98485.69
_GEORG--C	-95085.74
_GERMA--C	-76558.22
_GHANA--C	-93962.18
_GREEC--C	-71394.85
_GUATE--C	-94211.88
_GUINE--C	-98077.46
_GUINB--C	-98612.52
_GUYAN--C	-97613.12
_HONDU--C	-93537.19
_HONGK--C	-102128.0
_HUNGA--C	-62556.39
_ICELA--C	-99844.48
_INDIA--C	1189630.
_INDON--C	191595.2
_IRAN--C	345757.4
_IRAQ--C	-1008.931
_IRELA--C	-106361.6
_ISRAE--C	-70068.78
_ITALY--C	-115309.7
_JAMAI--C	-88598.81
_JAPAN--C	103402.8
_JORDA--C	-81631.37
_KAZAK--C	99108.92
_KENYA--C	-93414.40
_KORER--C	135797.9
_KUWAI--C	-33989.10
_KYRGY--C	-93725.38
_LAO--C	-98151.00
_LATVI--C	-96519.48

_LEBAN--C	-90292.21
_LIBER--C	-98111.49
_LIBYA--C	-50811.95
_LITHU--C	-91933.72
_LUXEM--C	-68949.40
_MACED--C	-89398.45
_MADAG--C	-98211.03
_MALAW--C	-98528.99
_MALAY--C	54828.09
_MALDI--C	-98084.58
_MALI--C	-99838.44
_MAURT--C	-97451.22
_MAURI--C	-96710.84
_MEXI--C	136889.9
_MOLDO--C	-94954.67
_MONGO--C	-89447.33
_MOROC--C	-70675.60
_MOZAM--C	-98108.71
_NAMIB--C	-97862.84
_NEPAL--C	-97895.40
_NETH--C	-100550.0
_NZEAL--C	-93240.97
_NICAR--C	-95623.80
_NIGER--C	-98931.12
_NIGRI--C	-33065.38
_NORWA--C	-128282.5
_OMAN--C	-65431.62
_PAKIS--C	18142.03
_PANAM--C	-95919.71
_PAPUA--C	-95596.71
_PARAG--C	-97432.88
_PERU--C	-80171.89
_PHILIP--C	-65076.18
_POLAND--C	130611.3
_PORTU--C	-89451.18
_ROMAN--C	-36820.51
_RUSSI--C	1240679.
_RWAND--C	-98905.02
_SAMOA--C	-98681.95
_SAOTO--C	-98628.24
_SAUDI--C	242380.3
_SENEG--C	-96383.99
_SEYCH--C	-98245.16
_SIERR--C	-97834.48
_SINGA--C	-76235.07
_SLOVA--C	-77533.64
_SLOVE--C	-93858.37

_SOLOM--C	-98646.50
_SAFRI--C	255749.4
_SPAIN--C	-55366.51
_SRILA--C	-94826.62
_SVINC--C	-98632.53
_SUDAN--C	-95377.14
_SURIN--C	-96882.71
_SWAZI--C	-98417.03
_SWEDE--C	-156757.8
_SWITZ--C	-155907.8
_SYRIA--C	-38941.62
_TAJIK--C	-92676.64
_TANZA--C	-97026.18
_THAIL--C	126981.1
_TOGO--C	-98057.63
_TONGA--C	-98627.82
_TRINI--C	-65168.09
_TUNIS--C	-82523.51
_TURKE--C	30927.68
_UGAND--C	-98389.80
_UKRAI--C	188244.1
_UK--C	-192418.7
_US--C	2237575.
_URUG--C	-97424.30
_UZBEK--C	14624.03
_VANU--C	-98744.57
_VENEZ--C	23853.96
_VIETN--C	-4450.307
_YEME--C	-80874.10
_ZAMBI--C	-98057.55
_ZIMB--C	-89916.44

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.999628	Mean dependent var	173482.7
Adjusted R-squared	0.999246	S.D. dependent var	695867.9
S.E. of regression	19107.29	Akaike info criterion	22.86026
Sum squared resid	5.88E+10	Schwarz criterion	24.78422
Log likelihood	-3571.653	F-statistic	2619.555
Durbin-Watson stat	3.987805	Prob(F-statistic)	0.000000

Appendix 2.3: FDI and Social Security Expenditure

A. Common Effect Model

Dependent Variable: SOCH?
Method: Pooled Least Squares
Date: 08/17/11 Time: 22:35
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 472

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI?	3.66E-10	9.05E-11	4.042682	0.0001
LOG(INC?)	0.710408	0.058183	12.20982	0.0000
ODA?	-0.029079	0.011549	-2.517947	0.0121

R-squared	0.097360	Mean dependent var	15.27246
Adjusted R-squared	0.093511	S.D. dependent var	23.44049
S.E. of regression	22.31762	Akaike info criterion	9.054966
Sum squared resid	233597.8	Schwarz criterion	9.081387
Log likelihood	-2133.972	F-statistic	25.29362
Durbin-Watson stat	0.039301	Prob(F-statistic)	0.000000

B. Fixed Effect Model

Dependent Variable: SOCH?
Method: Pooled Least Squares
Date: 08/20/11 Time: 16:08
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 472

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-41.82881	19.86753	-2.105386	0.0360
FDI?	2.25E-11	4.58E-11	0.491627	0.6233
LOG(INC?)	2.454052	0.859922	2.853807	0.0046
ODA?	0.002378	0.004722	0.503613	0.6149
Fixed Effects (Cross)				
_AFGAN--C	-14.66055			
_ALBAN--C	22.48845			
_ALGER--C	9.977809			
_ANGOL--C	-16.77855			
_ARGEN--C	36.34757			
_ARMEN--C	-14.44803			

_AZERB--C	-15.33687
_BANGL--C	-19.54734
_BELAR--C	-14.04771
_BELIZ--C	-9.165385
_BENIN--C	-13.25161
_BHUTA--C	-9.367896
_BOLIV--C	33.37846
_BOTSW--C	-14.94903
_BRAZI--C	-27.05452
_BURKI--C	-13.75700
_BURUN--C	7.001720
_CAMBO--C	-14.13272
_CAMER--C	-12.95132
_CAPE--C	18.00173
_CAFRI--C	-10.35919
_CHAD--C	-11.71390
_CHILE--C	-6.465913
_CHINA--C	32.65148
_COLOM--C	47.81594
_COMO--C	-7.151070
_CONGD--C	-14.15562
_CONGR--C	-10.07476
_COSTA--C	69.14242
_COTED--C	-16.11146
_CROAT--C	72.17436
_DJIBO--C	0.565277
_DOMIN--C	5.507933
_ECUAD--C	24.63286
_EGYPT--C	1.084373
_ELSAL--C	25.84629
_EQUAT--C	-8.840933
_ERITR--C	-9.929300
_ETHIO--C	-16.34633
_FIJI--C	-11.73033
_GABON--C	-0.992480
_GAMBI--C	-7.769520
_GEORG--C	32.84046
_GHANA--C	8.776024
_GUATE--C	29.48589
_GUINE--C	-10.00782
_GUINB--C	-5.286632
_GUYAN--C	-10.63682
_HONDU--C	14.40235
_INDIA--C	-8.087529
_INDON--C	-8.969566
_IRAN--C	41.49617
_IRAQ--C	-16.98581

_JAMAI--C	-14.97671
_JORDAN--C	-0.149081
_KAZAK--C	-19.06641
_KENYA--C	-6.544486
_KYRGY--C	56.02193
_LAO--C	-0.742025
_LEBAN--C	40.62544
_LESOT--C	-10.58625
_LIBER--C	-7.627059
_LIBYA--C	-17.92110
_MACED--C	-14.11227
_MADAG--C	-13.89597
_MALAW--C	-12.22400
_MALAY--C	-20.53412
_MALDIV--C	-8.421931
_MALI--C	-13.94590
_MAURA--C	-11.07936
_MAURI--C	-14.04536
_MEXIC--C	31.34552
_MOLDO--C	-13.01348
_MONGOL--C	19.57812
_MOROC--C	4.627909
_MOZAM--C	-14.02686
_NAMIB--C	-11.62027
_NEPAL--C	-14.73549
_NICAR--C	12.39033
_NIGER--C	-11.51726
_NIGEI--C	-21.02460
_OMAN--C	-16.66626
_PAKIS--C	-16.97574
_PANAM--C	29.17941
_PAPUA--C	-12.61323
_PARAG--C	46.76625
_PERU--C	24.09069
_PHILI--C	1.401985
_RWAND--C	-8.190789
_SAMOA--C	-6.886220
_SAOTO--C	-4.809662
_SAUDI--C	-22.39947
_SENEG--C	-10.92912
_SIERR--C	-10.28315
_SOLOM--C	-7.827903
_SAFRI--C	-19.30290
_SRILA--C	-17.66712
_VINCE--C	-7.883793
_SUDAN--C	-5.904344
_SURIN--C	29.44510

_SWAZI--C	-11.44945
_SYRIA--C	-17.54441
_TAJIK--C	-12.25262
_TANZAN--C	-16.04243
_THAIL--C	-12.52632
_TOGO--C	3.787400
_TONGA--C	-6.656839
_TRINI--C	-14.34999
_TUNIS--C	29.53607
_TURKE--C	34.06681
_UGAND--C	-15.07428
_UKRAI--C	-20.41057
_URUG--C	36.72913
_UZBEK--C	-15.06232
_VANUA--C	-8.025240
_VENEZ--C	67.30007
_VIETN--C	14.49093
_YEMEN--C	-15.75556
_ZAMBI--C	-14.49094
_ZIMBA--C	-12.52845

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.984417	Mean dependent var	15.27246
Adjusted R-squared	0.978970	S.D. dependent var	23.44049
S.E. of regression	3.399275	Akaike info criterion	5.504281
Sum squared resid	4032.720	Schwarz criterion	6.587561
Log likelihood	-1176.010	F-statistic	180.7179
Durbin-Watson stat	1.582585	Prob(F-statistic)	0.000000

C. Random Effect Model

Dependent Variable: SOCH?
Method: Pooled EGLS (Cross-section random effects)
Date: 08/20/11 Time: 16:25
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 472
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-65.63902	15.19045	-4.321071	0.0000
FDI?	2.79E-11	4.46E-11	0.625616	0.5319

LOG(INC?)	3.476803	0.651706	5.334924	0.0000
ODA?	0.001650	0.004590	0.359430	0.7194
Random Effects (Cross)				
_AFGAN--C	-14.03343			
_ALBAN--C	22.68260			
_ALGER--C	7.953052			
_ANGOL--C	-17.25513			
_ARGEN--C	33.22657			
_ARMEN--C	-13.80518			
_AZERB--C	-15.21330			
_BANGL--C	-21.16090			
_BELAR--C	-15.13436			
_BELIZ--C	-6.452668			
_BENIN--C	-12.20871			
_BHUTA--C	-6.597455			
_BOLIV--C	33.46481			
_BOTSW--C	-14.44326			
_BRAZI--C	-31.62294			
_BURKI--C	-12.91687			
_BURUN--C	9.704062			
_CAMBO--C	-13.47639			
_CAMER--C	-13.13997			
_CAPE--C	20.57052			
_CAFRI--C	-8.166033			
_CHAD--C	-10.08841			
_CHILE--C	-8.640154			
_CHINA--C	26.21479			
_COLOM--C	44.90593			
_COMO--C	-3.620594			
_CONGD--C	-13.53379			
_CONGR--C	-7.700822			
_COSTA--C	68.06805			
_COTED--C	-16.27188			
_CROAT--C	70.34663			
_DJIBO--C	3.364673			
_DOMIN--C	4.448387			
_ECUAD--C	23.48371			
_EGYPT--C	-1.197472			
_ELSAL--C	25.37447			
_EQUAT--C	-5.987153			
_ERITR--C	-7.590300			
_ETHIO--C	-16.61058			
_FIJI--C	-10.06181			
_GABON--C	0.015693			
_GAMBI--C	-4.504584			
_GEORG--C	33.07017			
_GHANA--C	8.389263			

_GUATE--C	28.44317
_GUINE--C	-8.370826
_GUINB--C	-2.193854
_GUYAN--C	-8.276948
_HONDU--C	14.51078
_INDIA--C	-12.62810
_INDON--C	-12.20818
_IRAN--C	38.54940
_IRAQ--C	-17.13394
_JAMAI--C	-14.69454
_JORDAN--C	-0.429370
_KAZAK--C	-20.42961
_KENYA--C	-7.142130
_KYRGY--C	57.03028
_LAO--C	0.461209
_LEBAN--C	39.81782
_LESOT--C	-8.467604
_LIBER--C	-4.089092
_LIBYA--C	-18.86776
_MACED--C	-13.35875
_MADAG--C	-13.15493
_MALAW--C	-10.77913
_MALAY--C	-22.86580
_MALDIV--C	-5.662079
_MALI--C	-13.16525
_MAURA--C	-9.103327
_MAURI--C	-13.31493
_MEXIC--C	26.85560
_MOLDO--C	-11.85914
_MONGOL--C	20.96513
_MOROC--C	2.905968
_MOZAM--C	-13.26431
_NAMIB--C	-10.92459
_NEPAL--C	-14.36632
_NICAR--C	13.36277
_NIGER--C	-10.31844
_NIGEI--C	-23.18625
_OMAN--C	-17.07110
_PAKIS--C	-19.24887
_PANAM--C	28.65072
_PAPUA--C	-11.33177
_PARAG--C	46.60012
_PERU--C	22.00214
_PHILI--C	-1.062600
_RWAND--C	-6.801725
_SAMOA--C	-3.194739
_SAOTO--C	-0.066057

_SAUDI--C	-24.95550
_SENEG--C	-10.56923
_SIERR--C	-8.006365
_SOLOM--C	-3.935583
_SAFRI--C	-22.06675
_SRILA--C	-18.47084
_VINCE--C	-4.257100
_SUDAN--C	-6.799295
_SURIN--C	31.21897
_SWAZI--C	-9.701975
_SYRIA--C	-18.34569
_TAJIK--C	-10.83723
_TANZAN--C	-16.14329
_THAIL--C	-15.28737
_TOGO--C	5.545661
_TONGA--C	-2.548078
_TRINI--C	-13.84222
_TUNIS--C	28.55720
_TURKE--C	29.96165
_UGAND--C	-14.78852
_UKRAI--C	-22.51002
_URUG--C	35.93134
_UZBEK--C	-14.85319
_VANUA--C	-4.407568
_VENEZ--C	64.20239
_VIETN--C	12.86998
_YEMEN--C	-15.81392
_ZAMBI--C	-13.89248
_ZIMBA--C	-11.22727

Effects Specification

Cross-section random S.D. / Rho	21.19818	0.9749
Idiosyncratic random S.D. / Rho	3.399275	0.0251

Weighted Statistics

R-squared	0.060532	Mean dependent var	1.223778
Adjusted R-squared	0.054509	S.D. dependent var	3.502156
S.E. of regression	3.405368	Sum squared resid	5427.176
F-statistic	10.05137	Durbin-Watson stat	1.183832
Prob(F-statistic)	0.000002		

Unweighted Statistics

R-squared	0.162058	Mean dependent var	15.27246
Sum squared resid	216854.4	Durbin-Watson stat	0.029632

Appendixes Chapter 4

Appendix 4.1: Green Rank Model 1 for Table 4.3.

Dependent Variable: GRANK
Method: Least Squares
Date: 08/23/11 Time: 10:47
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STECH	-38.08585	8.815826	-4.320168	0.0000
SRETAIL	2.658641	10.86968	0.244592	0.8074
SPHARM	-42.42432	10.94079	-3.877629	0.0002
SOIL	7.927777	10.06976	0.787286	0.4336
SCONS	-16.85587	11.27640	-1.494792	0.1392
SBANKI	-11.43648	13.60961	-0.840324	0.4034
ASIA	-6.610603	8.556318	-0.772599	0.4422
US	-16.83895	6.544360	-2.573048	0.0121
LOG(SALES)	5.112059	5.940537	0.860538	0.3923
LOG(PROFITS)	-3.175262	4.476125	-0.709377	0.4803
LOG(ASSETS)	-5.398173	4.649358	-1.161058	0.2494
LOG(MVALUE)	18.04372	6.188494	2.915687	0.0047

R-squared	0.416392	Mean dependent var	50.77907
Adjusted R-squared	0.329640	S.D. dependent var	28.43627
S.E. of regression	23.28234	Akaike info criterion	9.262055
Sum squared resid	40113.00	Schwarz criterion	9.604522
Log likelihood	-386.2684	Durbin-Watson stat	1.995594

White Heteroskedasticity Test:

F-statistic	1.599962	Probability	0.092166
Obs*R-squared	23.27233	Probability	0.106646

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 08/23/11 Time: 10:48
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	-662.9952	3654.228	-0.181432	0.8566
STECH	-192.7794	181.5592	-1.061799	0.2920
SRETAIL	-60.55621	227.0245	-0.266739	0.7905
SPHARM	-138.7552	216.4894	-0.640933	0.5237
SOIL	-541.2930	214.0668	-2.528617	0.0137
SCONS	-96.71380	237.5205	-0.407181	0.6851
SBANKI	225.2095	274.5525	0.820278	0.4149
ASIA	2.567360	177.5007	0.014464	0.9885
US	-346.2781	143.2707	-2.416949	0.0183
LOG(SALES)	168.9175	1216.113	0.138899	0.8899
(LOG(SALES))^2	9.906847	132.2192	0.074927	0.9405
LOG(PROFITS)	47.78353	189.5524	0.252086	0.8017
(LOG(PROFITS))^2	-98.43016	64.46583	-1.526858	0.1314
LOG(ASSETS)	-324.5335	545.1484	-0.595312	0.5536
(LOG(ASSETS))^2	18.49883	45.69015	0.404876	0.6868
LOG(MVALUE)	272.4611	1100.113	0.247666	0.8051
(LOG(MVALUE))^2	31.20706	127.0476	0.245633	0.8067

R-squared	0.270608	Mean dependent var	466.4302
Adjusted R-squared	0.101474	S.D. dependent var	483.2224
S.E. of regression	458.0494	Akaike info criterion	15.26694
Sum squared resid	14476841	Schwarz criterion	15.75210
Log likelihood	-639.4784	F-statistic	1.599962
Durbin-Watson stat	1.903641	Prob(F-statistic)	0.092166

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.238437	Probability	0.788478
Obs*R-squared	0.533633	Probability	0.765813

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/23/11 Time: 10:48
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STECH	0.034372	8.912089	0.003857	0.9969
SRETAIL	0.649110	11.09969	0.058480	0.9535
SPHARM	0.322969	11.36687	0.028413	0.9774
SOIL	0.044391	10.19941	0.004352	0.9965
SCONS	-0.825461	11.45502	-0.072061	0.9428
SBANKI	-0.376062	13.76781	-0.027315	0.9783
ASIA	0.496016	8.755800	0.056650	0.9550
US	-0.338933	6.630952	-0.051114	0.9594

LOG(SALES)	-0.499428	6.045591	-0.082610	0.9344
LOG(PROFITS)	0.642587	4.646508	0.138295	0.8904
LOG(ASSETS)	0.301691	4.724640	0.063855	0.9493
LOG(MVALUE)	-0.076736	6.255910	-0.012266	0.9902
RESID(-1)	-0.068891	0.134949	-0.510498	0.6113
RESID(-2)	-0.073810	0.134658	-0.548131	0.5853

R-squared	0.006205	Mean dependent var	0.419328
Adjusted R-squared	-0.173230	S.D. dependent var	21.71957
S.E. of regression	23.52572	Akaike info criterion	9.301966
Sum squared resid	39849.07	Schwarz criterion	9.701510
Log likelihood	-385.9845	Durbin-Watson stat	1.910471

Ramsey RESET Test:

F-statistic	1.647288	Probability	0.199746
Log likelihood ratio	3.847810	Probability	0.146036

Test Equation:
Dependent Variable: GRANK
Method: Least Squares
Date: 08/23/11 Time: 10:49
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STECH	-117.6707	68.86190	-1.708792	0.0918
SRETAIL	6.516811	11.42698	0.570300	0.5702
SPHARM	-132.6135	78.02721	-1.699581	0.0935
SOIL	33.20829	17.87309	1.858005	0.0673
SCONS	-54.24961	32.10925	-1.689532	0.0954
SBANKI	-42.84713	28.02263	-1.529019	0.1306
ASIA	-20.31324	14.58633	-1.392622	0.1680
US	-51.99527	29.26900	-1.776462	0.0799
LOG(SALES)	11.41431	8.192969	1.393184	0.1679
LOG(PROFITS)	-6.778372	6.330738	-1.070708	0.2879
LOG(ASSETS)	-15.52395	9.784393	-1.586603	0.1170
LOG(MVALUE)	50.35567	29.28336	1.719600	0.0898
FITTED^2	-0.035356	0.038967	-0.907323	0.3673
FITTED^3	0.000167	0.000265	0.630746	0.5302

R-squared	0.441928	Mean dependent var	50.77907
Adjusted R-squared	0.341165	S.D. dependent var	28.43627
S.E. of regression	23.08132	Akaike info criterion	9.263825
Sum squared resid	38357.82	Schwarz criterion	9.663370

Log likelihood	-384.3445	Durbin-Watson stat	2.029377

Appendix 4.2: Green Rank Model 2 for Table 4.3.

Dependent Variable: GRANK
Method: Least Squares
Date: 08/23/11 Time: 11:00
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(SALES)	13.31117	5.049569	2.636099	0.0100
LOG(PROFITS)	0.801804	4.612550	0.173831	0.8624
LOG(ASSETS)	-5.238303	2.542153	-2.060578	0.0425
LOG(MVALUE)	3.871302	5.855691	0.661118	0.5104

R-squared	0.054486	Mean dependent var	50.77907
Adjusted R-squared	0.019894	S.D. dependent var	28.43627
S.E. of regression	28.15199	Akaike info criterion	9.558508
Sum squared resid	64987.83	Schwarz criterion	9.672664
Log likelihood	-407.0159	Durbin-Watson stat	1.615976

White Heteroskedasticity Test:

F-statistic	1.469988	Probability	0.182078
Obs*R-squared	11.39424	Probability	0.180346

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 08/23/11 Time: 11:00
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2660.077	5966.381	-0.445844	0.6570
LOG(SALES)	-328.3491	2065.737	-0.158950	0.8741
(LOG(SALES))^2	-17.25548	224.3500	-0.076913	0.9389
LOG(PROFITS)	-131.0261	321.3722	-0.407708	0.6846
(LOG(PROFITS))^2	28.47898	108.3746	0.262783	0.7934
LOG(ASSETS)	1602.123	831.4596	1.926881	0.0577
(LOG(ASSETS))^2	-137.4951	71.00537	-1.936404	0.0565
LOG(MVALUE)	181.5338	1934.476	0.093841	0.9255

(LOG(MVALUE))^2	6.586041	221.1326	0.029783	0.9763

R-squared	0.132491	Mean dependent var	755.6725
Adjusted R-squared	0.042360	S.D. dependent var	840.9022
S.E. of regression	822.8990	Akaike info criterion	16.36230
Sum squared resid	52141529	Schwarz criterion	16.61915
Log likelihood	-694.5791	F-statistic	1.469988
Durbin-Watson stat	1.702837	Prob(F-statistic)	0.182078

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.958935	Probability	0.387662
Obs*R-squared	1.997756	Probability	0.368292

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/23/11 Time: 11:01
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(SALES)	1.404432	5.200425	0.270061	0.7878
LOG(PROFITS)	-1.242092	4.719818	-0.263165	0.7931
LOG(ASSETS)	-0.473983	2.564149	-0.184850	0.8538
LOG(MVALUE)	-0.348559	5.941662	-0.058664	0.9534
RESID(-1)	0.147351	0.119764	1.230347	0.2222
RESID(-2)	0.098404	0.117967	0.834164	0.4067

R-squared	0.023230	Mean dependent var	0.375627
Adjusted R-squared	-0.037818	S.D. dependent var	27.64815
S.E. of regression	28.16610	Akaike info criterion	9.581329
Sum squared resid	63466.33	Schwarz criterion	9.752563
Log likelihood	-405.9972	Durbin-Watson stat	1.869322

Ramsey RESET Test:

F-statistic	1.281398	Probability	0.283285
Log likelihood ratio	2.711797	Probability	0.257716

Test Equation:
Dependent Variable: GRANK
Method: Least Squares
Date: 08/23/11 Time: 11:02
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(SALES)	70.91511	38.40336	1.846586	0.0685
LOG(PROFITS)	10.16577	7.452296	1.364113	0.1764
LOG(ASSETS)	-31.30200	17.31236	-1.808072	0.0744
LOG(MVALUE)	13.57083	9.799109	1.384904	0.1699
FITTED^2	-0.113216	0.081287	-1.392799	0.1675
FITTED^3	0.000839	0.000658	1.274235	0.2063

R-squared	0.083835	Mean dependent var	50.77907
Adjusted R-squared	0.026575	S.D. dependent var	28.43627
S.E. of regression	28.05588	Akaike info criterion	9.573487
Sum squared resid	62970.57	Schwarz criterion	9.744721
Log likelihood	-405.6600	Durbin-Watson stat	1.718726

Appendix 4.3: Green Score Model 3 for Table 4.3.

Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 12:10
Sample: 1 93
Included observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STECH	26.29237	6.152067	4.273745	0.0001
SRETAIL	2.122895	7.616377	0.278728	0.7812
SPHARM	31.01335	7.555693	4.104633	0.0001
SOIL	-12.70038	7.004590	-1.813151	0.0739
SCONS	5.415772	8.016228	0.675601	0.5014
SBANKI	9.461501	9.429823	1.003359	0.3190
ASIA	-7.328994	6.235639	-1.175340	0.2437
EUROPE	-8.312570	4.300227	-1.933054	0.0571
LOG(SALES)	9.880704	4.264627	2.316898	0.0233
LOG(PROFITS)	-8.563946	3.122089	-2.743018	0.0077
LOG(ASSETS)	3.120610	3.251912	0.959623	0.3404
LOG(MVALUE)	4.047853	4.084692	0.990981	0.3250

R-squared	0.411833	Mean dependent var	66.00647
Adjusted R-squared	0.323205	S.D. dependent var	19.54967
S.E. of regression	16.08303	Akaike info criterion	8.523568
Sum squared resid	18882.46	Schwarz criterion	8.868413
Log likelihood	-350.2516	Durbin-Watson stat	1.969174

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.970854	Probability	0.146887
Obs*R-squared	4.427509	Probability	0.109290

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/23/11 Time: 12:20
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STECH	0.330371	6.100789	0.054152	0.9570
SRETAIL	-1.110961	7.613905	-0.145912	0.8844
SPHARM	-2.167498	7.628978	-0.284114	0.7772
SOIL	-1.110650	6.980480	-0.159108	0.8740
SCONS	0.427712	7.917297	0.054022	0.9571
SBANKI	0.165963	9.370858	0.017711	0.9859
ASIA	0.869981	6.190397	0.140537	0.8886
EUROPE	-1.117118	4.277944	-0.261134	0.7947
LOG(SALES)	1.448890	4.263560	0.339831	0.7350
LOG(PROFITS)	0.072924	3.090530	0.023596	0.9812
LOG(ASSETS)	-0.481898	3.221834	-0.149572	0.8815
LOG(MVALUE)	-0.713302	4.045309	-0.176328	0.8605
RESID(-1)	-0.142651	0.133518	-1.068406	0.2890
RESID(-2)	-0.253067	0.129682	-1.951435	0.0550

R-squared	0.052088	Mean dependent var	0.345258
Adjusted R-squared	-0.121473	S.D. dependent var	14.98902
S.E. of regression	15.87331	Akaike info criterion	8.516596
Sum squared resid	17889.30	Schwarz criterion	8.918915
Log likelihood	-347.9553	Durbin-Watson stat	1.830741

Ramsey RESET Test:

F-statistic	5.219819	Probability	0.007674
Log likelihood ratio	11.66049	Probability	0.002937

Test Equation:
Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 12:21
Sample: 1 93
Included observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.

STECH	84.71857	34.04508	2.488423	0.0152
SRETAIL	1.618928	7.929663	0.204161	0.8388
SPHARM	98.90357	40.68422	2.431006	0.0176
SOIL	-28.49254	16.73312	-1.702763	0.0930
SCONS	18.39439	11.82514	1.555532	0.1243
SBANKI	27.75499	17.02859	1.629906	0.1076
ASIA	-24.48566	10.69651	-2.289127	0.0250
EUROPE	-30.32277	12.20678	-2.484093	0.0153
LOG(SALES)	23.97893	11.73010	2.044222	0.0446
LOG(PROFITS)	-22.50816	9.319069	-2.415280	0.0183
LOG(ASSETS)	10.13098	4.687629	2.161216	0.0341
LOG(MVALUE)	3.232448	4.509263	0.716846	0.4758
FITTED^2	-0.017238	0.025235	-0.683113	0.4968
FITTED^3	9.58E-06	0.000160	0.059875	0.9524

R-squared	0.487229	Mean dependent var	66.00647
Adjusted R-squared	0.393342	S.D. dependent var	19.54967
S.E. of regression	15.22690	Akaike info criterion	8.433444
Sum squared resid	16461.95	Schwarz criterion	8.835763
Log likelihood	-344.4214	Durbin-Watson stat	1.937115

Appendix 4.4: Green Score Model 4 for Table 4.3.

Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 12:33
Sample: 1 93
Included observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GIMPACT	0.341023	0.042645	7.996810	0.0000
GPOLICY	0.617121	0.056404	10.94112	0.0000
GREP	0.116427	0.056890	2.046538	0.0445
STECH	5.711434	3.080184	1.854251	0.0679
SRETAIL	4.266657	3.471933	1.228900	0.2232
SPHARM	10.67394	3.528305	3.025231	0.0035
SOIL	11.07038	3.660876	3.023970	0.0035
SCONS	9.918268	3.538001	2.803353	0.0065
SBANKI	5.402423	4.309362	1.253648	0.2141
ASIA	-2.320365	2.863424	-0.810346	0.4205
EUROPE	-3.844066	1.955411	-1.965861	0.0533
LOG(SALES)	4.165223	2.013118	2.069041	0.0422
LOG(PROFITS)	-2.542925	1.410209	-1.803225	0.0757
LOG(ASSETS)	-1.691261	1.504281	-1.124298	0.2647

LOG(MVALUE)	-0.604156	1.825437	-0.330965	0.7417

R-squared	0.891875	Mean dependent var	66.00647
Adjusted R-squared	0.870251	S.D. dependent var	19.54967
S.E. of regression	7.041939	Akaike info criterion	6.900429
Sum squared resid	3471.223	Schwarz criterion	7.331485
Log likelihood	-278.2682	Durbin-Watson stat	1.274502

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.108564	Probability	0.897276
Obs*R-squared	0.270380	Probability	0.873550

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/23/11 Time: 13:14
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GIMPACT	0.001746	0.044357	0.039355	0.9687
GPOLICY	-0.002312	0.057413	-0.040262	0.9680
GREP	-0.001653	0.057822	-0.028586	0.9773
STECH	-0.007051	3.131637	-0.002251	0.9982
SRETAIL	-0.061301	3.526875	-0.017381	0.9862
SPHARM	-0.418245	3.691770	-0.113291	0.9101
SOIL	-0.106986	3.717783	-0.028777	0.9771
SCONS	0.130158	3.617315	0.035982	0.9714
SBANKI	0.035595	4.366461	0.008152	0.9935
ASIA	0.048830	2.903240	0.016819	0.9866
EUROPE	-0.037112	1.994976	-0.018603	0.9852
LOG(SALES)	0.130490	2.057355	0.063426	0.9496
LOG(PROFITS)	0.053703	1.433818	0.037455	0.9702
LOG(ASSETS)	-0.035387	1.549232	-0.022842	0.9818
LOG(MVALUE)	-0.063707	1.877344	-0.033935	0.9730
RESID(-1)	-0.023621	0.168255	-0.140386	0.8888
RESID(-2)	-0.062515	0.134058	-0.466324	0.6425

R-squared	0.003181	Mean dependent var	0.008962
Adjusted R-squared	-0.231365	S.D. dependent var	6.428375
S.E. of regression	7.133367	Akaike info criterion	6.944300
Sum squared resid	3460.174	Schwarz criterion	7.432830
Log likelihood	-278.1328	Durbin-Watson stat	1.250463

White Heteroskedasticity Test:

F-statistic	1.984587	Probability	0.018330
Obs*R-squared	35.12347	Probability	0.037609

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 08/23/11 Time: 13:14
Sample: 1 93
Included observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	43.02191	1059.929	0.040589	0.9678
GIMPACT	-6.682956	2.595071	-2.575249	0.0124
GIMPACT^2	0.048816	0.025190	1.937964	0.0572
GPOLICY	1.703358	5.315323	0.320462	0.7497
GPOLICY^2	-0.018681	0.042495	-0.439601	0.6618
GREP	0.858213	4.170374	0.205788	0.8376
GREP^2	0.009674	0.032271	0.299768	0.7654
STECH	-39.44450	64.81966	-0.608527	0.5451
SRETAIL	1.078448	71.06977	0.015174	0.9879
SPHARM	-53.93715	73.61056	-0.732737	0.4665
SOIL	-124.8422	73.49208	-1.698716	0.0944
SCONS	-79.24282	71.13596	-1.113963	0.2696
SBANKI	-22.42772	82.46052	-0.271981	0.7865
ASIA	52.99831	53.35039	0.993400	0.3244
EUROPE	14.64990	43.60323	0.335982	0.7380
LOG(SALES)	-83.99610	342.0115	-0.245594	0.8068
(LOG(SALES))^2	1.969303	37.38449	0.052677	0.9582
LOG(PROFITS)	-29.19449	54.69635	-0.533756	0.5954
(LOG(PROFITS))^2	28.45443	18.80659	1.513003	0.1354
LOG(ASSETS)	64.02105	164.3297	0.389589	0.6982
(LOG(ASSETS))^2	-5.409929	13.72373	-0.394202	0.6948
LOG(MVALUE)	121.4910	315.6933	0.384839	0.7017
(LOG(MVALUE))^2	-18.42741	36.56102	-0.504018	0.6160

R-squared	0.413217	Mean dependent var	40.83792
Adjusted R-squared	0.205004	S.D. dependent var	141.9978
S.E. of regression	126.6088	Akaike info criterion	12.74574
Sum squared resid	993847.2	Schwarz criterion	13.40669
Log likelihood	-518.6940	F-statistic	1.984587
Durbin-Watson stat	0.548693	Prob(F-statistic)	0.018330

Ramsey RESET Test:

F-statistic	2.536931	Probability	0.086575

Log likelihood ratio	6.116858	Probability	0.046961

Test Equation:
Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 13:14
Sample: 1 93
Included observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GIMPACT	0.297088	0.184112	1.613629	0.1112
GPOLICY	0.572447	0.325043	1.761141	0.0827
GREP	0.117026	0.087376	1.339338	0.1849
STECH	6.650295	4.471414	1.487291	0.1416
SRETAIL	3.249853	3.955487	0.821606	0.4142
SPHARM	10.70521	7.165339	1.494027	0.1398
SOIL	11.43771	7.446494	1.535986	0.1292
SCONS	8.629337	6.662132	1.295282	0.1996
SBANKI	5.359388	5.126026	1.045525	0.2995
ASIA	-1.829622	3.021145	-0.605605	0.5468
EUROPE	-3.748290	3.404161	-1.101091	0.2747
LOG(SALES)	3.133522	2.437938	1.285316	0.2030
LOG(PROFITS)	-1.854719	1.568508	-1.182473	0.2411
LOG(ASSETS)	-1.354669	1.636299	-0.827886	0.4106
LOG(MVALUE)	-1.351413	2.614271	-0.516937	0.6069
FITTED^2	0.006147	0.009603	0.640107	0.5243
FITTED^3	-5.43E-05	5.43E-05	-0.999403	0.3211

R-squared	0.899383	Mean dependent var	66.00647
Adjusted R-squared	0.875708	S.D. dependent var	19.54967
S.E. of regression	6.892237	Akaike info criterion	6.875525
Sum squared resid	3230.200	Schwarz criterion	7.364055
Log likelihood	-275.2098	Durbin-Watson stat	1.352964

Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 13:34
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	60.86349	25.17386	2.417726	0.0179

LOG(SALES)	-3.684266	4.284299	-0.859946	0.3924
LOG(PROFITS)	-5.495888	4.021882	-1.366496	0.1756
LOG(ASSETS)	3.459313	1.756630	1.969289	0.0523
LOG(MVALUE)	2.921001	5.556820	0.525661	0.6006

R-squared	0.074118	Mean dependent var	65.74535
Adjusted R-squared	0.028396	S.D. dependent var	19.58461
S.E. of regression	19.30455	Akaike info criterion	8.814940
Sum squared resid	30185.92	Schwarz criterion	8.957634
Log likelihood	-374.0424	F-statistic	1.621043
Durbin-Watson stat	1.588445	Prob(F-statistic)	0.176910

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.239415	Probability	0.787657
Obs*R-squared	0.518118	Probability	0.771778

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/23/11 Time: 13:47
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.532779	26.29562	0.210407	0.8339
LOG(SALES)	-1.188806	4.590129	-0.258992	0.7963
LOG(PROFITS)	0.911996	4.157360	0.219369	0.8269
LOG(ASSETS)	0.176721	1.781923	0.099174	0.9213
LOG(MVALUE)	-0.638459	5.646081	-0.113080	0.9103
RESID(-1)	0.105259	0.125287	0.840147	0.4034
RESID(-2)	0.064632	0.120624	0.535813	0.5936

R-squared	0.006025	Mean dependent var	-8.62E-15
Adjusted R-squared	-0.069467	S.D. dependent var	18.84485
S.E. of regression	19.48841	Akaike info criterion	8.855409
Sum squared resid	30004.06	Schwarz criterion	9.055181
Log likelihood	-373.7826	F-statistic	0.079805
Durbin-Watson stat	1.749254	Prob(F-statistic)	0.997966

White Heteroskedasticity Test:

F-statistic	1.653900	Probability	0.123556
Obs*R-squared	12.61075	Probability	0.125963

Test Equation:

Dependent Variable: RESID^2
Method: Least Squares
Date: 08/23/11 Time: 13:48
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2665.276	4209.550	-0.633150	0.5285
LOG(SALES)	567.0296	1457.470	0.389051	0.6983
(LOG(SALES))^2	-99.47503	158.2890	-0.628439	0.5316
LOG(PROFITS)	-161.8828	226.7425	-0.713950	0.4774
(LOG(PROFITS))^2	94.29329	76.46311	1.233187	0.2213
LOG(ASSETS)	1042.880	586.6321	1.777741	0.0794
(LOG(ASSETS))^2	-93.27178	50.09748	-1.861806	0.0664
LOG(MVALUE)	-156.9985	1364.860	-0.115029	0.9087
(LOG(MVALUE))^2	17.03439	156.0190	0.109182	0.9133

R-squared	0.146637	Mean dependent var	350.9991
Adjusted R-squared	0.057975	S.D. dependent var	598.1913
S.E. of regression	580.5922	Akaike info criterion	15.66473
Sum squared resid	25955721	Schwarz criterion	15.92159
Log likelihood	-664.5836	F-statistic	1.653900
Durbin-Watson stat	1.104519	Prob(F-statistic)	0.123556

Ramsey RESET Test:

F-statistic	1.699734	Probability	0.189346
Log likelihood ratio	3.623277	Probability	0.163386

Test Equation:
Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 13:48
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-686.4959	4826.485	-0.142235	0.8873
LOG(SALES)	52.50590	463.3297	0.113323	0.9101
LOG(PROFITS)	76.05110	692.8061	0.109773	0.9129
LOG(ASSETS)	-47.94727	436.5953	-0.109821	0.9128
LOG(MVALUE)	-39.76077	368.5881	-0.107873	0.9144
FITTED^2	0.329152	1.857106	0.177239	0.8598
FITTED^3	-0.002144	0.009077	-0.236259	0.8138

R-squared	0.112316	Mean dependent var	65.74535
Adjusted R-squared	0.044897	S.D. dependent var	19.58461
S.E. of regression	19.13992	Akaike info criterion	8.819320
Sum squared resid	28940.57	Schwarz criterion	9.019093
Log likelihood	-372.2308	F-statistic	1.665945
Durbin-Watson stat	1.630672	Prob(F-statistic)	0.140373

Appendix 4.5: Green Representative Survey fc

Dependent Variable: GREP
Method: Least Squares
Date: 08/23/11 Time: 15:00
Sample: 1 93
Included observations: 92

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	56.29620	5.752681	9.786081	0.0000
STECH	0.329818	5.800835	0.056857	0.9548
SRETAIL	-12.74754	6.729330	-1.894325	0.0618
SPHARM	5.320799	7.280753	0.730803	0.4671
SOIL	-40.22597	7.020216	-5.730018	0.0000
SCONS	6.326179	6.982124	0.906054	0.3677
SBANKI	-18.89433	7.420025	-2.546397	0.0128
ASIA	-14.06442	5.562939	-2.528236	0.0135
EUROPE	3.763845	4.384677	0.858409	0.3933
SALES	0.104607	0.033559	3.117123	0.0025
PROFITS	-0.012497	0.400609	-0.031195	0.9752
ASSETS	0.002857	0.003954	0.722504	0.4721
MVALUE	-0.006453	0.051616	-0.125024	0.9008

R-squared	0.443215	Mean dependent var	57.84065
Adjusted R-squared	0.358640	S.D. dependent var	19.61976
S.E. of regression	15.71248	Akaike info criterion	8.477055
Sum squared resid	19503.68	Schwarz criterion	8.833395
Log likelihood	-376.9445	F-statistic	5.240492
Durbin-Watson stat	2.129578	Prob(F-statistic)	0.000002

LEMBAR
HASIL PENILAIAN SEJAWAT SEBIDANG ATAU *PEER REVIEW*
KARYA ILMIAH : PUBLIKASI PERPUSTAKAAN

Judul Penelitian : Foreign Direct Investment and Global Corporate Social Leadership

Jumlah Penulis : 2 Orang

Status Pengusul : Penulis Ke 2

Identitas Buku : a. Registrasi Perpustakaan : LP-EKO-178
b. Tahun terbit : 2011
c. Jumlah halaman :

Kategori Publikasi Karya Ilmiah Buku (beri √ pada kategori yang tepat) : [√] Publikasi Perpustakaan

Hasil Penilaian *Peer Review* :

No.	Komponen Yang Dinilai	Nilai Maksimal Penelitian Tidak Dipublikasikan .....1)	Nilai Akhir Yang Diperoleh .....2)
a.	Kelengkapan unsur isi karya ilmiah (20%)	**0,4**	0,4 x 0,2=0,08
b.	Ruang lingkup dan kedalaman pembahasan (30%)	**0,6**	0,4 x 0,5=0,2
c.	Kecukupan dan kemutahiran data/informasi dan metodologi (30%)	**0,6**	0,4 x 0,6=0,24
d.	Kelengkapan unsur dan kualitas penerbit (20%)	**0,4**	0,4 x 0,4=0,16
	Total = (100%)	**2**	0,68

Catatan Penilaian oleh Reviewer:
Tulisan internal teregistrasi di perpustakaan. Kualitas tulisan cukup. Referensi up-to-date. Kajian meliputi tingkat makro dan tingkat mikro dari kontribusi penanaman modal asing.

Surabaya, 13 Mei 2016

Reviewer 1

Prof. Dr. R. Wilopo, Ak., CA, CFE

NIP / NPK ...(3) : 36940141

Unit Kerja ...(4) : STIE PERBANAS Surabaya

LEMBAR
HASIL PENILAIAN SEJAWAT SEBIDANG ATAU *PEER REVIEW*
KARYA ILMIAH : PUBLIKASI PERPUSTAKAAN

Judul Penelitian : Foreign Direct Investment and Global Corporate Social Leadership

Jumlah Penulis : 2 Orang

Status Pengusul : Penulis Ke 2

Identitas Buku :
a. Registrasi Perpustakaan : LP-EKO-178
b. Tahun terbit : 2011
c. Jumlah halaman :

Kategori Publikasi Karya Ilmiah Buku (beri √ pada kategori yang tepat) : [√] Publikasi Perpustakaan

Hasil Penilaian *Peer Review* :

No.	Komponen Yang Dinilai	Nilai Maksimal Penelitian Tidak Dipublikasikan .....1)	Nilai Akhir Yang Diperoleh .....2)
a.	Kelengkapan unsur isi karya ilmiah (20%)	**0,4**	0,4 x 0,3=0,12
b.	Ruang lingkup dan kedalaman pembahasan (30%)	**0,6**	0,4 x 0,5=0,2
c.	Kecukupan dan kemutahiran data/informasi dan metodologi (30%)	**0,6**	0,4 x 0,6=0,24
d.	Kelengkapan unsur dan kualitas penerbit (20%)	**0,4**	0,4 x 0,3=0,12
	Total = (100%)	**2**	0,68

Catatan Penilaian oleh Reviewer:
Hasil cek softfile: laporan penelitian yang disimpan di perpustakaan internal dan memiliki nomor registrasi. Telah dilakukan cek similarity. Kualitas tulisan cukup.

Surabaya, 14 Juni 2016

Reviewer 2

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Foreign Direct Investment and Global Corporate Social Leadership

by 20 Suyanto

Submission date: 28-Mar-2018 03:11PM (UTC+0700)
Submission ID: 937479091
File name: lll.3.1_asli.docx (339.2K)
Word count: 34407
Character count: 205418

LAPORAN PENELITIAN MADYA

FOREIGN DIRECT INVESTMENT AND GLOBAL CORPORATE SOCIAL LEADERSHIP

Peneliti:
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Jurusan Ilmu Ekonomi
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Agustus 2011

HALAMAN PENGESAHAN LAPORAN PENELITIAN

1. a. Judul Penelitian : Foreign Direct Investment and Global Corporate Social Leadership
   b. Bidang Ilmu : Ekonomi
   c. Kategori Penelitian : Pemecahan Masalah Pembangunan

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5. Lama Penelitian : 4 Bulan

6. Anggaran Penelitian dari SPP Jurusan Ilmu Ekonomi Tahun Akademik 2010/2011
   Kode 2309 : Rp 12.500.000,00 (dua belas juta lima ratus ribu rupiah)

Surabaya, Agustus 2011

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ABSTRACT

The contribution of Foreign Direct Investment (FDI) on host countries welfare has long been a subject of debate. This present study investigates the contribution of FDI from four important issues. The first issue is the contribution on economic growth, the effect on pollution, and the impact on social security of host countries. The macroeconomic perspective is examined in this first issue, in order to probe into the FDI-Growth hypothesis. The pollution issue is relevant to the hypothesis of Pollution Haven, and the social security issue is highlighted to evaluate the life quality of labours. The second important issue relates to Corporate Social Responsibility (CSR). The presence of Multinational Companies (MNCs) in host countries is argued positively associated with CSR management. MNCs tend to provide high-quality standard of CSR to society. This second issue serves as a complement to the first issue, by collecting the puzzle of related literature. The third issue is on stakeholder partnership. The green technology becomes the center of analysis, by implementing the pareto efficiency model on environmental issue. The fourth issue focuses on FDI and community development. A case study of game interaction between Kaltim Prima Coal (KPC) and the Dayak Basab community is surveyed, to provide qualitative analysis on the issue.

Chapter 1 of this study discusses the subject matter, by presenting the background, the research objectives, empirical approach, and theoretical foundation. Chapter 2 examines the FDI-Growth Hypothesis under Turckan's model, investigates the pollution haven hypothesis using Akbostanci's model, and estimates social security model to test the preposition of "unfair competitive advantage" of Sharna. Chapter 3 evaluates the relationship between FDI and CSR initiatives. By surveying related literature, the FDI initiation to conducting CSR is discussed for probe in sight into the CSR issue. Chapter 4 analyzes stakeholder partnership for FDI, focusing on environmental issue. In this chapter, 93 MNCs are investigated and four "go green" models are developed to test the partnership issue. The analysis in this chapter is performed on firm-level, which complement the country-level analysis in Chapter 2. The final chapter is a case study analysis, conducting under qualitative frameworks of game strategy.

The empirical results of the macroeconomic analysis in Chapter 2 show that FDI fosters growth and prompts environment quality. However, it is found that there is no significant effect of FDI on social security policy in host countries. These findings indicate that FDI provides positive advantages to host countries in the forms of an increase in GDP growth and a rise in environmental quality, but it has no significant effect on social security policies of host countries.

The literature surveys in Chapter 3 find that there is a positive relationship between FDI and CSR initiatives. Focusing on developing countries in Asia, Europe, the US, and Africa, this chapter argues that FDI has positive association with CSR management structure. This finding is in line with results in Chapter 2, although the focus of analysis in this chapter under different paradigm.

The firm-level study on MNCs in Chapter 4 provides empirical evidence that the environmental friendly policy highly positive correlated with green rank of the companies. Companies that promote "go green" policies have higher green rank and

green scores. The findings imply that MNCs tend to improve their concerns on environmental-friendly policies in order to increase their green ranks or green scores.

The case study analysis in Chapter 5 serves as a complement for the empirical analyses in Chapter 2 and Chapter 4. While Chapters 2 and 4 provide quantitative justification for the benefit of FDI, Chapter 5 offers qualitative validation on whether the MNC under study provides benefit, in the form of development program, on the local community. The findings in this chapter justifies the theoretical argument of Neumann-Morgenstern on that the equilibrium solution of a zero-sum game. The game strategies between Kaltim Prima Coal (KPC) as an MNC and the Dayak Basab as a local community resulted in a win for KPC, but a lost for Dayak Basab. According to the dynamic sequence of the players, where the KPC acts as a leader and Dayak Basab acts as a follower, to solution refers to the Trust Game of David Kreps. Hence, the case study provides results supporting a win-lost solution.

The findings from Chapter 2 to Chapter 5 re-assure the argument that evident from macro-level analysis (either countries-level or firm-level) might be different with findings from micro-level analysis (case study). The macro-level analyses have an advantage on the availability of data, as the subject of observation could be many countries or many firms. The case-study analysis has an advantage of providing specific case to answers the question of "how". Hence, complementing empirical analysis with case study provides a comprehensive analysis on the benefits of FDI on host countries.

ABSTRAKSI

Kontribusi Penanaman Modal Asing (PMA) terhadap kesejahteraan negara tujuan telah lama menjadi topik perdebatan yang hangat. Penelitian ini mencoba menginvestigasi kontribusi FDI dari empat topik penting. Topik pertama adalah kontribusi PMA terhadap pertumbuhan ekonomi, peningkatan polusi, dan dampak terhadap jaminan sosial di negara tujuan. Analisis dari perspektif makroekonomi terhadap PMA dan pertumbuhan ekonomi dilakukan untuk membuktikan hipotesis FDI-Growth, yang telah menjadi perdebatan panjang dalam literatur. Analisis terhadap polusi dilakukan untuk menguji hipotesis Pollution Haven. Sementara, analisis terhadap jaminan sosial dilakukan untuk mengkaji dampak PMA terhadap kualitas hidup pekerja. Topik kedua berhubungan dengan tanggung jawab sosial perusahaan (Corporate Social Responsibility – CSR). Keberadaan perusahaan multinasional dianggap mempengaruhi secara positif pelaksanaan CSR di negara tujuan. Dengan menyatukan 'serpihan puzzle' dalam literatur terkait, topik kedua ini dikaji dengan survei pustaka. Topik ketiga membahas tentang hubungan perusahaan multinasional dengan stakeholders, dengan mengambil fokus pada isu lingkungan. Green technology menjadi pusat analisis, dengan mengaplikasikan model Pareto efficiency. Topik keempat merupakan studi kasus terhadap interaksi antara Kaltim Prima Coal (KPC) dan komunitas Dayak Basab. Dengan menggunakan Game Theory sebagai dasar analisis, analisis kualitatif dilakukan melalui Focus Group Discussion (FGD) dan interview langsung dengan direktur KPC dan para tetua komunitas Dayak Basab.

Bab 1 penelitian ini memberikan gambaran dasar tentang permasalahan yang diteliti, mencakup latar belakang masalah, tujuan penelitian, pendekatan empiris yang dipergunakan untuk menyelesaikan permasalahan, dan landasan teoritis yang dipergunakan. Bab 2 mengkaji tentang hipotesis FDI-Growth dengan model Turckan, menguji hipotesis Pollution-Haven berdasarkan model Akbostanci, dan mengestimasi model jaminan sosial berdasarkan preposisi "unfair competitive advantage" yang dikemukakan oleh Sharna. Bab 3 mengevaluasi hubungan antara PMA dan CSR. Dengan survei pustaka, inisiasi CSR oleh PMA menjadi fokus analisis mendalam. Bab 4 menganalisis stakeholder partnership oleh PMA, dengan mengembangkan isu tentang lingkungan. Pada Bab 4 ini, 93 perusahaan multinasional diinvestigasi dan empat model "Go Green" dikonstruksi untuk mengkaji isu partnership. Analisis pada bab ini dilakukan pada tataran perusahaan, yang menjadi pelengkap bagi analisis tataran negara di Bab 2. Bab terakhir merupakan studi kasus yang dijalankan dengan rerangka analisis kualitatif menggunakan Game Strategy.

Hasil empiris dari analisis makroekonomi pada Bab 2 memperlihatkan bahwa PMA mendorong pertumbuhan ekonomi dan meningkatkan kualitas lingkungan di negara tujuan. Namun, kajian empiris menemukan bahwa tidak ada pengaruh signifikan dari PMA terhadap jaminan sosial pekerja, dalam bentuk jaminan kesehatan. Penemuan ini mengindikasikan bahwa PMA memberikan dampak positif signifikan bagi negara tujuan dalam bentuk pertumbuhan GDP dan peningkatan kualitas lingkungan, tetapi PMA tidak memberikan dampak signifikan terhadap kebijakan jaminan sosial.

Dari survei pustaka pada Bab 3, ditemukan bahwa terdapat hubungan positif antara PMA dan inisiasi CSR. Dengan mengkaji negara berkembang di Asia, Eropa, Amerika Serikat, dan Afrika, dapat dinyatakan bahwa PMA memiliki asosiasi positif

dengan struktur manajemen CSR perusahaan. Temuan ini sejalan dengan hasil empiris dalam Bab 2, meskipun fokus analisis berbeda.

Analisis tataran perusahaan (firm-level analysis) di Bab 4 memberikan bukti empiris bahwa kebijakan yang ramah lingkungan memiliki hubungan positif dengan ranking hijau (green rank) dari perusahaan multinasional. Perusahaan dengan kebijakan peduli lingkungan memiliki ranking hijau (green rank) dan nilai hijau (green scores) yang relatif lebih tinggi dibandingkan perusahaan yang tidak peduli lingkungan. Temuan ini mengimplikasikan bahwa perusahaan multinasional cenderung meningkatkn kepeduliannya terhadap lingkungan dengan berbagai kebijakan ramah lingkungan untuk memperoleh ranking atau nilai hijau (green rank or green scores) yang tinggi.

Studi kasus pada Bab 5 merupakan komplemen terhadap kajian empiris pada Bab 2 dan Bab 4. Justifikasi kuantitatif dilakukan pada Bab 2 dan Bab 4, sementara validasi kualitatif dilakukan pada Bab 5. Validasi kualitatif pada bab ini dilakukan dengan memfokuskan pada program pengembangan (development program) yang dilakukan oleh KPC bagi komunitas Dayak Basab. Temuan pada Bab ini memperkuat argumen teoretical Neumann-Morgenstern, bahwa selalu terdapat ekuilibrium zero-sum game dalam sebuah proses tawar-menawar. Strategi permainan (Game Strategies) dipergunakan untuk menganalisis studi kasus ini. Hasil analisis memperlihatkan bahwa KPC mendapatkan posisi tawar-menawar yang kuat sebagai leader, sementara Dayak Basab mendapatkan posisi tawar yang lemah, sebagai follower. Berdasarkan dynamic sequence yang dikemukakan oleh David Kreps, KPC diuntungkan dan Dayak Basab dirugikan. Sehingga, studi kasus ini memperlihatkan win-lost solution. Dengan demikian, keberadaan perusahaan multinasional tidak memberikan kesejahteraan bagi komunitas lokal.

Temuan dari Bab 2 sampai Bab 5 memperkuat argument bahwa hasil penelitian dengan analisis tataran makro (macro-level analysis), baik tingkat negara maupun lingkat perusahaan, mungkin memberikan hasil yang berbeda dengan analisis tataran mikro (micro-level analysis), seperti studi kasus. Keunggulan dari analisis tataran makro adalah ketersediaan data, sehingga analisis dapat dilakukan dengan jumlah observasi yang besar dan dapat mewakili keseluruhan populasi. Keunggulan dari analisis tataran mikro adalah kemampuannya untuk menjawab hal spesifik, seperti bagaimana proses benefit yang diberikan oleh PMA kepada komunitas lokal. Sehingga, penggabungan analisis empiris dengan data kuantitif dan analisis studi kasus dengan data kualitatif menyajikan hasil analisis yang komprehensif terhadap manfaat PMA bagi negara tujuan.

PRAKATA

Telaah komprehensif tentang dampak Penanaman Modal Asing (PMA) terhadap kesejahteraan negara tujuan masih langka ditemukan dalam literatur. Kajian yang ada umumnya menelaah hanya pada tingkatan makro (level negara) dan mengabaikan kebenaran mikro yang terjadi pada level perusahaan atau individu. Di lain pihak, sebagian literatur menelaah pada level mikro melalui survei dan interview kepada subyek penelitian, namun melupakan rekomendasi tingkat makro untuk tataran kepentingan yang lebih besar.

Sebuah studi yang komprehensif, yang mencakup analisis tingkatan makro dan analisis tingkatan mikro, sangat diperlukan untuk memberikan kajian yang lebih komprehensif dan holistik terhadap subyek permasalahan. Penelitian ini menawarkan kelebihan tersebut. Dengan melakukan investigasi level makro (tingkat negara), level mezo (tingkat perusahaan), dan analisis tingkat mikro (studi kasus satu perusahaan), penelitian ini mencoba melihat dari berbagai sisi tentang kontribusi PMA terhadap perekonomian, lingkungan, pekerja, dan komunitas. Harapannya, studi komprehensif ini dapat memberikan kontribusi terhadap celah yang belum diisi oleh penelitian sebelumnya.

Penelitian ini tidak terlepas dari bantuan berbagai pihak. Penulis mengucapkan terima kasih kepada Jurusan Ilmu Ekonomi Ubaya yang telah mensponsori dana penelitian. Ungkapan terima kasih juga penulis sampaikan kepada reviewers dan rekan sejawat di jurusan Ilmu Ekonomi, yang telah memberikan masukan dan komentar untuk penyempurnaan penelitian ini. Masih banyak pihak yang membantu penulis dalam hal administrasi dan teknis, dan penulis mengucapkan banyak terima kasih.

Tahapan lebih lanjut setelah penelitian ini selesai adalah men-diseminasi-kan dan mempublikasikan penelitian ini sebagai kontribusi pada keilmuan dan berbagi pengetahui kepada penelitian yang mendalami hal serupa. Rencananya hasil penelitian ini akan di-sharing-kan di konferensi nasional dan Internasional untuk mendapatkan masukan lebih lanjut. Sehingga, suatu saat kemungkinan penelitian ini dapat diterbitkan di jurnal terakreditasi nasional atau jurnal internasional.

Surabaya, 13 Agustus 2011

Penulis

DAFTAR ISI

DAFTAR TABEL

DAFTAR GAMBAR

DAFTAR LAMPIRAN

CHAPTER 1: INTRODUCTION

1.1. BACKGROUND

Demand for Corporate Social Responsibility (CSR) activities has just soared. Beyond the corporate world, CSR is providing fertile ground for think-tanks and consultancies. Governments are taking an even keener interest. In 2006, Britain Companies Act introduced a requirement for public companies to report on social and environmental matters. The United Nations promotes corporate social responsibility around the world with the Global Compact. Business school also adds course and specialized departments to respond the demand.

1.2. PURPOSE OF STUDY

This current paper addresses the initiatives of global corporate social responsibility. The issue is important since it deals with fostering the economic development of societies, promoting environmental movement, and engaging social transformation. It also investigates a conflict of interest among three bottom-line players in developing countries, i.e. local communities, government and foreign direct investment.

1.3. RESEARCH OBJECTIVES

The main objective of this research is to answers the following research questions:

1. To what extend that the interest of foreign direct investment is associated with the initiative to foster local economic growth, to nurture environmental movement, and to promote social protection policy?
2. Whether the FDI's initiative could be associated with the CSR management structure that the company has in place, employment and environmental practices, supply chain policies and systems, level of corporate philanthropy that the company engages in, and new business opportunities arise from policies toward CSR?
3. What factors that encourage FDI to initiate partnership with local development initiators such as local governments, volunteers, donors, or employees? How MNCs persuades local people to be more supportive?
4. How partnership or alliances among communities, non-profit organizations, and corporations can be configured to be a win-win situation for all parties?

1.4. EMPIRICAL APPROACH

The study reviews corporate social responsibility programs conducted by 500 largest companies according to The Fortune Global 500. In a context of global perspective, the current study reviews CSR reports of giant MNCs based on the definition of The Fortune Global 500. The data are obtained from CSR report of the observed companies published annually. For companies that not publishing this information, a questionnaire will be send to the CSR workers in relation to an issue of the interest of MNCs in fostering local economic growth, nurturing environmental movement, and promoting social protection policy. There will be a model for addressing the

research objectives, which include linear regression, analysis of variance, and logit and probit models.

After addressing the first objective, the current study investigates the potential channels behind such initiative in social corporate responsibility. It thereby tests a dispute between market failure theory and transformational leadership theory, which question whether that power struggles inside conglomerates are at the root of the market inefficiencies or development policy initiative. The main contribution of the researches lies in the ability of data to empirically document such effects of power and connections on the initiative of social corporate responsibility.

To run up against the partnership issues, the case study will adopt game theory approach in which the partnership coordination will be assessed to identify the payoffs to the players which could be the impact of relationship, efficiency, and profitability. Although Nash equilibrium does not always entail strategies that are preferred by the player as a group, the work of Neuman and Morgenstern reveals that there is an equilibrium solution to any zero-sum game. Moreover, cooperative game theory will be preferred for the study of triple bottom line (corporate– government–community relationship) in which parties negotiate and jointly agree on the term of their relationship. This research will consider contract as an integral part of strategic attention.

1.5. THEORETICAL FOUNDATION

1.5.1. DEFINITION

A. Foreign Direct Investment

Foreign direct investment is considered as the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors (World Bank, 2010).

Direct investment represents on an asset or liability which associated with a category of cross-border investment made by a resident entity in one economy (the investor) aims to earn profit resulting from acquisition and sales of shares and other security (OECD, 2008). This includes Special Purpose Entities, Special Purpose Vehicles, brass plate companies, holding companies, and other similar entities that have minimal (or no) physical presence in the economy of their legal domicile (Joisce and Patterson, 2006).

B. Multi National Corporation

A multinational corporation or enterprise is a corporation or enterprise that manages production or services in more than one country (Pitelis, 2000). The research define MNC broadly as any corporation with operations in more than one country. It needs to be pointed out that by MNCs we do not just mean Western or Japanese MNCs, but also a growing number of MNCs from emerging economies in Asia, Africa, and Latin America. According to Fortune Magazine, amongst the 500 top global companies in 2007, seventy are from emerging economies, compared to 47 in 2005 (Zang, 2008). Moreover, Rugman (2004) considers that a multinational corporation as a global corporation if it has 30% of production or export to other

regions and considers that most business activity by large firms takes place within regional blocks, namely North America, the EU, and Asia-Pacific.

Moosa (2002) distinguishes between the terms 'international', and 'multinational business'. Multinational firm has evolved from changes in the nature of international business operations, while international business firm refers to the cross-border activity of importing and exporting. Therefore the firms become multinational when they undertake FDI.

C. Adjustment National Income

Adjusted net national income is Gross National Income (GNI) minus consumption of fixed capital and natural resources depletion. GNI comprises value of all products and services generated within a country in one year (i.e., its gross domestic product), plus net income received from other countries (notably interest and dividends). This consists of the personal consumption expenditures, the gross private investment, the government consumption expenditures, the net income from assets abroad (net income receipts) and the gross exports of goods and services, after deducting two components: the gross imports of goods and services, and the indirect business taxes. The GNI is similar to the gross national product (GNP), except that in measuring the GNP one does not deduct the indirect business taxes (Lequiller and Blades, 2006).

1.5.2. CORPORATE SOCIAL RESPONSIBILITY

Many MNCs work under a social license. Those companies are expected to support local development where they operate by hiring local employees, providing training programs, sourcing locally, and consequently supporting the local economy. Corporate responsibility or sustainability becomes a prominent feature of the business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management.

A. Global Corporate Social Leadership

While leadership is considered as the a way for people to contribute to making something extraordinary happen (Argyris, 1976), business leaders need to be sensitized to the effect of globalization toward global transformation. These major transformations require national and global companies to approach their business in terms of sustainable development, and both individual and organizational leadership plays a major role in this change.

Live learning can be an important source of new ideas about shifting toward an integrated knowledge economy which need socially responsible leadership. Amato et al, (2009) urges further research to create a clearer understanding of what is required, both in leadership itself and in the field of leadership development.

B. Conflict of Interests

Globalization and the mounting number of conflicts occurring in regions where multinational corporations (MNCs) operate have prompted international organizations, the media, human rights groups, social investors and consumers, as well as some corporate executives, to discuss the responsibility. MNCs share in promoting peace and avoiding conflict to deal with increasing complexity of business, products, services, technologies in interconnecting world prompts

challenges for firms and organizations keen to climb up the next stages of competitiveness leveraging cooperative strategies. It also fosters the need to innovate more effective ways to explore the opportunities, while addressing complex problems such as environment and social economic issues (Bennettt, 2002).

C. Net ODA received per capita

ODA is official development assistance which becomes a commitment among developing countries to support under developing countries. The effort to promote development endeavors to grant flows comprise contributions of donor government agencies, at all levels, to developing countries ("bilateral ODA") and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions include loans with a grant element of at least 25 percent (calculated at a rate of discount of 10 percent). Net official development assistance (ODA) per capita consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients; and is calculated by dividing net ODA received by the midyear population estimate. (OECD, 2009).

D. Environmental Issue

Stakeholders and business environment are considered as key element to the decision making. Mitchell et al (2010) indicate managers make more erratic strategic decisions in hostile environments. Similarly, hostility and dynamism interact in their effect on erratic strategic decisions in that the positive relationship between environmental hostility and erratic strategic decisions will be less positive for managers experiencing high environmental dynamism than those experiencing low environmental dynamism. These results have important implications for strategic decision-making research.

For a long time the concept of CSR has been questioned in terms of its validity and usefulness for profit-making companies. Milton Friedman, for example, famously asserted that "the social responsibility of business is to increase its profits."3 Although one can still hear "the business of business is business" type of argument, the question for today is no longer whether companies should practice CSR, but what, specifically, and how. Ultimately, the concept of CSR itself may disappear, as a corporate social agenda will be an integral part of business strategy in the 21st century (Zhang, 2008).

1.6. LITERATURE REVIEWS

1.6.1. THE INITIATIVE OF FOREIGN DIRECT INVESTMENT

A. Local Economy: In recent years there has been substantial growth in the number of principles, guidelines or codes produced for business by governmental and non-governmental organizations. Companies face multiple and sometimes conflicting demands to endorse these initiatives. This has led more companies to consider how they should approach corporate responsibility issues, and more specifically whether they should develop their own business principles and which external codes they should use as reference points. Eilbert and Parket (1973) conceptualize CSR at the micro level in terms of good neighborliness, which

encompasses the responsibility not to spoil the neighborhood (negative injunction duties), and the voluntary assumption of the obligation to help solve neighborhood problems (affirmative duties). On this basis, the first emerging issue is that CDPs have the potential to make a difference to CD; especially addressing local communities' immediate infrastructural needs and help reduce the incurred financial cost for oil TNCs as highlighted by the partnership literature.

Marketplace issues extend across a wide range of business activities that define a company's relationship with its customers. These activities may be grouped into six categories: (1) integrity of product manufacturing and quality; (2) disclosure, labelling and packaging; (3) marketing and advertising; (4) selling practices; (5) pricing; and (6) distribution and access. Emerging issues include obesity and nutrition; integrity of the food chain, privacy and technology, drug pricing for the poor and elderly, marketing to children, heightened expectations for product safety, and extended product responsibility (Zhang, 2008).

B. Environment: Traditionally, environmental protection has been considered to be "in the public interest" and external to private life. However, the roles of sectors have been changing, with the private sector becoming an active partner in environmental protection. Although developed countries' economies have become more information and service intensive, globally, the unsustainable use of raw material and fossil energy has exploded during the past 50 years, with dire consequences for the world environment. Approximately 60% of the ecosystem services that support life on Earth—such as fresh water, oceans, soils, and climate—are being degraded or used unsustainably. In the past two decades, corporate environmental responsibility has evolved and expanded to cover substantially more than legal compliance, waste minimisation, and pollution prevention. Companies have embraced a variety of environmental initiatives while integrating environmental responsibility at all levels of their operations. (Zhang, 2008).

Although there are a significant number of good practices around the world, for many critics CSR has achieved quite illusive effects so far. As CSR activities are basically based on a voluntary approach, environmental externalities are observable to stakeholders, but often not verifiable. Generally, the concern about CSR is that, instead of big number of initiatives, there is no comprehensive frame that would cover at the same time issues such as: government standards, management systems, codes of conduct, performance standards, performance reporting, and assurance standards. Companies, usually, implement separate components, or join selected initiatives, often forgetting for example about transparent monitoring mechanisms (Mazurkiewicz, 2005).

C. Social protection: Workplace issues cover a wide and expanding array of topics, the most prominent being labour standards. In addition to traditional human resource areas, workplace issues now include HIV/AIDS, work-life balance, diversity, sexual harassment, employee privacy, downsizing, and organisational development issues related to overall workplace culture and work processes.

1.6.2. THE CSR INITIATIVES

The term "corporate social responsibility" spread widely in the late 1960s and early 1970s. It is about initiative to promote equal interest among stakeholders, which mean those on whom an

organization's activities have an impact, was used to describe corporate owners beyond shareholders. Freeman (1984) promotes the stakeholder as an instrumental theory of the corporation strategy.

Corporate social responsibility which is also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business is a voluntary action associated with the social justice, ethical standards, and international norms. CSR movements aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere (.

A. The Local Partnership

Public–private partnership (PPP) describes how the government service and private business venture stick together to embrace convenience business environment. They fund and operate through a partnership of government and one or more private sector companies. This involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. In some types of PPP, the cost of using the service is borne exclusively by the users of the service and not by the taxpayer. In other types (notably the private finance initiative), capital investment is made by the private sector on the strength of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government. Typically, a private sector consortium forms a special company called a "special purpose vehicle" (SPV) to develop, build, maintain and operate the asset for the contracted period. In cases where the government has invested in the project, it is typically (but not always) allotted an equity share in the SPV (Moszoro, 2008)

The World Summit on Sustainable Development in Johannesburg in 2002 calls for collaborative alliances between the three sectors, business, government, and community. Following that, the partnership model has gained further ground as a new approach to development and an important tool to attain the Millennium Development Goals. The model is not only supported by the development community but also by the private sector (http://www.un.org/events/wssd/).

Swanson (2002) point outs, the concern in business-society relationships today is not about making money the way one wants and then giving a portion of it back to the community; rather, it is about how a company earns its money, and how that company is run and how it interacts with communities. However, much of the partnership discourse fails to appreciate this concern, and tacitly assumes that meeting affirmative duties via social investment is a sufficient compensation for failure to address negative injunction duties. Unfortunately, there is no amount of road or bridge construction, provision of electricity or awarding of scholarships that can compensate for the loss of daylight resulting from gas flaring (Idemudia and Ite 2006a). Neither can cash payments compensate for future loss of livelihood.

Partnership is necessity in presenting to protracted multilateral negotiation. In such cases, coalition supported by progressive stakeholders can foster a favorable political climate. The UN experiences significant opportunity as facilitator and catalyst toward partnership and building enthusiasm for CSR to rural development in Least Developing Countries. Moreover,

skilled leadership and recognition are key determinant to deal with complex local political structure (UN, 2004).

B. Win-win Partnership

Partly in response to the critics' argument that CSR is costly, the "business case" increasingly became a formidable cornerstone for securing business commitment to CSR. The business case suggested that business acceptance of social responsibility invariably results in a "win-win" situation for both business and its stakeholders. As a result, the business case successfully moved CSR from the realm of altruism or morality to the realm of rational economic business decision making. Although findings from empirical research have yet to incontrovertibly support this approach, its appeal has remained enduring both in the business community and in academia (Idenydia, 2007).

For the purpose of gaining further knowledge on the functioning of cross -sector partnerships a framework for evaluation of partnerships has been developed. It is suggested that process as well as results are focused upon in the evaluation of partnerships. Drawing upon network theory a number of evaluation parameters related to actors' strategies and the degree of collaborative advantage vs inertia is proposed for analyses s of partnership processes. With regard to outcomes, evaluation parameters relating to both developmental and business outcomes are included in the framework. With this broad perspective the framework allows for critical analyses of the actual win-win potential of partnerships (Jorgensen, 2006).

1.6.3. CSR and International Business Theory

The mainstream of the international trade theory is trying to answer the nagging question of whether globalization is good or bad. The earlier theory tends to encourage more countries to participate in international trade with a premise that the more likely it to benefit from an open economy, resulting in improving its prospects for rapid socio-economic expansion at home. In the recent years, the widespread discontent with international trade goes well beyond the protest movements that have attracted the attention of the world. Stiglitz (2002) points out that the powerful force of globalization brings up mismanagement, and then millions have not enjoyed its benefits and millions more have even been made worse off.

The subject matter points out some issues about international trade interaction among sovereign countries are ranging from the pattern of trade to the trade strategy. Those theories become premises for the policies of the World Trade Organization which aims to promote fair and free trade. On the other hand, there was another field that considered industrial organization aspects of trade and trade policy in partial equilibrium and descriptive analysis. There were discussions of how policy influenced foreign ownership and attempts to measure the scale and market power inefficiencies caused by restrictive trade policies (Markunsen, 2002).

The papers try to reconcile aspects of regionalism and institutionalism approaches and to discover the pattern of the international trade theory. With the benefit of hindsight, this endeavors to exposit some major issues for integrating the disparate parts into a more unified and coherent theory.

A. Classical International Trade Theory

The earliest trade theory came from David Hume, a Scottish philosopher. The publication titled "Of the trade of balance" commenced in 1758, a couple years before Adam Smith published the

Wealth of Nation. Hume questioned the British trade policy which tried to promote capital account surplus during the outbreak of Napoleonic Wars. When the Britain's current capital account surplus was greater than its financial account deficit, the gold as the international reserve at the time matched the balance, followed by the inflation (Krugman and Obstfeld, 2003). It initiated the trade theory which is associated with foreign exchange theory which perhaps can trigger a question whether the US dollar will keep weakening until the next decade.

Some basic ideas about benefits from international trade came up in the early nineteenth century. At the time, the English economist David Ricardo introduced the trade term of international differences in labor productivity, called Comparative Advantage Theory. One of the most influential, but still controversial, is trade patterns to an interaction between the relative supplies of national resources such as capital, labor, and land one side and the relative use of these factors in the production of different good on the other (Krugman and Obsfeld, 2003; Brakman, 2006). This theory manages to set a strategy to what commodity an economy should produce. If a product specialization takes place in a country which is in line with the comparative advantage, they can reap the benefits of the gains from specialization in terms of achieving higher total production and welfare levels.

Specialization is remarkably high in exporting manufactures, as in many other areas in economics. The distribution is remarkably skewed. Easterly et al, (2009) concluded that export success is mainly driven by technological dispersion, which also explains high levels of specialization. Developing countries export less products to fewer destinations, which helps explaining this. Exporting to more destinations exposes a country to more demand shocks that are uncorrelated with technological dispersion. Therefore, as a country penetrates more markets with more products, demand shocks from those markets and for those products account for a larger percent of variation and hence concentration in exports.

On the other hand, there has been much dispute over the gains of international trade. First, there is a critic that free trade is beneficial only if a country is strong enough to stand up to foreign competition. The idea primarily stands for developing countries. However, the model of comparative advantage explains that both countries still gains from trade. Secondly, a question from developed countries is raising an issue that foreign competition is unfair and hurts other countries when it based on low wages. Krugman (2003) notes example that Ross Perot, a former presidential candidate in 2003, warned that free trade between the US and Mexico. Another provocative question was raising issues that Trade exploits a country and it worse off if its workers receive much lower wages than workers in other nations. Sweet shop was the most dramatic issue of international trade in the US newspapers through contrasting $2 million income of the chief executive officer of the clothing chain, while the worker who produces some of its merchandise get paid $0.56 per hour. What is about Indonesian basic salary which around $100 per month or $4 per day?

Turning to income distribution, Heckscher-Ohlin Model indicates the relative prices of good converge toward equalization of factor prices. The basic relationship theory shows that a country with a lot of capital and not much land will tend to produce a high ratio of manufactures to food at any given prices, while a country with a lot of land and not much capital will do the reverse (Krugman, 2003, p 51). Through the production possibilities theory, it indicates that trade benefits the factors that is specific to the export sector of each country but

hurt the factor specific to the import-competing sectors with ambiguous effect on mobile factors. Again, it raises a question whether the gains of trade outweigh loses.

Francis Ysidro Edgeworth (1845-1926), an English economist tried to examine the exchange of two goods between two people which then acknowledged as Edgeworth box. This box reveals the possible consumption bundles for two consumers which called as the feasible allocations. Following that, France economist Paretto depicts the answer of the nagging question about the trade equilibrium, called as a Pareto efficient allocation. In this level, there is no way to make all people better off without making someone else worse off.

Based on this theory, Wassily Leontif (the Economic Nobel Prize winner in 1973) unfold a paradox that international trade from developed countries, i.e. the Us is less capital intensive than its import though the competitive advantage theory suggested that the economy would be an exporter of capital intensive goods and importer of labor-intensive goods. It is called Leontief paradox (Krugman, 2003). Baskaran et at (2011) points out that when economic growth means an outward shift in a country's production possibility frontier, the standard trade model imposes a question whether growth in the rest of the World good or bad for the US (biased growth). In fact, most countries experienced their income on more domestic products than imported goods due to barrier to trade which causes recipient's raising term of trade.

The international trade theory also forces us to admire a model of internal economic of scale. Contrast to the Richardian international theory, it is that international trade is borderless and called intra- and inter-industry trade. In fact, one-fourth of world trade consists of intra-industry trade (Brankman, 2006). The most impressing point is that multinational corporations do not necessarily charge the same price for goods that are exported and those are sold to domestic buyers. Thus the theory of external economies indicates that when the external economies are important, a country with a large industry will be more efficient in that industry than a country with a small industry.

Leon Walras (1834-1910) extends the idea of equilibrium which refers to a set of prices that each consumer is choosing his or her most-preferred affordable bundle. The Walras' law states that the value of aggregate excess demand is identically zero. This means that zero for all possible choices of prices not just equilibrium prices. This proposes the first welfare theorem which mentions that the equilibrium in a set of competitive markets is Pareto efficient in which the equilibrium takes a place if each agent chooses the best bundle on his budget set. Through a geometric argument, the second welfare theorem indicates that a set of prices will happen if all agents have convex preferences.

The partial equilibrium analysis assesses the equilibrium condition in particular market to deal with classical question about how demand and supply were affected by the price of the particular good we were examining. On the other hand, the general equilibrium focuses on how demand and supply conditions interact in several markets to determine the price of many goods.

B. The Regionalism

Referring to David Hume, international factor movements became a remarkable issue in the twentieth century. Brain drain and international capital flow plays important role on the international economics, especially when a number of countries collapsed due to the financial

crisis phenomenon. Those foster theory of interest parity as basic equilibrium condition for international monetary, followed by Fisher effect theory.

The regional approach enhances understanding the interplay between the forces of globalization and nationalism and lead to a more enlightened management of the ensuing tension between developed and underdeveloped countries. During the 1970s and early 1980s the dominant view was that the beast means to foster economic growth for developing nations was via vigorous development and promotion of its export industry. In 1980s, the import-substitution policies with high levels of tariff and non-tariff barrier gave way to trade liberalization (Niroomand, 1997).

In East Asia, the flying geese model postulated that Asian region would grow as a regional hierarchy in which the technology would continuously move from the more advanced countries to the less advanced ones (Kasahara, 2004). Japan took a lead, the second-tier of nations consisted of the New Industrializing Economies (South Korea, Republic of China Taiwan, Singapore and Hong Kong). Following that, two groups come to the main ASEAN countries, namely Philippines, Indonesia, Thailand and Malaysia. The Japanese multinational companies play pivotal role in the international market in which nearly 64 Japanese companies earn revenue about USD2.94 trillion per annum in 2010 (Forbes, 2010).

In the 21 centuries, the People's Republic of China plays a pivotal complementary role as the premier assembly center within the regional production networks. Athukorala (2011) shows that merchandise trade of Asian developing economies have grown at a much faster rate in the global context, with a distinct intraregional bias. It was expected that the real nonoil will increase at an average annual rate of 8.2 during the next two decades, with a notable convergence of individual countries' rates to the regional average. The share of intraregional trade of nonoil trade will have increased by 53% in 2010 and 58% in 2030.

As the highest income per capita, the US becomes major importer in the World. In 1990s, the US international trade intermediaries moved away from a pure export management company to a trading-company format Perry (1992). However, the September 11 tragedy fostered the terror-free investment screens for non-US multinational corporations (Hemphill and Cullary, 2010). One of the major trade policy problems identified by U.S. interests, including grower groups, traders, and policymakers, is that of pricing transparency. This has been a gnawing issue generally related to the pricing practices of competitor exporting countries with state trading enterprises (STEs). The transparency problem generally refers to the inability to observe rivals' terms of trade (including price, quality, credit, etc.) and is normally associated with commercial exporters competing against STE rivals (Wilson et al, 1999).

The United States are irritated from long-term international trade deficit. Starting late in the 1960s, the trade deficit has been increasing at a large rate since 1997 and increased by 49.8 billion dollars between 2005 and 2006. In 2010, this is setting a record high of 767.5 billion dollars. Frankel (2007) argues that the key problems of the deficit are in macroeconomics, not in trade policy.

In European region, the 10 Euro countries took a lead in the regional trade hierarchy. Wyrzykowska (2010) found that although inter-industry trade still accounts for almost 50% of the EU-10 countries' trade, its share has been declining to the benefit of intra-industry trade shares and deepest specialization was in automotive sectors. Through gravity model, Salvatici (2010) exposes that Western Europe is major market for developing countries' agricultural

exports which contributes to both the extensive and intensive margins, although with significant differences across sectors. Following that competition is fierce, indicated by Bojnec and Ferto (2007) that the effect of trade balance on trade competition is found more significant than the effect of export-import unit values difference. Natural and human factor endowments increase price competition and reduce unsuccessful quality competition. Agricultural labor productivity improves price and quality competition. Less quality differentiated products increase price competition.

In the Europe, the Treaty of Rome is major element to set rule of the game. The anti-competitive agreements were explicitly allocated by the founding treaty (respectively Article 85 and Article 86 of the Treaty of Rome, later renumbered as Article 81 and Article 82). In one of its early decisions, the European Court of Justice (ECJ) made this clear: 'The treaty, whose preamble and content aim at abolishing the barriers between states . . . could not allow undertakings to reconstruct such barriers. Further competences for merger control were granted in 1989, through the EC Merger Regulation (ECMR). However, Neven (2006) indicated that the centralization way of Commission was evident the most ineffective way to reform the system.

In the Middle East, the legal perceptions of international contract principles reflect regional legal thinking which has been influenced by a mixed understanding of regional traditions. Sadah (2010) showed that there is such mixed understanding in which strong regional legal tradition affects commercial contract experiences, such as Islamic contract principles. The regional natural gas markets are expected to gradually become more integrated. Sagen (2009) reveals that the lower LNG costs, more spot trade, and increased need for imports into the US and other key markets will foster the growth of trade of natural gas among continents over the next couple of decades, and that prices in the main import regions will remain around current levels. However, significant constraints on exports from the Middle East may alter this picture.

On the other hand, globalization networks are not always the case. Rugman (2005) points out that only in electronics is production likely to be globalized, as transportation costs are low relative to assembly while production in chemicals, resources, and services is likely to be highly localized. Breinlich and Circuolo (2010) show that only a fraction of UK firms engage in international trade in services that means firm-level heterogeneity is a key feature of services trade. It indicated that huge market is still in developed countries and the borderless economic transaction hasn't took a place entirely. In Australia, El-Higzi (2002) explain trade pattern of inter industry nature of the Australian construction industry which indicated remarkable obstacles with the international market since it is acquaintance of large in scale and specialization.

In a cross-section of countries, government regulation to promote international fair trade is questioned. Aghion et al (2009) try to explain that is highly negatively significant empirical correlation between government regulation in international trade and social capital. The correlation works for a range of measures of social capital, from trust in others to trust in corporations and political institutions, as well as for a range of measures of regulation, from product markets, to labor markets, to judicial procedures. A key implication of the model is that individuals in low trust countries want more government intervention even though the government is corrupt. Consumers face prices that are to a varying degree, location-specific.

Crucini and Yilmazkuday (2009) propose model of production and distribution across cities shows how these differences are shaped by the distances separating cities due to trade costs, the good-specific share of retail distribution and its division between local labor and rental costs.

C. The Institutionalism

Historically, the exports of many developing countries followed the pattern of comparative advantage established during the era of colonization, producing and exporting basic commodities such as fruits, tea, coffee, sugar, rubber, and minerals. But by the middle of the twentieth century, new industrial economies became increasingly concerned that the terms of trade were turning against the influences of western countries.

Turning to the competition issue, competitiveness advantage plays pivotal roles through combining supply chain and business environment. Moreover, theory of supply chain experiences dramatic evolution. In the 1980s, supply chain focused on the demands of just-in-time. In the '90s, outsourcing mattered most. In the '00s, it was the Internet. Following that, the nagging question is what will shape supply chain in the new decade. On the other hand, business environment also dramatically changes.

In 1960s, the Green Revolution had transformed from developed countries to the least developing countries by introducing new high-yield-variety strains, fertilizers, and intensive cultivation techniques. But in some respects the Green Revolution actually worked against commodity-exporting LDCs: Higher worldwide agricultural output led to lower commodity prices, further deteriorating terms of trade against the developing countries, a phenomenon labeled as "immiserizing growth" (Jagdish Bhagwati, 1958). This theory suggests that the unchanged structure of supply intensifies the structural dependency and, regardless of growth, there is no development but only 'immiserizing growth.' This situation is especially pertinent for countries with agrarian monoculture. As a consequence, the theory later asked for a speedy industrialization including heavy industry for larger countries (Krugman 2003).

Only recently before, the Organization of Petroleum Exporting Countries (OPEC) had succeeded in quadrupling the price of oil from about $3 per barrel in 1972 to about $12 per barrel in 1974, creating a class of high-income Arab countries virtually overnight. Recently, the oil price is rocketing to more than $100 per barrel and noted as the most dramatic change. The cartel strategy triggers other commodities such as coffee and foods. But the problem with cartels is that the more successful they are at jacking up prices (and profits to their members), the more apt they are to implode (Wydick, 2008).

Instead of abandoning globalization, the mainstream international theory encourages to run up against the globalization problem on account of institutional problem. That focuses on economic players namely government, producers, and consumers which is associated with three bottom line issues (government, business entities, and society). Part of the problem lies with the international economic institutions, with the IMF, World Bank, and WTO which help set the rules of the game. The global protests over globalization against the WTO meetings because it was the most obvious symbol of global inequities and the hypocrisy of the advanced industrial countries. While those countries have forced the opening of the market in the developing countries to the industrial countries, they manage to keep their market closed to the products of the developing countries, such as textile and agriculture (Stiglitz; 2002).

The modern international trade theory runs up against political economy of international trade. Property rights, judicial systems, bureaucracies, police, commercial law, and even international bodies such as the World Trade Organization are other examples of institutions that foster cooperation and mutually beneficial exchange on a widespread level. What remains common to all of these institutions is that their broad-based support and their perceived legitimacy are keys to their success. Ansari (2007) said that if all WTO member states have the political will to agree to one suggestion, the problem can be solved but due to politicization of the WTO, a common view is difficult to be reached. Though all states want protection of the environment, bet when they come to a conflict situation with international trade, differences among them becomes eminent.

Warburton (2010) points out that there is a significant difference in the margin of import tariff hat are applied to imports by the high income and the least developed member and marginal propensity to import is significantly dependent on output for the high-income members but not for the least developed members. This indicates that creating enabling condition for tariff reduction is not enough; the international trade law should aim to increase national earning capacity.

Gstohl (2010) shows that legalization is strong for intellectual property rights, moderate for public health and environmental matters and weak for labor issues. Based on China case study, Sato (2010) questions whether intellectual property rights could have applied the general principle of necessity developed under the General Agreement on Tariffs and Trade and General Agreement of Trade in Services.

As the industrial organization approach to international trade, the oligopoly models had developed while a branch known as strategic trade policy. The literature produced inevitably assumed single-plant nationally owned firms, despite the fact that industries used to motivate the analysis were often dominated by multinationals (Markunsen, 2002).

CHAPTER 2:
FDI AND ECONOMIC GROWTH

The chapter addresses the first research question, that is: "to what extend that the interest of foreign direct investment is associated with the initiative to foster local economic growth, to nurture environmental movement, and to promote social protection policy?" It evaluates the impact of FDI on economic growth, examines the environmental impacts of MNCs, and tests whether MNCs promotes social protection policy in host countries. This chapter proceeds as follows. Section 2.1 provides introduction to the topic. Section 2.2 evaluates the impact of FDI on economic growth using Turckan et al. (2008) model. The effects of FDI on the environmental concern through Corporate Social Responsibility (CSR) are examined in Section 2.3. Social security protection in a relation to the entry of MNCs in host countries is a subject matter in Section 2.4. Conclusion of the chapter is presented in the last section.

2.1. INTRODUCTION

There has been an increasing debate over the role of foreign direct investment and multinational corporations in host countries development. Russ (2009) distinguishes two set of FDI models. The first model is defined according to Markusen (2002) that small capital flows to developing countries related to the scarcity in the supply of skilled labors. The second approach, which is in line with Richardian argument, claims that capital flows is a conceptual starting point triggered by excess labor supply.

Based on these two set of models, Fukao and Wei (2008) classified FDI into two categories, that is vertical FDI and horizontal FDI. The vertical FDI refers to the initiative of intra firm vertical division of labor, while the horizontal FDI is the ability to gain access to local markets.

Accordingly, the environmental impacts of FDI on developing countries have been a concern of the governments. On the one hand, it is argued that FDI devastates environment of developing countries on account of lower environmental standards and "pollution havens." On the other hand, foreign firms come up with promises to improve environmental performance by transferring both cleaner technology and management expertise in controlling environmental impacts.

The ISO 14000 standards set target indicators to guarantee the sustainable management of forests and environmental management of production processes. Even though 60% of FDI in Latin America managed in agreement with this procedure, there are double standards in implementation. For example, there are two standards of environmental management in Chile, that is international certification FSC and the domestic certification scheme CERTFO (Borregaard et al, 2008). This issue becomes an important concern for the government as well as the environmental institutions.

2.2. ECONOMIC GROWTH AND FDI

2.2.1. TURCKAN'S MODEL

Turckan *et al.* (2008) develop a model of an open economy that capital move freely between border, in which both domestic and foreign capital are perfect substitutes for factor productions with the same rate of return, r, the world interest rate. While k represents domestic capital per person and k* is a symbol for foreign capital per person, then (k* - k) represents total foreign investment in host countries. The model assumes an economy with immobile labor and abundant foreign investment, which is indicated by k* - k > 0. Then, budget constraint for the represented economy is

(2.1) $$\dot{k} = w + (r - n)\,k - c$$

where k is domestic capital per person, w is real wage rate, r is the world real interest rate, n is population growth rate, c is the consumption, and a dot on top of variable indicates a time derivative of the variable.

Suppose that the production technology is represented by

(2.2) $$Y = f(K^*, N)$$

in which Y output, K* is total physical stock available in the domestic economy, and N is labor stock. Hence the optimization condition for representative firm indicates equality between marginal product and factor prices:

(2.3) $$f'(k^*) = r$$

(2.4) $$f(k^*) - k^* f'(k^*) = w$$

Turckan substitutes w from equation (2.4) into equation (2.1) and use equation (2.3) to determine the change in asset per capita, and therefore, equation (2.1) can be rewritten as:

(2.5) $$\dot{k} = f(k^*) - r(k^* - k) - nk - c$$

Given that that $\dot{k}^* - \dot{k} = FDI$, Equation (2.5) is rewritten as:

(2.6) $$\dot{k} = f(k^*) - r(k^* - k) - nk - c + FDI$$

Considering that the model is not associated with foreign lending economy, Turckan indicates that the *ex ante* difference between domestic and world interest rates, the size of the economy, the growth rate of economy determines FDI. Then, the following FDI function can represent FDI behavior:

(2.7) $$FDI = f(g_y, M)$$

M represents vector variables next to the growth rate of domestic economy that contributes to the determination of FDI, and g_y is the growth rate of the country.

Furthermore, under Equation (2.6), one might expected that FDI affects growth through the accumulation of capital. Hence, the empirical model derived from the theoretical model of Turckan is as follows:

(2.8) $$y = f(FDI, ODA)$$

The equation above shows that the growth rate of an economy (y) is determined by foreign capital inflows in terms of Foreign Direct Investment (FDI) and Official Development Assistance (ODA).

If it is assumed that Equation (2.8) is linear, then the following equation is formulized:

(2.9) $$y = \gamma_0 + \gamma_1 FDI_n + \gamma_2 ODA_n + \varepsilon_n$$

where y is economic growth, FDI is foreign direct investment, ODA is official development assistance, γ_0, γ_1, γ_2 are parameter to be estimated, n represents the n-th country, and ε is error term.

2.2.2. THE FDI AND ECONOMIC GROWTH ESTIMATION

Utilizing the empirical model in Equation (2.9), this paper estimate the observed data using three panel models: Common Effect (CE), Random Effect (RE), and Fixed Effect (FE). The CE model assumes that all countries have a same constant and slope, which is represented by the estimated coefficient in linear regression. The RE model is applied in an assumption that the unobserved effect is uncorrelated with the explanatory variables. The FE model has certain assumption. When u_{it} is serially correlated, FE is more efficient than first differencing. Hence, the feasible GLS estimator is more appropriate to deal with positive serial correlation in the error term (Wooldridge, 2008).

We use data 2006, 2007, 2008, and 2009 on the 474 countries that reported FDI (foreign direct investment), ODA (Official Development Assistance), and INC (Adjustment National Income). We collected data from the World Bank data (http://data.worldbank.org/). INC refers to adjustment national income which is Gross National Income (GNI) minus consumption of fixed capital and natural resources depletion. FDI is Foreign direct investment is considered as the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. Eventually, ODA is official development assistance which is the grant flows comprise contributions of donor government agencies, at all levels, to developing countries ("bilateral ODA") and to multilateral institutions.

Table 2.1 presents statistic descriptive for the three chosen variables: INC, FDI, and ODA. The table shows that the income disparity among the observed countries was huge and the JB test indicates that null hypothesis of normal distribution was not accepted. The average observed GNI in 2009 was $ 91.3 billion. Five countries with highest GNI in 2009 were China, Brazil, India, Mexico, and Turkey. The GNI of China is around $3800 billion, followed by Brazil and India, with GNI of $1350 billion and $1000 billion, respectively. Indonesia GNI was around

$350 billion. On the other hand, five countries with lowest level GNI were Liberia, Como, Tonga, Saotome and Equator.

Table 2.1: Statistic Descriptive for Variables

	INC	FDI	ODA
Mean	9.13E+10	3.34E+09	69.02827
Median	1.00E+10	4.85E+08	44.30000
Maximum	4.36E+12	1.48E+11	604.1000
Minimum	-1.85E+09	-4.75E+09	-40.40000
Std. Dev.	3.56E+11	1.17E+10	87.18901
Skewness	8.264678	8.716381	2.614729
Kurtosis	83.36610	94.94869	11.09236
Jarque-Bera	132955.6	172979.6	1833.461
Probability	0.000000	0.000000	0.000000
Sum	4.33E+13	1.58E+12	32719.40
Sum Sq. Dev.	5.99E+25	6.48E+22	3595710.
Observations	474	474	474
Cross sections	120	120	120

Table 2.2 presents the estimation results of the three panel models: Common Effect (CE) model, Random Effect (RE) model, and Fixed Effect (FE) model. In all models, it appears that FDI has statistically significant positive impact to income at the 1% level. Meanwhile, ODA has no significant statistic effect to economic growth, which is reflected from the insignificance of the estimates.

Table 2.2: Regression with Dependent Variable: INC

	Common Effect Model	Fixed Effect Model	Random Effect Model
C	-	8.16E+10	1.45E+10
		(8.378096)	(1.792186)
FDI	28.10262***	2.897850***	24.90658***
	(55.11064)	(2.542598)	(48.88156)
ODA	-47342865	-627092.0	-1.03E+08
	(-0.848809)	(-0.005344)	(-1.564518)
R^2	0.856687	0.957583	0.723655
Akaike info criterion	54.09714	53.38598	
Schwarz criterion	54.11470	54.45701	

Notes: *** indicates significance at 1% level. Numbers in parentheses are t-statistic.

2.3. FDI AND ENVIRONMENT

2.3.1. ENVIRONMENT CSR

Both profit interest and risk management have raised biased on CSR doctrines based on mistaken presumptions about recent economic developments. Henderson (2009) indentifies that mistaken presumption of enterprises would make the world poorer and more over-regulated due to poor of standard regulations. Ralston (2010) argues that aligning the organization culture with existing local social norms and expectations can improve the capacity of organization to become more socially responsible. Thereafter, the most powerful way to create social value is by developing a new mean to address social problems and putting the best practices into widespread practice. It is the role of Chief Executive Officer (CEO) leadership to deserve sustainable development, as Waldman et al (2004) mention that CSR activities are most likely to be related to the firm's corporate and business-level strategies. Unless multinational company forces community and local government to deal with potential issue, the role of business seems never go beyond philanthropy and toward sustainable community development.

Seelos (2004) shows that the experimenting with unfocused CSR often is a zero sum game for society, and CSR without an explicit social compliance framework is lack credibility. It appears that participation in social corporate social responsibility program is not merely a question of rational choosing the right decision in value-free manner, as Berkhout et al (2003) explore contest between competing interests in public policy. While difficult issue rise, such as balancing conflicting stakeholder interests and measuring return to strategic CSR, it needs theory of how balance of tradeoff inherent in serving the various corporate constituencies (Lantos, 2001). The equilibrium has to be reaching a conclusive consensus is often very difficult to be achieved (Waddock, 2004) as different fields of interest (from business ethics to marketing management) cross paths (Bhattacharyya, 2009).

In the less developed countries, it indicates a great deal of pessimism about the ability of the non-industrialized countries to develop properly in the context of open economic relationship with economically advanced countries. Under developed nations often lack of institution capacity that are able to protect buyer and sellers in a efficient market, check corrupt behavior, establish property rights, manage the risk, hold their government accountable, provide incentive for long-term investment, and promote the sustainable use of natural resources (Wydick, 2008). Moreover, most of the labor force is employed by small- and medium- enterprises instead of multinational corporations (Kunt and Levine, 2009). London (2010) argues that motivation, strategies, and persistence turn have practical value for corporate social responsibility and enhancing local and global initiatives that benefit individuals and society.

It appears that multinational corporations in under developing countries are more powerful than local communities, so negotiations between the giant companies and local people become arduous, especially while states do not comply with agreed measures, monitoring is poor and effective sanctions are rarely put in place. Bebbington (2006) points out the credibility of elites and governments with such temptation to weaken, de-legitimize, incorporate or indeed repress social movements. In some cases, CSR regimes have a number of indirect positive effects, such as attention to a shared understanding about causes and effects, and lead to the improvement of institutional structures. Berkhout et al (2003) regards that

effective policy making cannot solely be a matter of governments negotiating with governments to produce new international legal instruments. However, the multiple equilibrium model on account of public distrust which discourages social capital accumulation proposed by Aghion et al (2009) suggest that individuals in low trust countries want more government intervention even though the government is corrupt.

To pursue a better world through promote foreign direct investment and fair international trade, United Nation set an organization, namely UNCTAD. This is part of united national bodies which dealing with trade, investment and development issues. Along with a belief that international trade and FDI as a mean to overcome wide gap between poor and rich countries, the organization aims to foster trade and investment for developing countries associated with world economic integration. This organization also publishes the annual report, namely World Investment Report.

In 2010, World Investment Report reveals the efforts to promote low carbon economy. The key issues of low carbon economy refer on clean-investment promotion strategies. This was about dissemination of clean technology, securing international investment contribution to climate change mitigation, harmonizing corporate greenhouse gas (GHG) emission disclosure, and establish an international low-carbon technical assistance center (L-TAC).

2.3.2. POLLUTION HAVEN HYPOTHESIS

The pollution haven hypothesis or pollution haven effect refers migration of dirty industries from the developed to the developing countries (Akbostanci, 2004). Based on Heckscher-Ohlin model which points out that a region will export goods with abundant local factors as input, the model premises is that environment regulation prompts the cost of key inputs. The econometric models have typically focused on reduced-form regressions of a measure of economic activity on some measure of regulation stringency and other covariates:

(2.10) $$y_i = \alpha R_i + X_i'\beta_i + \varepsilon_i$$

where Y is economic activity, R is regulatory stringency, X is other characteristic that will affect Y, and ε is an error term. The pollution haven hypothesis is that estimates $\partial Y/\partial R$ will be negative ($\alpha < 0$).

Aminu (2005) suspects that firms are heterogeneous in their factor inputs, lobbying power and whether output are exported or consumed locally with all have implications for pollution. This hypothesis implemented in this following model:

(2.11) CO2 fossil-fuel emission = cons + lag FDI inflow + lag GDP

2.3.2. THE ESTIMATION

The variable represents environment quality is CO2 emissions (metric tons per capita), which are stemming from the burning of fossil fuels and the manufacture of cement. They include carbon dioxide produced during consumption of solid, liquid, and gas fuels and gas flaring (World Bank, 2011).

CO2 emission per capita rate indicates who is being most wasteful. For example, the citizens of Australia, Kuwait and Luxembourg are among the world's worst polluters. The Western countries are leading the way in CO2 emissions. Australia has overtaken the U.S. as the biggest emitter per person of carbon dioxide. The average Australian contributes 20.58 tons of CO2 to the atmosphere each year to cool homes, drive cars and generate electricity with coal. The U.S. fell to second at 19.78 tons per inhabitant a year while Canada was third at 18.81 tons.

The average Chinese person emits 4.5 tons of greenhouse gases a year and a typical Indian 1.16 tons. Because of populations in excess of 1 billion, the aggregate emissions of those two countries makes them the first and fourth-biggest emitters, according to the U.S. Department of Energy, which ranks the U.S. second and Russia third. China and India argue that developed nations such as the U.S., Canada and Australia must cut emissions by 40 percent from 1990 levels in 2020, and that poorer countries need room to raise their greenhouse gases to allow them to develop (Loon and Morales, 2010)

The ranking indicates how much more people in wealthier nations emit than those in large developing countries. That was a key argument used by China and India to push for emissions cuts in the U.S., Europe and Japan as the United Nations aims to write a climate-change treaty in Copenhagen Denmark in 2009. On the other hand, that was disaster meeting in which China managed to block the open negotiations for two weeks, and then ensure that the closed-door deal made it look as if the west had failed the world's poor once again. And sure enough, the aid agencies, civil society movements and environmental groups all took the bait. The failure was "the inevitable result of rich countries refusing adequately and fairly to shoulder their overwhelming responsibility.

Table 2.3 presents the descriptive statistics for variables in Pollution Haven Model.

Table 2.3: Environment Data Description

	CO2?	FDI?	INC?
Mean	173482.7	1.17E+10	2.64E+11
Median	12285.40	8.82E+08	1.69E+10
Maximum	6533018.	2.71E+11	1.22E+13
Minimum	91.60000	-6.78E+09	-1.85E+09
Std. Dev.	695867.9	3.29E+10	1.06E+12
Skewness	7.605486	4.773786	8.907714
Kurtosis	64.15040	29.46754	95.52588
Jarque-Bera	54101.41	10786.73	120968.6
Probability	0.000000	0.000000	0.000000
Sum	56728843	3.82E+12	8.65E+13
Sum Sq. Dev.	1.58E+14	3.53E+23	3.66E+26
Observations	327	327	327
Cross sections	164	164	164

Based on Equation (2.11), estimations are performed. Following the previous section, there are three models are employed: CE model, FE model, and RE model. Among these three models, RE model seems to be the most efficient since DW test indicates that series correlation doesn't take place, even though the R2 is the smallest. Those models also have F-statistic for joint

significance of all variables give p-value nearly 0, which means they are jointly significant at any reasonable significance level. Both income and FDI is highly significant in all models with the same direction, however FDI in RE and FE model indicates a tradeoff between FDI and CO2 emission.

Table 2.4: Dependent Variable: CO2 emission per capita

	CE Model	RE Model	FE model
C		73593.17	98724.91
		(33688.02)	(14.17118)
FDI	2.08E-06**	-4.10E-07***	-1.73E-07***
	(1.04E-06)	(1.48E-07)	(-1.111721)
INC	4.77E-07***	3.95E-07***	2.90E-07***
	3.33E-08	(2.21E-08)	9.953575
R2	0.627866	0.507426	0.999628
F-statistic	548.3419	166.8847	2619.555
Akaike info criterion	28.76438		22.86026
Schwarz criterion	28.78756		24.78422
DW stat	0.016498	1.954813	3.987805

Notes: Numbers in parentheses are t-statistic. *** indicates significance at the 1% level, ** indicates significance at the 5% level.

2.4. FDI AND SOCIAL SECURITY

2.4.1. SOCIAL SECURITY

While there is an expectation that FDI can foster economic growth, some developing countries put some efforts to attract FDI sometimes with "unfair competitive advantage". One of the absolute advantages is cheap labor and enormous labor supply with low labor standards (poor worker rights). Sharna (2005) names the competition as "a race to the bottom" where countries start weakening their regulations in order to gain a competitive edge. On the other hand, it is generally well-accepted that labor standards and workers' conditions improve by themselves through economic growth and FDI brings this growth. Some international organizations (e.g. OECD and ILO) stick together to run up against the issue of labor standard. However, the absence of enforcement of standards, benefits coming from economic growth may remain restricted to only a small section of privileged workers, failing to improve conditions of majority workers.

Most foreign investors find it risky to invest in developing nations, where only few can afford private treatment or insurance. It is therefore more common to see FDI through joint ventures with local partners to ensure access to qualified personnel and a better understanding of local culture and characteristics (Smith, 2004).

2.4.1. ESTIMATION RESULTS

The variable of social security presents the social security expenditure on health sector in percentage of total government expenditure. The average social security expenditure is about

15% for 120 countries (Table 2.5). The median of 0% indicates that most observed countries spend nearly zero for social security on health sector, and the high standard deviation indicates a large gap in spending on social security among observed countries.

Table 2.5: Descriptive Statistics for FDI and Social Security Model

	SOCH?	FDI?	ODA?
Mean	15.17134	3.32E+09	69.65921
Median	0.000000	4.81E+08	44.60000
Maximum	91.00000	1.48E+11	604.1000
Minimum	0.000000	-4.75E+09	-40.40000
Std. Dev.	23.38005	1.17E+10	87.73311
Skewness	1.548305	8.752520	2.569903
Kurtosis	4.422020	95.72717	10.77143
Jarque-Bera	231.2551	177353.0	1729.019
Probability	0.000000	0.000000	0.000000
Sum	7251.900	1.59E+12	33297.10
Sum Sq. Dev.	260741.0	6.48E+22	3671516.
Observations	478	478	478
Cross sections	120	120	120

Following the same procedure as in the previous section, three models are estimated. Among the three models, FE model is the most efficient model, as DW test shows that there is no error series correlation problem and R^2 indicates the best measurement for the goodness of fit. Hence, we follow the FE model in interpreting the estimation results.

The FE model shows that an increase in income (INC) raises public expenditure for health services, which is reflected from the positive significant estimate of INC. In contrast, FDI does not have significant effect on social security expenditure, although the estimated coefficient is positive.

Table 2.6: Regression with Social Security Expenditure as Dependent Variable

	CE Model	FE Model	RE Model
C		-41.82881**	-65.63902***
		(19.86753)	(15.19045)
FDI	3.66E-10***	2.25E-11	2.79E-11
	(9.05E-11)	(4.58E-11	(4.46E-11)
Log(INC)	0.710408***	2.454052***	3.476803***
	(0.058183)	(0.859922)	(0.651706)
ODA	-0.029079***	0.002378	0.001650
	(0.011549)	(0.004722)	(0.004590)
R^2	0.097360	0.984417	0.060532
F-statistic	25.29362	180.7179	10.05137
Akaike info criterion	9.054966	5.504281	

Schwarz criterion	9.081387	6.587561	
DW stat	0.039301	1.582585	1.183832

2.5. SUMMARY

The empirical analysis indicates that FDI has pivotal role to foster economic growth and prompts environment quality. In contrast, the hypothesis that FDI have positive significant effect on social security policy is not accepted. This indicates that FDI seeks profit through expanding output capacity and increasing environment quality. However, the initiative to develop quality of life is not the key element yet in FDI.

CHAPTER 3:
CSR INITIATIVES

This chapter addresses the second question whether the FDI's initiative could be associated with the CSR management structure that the company has in place, employment and environmental practices, supply chain policies and systems, level of corporate philanthropy that the company engages in, and new business opportunities arise from policies toward CSR? The chapter starts with the global initiatives in Section 3.1, which is followed by regional initiative of CSR in Section 3.2. Indonesian CSR is a matter of subject in Section 3.3, and CSR structure is discussed in Section 3.4. The final section provides summary for the chapter.

3.1. THE GLOBAL INITIATIVES

We notice that at least four immense international movements for CSR initiatives. There are UN Global Compact, ISO 2600, OECD Guidelines and Global Report Inititative. That initiative looks up CSR as a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law. There are also some international and regional watch-dog organizations which try to conduct research to show up which companies adopts the principles of CSR, such as Dow Jones Sustainability Index (DJSI) and Environment Sustainability Index (ESI).

Some forums try to align partners to promote CSR value, while some others conduct a survey to promote CSR standards. Those surveys deal with some challenges to identify valid measurements of the quality of environmental management system. Questioned the ability of KLD ratings to predict significant environmental successes through new products or other means since the measurement associated with beneficial products (Chartterji et al, 2007)

While regulations tend to be static and the initiative procedure is from top to down, standardization works bottom-up, which is dynamic in nature and simple in development. Appelbaum et al. (2009) suggest that organizations require more than ethical safeguards to ensure ethical conduct, such as perceived ethical congruence that positively affects an individual's affective commitment to an organization and reduces turnover intent. Nicholls (2006) points out that there are some major problems on exploiting profitable opportunities in the core activities of their not-for-profit venture or via profit subsidiary ventures and cross sector partnerships with commercial corporations.

The policy for such international movement can be understood as a political project that engages more and more actors who seek for strengthening the current architecture of institutions and networks at local and global levels. The policy-making in any area is not merely a question of 'rationally' choosing the 'right' decisions in a technocratic, value-free manner, but is more fundamentally shaped by contests between competing interests. Eventually, CSR appears to be a source of a conflict between different shareholders in which the chosen level of CSR expenditure is greater than that which maximizes firm value (Barnea and Rubin, 2005). From a social welfare perspective, whether this conflict increases total welfare depends on the question whether firms have a relative advantage in contributing to the society.

Another driver of CSR is the role of independent mediators, particularly the government. It calls for ensuring that corporations are prevented from harming the broader social value, including people and the environment. CSR critics such as Robert Reich argue that governments should set the agenda for social responsibility by the way of laws and regulation (Beeson and Broome, 2008). However, under the fundamental premise that the state is an organization run by self-seeking politician and bureaucrats, and not only limited in their ability to collect information and execute policy but also under pressure from interest group, neo-liberal economists argue that the cost from these government failure are typically greater than the cost of market failure, and that it is usually better for state not to try to correct market failures, because it may make the outcome even worse (Zafirovski, 2003).

Table 3.1 summarizes the main programs in several global initiatives on CSR. The detailed discussion on these initiatives is presented below.

Table 3.1: The Global Social Responsibility Initiative

Num.	Initiative	The goal	Progress
1	UN Global Compact	The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.	Business participants in the UN Global Compact make a commitment to make the Global Compact's ten principles part of their business strategies and their day-to-day operations. At the same time, companies are required to issue an annual Communication on Progress (COP), a public disclosure to stakeholders (e.g., investors, consumers, civil society, governments, etc.) on progress made in implementing the ten principles of the UN Global Compact, and in supporting broad UN development goals.
2	Global Reporting Initiative (GRI)	The Global Reporting Initiative (GRI) is a network-based organization that produces a comprehensive sustainability reporting framework that is widely used around the world. GRI is committed to the Framework's continuous improvement and application worldwide. GRI's core goals include the mainstreaming of	To test the concept GRI has launched a pilot project to develop an National Annex for Brazil. The experiences from this National Annex project will then be used to guide the further development of National Annexes around the world.

		disclosure on environmental, social and governance performance.	
3	OECD Guidelines	OECD is a forum where governments from 30 developed countries stick together to address the economic, social and environment challenges. The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.	The OECD Guidelines for Multinational Enterprises (the Guidelines) are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct consistent with applicable laws.
4	ILO Helpdesk Multinational Enterprises Program	The ILO is the international organization responsible for drawing up and overseeing international labour standards. It is the only 'tripartite' United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programmes promoting Decent Work for all. This unique arrangement gives the ILO an edge in incorporating 'real world' knowledge about employment and work.	ILO launched a helpdesk that provides information access and advice regarding CSR to enterprises

Source: Authors' compilation from several sources.

3.1.1. UNITED NATIONS GLOBAL COMPACT

United Nations (UN) Global Compact is immense corporate voluntary in the world. When Kofi Annan was the leader of UN, he launched the organization which is associated with the United Nations Development Program, the International Labor Organization, UN Commissioner on Human Rights, many international non-government (INGO), and a number of business association.

The Compact promotes then universal principles in the area of human rights, labor standards, the environment and anticorruption. This comprises 10 principles for CSR implementation in the areas of human rights, labor, the environment and anti-corruption. These are associated with The Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Right at Work, the Rio Declaration on Environment and Development, the United Nations Convention against Corruption.

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

3.1.2. ISO STANDARD

ISO 26000 is one of international standards that sets guidance on social responsibility and encourages companies in their efforts to operate in socially responsible manner, which is increasingly demanded by stakeholders. ISO is the International Organization for Standardization which aims to set standards of economic, environmental, and societal actions for business, government and society. The organization has a membership over 160 national standards bodies in all regions of the world with more 18 000 standards. In 2009, ISO launched a comprehensive consultation of its stakeholders all over the world in order to develop the strategies toward 2011-2015 strategic plans.

Specifically, the guidance for social responsibility is set in ISO 2600. In 2009, there was a consensus among the multi-stakeholder representative within ISO Working Group on Social responsibility to move a committee draft to a Draft International Standard (DIS). This was the partners include the United Nations Global Compact and the International Labor Organization (ILO) which try to underline the level of satisfaction among ISO customers.

3.1.3. OECD GUIDELINES

OECD (Organization for Economic Co-operation and Development) is a forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalization. The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United

Kingdom and the United States. The Commission of the European Communities also takes part in the work of the OECD.

Regarding CSR, OECD set guidelines for multinational enterprises. This provides principles and standards of good practice which comprises general policy, disclosure, industrial relationship, environment, combating bribery, consumer interests, science and technology, competition, and taxation. The guidelines are quite detail though they are encourage multinational corporation based on voluntary principle. In term of transparency, enterprises should ensure that timely, regular, reliable and relevant information is disclosed regarding their activities, structure, financial situation and performance. The guidelines even foster multinational to refrain from carrying out anti-competitive agreements among competitors. Those should be within the framework of applicable laws and regulations in which most developing countries still struggle to establish their own system.

3.1.4. DOW JONES SUSTAINABILITY INDEX

Launched in 1999, the Dow Jones Sustainability Indexes the financial performance of the leading sustainability-driven companies worldwide. This reviews over 20% of companies out of the largest 2,500 companies in the Dow Jones Global Total Stock Market (DJGTSM) Index. In keeping with all Dow Jones Sustainability Indexes, the components for the DJSI World Enlarged are selected according to SAM's systematic Corporate Sustainability Assessment, which analyzes company performance in terms of economic, environmental and social criteria. The new index has 513 components, is reviewed on an annual basis, and is weighted according to free float market capitalization. Additionally, there will be a subset index of 459 components excludes companies from the following sectors: tobacco, alcohol, gambling, armament and firearms, and adult entertainment.

3.1.5. ENVIRONMENT SUSTAINABILITY INDEX

The ESI was published between 1999 to 2005 by Yale University's Center for Environmental Law and Policy in collaboration with Columbia University's Center for International Earth Science Information Network (CIESIN), and the World Economic Forum. The Environmental Sustainability Index was developed to evaluate environmental sustainability relative to the paths of other countries. Due to a shift in focus by the teams developing the ESI, a new index was developed, the Environmental Performance Index (EPI), that uses outcome-oriented indicators, then working as a benchmark index that can be more easily used by policy makers, environmental scientists, advocates and the general public. Jha and Murthy (2003) criticized the Index on account of causal variables clubbed into one grand index, the bias environmental government measurements, ignored forest management, incomplete social and institutional capacity, and other methodology approaches.

3.2. REGIONAL INITIATIVE

The emerging corporate responsibility actions prompt some measurements over CSR actions. In the UK, an England business community promotes Corporate Responsibility Index to benchmark corporate responsibility activities. The Asian Sustainability Rating is an environmental-social-government benchmarking tool that was developed from collaboration between Responsible Research and CSR Asia.

Emerging markets present both opportunities and risks for multinational corporations. Nearly two billion consumers in emerging markets represent potential huge markets for MNC. Indeed, the best way to generate both profit and social value is to focus on emerging market. Zhang (2008) was raising questions on what short of CSR model in emerging markets growing whether adopt western-style capitalism or local variants, while many CSR efforts in the west promote universal standards or code of conduct.

Table 3.2: CSR Review

Num.	Region	Organization/ Program	Observed data	Conclusion
1	Asia	Responsibly Report	Hang Seng	**Supply chain issues:** lacking specific supplier codes of conduct regarding the environment, health and safety, and labor standards. In terms of the environment, many lacked measurement systems, specific reduction initiatives and goals, which are the most effective procedures for all companies to follow.
2	European			There are 16 global corporations which are considered as platinum corporate responsibility. However, none of those corporations are considered as Forbes100.
3	The US		over 7,790 consumers in the US	**Consumer perceptions:** significant positive correlation between corporate social responsibility and corporate reputation scores of companies.
4	Africa			

Source: Authors' compilation from several sources.

3.2.1. The US

The CSR Index in the USA was conducted by Reputation Institute's 2010 and the Boston College Center for Corporation Citizenship. This is about public perception about corporation citizenship, government, and workplace practices over 200 companies. Citizenship is about how a company contributes positively to its community from social to environment perspectives, while governance is about how a company conducts a fair and transparent business with high ethical business standards. Eventually, it was a workplace which refers to decent wage and fairly treatment for the workers. The survey over 7,790 consumers in the US indicates significant positive correlation between corporate social responsibility and corporate reputation scores of companies.

3.2.2. Europe

The European Commission (EU) encourages companies to apply fair employment practices that respect human rights, particularly where products come from outside the EU. For the European Commission, CSR means "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." Corporate Social Responsibility is also part of the Europe 2020 strategy for smart, sustainable and inclusive growth. It can help to shape the kind of competitiveness model that Europe wants.

It emphasizes the importance of CSR and challenges business to take leadership. It also outlines ways in which the Commission intends to continue to promote CSR as a voluntary concept, with an emphasis on dialogue between stakeholders. Sustainable growth and more and better jobs are the twin challenges the EU must now address in the face of global competition and an ageing population to safeguard our model for European society, based on equal opportunities, high quality of life, social inclusion and a healthy environment. To enhance the transparency, visibility and credibility of CSR practices, the Commission encourages enterprises that support the Alliance to make CSR information available to all stakeholders, including to consumers, investors and the wider public. Large companies in particular should seek to present CSR strategies, initiatives and their results or best practices in a way that is easily accessible to the public. In addition, the Commission will continue to support stakeholders in developing their capacity to assess and evaluate CSR practices (EU Commission, 2004).

This is why the Commission called for a fresh start to the Lisbon agenda by launching a Partnership for Growth and Jobs in February 2005 and renewing its Sustainable Development Strategy in December 2005. This is also why the informal meeting of Heads of State and Government at Hampton Court in October 2005 called for innovative answers to address the competitive challenge while defending European values.

In 2011, the permanent delegation of the European Union to the United Nations Offices and to other international organizations in Geneva, is pleased to submit to the Special Representative of General Secretary on the issue of human rights and transnational corporations and other business enterprises the comments of European Union.

Should CSR be regulated by law? The current situation in the UK is a celebration of diversity. There are laws or regulations covering things such as the minimum wage, Health & Safety and disclosure to investors, but none covering overall disclosure of environmental impact, little covering supplier relationships and almost nothing on community impact. Opinion in the CSR world is just as diverse, some favouring a legal framework for CSR and others fearing it would destroy everything.

In reality minimum wage legislation has not meant that we are all suddenly paid only that minimum. Environmental legislation has not capped car manufacturers' efforts to produce cleaner cars. Why should CSR, as a whole, be any different? If there is a business case for CSR, then it will still be there after legislation. Legislation on performance functions as a floor. It would remove the long tail of under-performers, not the headroom for high achievers.

Denmark has a law on CSR. On 16 December 2008, the Danish parliament adopted a bill making it mandatory for the 1,100 largest Danish companies, investors and state-owned companies to include information on corporate social responsibility (CSR) in their annual

financial reports. The reporting requirements became effective on 1 January 2009. The required information includes:

1. information on the companies' policies for CSR or socially responsible investments (SRI)
2. information on how such policies are implemented in practice,
3. information on what results have been obtained so far and managements expectations for the future with regard to CSR/SRI.

One of CSR networks in Europe is the CSR Europe. This organization has 70 multinational corporation members and 29 national partners with aim to response the initiative of the European Commission President Jacques Delors. Overall, the networks reach out to more than 3,000 companies from 25 European countries. The Enterprise 2010 is a milestone collaborative strategy toward sustainable inclusive growth.

In the UK, the Business in the Community sets Corporate Responsibility Index to benchmark corporate responsibility to integrate and improve CR. The index has three categorizes of social responsibility, namely platinum, gold, silver, and bronze. There are 16 global corporations which are considered as platinum corporate responsibility, such as Alliance Books, Anglo American, British Broadcasting Corporation, Carillion, Centrica, Costain Group, Friends Provident, Legal & General Group, Pearson, Premier Farnell, RSA Insurance Group, Severn Trent, Tesco, Unipart Group, United Biscuits, and WH Smith. However, none of those corporations are considered as Forbes100. The Forbes100 mentioned only 4 UK companies, namely Vodafone, Barclays, and Rio Tinto.

3.2.3. Africa

Rodinelli (2004) points out that the MNCs in Africa don't show the success efforts at serving consumers as social profiles. They are even accused of undervaluing the staff who works for them in developing countries, what is not mentioned is that these same employees often earn as much as 10 times what they will have made working for a local firm in a comparable or even more tedious capacity. In Ghana, a foreign company even can generate revenue about one-sixth of Ghana's total economic output.

Were we even to grant the premise, shown above to be highly dubious, that MNCs in Africa exists for the purpose of exploitation, doesn't that lead us directly to the question of what kind of society Africa is that allows such unchecked exploitation? What then has become of the role of government to implement regulations to ensure that MNCs abide by the rules?

The argument that MNCs will then simply migrate to other countries does not bear out on scrutiny. How will Ashanti Gold move its operations to Benin to escape firm regulation? And at worst don't organizations like ECOWAS exist to ensure uniform, fair and firm regulation? The question, clearly, therefore leads to the issue of the ''institutional environment'' within which MNCs operate, and this is clearly borne out by noting that very often local companies are not absolved of the same sins we accuse MNCs of committing.

If the point really is that MNCs take advantage of poor countries to abuse the hospitality of these societies, and we make this statement by reference to the assumption that MNCs behave better in wealthier countries, then perhaps it bears reflecting on the differences in environment between rich and poor countries with regards to how all companies – MNCs as well as locals – behave in each respective region. If the results of that reflection is that in poor

societies cronyism and the lack of enforceable standards allows local companies to evade taxes (which by the way MNCs tend to be rather prompt in their payments), disregard laws against pollution, renege on their contractual obligations to their staff and refuse to pay social security contributions, then the proper analysis will be that what is called for is not the demonization of MNCs but rather improvements in the 'institutional environments' of developing countries.

Meridian Group International (2006) was conducting survey in Africa regarding CSR. The result indicated that multinational projects in Africa are focused on ethics, fair labor issues, HIV/AIDS, education, and child labor. CSR is a particularly prominent theme among mining, oil, and gas companies in Southern Africa, due to their potentially significant negative social and environmental impacts. Large South African corporations are increasingly active in the field of CSR, and their reach extends into other Sub-Saharan African countries as well. The Annex provides a list of South African firms with operations in other countries in Africa.

Some African organizations stand for CSR initiatives. For example, The Centre for Corporate Governance Kenya, The African Leadership and Progress Network, Business Action for Africa, the African Institute of Corporate Citizenship, the African Corporate Sustainability Forum, West African Rural Foundation, National Business Initiatives, Center for Corporate Citizenship.

3.2.5. Asia

In Asia, there are two organizations which aim to promote Corporate Social Responsibility. First is **the Asian Forum on Corporate Social Responsibility** which establishes forums in many major cities in Asia, such as Manila, Bangkok, Kuala Lumpur, Jakarta, Ho Chi Minh City, and Singapore. To call for attention, this forum conducted the Asian CSR Awards. Another organization based in Hong Kong is **CSR Asia.** This acquires a social enterprise and serves an advocate of sustainable economical, social and environmental development across the Asia Pacific Region. Moreover, the organization deserves to be financial independent organization which relays on market instead of donors or funding. Its principal sources of funding are the strategic partners, training and conferences, advisory services to companies and advertising.

The Responsible Research endeavors to promote social responsibility through conducting survey with 100 sustainable indicators which grouped into four ASR categories, i.e. general, environment, social, and governance. Those questions were based on a combination of CSR Asia's model on CSR and internationally recognized sustainability indexes and guidelines, namely the FTSE4 Good sustainability index and the Global Reporting Initiative guidelines.

The survey indicated that companies generally lacked detailed initiatives or specific standards for environment, supply chain and workplace. Though there are some codes of conduct, those companies have no effective monitoring systems or targets in place to monitor and evaluate undesirable effects. Moreover, most companies on the Hang Seng Index failed to address supply chain issues, lacking specific supplier codes of conduct regarding the environment, health and safety, and labor standards. In terms of the environment, many lacked measurement systems, specific reduction initiatives and goals, which are the most effective procedures for all companies to follow.

The Japanese entity is so unique, namely "sogo shosa". This refers to traditional export-export resource supply and goes through with enhanced investment. In 1990s, the flying geese model in East Asia postulated that Asian region grew as a regional hierarchy in which the

production of commoditized goods would continuously move from the leader which was Japan as advanced countries to the less advanced ones (Kasahara, 2004). For the global perspective, only in electronics was production likely to be globalized, as transportation costs are low relative to assembly while production in chemicals, resources, and services is likely to be highly localized (Rugman, 2004).

The lead goose in this pattern is Japan, the second-tier of nations consisted of the New Industrializing Economies (South Korea, Republic of China Taiwan, Singapore and Hong Kong). After these two groups come the main ASEAN countries: Philippines, Indonesia, Thailand and Malaysia. The Japanese multinational companies play pivotal role in the international market in which nearly 64 Japanese companies earn revenue about USD2.94 trillion per annum. Japan as the first goose in a V-shaped formation leads other economies toward industrialization, on only passing older technologies down to the followers but also the corporate governance such as business ethic, business culture, and social responsibility.

When the Japanese society began to industrialize, some Japanese businesses recognized that they were social institution. Then, the social responsibility has become a fashion in Japanese business society and more Japanese companies have set up division of CSR. It is now becoming commonplace to publish social responsibility report. While the head quarter set global corporate social responsibility standard, the company representatives then support philanthropic activities that employees undertake as members of the community takes place.

The CSR program is mix of the global perspective on philanthropic activities and also the local circumstances in each nation and region. Tanimoto and Suzuki (2005) indicate that Japanese companies do not always adopt Guidelines in the same way as Western companies. The reason may be culture, the legacy of the traditional system, the diffusion of different practices or the mixture of all those factors. Mirfazli (2008) shows that the main social disclosure from companies registered at the Indonesia Stock Exchange are labor theme (51.60 percent), followed by customer theme (19.40 percent), society theme (14.70 percent) and environmental theme (14.30 percent). Gunawan (2010) finds that there are gaps between the most important information perceived by the stakeholders and the information disclosed by the companies. This result may indicate that the information disclosed by the companies has not fulfilled the stakeholders' needs. Therefore, the stakeholder theory should be investigated further in this context.

3.3. Indonesian CSR

The Government of Indonesia has not yet managed over all CSR activities. With Law No 40 2007 chapter 5 article 74, social and environment responsibility becomes compulsory for every natural-resource-based company in Indonesia. There is no government regulation which should provide technical guidance on how to run CSR program in Indonesia. However, many CSR programs have been taking place a long before the regulation, even for non-natural-resource-based companies.

The initiative of CSR includes a vast range of sectors, from making comfortable work and improving quality of services to wider issues, such as environmental protection and education. Most manufacturers these days will have included in their CSR policy as a minimum, ways to improve the quality of surroundings for workers and customer service improvement.

Every year, Indonesian Automotive Industry Community (GAIKINDO) conducted a special day to appreciate automotive CSR. In 2009, the community awarded PT Honda Prospect Motor (HPM) for the best CSR in Indonesia 2008-2009 on account of valuable environmental movements, namely Blue Sky. The program focuses on planting trees. Started in 2005, in the Indonesian International Motor Show, the company planted one tree for one car sale. In the 2006, the CSR program focused on the Galunggung Street, Green Senayan Action in 2006, on river side area in 2007. There after the company has planted more than 7.000 trees in Jakarta.

3.4. CSR STRUCTURE

3.4.1. JAPANESE CSR

It is notably that automotive industry focus on one element of CSR (ie. sustainability, social, environmental, or business ethics) to the partial exclusion of other factors. On the other hand, the initiative of the Japanese electronics industry indicates the implementation of CSR in the supply-chain domain.

3.4.2. HONDA CSR

Honda CSR initiative is based on the philosophy of "creating the joys" which are about continuing to dream and create new value. The company is manufacturing the PCX scooter in Thailand as a strategic global model as well as a number of hybrid cars, such as CR-Z sport, Fit hatchback, and the EV-neo electric motorcycle.

3.4.3. MITSUBISHI CSR

Mitsubishi aims to realize sustainable corporate value through the creation of economic value, societal value and environmental value. This company conducted the ISO 14001 about environment management system. With goal statement of sustainable and profitable growth, Nissan focus on building trust with stakeholders, i.e. employees, customers, business partners, shareholders, and communities.

Toyota established Toyota Astra Foundation. The organization manages to provide scholarship from Sabang and Merauke. For the earthquake disaster in West Sumatera in 2009, the foundation granted two ambulance cars for the Red Cross. The Mitsubishi Electric Automotive Indonesia also made a donation for the earthquake refugees.

Toyota Eco Youth (TEY) is one of CSR program from Toyota which has been run since 2005. This is competition awards for high school students and more than 260.000 students from 355 schools participated. The program aims to promote environment-friendly school. In 2010, Nissan Motor Indonesia conducted CSR for basic education, namely Nissan friend of Indonesia children. The company donated books, computers, sport equipments for an elementary school in Tangerang. Krama Yudha Tiga Berlian Motor as a Mitsubishi distributor promoted recycled handicrafts which made from fabric, passenger seat, and posters.

3.4.4. FUJITSU CSR

Fujitsu states a commitment of "contribute to the creation of networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world". The company insists on field innovation through continuing such efforts in line with customer's top management intentions as a global business standard, namely "one

Fujitsu". This is about establishing environmentally-friendly data center with attention to energy saving, safety, and security. For example, the London North Data Center shows a model of energy-used simulation technology with free cooling and high efficiency UPS units, the FeDC Singapore implements highly efficient motive power, temperature monitoring, and control equipment and lighting control system, the Australian Homebush Data Center performs re-uses cooling water and heat flow layout with 80% less water and 32% less energy.

3.4.5. HITACHI CSR

Hitachi focuses on raising the quality of products and services outside Japan, with a particular focus in China and throughout Asia as part of the painstaking work to ensure product safety and compliance, and to cultivate human resources. This is associated with the tradition of "monozukuri" craftsmanship that places top priority on quality and the motto of "providing customers with the highest quality products and services. NEC sets a vision 2017 to be a leading global company leveraging the power of innovation to realize an information society friendly to humans and the earth. NEC achieved its target of zero net CO2 emission by 2011, and come up with a low-carbon society, such reduce CO2 emission from customers and society.

3.4.6. PANASONIC CSR

Panasonic announced the new midterm management plan, namely Green Transformation 2012 (GT12) through promote green lifestyle and offering green business-style. The company tries to increase the number of women serving in a management capacity, such as a top executive, group manager, or team leader. While 2% of the workers are disables, the company also encourages its partners to create a work environment for all regardless of gender, age, or nationality. This shows the good impact, through no commute and less fatigue as well as work efficiency improved.

3.4.7. SONY CSR

Sony achieves breakthrough innovation through creative technology to enhance customers' live and positively contribute to society. Accordingly, Sony is striving to reduce its environmental footprint to zero. Through World Cup 2010, Sony collaborated with UNDP, JICA, FIFA, and African NGOs to utilize soccer as a tool for social marketing, such as public viewings, donating original soccer ball, and film making training. Sony set 2050 long-term goal of life cycle zero and 2015 mid-term target which associated with climate change, resource conservation, chemical management, and biodiversity. This is all about reducing environmental footprint at every stage of product life cycle, from R&D in the area of dye-sensitize solar cells, reducing the operating power consumption, resource conservation, working with certified suppliers, minimizing the impact of operation, shifting modes of transportation to recycling of end-of-life products. Sony also joined the WWF's Climate Savers Program in 2006 and, based on the results of WWF reviews conducted in fiscal year 2009, has agreed to revised targets under this initiative.

3.4.8. TOSHIBA CSR

Toshiba Group sets a basic standard of conduct for the internal environment and focus on natural environment protection, technology education, sport and culture promotion, social welfare, and international exchange and friendship. The company also encourages its

employees for voluntary activities. Most of the social activities were conducted in Japan which run by The Toshiba Group Japan and Toshiba Japan, 51% and 33% respectively. Most of the budget goes for science and technology education at 33%, followed by sport and culture activities and disaster relief. Social welfare program encourages civic society organizations to hold in-house sales at the kiosk of the Toshiba headquarter to help impaired people toward financial independence.

Operating in the domains of energy, resources and materials, the JX Group is confronting more structural changes in its business environment than ever before. The spread of fuel-efficient vehicles, an ongoing switch in the types of energy consumed, and other changes are eroding demand for oil in Japan. The JX Group Mission Statement is to contribute to the development of a sustainable economy and society through innovation in the areas of energy, resources and materials. Furthermore, given the field in which we conduct business, our business activities themselves are closely linked with the natural environment. As such, we consistently work to reduce our environmental impact while meeting the public's demand for development of a sustainable economy and society.

In trading sector, ITOCHU is placing special focus on green crossover project. It is a joint pilot project on a low carbon transportation system using clean energy in order to achieve low carbon society.

3.5 Summary

Whether FDI is positively associated with CSR management structure has became the central issues in FDI literature. Based on case studies, this chapter presented that FDI is associated with an appropriate CSR management structure. From the four global initiatives on CSR, this chapter evaluates that these global initiatives trigger the quality of regional initiatives. Using the case studies of Japanese multinational corporations (MNCs), it is certainly positive effect of the existence of FDI on the CSR awareness in host countries. This current chapter serves a complement to the previous chapter, by providing an alternative angle of evaluating the importance of FDI on host economies. The case studies in this current chapter re-assure the results of empirical studies in Chapter 2, regarding benefits of FDI in developing countries.

CHAPTER 4:
STAKEHOLDER PARTNERSHIP

The chapter addresses the research question number 3: what factors that encourage FDI to initiate partnership with local development initiators such as local governments, volunteers, donors, or employees? How MNCs persuades local people to be more supportive?

This chapter proceeds as follows. Section 4.1 introduces the main idea. It is followed by the model. Section 4.3 discusses the data and variables used for estimation. Section 4.4 presents the empirical results, and the final section is summary.

4.1. INTRODUCTION

"Go green" seems to be a new way of life. Companies ranging from titan retailer Wal-Mart to investment firm Goldman Sachs are going on the green bandwagon and pledging more tangible changes that go beyond the public relations-oriented "green washing". For corporate executives, going green is becoming, if not mainstream, at least more commonplace. On the other hand, some peoples argue that the only way to deal with the rising threat of global warming. Some big companies are even asking that they should be regulated on green house.

Porter and Kramer (2011) reveal that the big part of the problem lies with companies themselves which remain trapped in an outdated approach to value creation that has emerged over the past few decades. Optimizing short-term financial performance in a bubble while missing the most important customer needs and ignoring the broader influences that determine their longer-term success. The purpose of the corporation must be redefined as creating shared value, not just profit per se. The concept of shared value recognizes that societal need beyond conventional economic needs, define markets. It also recognizes that social harms frequently create internal costs for firms, such as wasted energy or raw material, costly accidents, and the need for remedial training to compensate for inadequacies in education.

4.2. THE MODEL

The simple model of environment equilibrium for two industries (let's say steel and fishery) is about aggregate profit of increasing pollution. The model indicates that the efficient provision of environment damage will involve maximizing the sum of the profits of all firms in the industry in which minimizing the total social cost of the pollution (Varian, 2008, p 680-681). This model presumes there were three companies, two fishery companies and one steel company with $c_s(s,x)$ as the cost of the firm in the steel industry (s) of producing and x units of environment damage. In fishery industry, $c_f^1(f_1,x)$ represents the costs for the fishery firm 1 to exploit the resource (f_1). Moreover, while the pollution level is x, $c_f^2(f_2,x)$ is the analogous expression for fishery firm 2 to use resource (f_1). Following this, the Pareto efficient amount pollution refers to the sum of maximizing profits of the three firms:

(4.1) $$\max_{s,f_1,f_2,x} p_s s + p_f f_1 + p_f f_2 - c_s(s,x) - c_f^1(f_1,x) - c_f^2(f_2,x)$$

The effect of on aggregate profits of increasing pollution indicates that increasing pollution lowers the cost of producing but raises the costs of producing fish for each of the fisheries. The appropriate optimally condition for the profit-maximizing problem is

(4.2) $$\frac{\Delta c_s(\bar{s},\bar{x})}{\Delta x} + \frac{\Delta c_f^1(\bar{f}_1,\bar{x})}{\Delta x} = 0$$

This equation means that the sum of the marginal costs of pollution over the three firms should equal to zero. Just as in the case of a public consumption good, it is the sum of the marginal benefits or costs over the economic agent that is relevant for determining the Pareto efficient provision of a public good.

In common model, profit maximization by X producers requires maximizing net revenue from the joint product less the cost of primary input. The maximizing profit model for given level of output is associated with labor, land and level of waste generated (l_t, t_t, g_t). This model is equivalent to treating waste disposal as an intermediate input into the production process for x and minimizing the cost of primary and intermediate inputs. Hence, the unit cost function corresponding to H is

(4.3) $$c^x(w,r,p_g^d) = \min_{l_t,t_t,g_t} [wl_x + rt_x + p_g^d g_x] \; s.t. \; H(l_t,t_t,g_t) = 1]$$

The variables of the models are wage, rent on land and price of waste in which w represent wage, r is the rent on land, and p_g^d is domestic price of disposing one unit of waste.

4.3. DATA DAN VARIABLES

The research adopts the social responsibility measurement data produced by Newsweek and MSCI ESG Research Institution. They aim to assess each company's actual environmental footprint and management of that footprint, along with its reputation among environmental experts. The Global 100 list covers the largest public companies based in developed and emerging markets. Company size was associated with revenue, asset, and market capitalization. Changes resulting from various corporate actions, such as mergers, were taken into account until July 1, 2010, when the company lists were finalized to allow time for the rankings to be calculated and compiled.

Green Score: This score is derived from three component scores: the Environmental Impact Score (EIS), the Green Policies Score (GPS), and the Reputation Survey Score (RSS), weighted at 45 percent, 45 percent and 10 percent, respectively. The Green Score, as well as each component score, is published on a scale from 100 (highest performing) to one (lowest performing).

Environmental Impact: The data source of environmental impact score is trucost a consultant company which provides services such as identifying true cost of business. The total

environmental impacts of a corporation refers to emissions of nine key greenhouse gases, water use, solid-waste disposal, and emissions that contribute to acid rain and smog—figure into the Environmental Impact Score. The company calculates the specific impact as environmental damage cost for each company, such as a dollar value representing the potential cost to society of resulting damage to the environment.

Green Policies: The Green Policies Score measures the quality of each company's environmental reporting, policies, programs, and initiatives. More than 70 individual indicators are incorporated into the Green Policies Score, categorized into the following five issues: climate-change policies and performance; pollution policies and performance; product impact; environmental stewardship; and management of environmental issues. These address, respectively, how well each company manages its carbon emissions; how well each company manages its non carbon emissions to air, water, and land; the life-cycle impacts of each company's products and services; how well each company manages and uses its local resources; and the quality of each company's track record of managing environmental risks. Data on regulatory compliance, lawsuits, controversies, and community impacts are also among the indicators taken into account within each category.

Reputation Survey Score: Adopting from Newsweek, this score is based on an opinion survey of corporate social-responsibility professional, academics, and other environmental experts who subscribe to CorporateRegister.com. The survey went out to 14,921 validated users and asked each respondent to rate a random sample of 15 companies on a sliding scale (100 to one) from "leader" to "laggard" in three key green areas: environmental performance, commitment, and communications. Of those surveyed, 2,480 individuals were identified as "sector specialists"—those having a specific working knowledge of environmental issues within their industry—and were asked only to score companies in their sector of expertise. Additionally, the CEOs from all companies on the NEWSWEEK and Global 100 lists were invited to participate in the survey, 90 of whom responded and either took the survey themselves or designated a senior-level representative to do so on their behalf. Survey responses were collected over six weeks, from July 1, 2010, to mid-August 2010. Chief-executive scores were given a weight of three, sector specialists a weight of two, and other participants a weight of one. Each company's performance, commitment, and communications scores were then averaged to produce its raw Reputation Survey Score.

Ranking the Companies: To calculate a company's overall ranking, the three component scores were standardized, combined with a weighted average, and mapped to a 100-point scale for publication. The raw component scores were first converted to standardized values called Z scores, which reflect how individual companies performed in relation to the average for each of the three scores. These Z scores serve as a common metric, allowing environmental impact, green policies, and reputation—which were measured in very different ways—to be compared, much the way fractions must be converted to have a common denominator before they can be added together.

The overall green Z score is generated by a weighted average of the Environmental Impact (45 percent), Green Policies (45 percent), and Reputation Survey (10 percent) Z scores

was taken. The Green Z score and the three component Z scores for each company were then converted to a scale of 100 (highest performing) to one (lowest performing) for publication. It is important to note that a 45–45–10 weighting applied to the published component scores will not result in the Green Score (the latter is based on the weighted average of the standardized scores, not the scaled display scores).

Industrial sectors: Industrial is about the core business in which the companies run the business. The data considered some major sectors for the observed companies, i.e. technology, retail, pharmacy, oil, consumer goods, bank and insurance (STECH, SRETAIL, SPHARM, SOIL, SCONS, SBANKI).

Regions: The regions represent the head quarter in which the observed companies established. Those companies are in Asia, Europe, and the US.

Financial highlight: To get the financial highlight information about sales, profits, assets and market value, the research adopts data from Forbes 500. This ranks world's biggest companies, measured by a composite of sales, profits, assets and market value from 51 countries and 27 industries.

Table 4.1: Green and Financial Indicators

Companies	GRANK	GSCORE	GIMPACT	GPOLICY	GREP	SALES	PROFITS	ASSETS
Anheuser-Busch InBev»	85	46.64	4.96	74.11	50.21	36.80	4.10	113.80
China Construction Bank»	81	49.46	75.94	31.55	25.96	58.20	15.60	1408.00
Bank of China»	82	48.6	77.92	30.94	22.51	49.40	11.90	1277.80
PetroChina»	95	25.9	9.91	26.2	1	222.30	21.20	251.30
Nokia»	14	86.01	79.9	71.97	100	56.80	2.50	50.30
BNP Paribas»	71	54.26	72.97	34.13	49	130.40	10.50	2680.70
Axa»	30	79.31	86.93	67.82	65.84	162.40	3.70	981.80
Crédit Agricole»	66	60.95	68.91	41.74	61.89	88.90	1.70	2130.80
Total»	62	64.74	21.99	59.81	62.57	188.10	14.20	192.80
Sanofi Aventis»	42	72.21	55.95	58.74	69.82	40.70	7.30	110.30
Carrefour»	53	67.84	41.99	55.47	64.13	120.60	0.58	70.90
France Telecom»	25	81.11	59.91	75.82	53.64	60.90	6.50	120.50
GDF Suez»	68	58.07	13.97	59.29	51.51	113.10	6.20	245.50
Allianz»	19	84.32	69.9	75.28	73.91	142.90	6.70	838.40
BASF»	74	52.14	15.95	40.52	85.69	85.50	6.10	78.20
Volkswagen»	67	58.84	41	41.07	66.93	168.30	9.10	267.50
Daimler»	76	51.7	39.91	35.02	44.08	130.90	6.00	178.70
Siemens»	32	78.81	60.99	63.6	93.76	103.50	5.30	135.00
Bayer»	59	66.4	26.94	55.16	84.38	47.00	1.70	67.50
Metro Group»	69	57.24	46.94	42.85	44.16	90.20	1.10	47.00
Deutsche Telekom»	7	91.4	95.94	84.04	67.04	61.20	3.10	2556.50

Deutsche Post»	38	73.71	83.96	60.33	62.68	68.30	3.40	50.50
E.ON»	93	40.37	8.92	36.79	66.96	124.60	7.90	205.10
China Mobile»	35	77.51	85.94	70.3	41.57	71.80	17.70	129.30
Intesa SanPaolo»	13	86.42	92.97	82.92	37.5	49.90	4.00	889.00
UniCredit»	33	78	91.98	67.7	49.35	68.80	2.40	1318.00
Eni»	80	49.81	12.98	46.8	50.57	130.50	8.40	176.10
Enel»	91	42.86	7.93	45.48	57.86	96.50	5.90	217.40
Mitsubishi UFJ Financial Group»	26	80.43	90.99	74.48	36.61	51.00	4.20	2177.40
Honda Motor»	18	84.98	29.91	85.31	68.43	91.80	2.90	122.20
Toyota Motor»	17	85.15	33.97	82.4	75.71	202.80	2.20	323.50
Nissan Motor»	48	68.88	27.93	63.36	60.96	80.40	0.45	107.90
Sony»	4	96.4	56.94	97.26	64.32	77.20	-0.44	133.40
Panasonic»	8	90.67	44.96	90.63	64.19	79.40	-1.10	85.60
Canon»	24	81.3	34.96	79.36	62.16	45.70	3.00	49.10
Hitachi»	31	79.3	43.97	74.47	57.9	96.00	-1.10	94.60
Nippon Telegraph & Telephone»	16	85.41	94.95	79.42	45.87	108.90	5.30	193.80
ArcelorMittal»	99	12.11	2.98	33.09	35.96	78.00	2.90	130.90
ING Groep»	15	85.56	70.99	80.22	59.85	149.20	4.30	1665.30
Unilever»	65	61.01	6.94	67.6	87.19	59.30	5.70	54.80
Royal Dutch Shell»	88	44.43	22.98	25.93	70.74	369.10	20.10	317.20
Sberbank of Russia»	89	44.11	73.96	21.74	33.27	32.30	0.80	234.40
Gazprom»	96	23.36	11.99	15.94	9.09	98.70	25.70	275.90
Rosneft Oil»	94	34.3	14.96	28.53	21.17	46.10	10.40	93.90
Lukoil»	75	51.73	25.95	46.76	19.9	86.10	9.00	84.00
Samsung Electronics»	54	67.76	48.92	57.45	50.3	133.80	13.70	119.30
Banco Santander»	41	72.28	98.91	54.91	59.62	109.70	12.80	1570.60
Banco Bilbao Vizcaya Argentaria»	61	64.85	82.97	50.24	47.68	43.40	6.30	734.10
Telefónica»	46	69.38	57.93	55.05	66.07	81.30	13.60	166.50
Nestlé»	97	22.95	1.99	63.48	67.95	112.00	36.70	117.70
Novartis»	6	91.48	53.97	89.64	67.43	50.60	9.80	123.30
Roche Holding»	58	66.42	74.95	52.16	52.14	50.80	9.30	62.90
Hon Hai Precision Industry»	90	43.55	28.92	31.64	24.83	61.20	2.40	32.00
Lloyds Banking Group»	21	83.1	76.93	75.48	63.58	96.60	-0.50	1545.90
HSBC Holdings»	9	90.18	96.93	78.8	81.72	103.30	13.30	2467.90
Barclays»	12	86.55	88.91	78.22	64.28	63.90	5.60	2328.30
Royal Bank of Scotland Group»	27	80.31	97.92	70.35	48.22	66.20	-1.60	2265.80
Rio Tinto»	100	1	1	48.65	89.3	56.60	14.30	112.40
BP»	92	41.13	21	29.91	33.6	297.10	-3.70	272.30

GlaxoSmithKline»	5	94.18	64.95	91.36	73.62	44.30	2.50	62.10
Tesco»	44	69.92	37.93	54.68	85.78	79.60	3.50	70.10
Vodafone»	11	87.09	62.97	83.22	61.81	67.50	13.10	236.60
JPMorgan Chase»	34	77.97	89.9	67.75	50.32	115.50	17.40	2117.60
Berkshire Hathaway»	79	50.05	18.92	42.58	43.06	136.20	13.00	372.20
Wells Fargo»	29	79.47	71.98	72.95	49.82	93.20	12.40	1258.10
Citigroup»	22	82.22	100	69.76	61.93	111.50	10.60	1913.90
Bank of America»	55	67.54	66.93	56.15	44.49	134.20	-2.20	2264.90
Procter & Gamble»	51	68.02	23.97	56.5	97.61	79.60	11.20	134.30
Ford Motor»	50	68.42	36.94	56.8	66.79	129.00	6.60	164.70
PepsiCo»	87	44.65	3.97	68.68	65.13	57.80	6.30	68.20
General Electric»	47	69.3	81.98	48.83	86.47	150.20	11.60	751.20
McDonald's»	49	68.55	24.96	67	48.27	24.10	4.90	32.00
Walt Disney»	37	73.83	87.92	65.05	36.79	39.00	4.40	71.00
Exxon Mobil»	70	54.27	16.94	51.37	41.46	341.60	30.50	302.50
Chevron»	86	45.8	19.91	33.48	52.76	189.60	19.00	184.80
ConocoPhillips»	73	52.96	17.93	48.96	42.55	175.80	11.40	156.30
Johnson & Johnson»	3	98.51	42.98	100	77.58	61.60	13.30	102.90
Pfizer»	20	83.18	54.96	78.11	59.27	67.80	8.30	195.00
Wal-Mart»	39	73.51	38.92	59.36	89.61	421.80	16.40	180.70
CVS Caremark»	72	53.56	31	44.03	33.01	96.40	3.40	62.20
Home Depot»	63	63.81	45.95	53.77	42.42	68.00	3.30	40.10
Target»	40	73.16	67.92	60.51	63.74	67.40	2.90	43.70
Walgreen»	77	51.62	32.98	41.29	28.42	68.40	2.20	27.00
Lowe's»	52	67.92	49.91	56.2	55.37	48.80	2.00	33.70
Kroger»	64	63.32	35.95	51.79	57.61	82.20	1.10	23.50
Microsoft»	23	82.01	63.96	74.87	63.16	66.70	20.60	92.30
AT&T»	57	66.73	51	55.66	49.21	124.30	19.90	268.50
International Business Machines»	1	100	93.96	91.3	96	99.90	14.80	113.40
Hewlett-Packard»	2	99.33	58.92	95.56	92.87	127.20	9.10	119.90
Verizon Communications»	45	69.73	51.99	60.42	47.99	106.60	2.50	220.00
United Technologies»	28	80.16	47.93	74.45	61.69	54.30	4.40	58.50
United Parcel Service»	43	71.74	61.98	56.58	75.36	49.50	3.50	33.60
Boeing»	60	65.32	65.94	51.72	49.64	64.30	3.30	68.60

Source: Global 100, Forbes 500.

4.4. THE EMPIRICAL RESULTS

The empirical investigation is based on two main data sources, they are: green 100 by Newsweek and Forbes 500, which have an intersection of 93 titan companies. The observed companies have huge gap in term of assets, profit, sales and market value. All of the financial data aren't normal distribution with significant JB test. The biggest gap is evident in asset data

indicated by maximum and minimum asset, $502 billion and $23 billion respectively (as shown in Table 4.2). However, the green data seems to be normal distribution due to index data with spread from 1 to 100.

All financial indicators are positive skewness distributed. The right tail is longer; the mass of the distribution is concentrated on the left of the figure. It has relatively few high values. This means a few companies have remarkable financial indicators while the rest of them do business with profit, sales, asset, and market value lower than the average.

Table 4.2: Descriptive Statistics of the Variables for Stakeholder Partnership

	GIMPACT	GPOLICY	GREP	MVALUE	PROFITS	SALES	ASSETS
Mean	50.52075	59.77065	57.48570	102.7097	7.831075	102.0527	502.1043
Median	49.91000	59.29000	59.62000	81.50000	6.000000	82.20000	156.3000
Maximum	100.0000	100.0000	100.0000	407.2000	36.70000	421.8000	2680.700
Minimum	1.000000	15.94000	1.000000	15.20000	-3.700000	24.10000	23.50000
Std. Dev.	28.83186	18.92608	19.81081	68.16625	7.197847	68.66164	732.6871
Skewness	0.021752	-0.074032	-0.157144	1.544613	1.322861	2.481808	1.723305
Kurtosis	1.835654	2.391728	3.117656	6.491078	5.345597	10.40849	4.548810
Jarque-Bera	5.260679	1.518680	0.486401	84.20741	48.44397	308.1523	55.32699
Probability	0.072054	0.467975	0.803954	0.000000	0.000000	0.000000	0.000000
Observations	93	93	93	93	93	93	93

The green rank is associated with the level of green score. The higher green rank that a company conducts such CSR program, the higher green score it has. The estimation result indicates that the major variables are statistically significant refers to technology and pharmacy sectors as well as annual sales (Table 4.3). Sales have a positive impact to the green rank and green score, while both pharmacy and technology sector have high average on green rank and green score.

Table 4.3: Estimation Results

Variables	Dependent Variables			
	Green Rank Model 1	Green Rank Model 2	Green score Model 3	Green score Model 4
Cons	-	-	-	60.86349 (25.17386)
STECH	-38.08585*** (6.815826)	-	26.29237*** (6.152067)	-
SRETAIL	2.658641 (10.86968)	-	2.122895 (7.616377)	-
SPHARM	-42.42432*** (10.94079)	-	31.01335*** (7.555693)	-
SOIL	7.927777 (10.06976)	-	-12.70038 (7.004590)	-
SCONS	-16.85587 (11.27640)	-	5.415772 (8.016228)	-
SBANKI	-11.43648 (13.60961)	-	9.461501 (9.429823)	-
ASIA	-6.610603 (8.556318)	-	-7.328994 (6.235639)	-
US	-16.83895*** (6.544360)	-	-8.312570 (4.300227)	-
LOG(SALES)	5.112059 (5.940537)	13.31117*** (5.049569)	9.880704*** (4.264627)	-3.684266*** (4.284299)
LOG(PROFITS)	-3.175262 (4.476125)	0.801804 (4.612550)	-8.563946*** (3.122089)	-5.495888 (4.021882)
LOG(ASSETS)	-5.398173 (4.649358)	-5.238303** (2.542153)	3.120610 (3.251912)	3.459313 (1.756630)
LOG(MVALUE)	18.04372*** (6.188494)	3.871302 (5.855691)	4.047853 (4.084692)	2.921001* (5.556820)
R2	0.416392	0.054486	0.411833	0.074118
Akaike	9.262055	9.558508	8.523568	8.814940
Schwarz	9.604522	9.672664	8.868413	8.957634
White-test	23.27233	11.39424	4.427509	12.61075
LM-test	0.533633	1.997756	19.16006	0.518118
RESET test	1.647288	1.281398	5.219819***	1.699734

Notes: Numbers in parentheses are t-statistics. *** indicates a significance at 1% level, ** indicates a significance at 5% level, and * indicates a significance at 10% level.

Table 4.4: Green Representative Survey

	People's perception	Policy	Impact
Cons	-	68.39932***	42.82725
		(25.99038)	(27.77151)
STECH	3.866981	15.09702**	41.94103***
	(5.473871)	(6.021794)	(9.241357)
SRETAIL	-18.41318**	-13.67134	27.31662***
	(7.066822)	(8.003774)	(8.768769)
SPHARM	6.799765	22.30437***	40.64306***
	(6.948788)	(7.554768)	(10.72518)
SOIL	-37.97968***	-18.04634**	7.706460
	(6.073793)	(7.018274)	(5.642918)
SCONS	9.648584	-0.034034	19.11240
	(7.971261)	(8.501924)	(8.301758)
SBANKI	-10.44053	-2.079719	35.55055***
	(8.271398)	(9.140685)	(10.80495)
ASIA	-21.32384***	-3.476918	-0.760822
	(5.514274)	(6.495819)	(7.169999)
EUROPE	1.853881	-11.20988**	-7.134183
	(3.430561)	(4.580183)	(5.088988)
LOG(SALES)	14.73017***	3.578797	-7.857955
	(4.112997)	(4.819442)	(4.970499)
LOG(PROFITS)	-3.831337	-0.292362	0.111722
	(2.771264)	(3.705816)	(3.657138)
LOG(ASSETS)	-1.476168	1.418119	9.931410**
	(2.922835)	(3.168626)	(4.282628)
LOG(MVALUE)	3.525973	-5.899474	-8.371078
	(3.520786)	(5.969174)	(5.974680)
AR(2)	-0.305794***	-0.058380	-
	(0.114148)	(0.133408)	
R2	0.552839	0.425326	0.633049
F-test		3.586720	13.07745
Akaike	8.368852	8.448211	8.847442
Schwarz	8.764560	8.874358	9.223640
LM test	4.939025	1.037448	13.67412
White test	1.038275	20.74331	25.81591

Notes: Number in parentheses are standard error. *** indicates significance at 1% level, ** indicates significance at 5% level.

The reputation can show how MNCs persuades local people to be more supportive. The estimation output indicates that retail and oil industry are statistically significant but bellow than the average. This means those industries have low support from local people on account of poor perspective from the local people. Number of sales significantly plays role to the perception of expert on environmental footprint and management of that footprint.

The initiative to set CSR policy is not associated with financial indicators. Even the R^2 is just about 0.4, as shown in Table 4.4. The initiative for CSR policy in technology, pharmacy and oil industries have bellow rate than the average.

The capacity of company which is represented by the assets plays significant role to the impact of the program. This means the bigger assets the companies have the higher impact CSR program for environment. Moreover, retail, technology, pharmacy and banking industry experience lower impact than the average.

4.5. SUMMARY

Dealing with a nagging question whether corporations experiencing are a sudden rash of social consciousness, it appears that companies are increasingly realizing that going green could be a new way for companies to save, more green as in money. This is strategy implemented by some of the leading-edge companies on account of maximizing profits and mitigating risk.

People expect companies like Whole Foods to have environment initiatives for not only strengthening their public relations efforts, but also making good business sense to preserve resources. However, it seems that goo green policy doesn't make a sense for BP, Wal-Mart, and DuPont.

CHAPTER 5
COMMUNITY DEVELOPMENT: IS CSR A WIN-WIN SITUATION?

This chapter endeavors to address the question on how partnership or alliances among communities, non-profit organizations, and corporations can be configured to be a win-win situation for all parties.

The Community Development Journal covers community development, seen as political, economic and social program which link the activities of people with institutions and government. It aims to develop theory and practice, to compare experience internationally, and to place policies, programmes, methods and practice in their political, economic and social context. Issues covered from this standpoint include, for example, community action, village, town and regional planning, community studies and rural development.

5.1. INTRODUCTION

While coal remains the most affordable fuel for power generation for the industrialized countries, the huge demand from countries with energy intensive industries has been fostering coal mining industry in developing countries, which one of these is Indonesia. In the first mid 2010, the Indonesian coal exports were about 165 million tons, or approximately 76.96% of total coal production in the same period. The largest export destination countries are Japan, China, India, Korea, Malaysia, Philippines and Taiwan (Indonesian Coal Mining Association, 2010). Unfortunately, the local communities seem to be suffering from land devastation instead of fulfilling long-term sustainable development.

The long-term community development relies on the competent leadership which is the cornerstone of development responsibility in the powerful mining industry, then community leadership should stay attentive to the process participative program (Murray et al, 2010). The high risky mining business set the mining company to run up against short term uncertainty. Following that, the company tends to manage to run CSR as a tool for risk management. Even though the government and local community can stand up for the sustainable development goals, it appears that the company can force the stakeholders in many ways. Because it is based on voluntary action, consensus and openness, the result is a positive commitment, rather than a restrictive sense of obligation. The intention is also that the standard will contribute to greater awareness and wider observance of existing legislation and regulation.

It appears that the giant mining business could easily control the local government and local communities in which they operate. The interest of mining company is to keep costs as low as possible to deal with high financial risk, while the expected future value of the assets of mineral deposit is limited by international prices and competing projects. On the other hand, the local community and local government have a lack of organization capacity to deal with potential issues (Focal, 2008). Whenever the mining company comes to explore the remote area, the local people then expected to transform their economies too, such as environment

development and local labor forces. Jones et al (2007) notify that CSR considerations are sufficiently powerful in themselves to bring about systemic change in the management of labor.

This paper explores a case study of negotiation between Kaltim Prima Coal the Indonesia giant coal mining company and Dayak Basap community. It takes advantage to analysis the possibility of leadership issue in corporate social responsibility afforded by the negotiation theory in analyzing sustainable community development in mining industry. It proposes a scenario approach as the framework for incorporating it into policy analysis process to deal with change and uncertainty. Chareonwongsak and Kitthananan (2009) identify some advantageous in a scenario approach, such as the environment overview which might foreshadow a crisis, more realistic about economic, social, and political risks, and flexibility. It examines the possibility of the consensus building which provide a forum in which local community could interact and involve in business strategy with scientific knowledge. This observation relies on a series of over 20 in-depth interviews conducted in 2008. Each interview was semi-structure, build around an informal set of open-ended question that explored the main challenges each groups faced, the key breakthroughs each made, and the dynamics that hindered the progress.

5.2. RELATED LITERATURE

In microeconomics, one of indications of what factors might be important in deciding in a leaders-follower situation is price. The game theory approach indicates the strategic interaction in these cases form a sequential game, while a simulation game is evident in which the players could each simultaneously choose price. In supply chain industry, a firm which dominates the factor markets manages to find the best condition in which the marginal revenue from hiring an extra unit of the factor should equal the marginal cost of that unit (Varian, 2008).

The signals of market prices as main indications for the decision of the leader normally provide are either absent or fail to reflect the true opportunity cost of the resource involved. Moreover, while the mining resources are high level of uncertainty for certain time, financial criteria such as the internal rate of return rule, benefit-cost ratio and the payback period need to be enhanced with net social benefit (total benefit less total cost), valued according to the opportunity cost and willingness to pay principles, is positive rather than negative. ISO 26000 is one of international standards which set guidance on social responsibility and try to encourage corporate leadership in their efforts to operate in the socially responsible manner that society increasingly demands. Many feel that more legislation and regulation is the key to dealing with deficient social responsibility. Although this is certainly justified in some cases, it is rarely the only method of dealing with the problem. Regulation can be considered to be static and comes from the top-down, standardization works from the bottom up, is dynamic in nature and simplifies development.

Based on transformational leadership theory, the role of CEOs in determining the extent to which their firms engage in corporate social responsibility (CSR) is found to be significantly associated with the propensity of the firm to engage in 'strategic' CSR, or those CSR activities that are most likely to be related to the firm's corporate and business-level strategies (Waldman et al, 2006). Angus-Leppan et al (2010) indicated that explicit CSR is linked to an autocratic leadership style, whereas implicit CSR is more closely aligned with emergent and authentic styles. Although our results reinforced key aspects of the explicit and implicit CSR

framework, they demonstrated conflicting systems of both CSR and leadership within our case organization and highlighted the difficulty in categorizing such a complex CSR concept.

It is enormous challenge for a mining industry to deal with their limited responsibility in community development. Dealing with short term uncertainty, mining industry is tempted to define CSR as a tool for risk management. Vargas-Hernandez (2007) shows that formulation and implementation of foreign mining companies tend to avoid damage to the environment, biodiversity, and health of population. Esteves (2008) emphasized the uncertainty and complexity commitment of senior manager in mining companies to long-term social project. Dubbink (2008) pointed out that CSR reporting likewise developed purely driven by market forces, which indicating the embedment of the information. The efforts of a mining company to conduct CSR are also triggered by business strategy to boost the financial performance. Jong-Seo et al (2010) find it is statistical significant that corporate financial performance and the stakeholder-weighted CSR index are positive relationship. The analysis of Arx and Ziegler (2008) also indicates that environmental and social activities of firm compared with other firms within the industry in are valued by financial markets.

Both profit interest and risk management have raised biased CSR doctrines based on mistaken presumptions about recent economic developments. Henderson (2009) indentifies that mistaken presumption of enterprises would make the world poorer and more over-regulated. A standard regulation is not enough. Appelbaum et al (2009) suggest that organizations require more than ethical safeguards to ensure ethical conduct, such as perceived ethical congruence which positively affects an individual's affective commitment to an organization, and reduces turnover intent. It is the role of CEO leadership to deserve sustainable development, as Waldman et al (2004) mention that CSR activities are most likely to be related to the firm's corporate and business-level strategies. Unless mining development forces community and local government to deal with potential issue, the role of business never goes beyond philanthropy and toward sustainable community development.

The corporate community involvement in the mining industry refers to negotiation between a powerful company and poor communities. Seelos (2004) show that the experimenting with unfocused CSR often is a zero sum game for society, and CSR without an explicit social compliance framework is lack credibility. It appears that participation in social corporate social responsibility program is not merely a question of rational choosing the right decision in value-free manner, as Berkhout et al (2003) explore contest between competing interests in public policy.

In the less developed countries there existed a great deal of pessimism about the ability of the non-industrialized countries to develop properly in the context of open economic relationship with economically advanced countries. Under developed nations often lack of institutions that are able to protect buyer and sellers in a efficient market, check corrupt behavior, establish property rights, manage the risk, hold their government accountable, provide incentive for long-term investment, and promote the sustainable use of natural resources (Wydick, 2008, p 3-4). If an entrepreneur believes that the way he will get a business permit is to pay a bribe, then he will probably bribe. If an inspector believes that entrepreneurs will be forthcoming with bribes, then he will probably solicit them. It is called strategic independence.

It is acknowledged that mineral industry is under imperfect market, so negotiations are arduous, especially while states do not comply with agreed measures, monitoring is poor and effective sanctions are rarely put in place. In other cases, CSR regimes have a number of indirect positive effects, such as attention to a shared understanding about causes and effects, and lead to the improvement of institutional structures. Berkhout et al (2003, p 15) regards that effective policy making cannot solely be a matter of governments negotiating with governments to produce new international legal instruments.

Fuller (2009) demonstrates the efforts of integration between local knowledge and scientific knowledge which have to deal with a problem of mismatched places with a series of attached practice differences instead of a lack of power such as influence and resource.

5.3. THE COMPETITION

The strategic interaction can involve many players and strategies, but the case indicates two-player game with a finite number of strategies. It is a sequential game that the player one is KPC CSR office and player two is Dayak Basab Community. Incentives are shaped by the rewards that accrue from different activities, by the institutional framework within which one operates, and by one's expectations about the behavior of others. Adopting the Stackelberg model which describes a dominant firm or a natural leader in Industry, the case identify the KPC mining company plays a leader, and the community is follower.

5.3.1. PLAYER 1: LOCAL COMMUNITY

Dayak is a local tribe in the hugest island in Indonesia, Borneo Island. The ethnic comprises into seven main tribes, which each of them consist of around 18 small sub tribes. One of small sub-tribe is Basab which lives in Karaitan village. It is 30 km away from Segading sub-district town, Sangata Municipality, East Kalimantan.

During the observation, 21 families were living in Segading village. They were still doing nomad farming. They were planting paddy for each rainy season. After the harvest time, they were moving into another field. They kept moving for six times and moved back to the first field. If that so, each family managed over six fields, each was around one to two hectare coverage. They were staying at tend near their farm for four to six months to take care of their plantation and then moved again for another field. To meet protein needs, they were hunting a local deer. As a nomad community, they couldn't do anything for cattle. No wonder that a view number of villagers stayed at their house at Segading village.

In Segading, there are around 20 houses, one school building with three class rooms, and one village hall. They had a teacher for their school children but it was long time ago. They also mentioned that there was a nurse who could help for delivering baby. Once the observer met the local nurse, he just said that it was coincidence that made him become a local nurse. He come from Kediri Java, and was working for a Basab family. When his wife delivered a baby in the middle of the jungle, no one else could help her. He helped her wife to delivery their baby and fortunately it was success. After that, everyone in the village had been calling him for a favor on delivering a baby. He even never graduated from elementary school.

Segading is the third village for this generation of Basab tribe. Their ancestors were living at Karaitan village, far away at a remote area. A small vessel was the only transportation

mode to access other communities. In 1960s, a forest fires had made them to be refugees. They looked for shelters nearby sub district city of Bengalon. In 1970s, the government was running a resettlement program for tribe in remote areas. As one of the target groups, the program provided an area called as Bajang Tidung village to the community. For the first year, the program provided a food and a settlement for each family to start a new life. The second year, it conducted a training for agribusiness. The last year was the strengthening activities for a sustainable business.

After several years in Bengalon, some families of the tribe decided to move back into the jungle for some awkward reasons. First, some women mentioned that they had no land and no right to live over there. Some people mentioned that it was not their way of live to sell something for a life, because their ancestor granted them lands which provide a plentiful of foods. Another reason was a dispute over land ownership and financial support from the government and some coal mining company which started to utilize some lands in their area. Some accused the local leader who managed those resources for abuse power. The disputes made those families separated. Around 20 families moved to Segading, while the village leader and some families still stayed at Bengalon.

It appears that Segading is not the last village for them. The village was surrounded by a number of coal mining companies. Some of mining companies took over their lands for some huge money. After selling their land, almost every family had some modern facilities, like electricity generator, motorbikes, television with parabola antenna, and cellular phones. However, they couldn't do something like their ancestors, especially hunting. No more animal left for hunting due to mining activities, while most of the plants surrounding their homes were getting vanished.[1] They had to go to the jungle for the paddy plantation as far as possible from the mining activities.

They spent much money for the modern equipments. For cellular phone, a family can spend around $50 per month, while they also should buy gasoline about $60 per month for both electric generator and the motorbikes. One of a local leader's wife mentioned that they got money from selling a local deer. They could get around $1500 for a big deer. In fact, they rarely could find a local deer due to the mining activities. Most likely, they still kept some money from selling their lands. It is a big question on how they could survive.

5.3.2. PLAYER 2: THE COMPANY LEADER

In October 2003, BUMI Resources acquired Kaltim Prima Coal (KPC) from Beyond Petroleum and Rio Tinto through its holding companies Sangata Holding Limited and Kalimantan Coal Limited at a price of US$500 million. This was much cheaper than US$ 822 million agreed upon by the government and KPC owners or around US$ 420 million for the 51% shares. Following that, the 51% shares sold to the East Kalimantan regional administration and state-owned Bukit Asam was at US$ 255 million. The local government of East Kalimantan regional then acquired a 31% stake and Bukit Asam to take the remaining 20% stake. The acquisition of KPC turned the company into the country's largest coal producer as well as one of the largest thermal coal exporters in the world, accounting for approximately 8 percent of

[1] In comparison to the average of Indonesia consumption, almost one out of two Indonesians has a cellular phone and just every household has a television set (Roy Morgan Single Source, 2009).

internationally traded thermal coals in 2005.

The BNBR Group was the only non-Chinese business group in Indonesia which successfully survived the transition from the Soekarno period to the Soeharto period and even to Susilo Bambang Yudhoyono regime. Founded by Achmad Bakrie, the father of Aburizal Bakrie, Indonesian Senior Minister, BNBR started its long journey as a trading company in 1942. In 1950s, Soekarno, the first president of Indonesia, stated that Achmad Bakries is the only remarkable pribumi or indigenous businessman. The company pioneered Indonesia's steel pipe manufacturing industry. The company expanded into several other sectors including steel structures, plantations, petrochemicals, trading, mining, food, automobile components, building products, and telecommunications both in Indonesia and abroad.

In the early of 1970s, the company was one of main suppliers for some state-owned company, especially as Pertamina and Krakatau Steel. The key success of this company was the close links between Bakrie Senior and some executives in the state-owned companies, such as Ibnu Sutowo and Tungky Aribowo. Ibnu was the president director of Indonesia state-owned oil company, Pertamina, while Tungky was the director of Indonesia stated-owned steel company, PT Krakatau Steel. Tungky also became Ministers for some departments during the Suharto's cabinet, and was a director in Tommy Suharto's car racing company.

In 1998, the expansion had come into a halt due to Asia financial crisis. BNBR defaulted on its debts and restructured $1.2 billion of debt, converting some into equity (called debt equity swap) between 1998 and 2001. PT Bakrie Sumatera Plantation Tbk decided to repay US$4.2 billion of its debts in 2002 or 75% of its total mature debts, which amount to US$5.6 million. The company had to deal with 150 creditors which controlled over 80% of five companies, i.e. Bakrie Sumatera Plantations, Bakrie Electronic Company, Bakrie Kasei Corp, Arutmin Indonesia, and Iridium LLC. The National Bank-Restructuring Board (BPPN) also controlled 15% asset. The share ownership of Bakrie over those companies dropped from 58% into 2.5%.

After the restructuring program, the management came into another ambitious program toward modem multinational enterprise. The first movement was acquisition of 97.5% of shares of Gallo Oil Ltd[2] in 2000 by Bumi which cost more than Rp9.3 trillion ($1.3 billion). That asset of Bumi jumped to Rp 441.6 billion ($250 million). Then, in November 2001, BUMI took over 80% shares of PT Arutmin Indonesia from BHP Mineral Explorations Inc.[3] Along with four open-cut coal mines in Senakin, Satui, Asam-asam and Batulicin in South Kalimantan, Arutmin was the fourth largest coal producer in Indonesia. The acquisition cost US$ 180 million with support from Bank Mandiri, though Repo $103 million while the rest came from its asset. Surprisingly, this process was done on 10 October 2001, less than two months of the deal. Another information mentioned that acquisition cost US$148.5 million which partially financed by a US$100 million loan from PT Bank Mandiri.[4] Then, BUMI became the first coal mining company producing quality eco-coal for international and domestic power generation

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[2] Gallo Oil was established in Jersey, Chanel Island on 17 December 1997.

[3] Since 1981, Arutmin got concession to explore coal mining more than 70,000 hectares in South Kalimantan. According to the agreement of coal mining exploration, it was a mandate for BHP to sell its share for Indonesia after 10 years of concession. Indonesian Coal Mining Association, http://www.apbi-icma.com/news.php?pid=616&act=detail

[4] High Beam Research, November 2001.

companies. After the acquisition, the income of Bumi just kept on rising from Rp10.5 billion in 2000 to Rp61.16 billion in 2001 and Rp91.1 billion in 2002.

Between 2005 and 2008, the price of coal at international spot market was increasing dramatically. The highest price was $1,200 per ton in 2008. Then, BUMI share price rose to a record 8,550 rupiah at the early of 2008 in Jakarta trading, recorded as Indonesia's most valuable company at the time. Three year before, the stock of Bumi Resouces was just around Rp800 when the price of coal was around $50. It triggered Bakrie to expand more over.

In 2004 Aburizal Bakrie was appointed as the chief economic minister of Indonesia by President Susilo Bambang Yudoyono. Subsequently, Aburizal Bakrie had been blamed for poor economic development and business nepotism. During the reshuffling of the cabinet in 2005, he transferred into the Coordinating Minister for People's Welfare.[5] For the following years, the Forbes magazine published Mr. Bakrie as the top billionaire in South-east Asia with estimated assets more than US$9 billion.

Along with the famous name as a controversial minister, BNBR played more important role on Indonesian coal production, especially through Bumi Resources. The sales growth rose by 23% from 35 million ton in 2004 into 44.4 million tons in 2005. In line with the growing global consumption of energy resources, the strong demand for thermal coal had driven higher average selling price. Then, ownership of KPC and Arutmin, BUMI Resources became the largest thermal coal producer in Indonesia, accounting for approximately a third of Indonesia's total coal production in 2005. With a gross production of 44.9 million tons in 2005, the company was also one of the five largest thermal coal exporters in the world.

Kaltim Prima Coal was the largest coal producer in Indonesia, which accounting for approximately 8 percent of internationally traded thermal coals in 2005. Formerly, it belonged to Petroleum and Rio Tinto. In October 2003, BUMI Resources acquired the most remarkable coal mining company, Kaltim Prima Coal (KPC), from Beyond Petroleum and Rio Tinto through its holding companies Sangata Holding Limited and Kalimantan Coal Limited at a price of US$500 million.

Between 2005 and 2008, the price of coal at international spot market was increasing dramatically. The highest price was evident in 2008 at $1,200 per ton. The Bumi share price rose to a record 8,550 rupiah at the early of 2008 in Jakarta trading, recorded as Indonesia's most valuable company at the time. Three year before, the stock of Bumi Resouces was around Rp800 when the price of coal was around US50. It triggered Bakrie to expand more over.

5.3.3. A GAME THEORY APPROACH

Individual everywhere are part of social, political, and economic networks in which the behavior of others influences their own best choice. A situation in which people's choice and welfare are independent in this way is called a game. The solution to a game largely relies on the institution framework within which the game is played. Institutions define the framework within which social, political, and economic interaction take place.

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[5] Previous positions included the presidency of the ASEAN Business Forum for two consecutive terms from 1991 to 1995, and the chairmanship of the Indonesian Chamber of Commerce and Industry (KADIN) for two consecutive terms from 1994 to 2004. As a member of the Golkar party, Bakrie competed unsuccessfully to become Golkar's candidate for the presidency in 2004; Eventually General Wiranto became the party's candidate.

The coal mining activities reduced the access of Dayak Basab tribe in Segading. The company planned to utilize lands nearby the village which would cross only one access for Segading community. While the company set up high standard for mining access, anyone would not be able to pass the road. Only official vehicle would be allowed to pass the street.

If that so, there would be three options for the communities. As shown in Table 5.1., the community can choose: (a) to move to Bajangtidung, or (b) to go back to Karaitan (the ancestor land), or (c) to find another new places (unknown places). On the other hand, the company would have at least three options. As presented in each row of Table 5.1, the three options are: (1) to bargain to get the best price with lowest cost, (2) to facilitate the transformation process of community development for certain years and at the same time pay land compensation, (3) to facilitate the whole transformation process.

As the KPC is the leader in this game, the best solution for the company is to choose the first option. The company tends to pay land compensation only to the community, since this option gives the maximum utility to the company. If it is the case, the Dayak Basab as the follower, have only three captive options, which might lead to three different solutions.

The following is the situation that might be faced by Dayak Basab, if it is assumed that the KPC chooses to pay only land compensation (see Table 5.1).

The First Option: If the tribe moves to Segading, a small mining town, they will easily get basic rights (i.e. education and health facilities). They should develop basic entrepreneurship skills. While it is a total transformation from a traditional hunter community which entirely rely on forest resources into a trader community which has not only ability to trade and take a risk, it might take one-generation time or about 50 years. During one in depth interview, a senior tribe member pointed that it is impossible for them to transform into traders, which seems to be a lower level of community class. Moreover, they also feel irritated with other communities in the town.

The Second Option: the Dayak Basap tribe could go back to their ancestor's land in a remote area, Karaitan. They would be more flexible to manage the traditional cultivation as they have done for hundred years. On the other hand, they should be able to live without basic services, such as electricity, education, and health services. Recently the modern facilities have enhanced the way of life in many ways. The male rides motorcycle whenever they go to land field, while the house wife enjoy chatting by the telephone.

The third option: each family could sell of their land and spend all the money for a new place. They would make a living in different part of the places. This means that it is no more Dayak Basab community. The worst experiences thought them how difficult to make a living in a new territory.

TABLE 5.1: STRATEGIES OF COMPETITION BETWEEN KPC AND DAYAK BASAP

		Basap's strategies		
		Stay at Bajangtidung Scenario	**Back to ancestor land Karaitan**	**Unknown places.**
KPC	**Land compensation only**	1. Riskiest on the foreign ground	2. Traditionalized civilization.	3. The end of the tribe.
	Combination between land compensation and community development program	4. Surviving on the foreign land	5. Modernizing the jungle.	6. Find the rest of battles.
	Community development program	7. Nurturing the survivors	8. Civilizing the jungle.	9. Sleeping with the enemy.

Source: Authors' investigation based on Focus Group Discussion and surveys on the community and on the MNC.

5.4. SUMMARY

Neumann and Morgenstern prove that there is an equilibrium solution to any zero-sum game, a class of two player games in which a victory by one player implies an equivalent loss to other. Nash insight generalized the result of Neumann and Morgenstern to include a much broader category of social interaction that is not necessary zero sum game.

In economy transactions, one party has an opportunity to take advantage of another. Because of the dynamic sequence of many economic transactions, they frequently involve some element of trust. David Kreps notifies the element of second-stage vulnerability in what is now commonly referred to as a Trust game. Trust game involves one player acting in his selfish interest. If the second players were to restrain from selfish behavior, both would benefit from the transaction.

In the case under study in this chapter, KPC as the leader of the game has an advantage over the Dayak Basab community. As the game is in dynamic sequence and it is referred to Trust Game of Kreps, KPC certainly has an optimum solution by acting in its selfish interest, only paying land compensation at the minimum price. This condition push the follower, in this case is Dayak Basab, to face only three captive situation, which lead them to lost solution, whatever is the option. In this case study, the win-lost solution is applied. The finding of this case study supports the theoretical argument of Neumann-Morgenstern.

CHAPTER 6
CONCLUSIONS

It has been long argued in the literature that FDI provides benefits to host countries. Empirical literature mostly found positive impacts of FDI. However, case-study literature provides inconclusive results. As a contribution to the literature, this study bridges the gap in literature by investigating the FDI benefits using both an empirical study and a case study. Combining case study and empirical study provides a comprehensive analysis on FDI benefits. The results of this study are expected to shed a light on the continuing debate.

The empirical analysis is conducted within country-level data and firm-level data. Under the country-level data, the focus of analysis is on the impact of FDI on economic growth, pollution rate, and social security. Using the firm-level data, the empirical investigation is focused on the initiation of CSR by MNCs.

The case study is conducted using Focus Group Discussion (FGD) and interviews. The main issue is the contribution of FDI on community development. The observed MNC is Kaltim Prima Coal (KPC) and the local community is Dayak Basab. By applying a Game Theory, this study examines the strategies of the two counterparts. Under the Stackelberg model, KPC acts as a leader and Dayak Basab acts as a follower.

Findings of country-level analysis imply that there is a positive effect of FDI on economic growth and on pollution rate. The FDI-Growth hypothesis is confirmed and the Pollution-Haven hypothesis is applied. However, it is found that FDI does not generate positive impact on social security spending. In other words, the presence of FDI does not improve the quality life of labours.

Results of firm-level analysis indicate that the environmental-friendly policy is highly positively correlated with green rank of the MNCs. Companies that promote "Go Green" policies have higher green rank and green scores compared to other companies. The results imply that MNCs tend to improve their concerns on environment in order to increase their green ranks or green scores. Hence, there is a positive effect of FDI on CSR initiatives.

Findings of case study show that FDI has no impact on community development. In the case of KPC and Dayak Basab, the equilibrium solution is zero-sum game. As KPC acts as a leader in the competition, it tends to choose a strategy that provides the most optimum benefits to itself. The solution of the game refers to the Trust Game of David Kreps. Hence, the case study provides results supporting a win-lost solution.

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LAMPIRAN

Appendix Chapter 2

Appendix 2.1: FDI and Economic Growth

A. Common Effect Model

Dependent Variable: INC?
Method: Pooled Least Squares
Date: 08/10/11 Time: 13:44
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 474

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI?	28.10262	0.509931	55.11064	0.0000
ODA?	-47342865	55775652	-0.848809	0.3964

R-squared	0.856687	Mean dependent var	9.13E+10
Adjusted R-squared	0.856384	S.D. dependent var	3.56E+11
S.E. of regression	1.35E+11	Akaike info criterion	54.09714
Sum squared resid	8.58E+24	Schwarz criterion	54.11470
Log likelihood	-12819.02	F-statistic	2821.495
Durbin-Watson stat	1.402751	Prob(F-statistic)	0.000000

B. Fixed Effect Model

Dependent Variable: INC?
Method: Pooled Least Squares
Date: 08/18/11 Time: 13:20
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 474

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.16E+10	9.74E+09	8.378096	0.0000
FDI?	2.897850	1.139720	2.542598	0.0114
ODA?	-627092.0	1.17E+08	-0.005344	0.9957
Fixed Effects (Cross)				
_AFGAN--C	-7.36E+10			
_ALBANIA--C	-7.37E+10			
_ALGERIA--C	1.48E+09			
_ANGOLA--C	-5.92E+10			

_ARGENT--C	1.17E+11
_ARMEN--C	-7.53E+10
_AZERBA--C	-6.41E+10
_BANGLAD--C	-1.14E+10
_BELARUS--C	-4.45E+10
_BELIZE--C	-8.10E+10
_BENIN--C	-7.67E+10
_BHUTAN--C	-8.06E+10
_BOLIVIA--C	-7.25E+10
_BOTSWN--C	-7.36E+10
_BRAZIL--C	1.01E+12
_BURKIN--C	-7.56E+10
_BURUN--C	-8.07E+10
_CAMBO--C	-7.59E+10
_CAMER--C	-6.42E+10
_CAPE--C	-8.07E+10
_CAFRICAN--C	-8.01E+10
_CHAD--C	-7.89E+10
_CHILE--C	-8.05E+09
_CHINA--C	2.98E+12
_COLOM--C	5.84E+10
_COMO--C	-8.12E+10
_CONGOD--C	-7.73E+10
_CONGOR--C	-8.62E+10
_COSTA--C	-6.23E+10
_COTEDI--C	-6.54E+10
_CROAT--C	-4.40E+10
_DJIBOU--C	-8.11E+10
_DOMINIC--C	-5.17E+10
_ECUADOR--C	-4.78E+10
_EGYPT--C	1.01E+10
_ELSALVA--C	-6.60E+10
_EQUATOR--C	-8.39E+10
_ERITREA--C	-8.02E+10
_ETHIOPIA--C	-6.28E+10
_FIJI--C	-7.96E+10
_GABON--C	-7.71E+10
_GAMBIA--C	-8.12E+10
_GEORGIA--C	-7.59E+10
_GHANA--C	-6.69E+10
_GUATEM--C	-5.29E+10
_GUINEA--C	-8.01E+10
_GUINEAB--C	-8.09E+10
_GUYANA--C	-8.03E+10
_HONDUR--C	-7.26E+10
_INDIA--C	8.49E+11
_INDON--C	2.24E+11

_IRAN--C	9.57E+10
_IRAQ--C	-6.34E+10
_JAMAICA--C	-7.34E+10
_JORDAN--C	-7.14E+10
_KAZAKH--C	-6.16E+10
_KENYA--C	-5.74E+10
_KYRGYZ--C	-7.87E+10
_LAO--C	-7.81E+10
_LEBANON--C	-6.71E+10
_LESOTHO--C	-8.01E+10
_LIBERIA--C	-8.16E+10
_LIBYA--C	-5.39E+10
_MACEDO--C	-7.57E+10
_MADAG--C	-7.65E+10
_MALAWI--C	-7.83E+10
_MALAYSIA--C	4.44E+10
_MALDIVES--C	-8.07E+10
_MALI--C	-7.49E+10
_MAURIT--C	-7.98E+10
_MAURIT--C	-7.98E+10
_MEXICO--C	6.39E+11
_MOLDOVA--C	-7.79E+10
_MONGOLIA--C	-8.00E+10
_MOROCCO--C	-1.92E+10
_MOZAM--C	-7.59E+10
_NAMIBIA--C	-7.48E+10
_NEPAL--C	-7.15E+10
_NICARAGUA--C	-7.77E+10
_NIGER--C	-7.81E+10
_NIGERIA--C	2.21E+10
_OMAN--C	-6.63E+10
_PAKISTAN--C	3.88E+10
_PANAMA--C	-6.96E+10
_PAPUANG--C	-7.76E+10
_PARAGUAY--C	-7.05E+10
_PERU--C	-1.03E+10
_PHILIPPI--C	5.67E+10
_RWANDA--C	-7.80E+10
_SAMOA--C	-8.10E+10
_SAOTOME--C	-8.14E+10
_SAUDI--C	4.83E+10
_SENEGAL--C	-7.20E+10
_SIERRA--C	-8.02E+10
_SOLOMON--C	-8.12E+10
_SOUTHAF--C	1.22E+11
_SRILANKA--C	-5.04E+10
_VINCENT--C	-8.13E+10

_SUDAN--C	-5.63E+10
_SURINAM--C	-7.88E+10
_SWAZIL--C	-7.93E+10
_SYRIAN--C	-5.26E+10
_TAJIKIST--C	-7.87E+10
_TANZAN--C	-6.65E+10
_THAIL--C	9.58E+10
_TOGO--C	-7.94E+10
_TONGA--C	-8.12E+10
_TRINID--C	-7.66E+10
_TUNIS--C	-5.95E+10
_TURKEY--C	4.17E+11
_UGAND--C	-7.23E+10
_UKRAI--C	1.03E+10
_URUG--C	-6.30E+10
_UZBEK--C	-7.03E+10
_VANUAT--C	-8.10E+10
_VENEZ--C	1.06E+11
_VIETN--C	-4.26E+10
_YEMEN--C	-6.88E+10
_ZAMBIA--C	-7.57E+10
_ZIMBA--C	-7.77E+10

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.957583	Mean dependent var	9.13E+10
Adjusted R-squared	0.943003	S.D. dependent var	3.56E+11
S.E. of regression	8.50E+10	Akaike info criterion	53.38598
Sum squared resid	2.54E+24	Schwarz criterion	54.45701
Log likelihood	-12530.48	F-statistic	65.67471
Durbin-Watson stat	0.661173	Prob(F-statistic)	0.000000

C. Random Effect Model

Dependent Variable: INC?

Method: Pooled EGLS (Cross-section random effects)

Date: 08/18/11 Time: 13:19

Sample: 2006 2009

Included observations: 4

Cross-sections included: 120

Total pool (unbalanced) observations: 474

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	1.45E+10	8.07E+09	1.792186	0.0737
FDI?	24.90658	0.509529	48.88156	0.0000
ODA?	-1.03E+08	65655592	-1.564518	0.1184
Random Effects (Cross)				
_AFGAN--C	1.08E+09			
_ALBANIA--C	-7.21E+09			
_ALGERIA--C	1.25E+10			
_ANGOLA--C	-4.21E+09			
_ARGENT--C	2.69E+10			
_ARMEN--C	-7.59E+09			
_AZERBA--C	1.99E+10			
_BANGLAD--C	2.46E+10			
_BELARUS--C	-6.47E+09			
_BELIZE--C	-6.11E+09			
_BENIN--C	-3.81E+09			
_BHUTAN--C	5.09E+08			
_BOLIVIA--C	-4.25E+09			
_BOTSWN--C	-2.05E+09			
_BRAZIL--C	2.40E+11			
_BURKIN--C	-3.74E+09			
_BURUN--C	-4.46E+09			
_CAMBO--C	-1.16E+10			
_CAMER--C	4.22E+09			
_CAPE--C	1.23E+10			
_CAFRICAN--C	-5.90E+09			
_CHAD--C	-6.02E+09			
_CHILE--C	-1.25E+11			
_CHINA--C	3.78E+11			
_COLOM--C	-3.49E+10			
_COMO--C	-4.69E+09			
_CONGOD--C	-2.04E+10			
_CONGOR--C	-3.61E+10			
_COSTA--C	-1.91E+10			
_COTEDI--C	-1.68E+09			
_CROAT--C	-4.19E+10			
_DJIBOU--C	-1.18E+09			
_DOMINIC--C	-1.58E+10			
_ECUADOR--C	6.86E+09			
_EGYPT--C	-7.97E+10			
_ELSALVA--C	-7.34E+09			
_EQUATOR--C	-1.60E+10			
_ERITREA--C	-6.16E+09			
_ETHIOPIA--C	1.27E+09			
_FIJI--C	-7.25E+09			
_GABON--C	-6.39E+09			
_GAMBIA--C	-6.02E+09			

_GEORGIA--C	-1.36E+10
_GHANA--C	-1.45E+10
_GUATEM--C	1.83E+09
_GUINEA--C	-1.26E+10
_GUINEAB--C	-3.78E+09
_GUYANA--C	3.18E+09
_HONDUR--C	-8.97E+09
_INDIA--C	1.53E+11
_INDON--C	9.15E+10
_IRAN--C	7.34E+10
_IRAQ--C	3.85E+09
_JAMAICA--C	-1.47E+10
_JORDAN--C	-3.40E+10
_KAZAKH--C	-1.54E+11
_KENYA--C	4.78E+09
_KYRGYZ--C	-6.57E+09
_LAO--C	-6.03E+09
_LEBANON--C	-3.86E+10
_LESOTHO--C	-5.65E+09
_LIBERIA--C	-4.09E+08
_LIBYA--C	-3.40E+10
_MACEDO--C	-5.70E+09
_MADAG--C	-1.26E+10
_MALAWI--C	-4.86E+09
_MALAYSIA--C	-9.77E+09
_MALDIVES--C	-8.67E+08
_MALI--C	-1.51E+09
_MAURIT--C	-3.91E+09
_MAURIT--C	-3.91E+09
_MEXICO--C	1.34E+11
_MOLDOVA--C	-7.62E+09
_MONGOLIA--C	-8.95E+09
_MOROCCO--C	-9.59E+08
_MOZAM--C	-7.10E+09
_NAMIBIA--C	-1.48E+09
_NEPAL--C	-1.35E+09
_NICARAGUA--C	-3.73E+09
_NIGER--C	-8.64E+09
_NIGERIA--C	-3.18E+10
_OMAN--C	-2.85E+10
_PAKISTAN--C	6.15E+09
_PANAMA--C	-2.97E+10
_PAPUANG--C	-4.98E+09
_PARAGUAY--C	-3.87E+09
_PERU--C	-3.40E+10
_PHILIPPI--C	4.49E+10
_RWANDA--C	-2.54E+09

_SAMOA--C	9.07E+09
_SAOTOME--C	4.31E+09
_SAUDI--C	-1.57E+11
_SENEGAL--C	-1.88E+09
_SIERRA--C	-4.15E+09
_SOLOMON--C	1.78E+10
_SOUTHAF--C	4.78E+10
_SRILANKA--C	4.97E+09
_VINCENT--C	8.06E+09
_SUDAN--C	-2.80E+10
_SURINAM--C	7.71E+09
_SWAZIL--C	-5.69E+09
_SYRIAN--C	-6.93E+09
_TAJIKIST--C	-8.10E+09
_TANZAN--C	-2.84E+09
_THAIL--C	-1.61E+10
_TOGO--C	-5.74E+09
_TONGA--C	9.03E+09
_TRINID--C	-2.29E+10
_TUNIS--C	-2.35E+10
_TURKEY--C	6.54E+10
_UGAND--C	-9.17E+09
_UKRAI--C	-5.73E+10
_URUG--C	-1.67E+10
_UZBEK--C	-9.46E+09
_VANUAT--C	1.13E+10
_VENEZ--C	1.14E+11
_VIETN--C	-7.19E+10
_YEMEN--C	-1.27E+10
_ZAMBIA--C	-1.13E+10
_ZIMBA--C	-4.60E+09

Effects Specification

Cross-section random S.D. / Rho	5.37E+10	0.2855
Idiosyncratic random S.D. / Rho	8.50E+10	0.7145

Weighted Statistics

R-squared	0.723655	Mean dependent var	5.67E+10
Adjusted R-squared	0.722482	S.D. dependent var	2.28E+11
S.E. of regression	1.20E+11	Sum squared resid	6.81E+24
F-statistic	616.6965	Durbin-Watson stat	1.439694
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.846127	Mean dependent var	9.13E+10

Sum squared resid	9.22E+24	Durbin-Watson stat	1.063983

Appendix 2.2: FDI and Environment

A. Common Effect Model

Dependent Variable: CO2?
Method: Pooled Least Squares
Date: 08/17/11 Time: 20:06
Sample: 2006 2007
Included observations: 2
Cross-sections included: 164
Total pool (unbalanced) observations: 327

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI?	2.08E-06	1.04E-06	1.996316	0.0467
INC?	4.77E-07	3.33E-08	14.29977	0.0000

R-squared	0.627866	Mean dependent var	173482.7
Adjusted R-squared	0.626721	S.D. dependent var	695867.9
S.E. of regression	425151.3	Akaike info criterion	28.76438
Sum squared resid	5.87E+13	Schwarz criterion	28.78756
Log likelihood	-4700.975	F-statistic	548.3419
Durbin-Watson stat	0.016498	Prob(F-statistic)	0.000000

B. Random Effect Model

Dependent Variable: CO2?
Method: Pooled EGLS (Cross-section random effects)
Date: 08/20/11 Time: 15:35
Sample: 2006 2007
Included observations: 2
Cross-sections included: 164
Total pool (unbalanced) observations: 327
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	73593.17	33688.02	2.184550	0.0296
FDI?	-4.10E-07	1.48E-07	-2.774779	0.0058
INC?	3.95E-07	2.21E-08	17.87571	0.0000
Random Effects (Cross)				
_AFGAN--C	-75999.45			
_ALBAN--C	-72677.30			
_ALGER--C	33472.19			

_ANGOL--C	-58152.88
_ARGEN--C	33282.98
_ARMEN--C	-71368.00
_AUSTR--C	77963.36
_AUSTI--C	-104196.8
_AZERB--C	-44857.22
_BAHAM--C	-73446.77
_BAHRA--C	-55276.34
_BANGL--C	-55291.44
_BELAR--C	-19551.59
_BELGI--C	-75839.36
_BELIZ--C	-73436.62
_BENIN--C	-71464.48
_BHUT--C	-73302.44
_BOLIV--C	-64543.40
_BOTSW--C	-71963.30
_BRAZI--C	-104491.0
_BRUNE--C	-69829.23
_BULGA--C	-31279.47
_BURKI--C	-74143.10
_BURUN--C	-73645.54
_CAMBO--C	-71714.08
_CAMER--C	-74654.43
_CANAD--C	78910.80
_CAPEV--C	-73565.90
_CAFRI--C	-73833.23
_CHAD--C	-74131.61
_CHILE--C	-38739.70
_CHINA--C	5223327.
_COLOM--C	-65025.82
_COMO--C	-73553.26
_CONGD--C	-73634.25
_CONGR--C	-71542.79
_COSTA--C	-73798.16
_COTE--C	-72749.90
_CROAT--C	-65616.46
_CYPRU--C	-71311.16
_CZECH--C	6305.704
_DENMK--C	-114589.8
_DJIBO--C	-73295.74
_DOMIN--C	-73496.21
_DOMR--C	-64957.18
_ECUAD--C	-55456.68
_EGYPT--C	74208.16
_ELSAV--C	-73263.18
_EQUAT--C	-67710.96
_ERITR--C	-73432.11

_ESTON--C	-59703.50
_ETHIO--C	-73079.85
_FIJI--C	-72961.28
_FINLA--C	-80403.47
_FRANC--C	-504579.9
_GABON--C	-73086.31
_GAMBI--C	-73312.55
_GEORG--C	-70394.05
_GERMA--C	-319669.9
_GHANA--C	-70312.94
_GREEC--C	-70898.19
_GUATE--C	-71808.66
_GUINE--C	-73089.59
_GUINB--C	-73464.26
_GUYAN--C	-72528.29
_HONDU--C	-69197.32
_HONGK--C	-83594.88
_HUNGA--C	-37032.91
_ICELA--C	-74961.27
_INDIA--C	1120687.
_INDON--C	188948.1
_IRAN--C	354916.5
_IRAQ--C	22735.28
_IRELA--C	-97567.69
_ISRAE--C	-56316.84
_ITALY--C	-255064.2
_JAMAI--C	-64303.17
_JAPAN--C	-245737.4
_JORDA--C	-57337.62
_KAZAK--C	121399.6
_KENYA--C	-70495.38
_KORER--C	70420.42
_KUWAI--C	-16552.45
_KYRGY--C	-68785.72
_LAO--C	-73244.33
_LATVI--C	-72926.33
_LEBAN--C	-66637.87
_LIBER--C	-72921.92
_LIBYA--C	-28327.14
_LITHU--C	-69312.93
_LUXEM--C	-8842.098
_MACED--C	-64731.19
_MADAG--C	-73491.09
_MALAW--C	-73621.41
_MALAY--C	68091.41
_MALDI--C	-72964.47
_MALI--C	-75225.81

_MAURT--C	-72417.45
_MAURI--C	-72121.98
_MEXI--C	85585.89
_MOLDO--C	-70077.38
_MONGO--C	-64450.29
_MOROC--C	-51399.84
_MOZAM--C	-73465.88
_NAMIB--C	-73395.37
_NEPAL--C	-73608.30
_NETH--C	-125857.6
_NZEAL--C	-77287.01
_NICAR--C	-70846.18
_NIGER--C	-74097.39
_NIGRI--C	-17736.34
_NORWA--C	-129367.1
_OMAN--C	-41700.14
_PAKIS--C	31792.94
_PANAM--C	-71863.64
_PAPUA--C	-70694.67
_PARAG--C	-73191.25
_PERU--C	-61557.05
_PHILIP--C	-52200.81
_POLAND--C	127426.5
_PORTU--C	-80858.46
_ROMAN--C	-22205.11
_RUSSI--C	1196145.
_RWAND--C	-74010.01
_SAMOA--C	-73515.86
_SAOTO--C	-73428.77
_SAUDI--C	252235.9
_SENEG--C	-72067.60
_SEYCH--C	-73078.79
_SIERR--C	-72754.71
_SINGA--C	-57160.93
_SLOVA--C	-57719.27
_SLOVE--C	-72164.01
_SOLOM--C	-73472.03
_SAFRI--C	258091.2
_SPAIN--C	-133851.1
_SRILA--C	-72455.88
_SVINC--C	-73445.32
_SUDAN--C	-72468.63
_SURIN--C	-71928.87
_SWAZI--C	-73461.15
_SWEDE--C	-165434.3
_SWITZ--C	-158789.4
_SYRIA--C	-16253.96

_TAJIK--C	-67688.32
_TANZA--C	-73157.66
_THAIL--C	134896.8
_TOGO--C	-73057.92
_TONGA--C	-73446.67
_TRINI--C	-40629.36
_TUNIS--C	-59536.82
_TURKE--C	7357.132
_UGAND--C	-74002.28
_UKRAI--C	204020.4
_UK--C	-366630.4
_US--C	1059985.
_URUG--C	-73860.68
_UZBEK--C	38925.04
_VANU--C	-73574.16
_VENEZ--C	34446.13
_VIETN--C	16504.12
_YEME--C	-56775.11
_ZAMBI--C	-73388.55
_ZIMB--C	-65135.11

Effects Specification

Cross-section random S.D. / Rho	426016.6	0.9980
Idiosyncratic random S.D. / Rho	19107.29	0.0020

Weighted Statistics

R-squared	0.507426	Mean dependent var	5499.367
Adjusted R-squared	0.504386	S.D. dependent var	28422.07
S.E. of regression	20009.10	Sum squared resid	1.30E+11
F-statistic	166.8847	Durbin-Watson stat	1.954813
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.582708	Mean dependent var	173482.7
Sum squared resid	6.59E+13	Durbin-Watson stat	0.003849

C. Fixed Effect Model

Dependent Variable: CO2?
Method: Pooled Least Squares
Date: 08/20/11 Time: 15:35
Sample: 2006 2007
Included observations: 2
Cross-sections included: 164

Total pool (unbalanced) observations: 327

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	98724.91	6966.597	14.17118	0.0000
FDI?	-1.73E-07	1.55E-07	-1.111721	0.2679
INC?	2.90E-07	2.92E-08	9.953575	0.0000
Fixed Effects (Cross)				
_AFGAN--C	-100393.5			
_ALBAN--C	-97053.07			
_ALGER--C	16001.78			
_ANGOL--C	-81341.41			
_ARGEN--C	26128.94			
_ARMEN--C	-95966.87			
_AUSTR--C	107145.9			
_AUSTI--C	-106956.8			
_AZERB--C	-68444.80			
_BAHAM--C	-98196.63			
_BAHRA--C	-79809.57			
_BANGL--C	-74097.54			
_BELAR--C	-41195.45			
_BELGI--C	-83991.39			
_BELIZ--C	-98569.93			
_BENIN--C	-96225.97			
_BHUT--C	-98421.45			
_BOLIV--C	-88905.80			
_BOTSW--C	-96362.36			
_BRAZI--C	-29477.94			
_BRUNE--C	-94624.14			
_BULGA--C	-55773.04			
_BURKI--C	-98802.21			
_BURUN--C	-98768.84			
_CAMBO--C	-96356.12			
_CAMER--C	-98191.33			
_CANAD--C	148254.6			
_CAPEV--C	-98698.46			
_CAFRI--C	-98895.26			
_CHAD--C	-99048.13			
_CHILE--C	-55914.77			
_CHINA--C	5459504.			
_COLOM--C	-76932.29			
_COMO--C	-98718.42			
_CONGD--C	-98308.45			
_CONGR--C	-97132.04			
_COSTA--C	-97086.40			
_COTE--C	-96449.93			
_CROAT--C	-87028.17			

_CYPRU--C	-95250.98
_CZECH--C	-8113.709
_DENMK--C	-116095.3
_DJIBO--C	-98450.85
_DOMIN--C	-98680.69
_DOMR--C	-87157.79
_ECUAD--C	-77616.89
_EGYPT--C	56642.87
_ELSAV--C	-96906.11
_EQUAT--C	-93297.46
_ERITR--C	-98509.82
_ESTON--C	-83816.00
_ETHIO--C	-96793.45
_FIJI--C	-97962.02
_FINLA--C	-87851.79
_FRANC--C	-327104.8
_GABON--C	-97697.06
_GAMBI--C	-98485.69
_GEORG--C	-95085.74
_GERMA--C	-76558.22
_GHANA--C	-93962.18
_GREEC--C	-71394.85
_GUATE--C	-94211.88
_GUINE--C	-98077.46
_GUINB--C	-98612.52
_GUYAN--C	-97613.12
_HONDU--C	-93537.19
_HONGK--C	-102128.0
_HUNGA--C	-62556.39
_ICELA--C	-99844.48
_INDIA--C	1189630.
_INDON--C	191595.2
_IRAN--C	345757.4
_IRAQ--C	-1008.931
_IRELA--C	-106361.6
_ISRAE--C	-70068.78
_ITALY--C	-115309.7
_JAMAI--C	-88598.81
_JAPAN--C	103402.8
_JORDA--C	-81631.37
_KAZAK--C	99108.92
_KENYA--C	-93414.40
_KORER--C	135797.9
_KUWAI--C	-33989.10
_KYRGY--C	-93725.38
_LAO--C	-98151.00
_LATVI--C	-96519.48

_LEBAN--C	-90292.21
_LIBER--C	-98111.49
_LIBYA--C	-50811.95
_LITHU--C	-91933.72
_LUXEM--C	-68949.40
_MACED--C	-89398.45
_MADAG--C	-98211.03
_MALAW--C	-98528.99
_MALAY--C	54828.09
_MALDI--C	-98084.58
_MALI--C	-99838.44
_MAURT--C	-97451.22
_MAURI--C	-96710.84
_MEXI--C	136889.9
_MOLDO--C	-94954.67
_MONGO--C	-89447.33
_MOROC--C	-70675.60
_MOZAM--C	-98108.71
_NAMIB--C	-97862.84
_NEPAL--C	-97895.40
_NETH--C	-100550.0
_NZEAL--C	-93240.97
_NICAR--C	-95623.80
_NIGER--C	-98931.12
_NIGRI--C	-33065.38
_NORWA--C	-128282.5
_OMAN--C	-65431.62
_PAKIS--C	18142.03
_PANAM--C	-95919.71
_PAPUA--C	-95596.71
_PARAG--C	-97432.88
_PERU--C	-80171.89
_PHILIP--C	-65076.18
_POLAND--C	130611.3
_PORTU--C	-89451.18
_ROMAN--C	-36820.51
_RUSSI--C	1240679.
_RWAND--C	-98905.02
_SAMOA--C	-98681.95
_SAOTO--C	-98628.24
_SAUDI--C	242380.3
_SENEG--C	-96383.99
_SEYCH--C	-98245.16
_SIERR--C	-97834.48
_SINGA--C	-76235.07
_SLOVA--C	-77533.64
_SLOVE--C	-93858.37

_SOLOM--C	-98646.50
_SAFRI--C	255749.4
_SPAIN--C	-55366.51
_SRILA--C	-94826.62
_SVINC--C	-98632.53
_SUDAN--C	-95377.14
_SURIN--C	-96882.71
_SWAZI--C	-98417.03
_SWEDE--C	-156757.8
_SWITZ--C	-155907.8
_SYRIA--C	-38941.62
_TAJIK--C	-92676.64
_TANZA--C	-97026.18
_THAIL--C	126981.1
_TOGO--C	-98057.63
_TONGA--C	-98627.82
_TRINI--C	-65168.09
_TUNIS--C	-82523.51
_TURKE--C	30927.68
_UGAND--C	-98389.80
_UKRAI--C	188244.1
_UK--C	-192418.7
_US--C	2237575.
_URUG--C	-97424.30
_UZBEK--C	14624.03
_VANU--C	-98744.57
_VENEZ--C	23853.96
_VIETN--C	-4450.307
_YEME--C	-80874.10
_ZAMBI--C	-98057.55
_ZIMB--C	-89916.44

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.999628	Mean dependent var	173482.7
Adjusted R-squared	0.999246	S.D. dependent var	695867.9
S.E. of regression	19107.29	Akaike info criterion	22.86026
Sum squared resid	5.88E+10	Schwarz criterion	24.78422
Log likelihood	-3571.653	F-statistic	2619.555
Durbin-Watson stat	3.987805	Prob(F-statistic)	0.000000

Appendix 2.3: FDI and Social Security Expenditure

A. Common Effect Model

Dependent Variable: SOCH?
Method: Pooled Least Squares
Date: 08/17/11 Time: 22:35
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 472

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI?	3.66E-10	9.05E-11	4.042682	0.0001
LOG(INC?)	0.710408	0.058183	12.20982	0.0000
ODA?	-0.029079	0.011549	-2.517947	0.0121

R-squared	0.097360	Mean dependent var	15.27246
Adjusted R-squared	0.093511	S.D. dependent var	23.44049
S.E. of regression	22.31762	Akaike info criterion	9.054966
Sum squared resid	233597.8	Schwarz criterion	9.081387
Log likelihood	-2133.972	F-statistic	25.29362
Durbin-Watson stat	0.039301	Prob(F-statistic)	0.000000

B. Fixed Effect Model

Dependent Variable: SOCH?
Method: Pooled Least Squares
Date: 08/20/11 Time: 16:08
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 472

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-41.82881	19.86753	-2.105386	0.0360
FDI?	2.25E-11	4.58E-11	0.491627	0.6233
LOG(INC?)	2.454052	0.859922	2.853807	0.0046
ODA?	0.002378	0.004722	0.503613	0.6149
Fixed Effects (Cross)				
_AFGAN--C	-14.66055			
_ALBAN--C	22.48845			
_ALGER--C	9.977809			
_ANGOL--C	-16.77855			
_ARGEN--C	36.34757			
_ARMEN--C	-14.44803			

_AZERB--C	-15.33687
_BANGL--C	-19.54734
_BELAR--C	-14.04771
_BELIZ--C	-9.165385
_BENIN--C	-13.25161
_BHUTA--C	-9.367696
_BOLIV--C	33.37846
_BOTSW--C	-14.94903
_BRAZI--C	-27.05452
_BURKI--C	-13.75700
_BURUN--C	7.001720
_CAMBO--C	-14.13272
_CAMER--C	-12.95132
_CAPE--C	18.00173
_CAFRI--C	-10.35919
_CHAD--C	-11.71390
_CHILE--C	-6.465913
_CHINA--C	32.65148
_COLOM--C	47.81594
_COMO--C	-7.151070
_CONGD--C	-14.15562
_CONGR--C	-10.07476
_COSTA--C	69.14242
_COTED--C	-16.11146
_CROAT--C	72.17436
_DJIBO--C	0.565277
_DOMIN--C	5.507933
_ECUAD--C	24.63286
_EGYPT--C	1.084373
_ELSAL--C	25.84629
_EQUAT--C	-8.840933
_ERITR--C	-9.929300
_ETHIO--C	-16.34633
_FIJI--C	-11.73033
_GABON--C	-0.992480
_GAMBI--C	-7.769520
_GEORG--C	32.84046
_GHANA--C	8.776024
_GUATE--C	29.48589
_GUINE--C	-10.00782
_GUINB--C	-5.286632
_GUYAN--C	-10.63682
_HONDU--C	14.40235
_INDIA--C	-8.087529
_INDON--C	-8.969566
_IRAN--C	41.49617
_IRAQ--C	-16.98581

_JAMAI--C	-14.97671
_JORDAN--C	-0.149081
_KAZAK--C	-19.06641
_KENYA--C	-6.544486
_KYRGY--C	56.02193
_LAO--C	-0.742025
_LEBAN--C	40.62544
_LESOT--C	-10.58625
_LIBER--C	-7.627059
_LIBYA--C	-17.92110
_MACED--C	-14.11227
_MADAG--C	-13.89597
_MALAW--C	-12.22400
_MALAY--C	-20.53412
_MALDIV--C	-8.421931
_MALI--C	-13.94590
_MAURA--C	-11.07936
_MAURI--C	-14.04536
_MEXIC--C	31.34552
_MOLDO--C	-13.01348
_MONGOL--C	19.57812
_MOROC--C	4.627909
_MOZAM--C	-14.02686
_NAMIB--C	-11.62027
_NEPAL--C	-14.73549
_NICAR--C	12.39033
_NIGER--C	-11.51726
_NIGEI--C	-21.02460
_OMAN--C	-16.66626
_PAKIS--C	-16.97574
_PANAM--C	29.17941
_PAPUA--C	-12.61323
_PARAG--C	46.76625
_PERU--C	24.09069
_PHILI--C	1.401985
_RWAND--C	-8.190789
_SAMOA--C	-6.886220
_SAOTO--C	-4.809662
_SAUDI--C	-22.39947
_SENEG--C	-10.92912
_SIERR--C	-10.28315
_SOLOM--C	-7.827903
_SAFRI--C	-19.30290
_SRILA--C	-17.66712
_VINCE--C	-7.883793
_SUDAN--C	-5.904344
_SURIN--C	29.44510

_SWAZI--C	-11.44945
_SYRIA--C	-17.54441
_TAJIK--C	-12.25262
_TANZAN--C	-16.04243
_THAIL--C	-12.52632
_TOGO--C	3.787400
_TONGA--C	-6.656839
_TRINI--C	-14.34999
_TUNIS--C	29.53607
_TURKE--C	34.06681
_UGAND--C	-15.07428
_UKRAI--C	-20.41057
_URUG--C	36.72913
_UZBEK--C	-15.06232
_VANUA--C	-8.025240
_VENEZ--C	67.30007
_VIETN--C	14.49093
_YEMEN--C	-15.75556
_ZAMBI--C	-14.49094
_ZIMBA--C	-12.52845

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.984417	Mean dependent var	15.27246
Adjusted R-squared	0.978970	S.D. dependent var	23.44049
S.E. of regression	3.399275	Akaike info criterion	5.504281
Sum squared resid	4032.720	Schwarz criterion	6.587561
Log likelihood	-1176.010	F-statistic	180.7179
Durbin-Watson stat	1.582585	Prob(F-statistic)	0.000000

C. Random Effect Model

Dependent Variable: SOCH?
Method: Pooled EGLS (Cross-section random effects)
Date: 08/20/11 Time: 16:25
Sample: 2006 2009
Included observations: 4
Cross-sections included: 120
Total pool (unbalanced) observations: 472
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-65.63902	15.19045	-4.321071	0.0000
FDI?	2.79E-11	4.46E-11	0.625616	0.5319

LOG(INC?)	3.476803	0.651706	5.334924	0.0000
ODA?	0.001650	0.004590	0.359430	0.7194
Random Effects (Cross)				
_AFGAN--C	-14.03343			
_ALBAN--C	22.68260			
_ALGER--C	7.953052			
_ANGOL--C	-17.25513			
_ARGEN--C	33.22657			
_ARMEN--C	-13.80518			
_AZERB--C	-15.21330			
_BANGL--C	-21.16090			
_BELAR--C	-15.13436			
_BELIZ--C	-6.452668			
_BENIN--C	-12.20871			
_BHUTA--C	-6.597455			
_BOLIV--C	33.46481			
_BOTSW--C	-14.44326			
_BRAZI--C	-31.62294			
_BURKI--C	-12.91687			
_BURUN--C	9.704062			
_CAMBO--C	-13.47639			
_CAMER--C	-13.13997			
_CAPE--C	20.57052			
_CAFRI--C	-8.166033			
_CHAD--C	-10.08841			
_CHILE--C	-8.640154			
_CHINA--C	26.21479			
_COLOM--C	44.90593			
_COMO--C	-3.620594			
_CONGD--C	-13.53379			
_CONGR--C	-7.700822			
_COSTA--C	68.06805			
_COTED--C	-16.27188			
_CROAT--C	70.34663			
_DJIBO--C	3.364673			
_DOMIN--C	4.448387			
_ECUAD--C	23.48371			
_EGYPT--C	-1.197472			
_ELSAL--C	25.37447			
_EQUAT--C	-5.987153			
_ERITR--C	-7.590300			
_ETHIO--C	-16.61058			
_FIJI--C	-10.06181			
_GABON--C	0.015693			
_GAMBI--C	-4.504584			
_GEORG--C	33.07017			
_GHANA--C	8.389263			

_GUATE--C	28.44317
_GUINE--C	-8.370826
_GUINB--C	-2.193854
_GUYAN--C	-8.276948
_HONDU--C	14.51078
_INDIA--C	-12.62810
_INDON--C	-12.20818
_IRAN--C	38.54940
_IRAQ--C	-17.13394
_JAMAI--C	-14.69454
_JORDAN--C	-0.429370
_KAZAK--C	-20.42961
_KENYA--C	-7.142130
_KYRGY--C	57.03028
_LAO--C	0.461209
_LEBAN--C	39.81782
_LESOT--C	-8.467604
_LIBER--C	-4.089092
_LIBYA--C	-18.86776
_MACED--C	-13.35875
_MADAG--C	-13.15493
_MALAW--C	-10.77913
_MALAY--C	-22.86580
_MALDIV--C	-5.662079
_MALI--C	-13.16525
_MAURA--C	-9.103327
_MAURI--C	-13.31493
_MEXIC--C	26.85560
_MOLDO--C	-11.85914
_MONGOL--C	20.96513
_MOROC--C	2.905968
_MOZAM--C	-13.26431
_NAMIB--C	-10.92459
_NEPAL--C	-14.36632
_NICAR--C	13.36277
_NIGER--C	-10.31844
_NIGEI--C	-23.18625
_OMAN--C	-17.07110
_PAKIS--C	-19.24887
_PANAM--C	28.65072
_PAPUA--C	-11.33177
_PARAG--C	46.60012
_PERU--C	22.00214
_PHILI--C	-1.062600
_RWAND--C	-6.801725
_SAMOA--C	-3.194739
_SAOTO--C	-0.066057

_SAUDI--C	-24.95550
_SENEG--C	-10.56923
_SIERR--C	-8.006365
_SOLOM--C	-3.935583
_SAFRI--C	-22.06675
_SRILA--C	-18.47084
_VINCE--C	-4.257100
_SUDAN--C	-6.799295
_SURIN--C	31.21897
_SWAZI--C	-9.701975
_SYRIA--C	-18.34569
_TAJIK--C	-10.83723
_TANZAN--C	-16.14329
_THAIL--C	-15.28737
_TOGO--C	5.545661
_TONGA--C	-2.548078
_TRINI--C	-13.84222
_TUNIS--C	28.55720
_TURKE--C	29.96165
_UGAND--C	-14.78852
_UKRAI--C	-22.51002
_URUG--C	35.93134
_UZBEK--C	-14.85319
_VANUA--C	-4.407568
_VENEZ--C	64.20239
_VIETN--C	12.86998
_YEMEN--C	-15.81392
_ZAMBI--C	-13.89248
_ZIMBA--C	-11.22727

Effects Specification

Cross-section random S.D. / Rho	21.19818	0.9749
Idiosyncratic random S.D. / Rho	3.399275	0.0251

Weighted Statistics

R-squared	0.060532	Mean dependent var	1.223778
Adjusted R-squared	0.054509	S.D. dependent var	3.502156
S.E. of regression	3.405368	Sum squared resid	5427.176
F-statistic	10.05137	Durbin-Watson stat	1.183832
Prob(F-statistic)	0.000002		

Unweighted Statistics

R-squared	0.162058	Mean dependent var	15.27246
Sum squared resid	216854.4	Durbin-Watson stat	0.029632

Appendixes Chapter 4

Appendix 4.1: Green Rank Model 1 for Table 4.3.

Dependent Variable: GRANK
Method: Least Squares
Date: 08/23/11 Time: 10:47
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STECH	-38.08585	8.815826	-4.320168	0.0000
SRETAIL	2.658641	10.86968	0.244592	0.8074
SPHARM	-42.42432	10.94079	-3.877629	0.0002
SOIL	7.927777	10.06976	0.787286	0.4336
SCONS	-16.85587	11.27640	-1.494792	0.1392
SBANKI	-11.43648	13.60961	-0.840324	0.4034
ASIA	-6.610603	8.556318	-0.772599	0.4422
US	-16.83895	6.544360	-2.573048	0.0121
LOG(SALES)	5.112059	5.940537	0.860538	0.3923
LOG(PROFITS)	-3.175262	4.476125	-0.709377	0.4803
LOG(ASSETS)	-5.398173	4.649358	-1.161058	0.2494
LOG(MVALUE)	18.04372	6.188494	2.915687	0.0047

R-squared	0.416392	Mean dependent var	50.77907
Adjusted R-squared	0.329640	S.D. dependent var	28.43627
S.E. of regression	23.28234	Akaike info criterion	9.262055
Sum squared resid	40113.00	Schwarz criterion	9.604522
Log likelihood	-386.2684	Durbin-Watson stat	1.995594

White Heteroskedasticity Test:

F-statistic	1.599962	Probability	0.092166
Obs*R-squared	23.27233	Probability	0.106646

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 08/23/11 Time: 10:48
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	-662.9952	3654.228	-0.181432	0.8566
STECH	-192.7794	181.5592	-1.061799	0.2920
SRETAIL	-60.55621	227.0245	-0.266739	0.7905
SPHARM	-138.7552	216.4894	-0.640933	0.5237
SOIL	-541.2930	214.0668	-2.528617	0.0137
SCONS	-96.71380	237.5205	-0.407181	0.6851
SBANKI	225.2095	274.5525	0.820278	0.4149
ASIA	2.567360	177.5007	0.014464	0.9885
US	-346.2781	143.2707	-2.416949	0.0183
LOG(SALES)	168.9175	1216.113	0.138899	0.8899
(LOG(SALES))^2	9.906847	132.2192	0.074927	0.9405
LOG(PROFITS)	47.78353	189.5524	0.252086	0.8017
(LOG(PROFITS))^2	-98.43016	64.46583	-1.526858	0.1314
LOG(ASSETS)	-324.5335	545.1484	-0.595312	0.5536
(LOG(ASSETS))^2	18.49883	45.69015	0.404876	0.6868
LOG(MVALUE)	272.4611	1100.113	0.247666	0.8051
(LOG(MVALUE))^2	31.20706	127.0476	0.245633	0.8067

R-squared	0.270608	Mean dependent var	466.4302
Adjusted R-squared	0.101474	S.D. dependent var	483.2224
S.E. of regression	458.0494	Akaike info criterion	15.26694
Sum squared resid	14476841	Schwarz criterion	15.75210
Log likelihood	-639.4784	F-statistic	1.599962
Durbin-Watson stat	1.903641	Prob(F-statistic)	0.092166

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.238437	Probability	0.788478
Obs*R-squared	0.533633	Probability	0.765813

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/23/11 Time: 10:48
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STECH	0.034372	8.912089	0.003857	0.9969
SRETAIL	0.649110	11.09969	0.058480	0.9535
SPHARM	0.322969	11.36687	0.028413	0.9774
SOIL	0.044391	10.19941	0.004352	0.9965
SCONS	-0.825461	11.45502	-0.072061	0.9428
SBANKI	-0.376062	13.76781	-0.027315	0.9783
ASIA	0.496016	8.755800	0.056650	0.9550
US	-0.338933	6.630952	-0.051114	0.9594

LOG(SALES)	-0.499428	6.045591	-0.082610	0.9344
LOG(PROFITS)	0.642587	4.646508	0.138295	0.8904
LOG(ASSETS)	0.301691	4.724640	0.063855	0.9493
LOG(MVALUE)	-0.076736	6.255910	-0.012266	0.9902
RESID(-1)	-0.068891	0.134949	-0.510498	0.6113
RESID(-2)	-0.073610	0.134658	-0.546131	0.5853

R-squared	0.006205	Mean dependent var	0.419328
Adjusted R-squared	-0.173230	S.D. dependent var	21.71957
S.E. of regression	23.52572	Akaike info criterion	9.301966
Sum squared resid	39649.07	Schwarz criterion	9.701510
Log likelihood	-385.9845	Durbin-Watson stat	1.910471

Ramsey RESET Test:

F-statistic	1.647288	Probability	0.199746
Log likelihood ratio	3.847810	Probability	0.146036

Test Equation:
Dependent Variable: GRANK
Method: Least Squares
Date: 08/23/11 Time: 10:49
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STECH	-117.6707	68.86190	-1.708792	0.0918
SRETAIL	6.516811	11.42698	0.570300	0.5702
SPHARM	-132.6135	78.02721	-1.699581	0.0935
SOIL	33.20829	17.87309	1.858005	0.0673
SCONS	-54.24961	32.10925	-1.689532	0.0954
SBANKI	-42.84713	28.02263	-1.529019	0.1306
ASIA	-20.31324	14.58633	-1.392622	0.1680
US	-51.99527	29.26900	-1.776462	0.0799
LOG(SALES)	11.41431	8.192969	1.393184	0.1679
LOG(PROFITS)	-6.778372	6.330738	-1.070708	0.2879
LOG(ASSETS)	-15.52395	9.784393	-1.586603	0.1170
LOG(MVALUE)	50.35567	29.28336	1.719600	0.0898
FITTED^2	-0.035356	0.038967	-0.907323	0.3673
FITTED^3	0.000167	0.000265	0.630746	0.5302

R-squared	0.441928	Mean dependent var	50.77907
Adjusted R-squared	0.341165	S.D. dependent var	28.43627
S.E. of regression	23.08132	Akaike info criterion	9.263825
Sum squared resid	38357.82	Schwarz criterion	9.683370

Log likelihood	-384.3445	Durbin-Watson stat	2.029377

Appendix 4.2: Green Rank Model 2 for Table 4.3.

Dependent Variable: GRANK
Method: Least Squares
Date: 08/23/11 Time: 11:00
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(SALES)	13.31117	5.049569	2.636099	0.0100
LOG(PROFITS)	0.801804	4.612550	0.173831	0.8624
LOG(ASSETS)	-5.238303	2.542153	-2.060578	0.0425
LOG(MVALUE)	3.871302	5.855691	0.661118	0.5104

R-squared	0.054486	Mean dependent var	50.77907
Adjusted R-squared	0.019894	S.D. dependent var	28.43627
S.E. of regression	28.15199	Akaike info criterion	9.558508
Sum squared resid	64987.83	Schwarz criterion	9.672664
Log likelihood	-407.0159	Durbin-Watson stat	1.615976

White Heteroskedasticity Test:

F-statistic	1.469988	Probability	0.182078
Obs*R-squared	11.39424	Probability	0.180346

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 08/23/11 Time: 11:00
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2660.077	5966.381	-0.445844	0.6570
LOG(SALES)	-328.3491	2065.737	-0.158950	0.8741
(LOG(SALES))^2	-17.25548	224.3500	-0.076913	0.9389
LOG(PROFITS)	-131.0261	321.3722	-0.407708	0.6846
(LOG(PROFITS))^2	28.47898	108.3746	0.262783	0.7934
LOG(ASSETS)	1602.123	831.4596	1.926881	0.0577
(LOG(ASSETS))^2	-137.4951	71.00537	-1.936404	0.0565
LOG(MVALUE)	181.5338	1934.476	0.093841	0.9255

(LOG(MVALUE))^2	6.586041	221.1326	0.029783	0.9763

R-squared	0.132491	Mean dependent var	755.6725
Adjusted R-squared	0.042360	S.D. dependent var	840.9022
S.E. of regression	822.8990	Akaike info criterion	16.36230
Sum squared resid	52141529	Schwarz criterion	16.61915
Log likelihood	-694.5791	F-statistic	1.469988
Durbin-Watson stat	1.702837	Prob(F-statistic)	0.182078

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.958935	Probability	0.387662
Obs*R-squared	1.997756	Probability	0.368292

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/23/11 Time: 11:01
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(SALES)	1.404432	5.200425	0.270061	0.7878
LOG(PROFITS)	-1.242092	4.719818	-0.263165	0.7931
LOG(ASSETS)	-0.473983	2.564149	-0.184850	0.8538
LOG(MVALUE)	-0.348559	5.941662	-0.058664	0.9534
RESID(-1)	0.147351	0.119764	1.230347	0.2222
RESID(-2)	0.098404	0.117967	0.834164	0.4067

R-squared	0.023230	Mean dependent var	0.375627
Adjusted R-squared	-0.037818	S.D. dependent var	27.64815
S.E. of regression	28.16610	Akaike info criterion	9.581329
Sum squared resid	63466.33	Schwarz criterion	9.752563
Log likelihood	-405.9972	Durbin-Watson stat	1.869322

Ramsey RESET Test:

F-statistic	1.281398	Probability	0.283285
Log likelihood ratio	2.711797	Probability	0.257716

Test Equation:
Dependent Variable: GRANK
Method: Least Squares
Date: 08/23/11 Time: 11:02
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(SALES)	70.91511	38.40336	1.846586	0.0685
LOG(PROFITS)	10.16577	7.452296	1.364113	0.1764
LOG(ASSETS)	-31.30200	17.31236	-1.808072	0.0744
LOG(MVALUE)	13.57083	9.799109	1.384904	0.1699
FITTED^2	-0.113216	0.081287	-1.392799	0.1675
FITTED^3	0.000839	0.000658	1.274235	0.2063

R-squared	0.083835	Mean dependent var	50.77907
Adjusted R-squared	0.026575	S.D. dependent var	28.43627
S.E. of regression	28.05588	Akaike info criterion	9.573487
Sum squared resid	62970.57	Schwarz criterion	9.744721
Log likelihood	-405.6600	Durbin-Watson stat	1.718726

Appendix 4.3: Green Score Model 3 for Table 4.3.

Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 12:10
Sample: 1 93
Included observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STECH	26.29237	6.152067	4.273745	0.0001
SRETAIL	2.122895	7.616377	0.278728	0.7812
SPHARM	31.01335	7.555693	4.104633	0.0001
SOIL	-12.70038	7.004590	-1.813151	0.0739
SCONS	5.415772	8.016228	0.675601	0.5014
SBANKI	9.461501	9.429823	1.003359	0.3190
ASIA	-7.328994	6.235639	-1.175340	0.2437
EUROPE	-8.312570	4.300227	-1.933054	0.0571
LOG(SALES)	9.880704	4.264627	2.316898	0.0233
LOG(PROFITS)	-8.563946	3.122089	-2.743018	0.0077
LOG(ASSETS)	3.120610	3.251912	0.959623	0.3404
LOG(MVALUE)	4.047853	4.084692	0.990981	0.3250

R-squared	0.411833	Mean dependent var	66.00647
Adjusted R-squared	0.323205	S.D. dependent var	19.54967
S.E. of regression	16.08303	Akaike info criterion	8.523568
Sum squared resid	18882.46	Schwarz criterion	8.868413
Log likelihood	-350.2516	Durbin-Watson stat	1.969174

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.970854	Probability	0.146887
Obs*R-squared	4.427509	Probability	0.109290

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/23/11 Time: 12:20
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STECH	0.330371	6.100789	0.054152	0.9570
SRETAIL	-1.110961	7.613905	-0.145912	0.8844
SPHARM	-2.167498	7.628978	-0.284114	0.7772
SOIL	-1.110650	6.980480	-0.159108	0.8740
SCONS	0.427712	7.917297	0.054022	0.9571
SBANKI	0.165963	9.370858	0.017711	0.9859
ASIA	0.869981	6.190397	0.140537	0.8886
EUROPE	-1.117118	4.277944	-0.261134	0.7947
LOG(SALES)	1.448890	4.263560	0.339831	0.7350
LOG(PROFITS)	0.072924	3.090530	0.023596	0.9812
LOG(ASSETS)	-0.481898	3.221834	-0.149572	0.8815
LOG(MVALUE)	-0.713302	4.045309	-0.176328	0.8605
RESID(-1)	-0.142651	0.133518	-1.068406	0.2890
RESID(-2)	-0.253067	0.129682	-1.951435	0.0550

R-squared	0.052088	Mean dependent var	0.345258
Adjusted R-squared	-0.121473	S.D. dependent var	14.98902
S.E. of regression	15.87331	Akaike info criterion	8.516596
Sum squared resid	17889.30	Schwarz criterion	8.918915
Log likelihood	-347.9553	Durbin-Watson stat	1.830741

Ramsey RESET Test:

F-statistic	5.219819	Probability	0.007674
Log likelihood ratio	11.66049	Probability	0.002937

Test Equation:
Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 12:21
Sample: 1 93
Included observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.

STECH	84.71857	34.04508	2.488423	0.0152
SRETAIL	1.618928	7.929663	0.204161	0.8388
SPHARM	98.90357	40.66422	2.431006	0.0176
SOIL	-28.49254	16.73312	-1.702763	0.0930
SCONS	18.39439	11.82514	1.555532	0.1243
SBANKI	27.75499	17.02859	1.629906	0.1076
ASIA	-24.48566	10.69651	-2.289127	0.0250
EUROPE	-30.32277	12.20678	-2.484093	0.0153
LOG(SALES)	23.97893	11.73010	2.044222	0.0446
LOG(PROFITS)	-22.50816	9.319069	-2.415280	0.0183
LOG(ASSETS)	10.13098	4.687629	2.161216	0.0341
LOG(MVALUE)	3.232448	4.509263	0.716846	0.4758
FITTED^2	-0.017238	0.025235	-0.683113	0.4968
FITTED^3	9.58E-06	0.000160	0.059875	0.9524

R-squared	0.487229	Mean dependent var	66.00647
Adjusted R-squared	0.393342	S.D. dependent var	19.54967
S.E. of regression	15.22690	Akaike info criterion	8.433444
Sum squared resid	16461.95	Schwarz criterion	8.835763
Log likelihood	-344.4214	Durbin-Watson stat	1.937115

Appendix 4.4: Green Score Model 4 for Table 4.3.

Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 12:33
Sample: 1 93
Included observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GIMPACT	0.341023	0.042645	7.996810	0.0000
GPOLICY	0.617121	0.056404	10.94112	0.0000
GREP	0.116427	0.056890	2.046538	0.0445
STECH	5.711434	3.080184	1.854251	0.0679
SRETAIL	4.266657	3.471933	1.228900	0.2232
SPHARM	10.67394	3.528305	3.025231	0.0035
SOIL	11.07038	3.660876	3.023970	0.0035
SCONS	9.918268	3.538001	2.803353	0.0065
SBANKI	5.402423	4.309362	1.253648	0.2141
ASIA	-2.320365	2.863424	-0.810346	0.4205
EUROPE	-3.844066	1.955411	-1.965861	0.0533
LOG(SALES)	4.165223	2.013118	2.069041	0.0422
LOG(PROFITS)	-2.542925	1.410209	-1.803225	0.0757
LOG(ASSETS)	-1.691261	1.504281	-1.124298	0.2647

LOG(MVALUE)	-0.604156	1.825437	-0.330965	0.7417

R-squared	0.891875	Mean dependent var	66.00647
Adjusted R-squared	0.870251	S.D. dependent var	19.54967
S.E. of regression	7.041939	Akaike info criterion	6.900429
Sum squared resid	3471.223	Schwarz criterion	7.331485
Log likelihood	-278.2682	Durbin-Watson stat	1.274502

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.108564	Probability	0.897276
Obs*R-squared	0.270380	Probability	0.873550

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/23/11 Time: 13:14
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GIMPACT	0.001746	0.044357	0.039355	0.9687
GPOLICY	-0.002312	0.057413	-0.040262	0.9680
GREP	-0.001653	0.057822	-0.028586	0.9773
STECH	-0.007051	3.131637	-0.002251	0.9982
SRETAIL	-0.061301	3.526875	-0.017381	0.9862
SPHARM	-0.418245	3.691770	-0.113291	0.9101
SOIL	-0.106986	3.717783	-0.028777	0.9771
SCONS	0.130158	3.617315	0.035982	0.9714
SBANKI	0.035595	4.366461	0.008152	0.9935
ASIA	0.048830	2.903240	0.016819	0.9866
EUROPE	-0.037112	1.994976	-0.018603	0.9852
LOG(SALES)	0.130490	2.057355	0.063426	0.9496
LOG(PROFITS)	0.053703	1.433818	0.037455	0.9702
LOG(ASSETS)	-0.035387	1.549232	-0.022842	0.9818
LOG(MVALUE)	-0.063707	1.877344	-0.033935	0.9730
RESID(-1)	-0.023621	0.168255	-0.140386	0.8888
RESID(-2)	-0.062515	0.134058	-0.466324	0.6425

R-squared	0.003181	Mean dependent var	0.008962
Adjusted R-squared	-0.231365	S.D. dependent var	6.428375
S.E. of regression	7.133367	Akaike info criterion	6.944300
Sum squared resid	3460.174	Schwarz criterion	7.432830
Log likelihood	-278.1328	Durbin-Watson stat	1.250463

White Heteroskedasticity Test:

F-statistic	1.984587	Probability	0.018330
Obs*R-squared	35.12347	Probability	0.037609

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 08/23/11 Time: 13:14
Sample: 1 93
Included observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	43.02191	1059.929	0.040589	0.9678
GIMPACT	-6.682956	2.595071	-2.575249	0.0124
GIMPACT^2	0.048816	0.025190	1.937964	0.0572
GPOLICY	1.703358	5.315323	0.320462	0.7497
GPOLICY^2	-0.018681	0.042495	-0.439601	0.6618
GREP	0.858213	4.170374	0.205788	0.8376
GREP^2	0.009674	0.032271	0.299768	0.7654
STECH	-39.44450	64.81966	-0.608527	0.5451
SRETAIL	1.078448	71.06977	0.015174	0.9879
SPHARM	-53.93715	73.61056	-0.732737	0.4665
SOIL	-124.8422	73.49208	-1.698716	0.0944
SCONS	-79.24282	71.13596	-1.113963	0.2696
SBANKI	-22.42772	82.46052	-0.271981	0.7865
ASIA	52.99831	53.35039	0.993400	0.3244
EUROPE	14.64990	43.60323	0.335982	0.7380
LOG(SALES)	-83.99610	342.0115	-0.245594	0.8068
(LOG(SALES))^2	1.969303	37.38449	0.052677	0.9582
LOG(PROFITS)	-29.19449	54.69635	-0.533756	0.5954
(LOG(PROFITS))^2	28.45443	18.80659	1.513003	0.1354
LOG(ASSETS)	64.02105	164.3297	0.389589	0.6982
(LOG(ASSETS))^2	-5.409929	13.72373	-0.394202	0.6948
LOG(MVALUE)	121.4910	315.6933	0.384839	0.7017
(LOG(MVALUE))^2	-18.42741	36.56102	-0.504018	0.6160

R-squared	0.413217	Mean dependent var	40.83792
Adjusted R-squared	0.205004	S.D. dependent var	141.9978
S.E. of regression	126.6088	Akaike info criterion	12.74574
Sum squared resid	993847.2	Schwarz criterion	13.40669
Log likelihood	-518.6940	F-statistic	1.984587
Durbin-Watson stat	0.548693	Prob(F-statistic)	0.018330

Ramsey RESET Test:

F-statistic	2.536931	Probability	0.086575

Log likelihood ratio	6.116858	Probability	0.046961

Test Equation:
Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 13:14
Sample: 1 93
Included observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GIMPACT	0.297088	0.184112	1.613629	0.1112
GPOLICY	0.572447	0.325043	1.761141	0.0827
GREP	0.117026	0.087376	1.339338	0.1849
STECH	6.650295	4.471414	1.487291	0.1416
SRETAIL	3.249853	3.955487	0.821606	0.4142
SPHARM	10.70521	7.165339	1.494027	0.1398
SOIL	11.43771	7.446494	1.535986	0.1292
SCONS	8.629337	6.662132	1.295282	0.1996
SBANKI	5.359388	5.126026	1.045525	0.2995
ASIA	-1.829622	3.021145	-0.605605	0.5468
EUROPE	-3.748290	3.404161	-1.101091	0.2747
LOG(SALES)	3.133522	2.437938	1.285316	0.2030
LOG(PROFITS)	-1.854719	1.568508	-1.182473	0.2411
LOG(ASSETS)	-1.354669	1.636299	-0.827886	0.4106
LOG(MVALUE)	-1.351413	2.614271	-0.516937	0.6069
FITTED^2	0.006147	0.009603	0.640107	0.5243
FITTED^3	-5.43E-05	5.43E-05	-0.999403	0.3211

R-squared	0.899383	Mean dependent var	66.00647
Adjusted R-squared	0.875708	S.D. dependent var	19.54967
S.E. of regression	6.892237	Akaike info criterion	6.875525
Sum squared resid	3230.200	Schwarz criterion	7.364055
Log likelihood	-275.2098	Durbin-Watson stat	1.352964

Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 13:34
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	60.86349	25.17386	2.417726	0.0179

LOG(SALES)	-3.684266	4.284299	-0.859946	0.3924
LOG(PROFITS)	-5.495888	4.021882	-1.366496	0.1756
LOG(ASSETS)	3.459313	1.756630	1.969289	0.0523
LOG(MVALUE)	2.921001	5.556820	0.525661	0.6006

R-squared	0.074118	Mean dependent var	65.74535
Adjusted R-squared	0.028396	S.D. dependent var	19.58461
S.E. of regression	19.30455	Akaike info criterion	8.814940
Sum squared resid	30185.92	Schwarz criterion	8.957634
Log likelihood	-374.0424	F-statistic	1.621043
Durbin-Watson stat	1.588445	Prob(F-statistic)	0.176910

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.239415	Probability	0.787657
Obs*R-squared	0.518118	Probability	0.771778

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/23/11 Time: 13:47
Presample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.532779	26.29562	0.210407	0.8339
LOG(SALES)	-1.188806	4.590129	-0.258992	0.7963
LOG(PROFITS)	0.911996	4.157360	0.219369	0.8269
LOG(ASSETS)	0.176721	1.781923	0.099174	0.9213
LOG(MVALUE)	-0.638459	5.646081	-0.113080	0.9103
RESID(-1)	0.105259	0.125287	0.840147	0.4034
RESID(-2)	0.064632	0.120624	0.535813	0.5936

R-squared	0.006025	Mean dependent var	-8.62E-15
Adjusted R-squared	-0.069467	S.D. dependent var	18.84485
S.E. of regression	19.48841	Akaike info criterion	8.855409
Sum squared resid	30004.06	Schwarz criterion	9.055181
Log likelihood	-373.7826	F-statistic	0.079805
Durbin-Watson stat	1.749254	Prob(F-statistic)	0.997966

White Heteroskedasticity Test:

F-statistic	1.653900	Probability	0.123556
Obs*R-squared	12.61075	Probability	0.125963

Test Equation:

Dependent Variable: RESID^2
Method: Least Squares
Date: 08/23/11 Time: 13:48
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2665.276	4209.550	-0.633150	0.5285
LOG(SALES)	567.0296	1457.470	0.389051	0.6983
(LOG(SALES))^2	-99.47503	158.2890	-0.628439	0.5316
LOG(PROFITS)	-161.8828	226.7425	-0.713950	0.4774
(LOG(PROFITS))^2	94.29329	76.46311	1.233187	0.2213
LOG(ASSETS)	1042.880	586.6321	1.777741	0.0794
(LOG(ASSETS))^2	-93.27178	50.09748	-1.861806	0.0664
LOG(MVALUE)	-156.9985	1364.860	-0.115029	0.9087
(LOG(MVALUE))^2	17.03439	156.0190	0.109182	0.9133

R-squared	0.146637	Mean dependent var	350.9991
Adjusted R-squared	0.057975	S.D. dependent var	598.1913
S.E. of regression	580.5922	Akaike info criterion	15.66473
Sum squared resid	25955721	Schwarz criterion	15.92159
Log likelihood	-664.5836	F-statistic	1.653900
Durbin-Watson stat	1.104519	Prob(F-statistic)	0.123556

Ramsey RESET Test:

F-statistic	1.699734	Probability	0.189346
Log likelihood ratio	3.623277	Probability	0.163386

Test Equation:
Dependent Variable: GSCORE
Method: Least Squares
Date: 08/23/11 Time: 13:48
Sample: 1 93
Included observations: 86

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-686.4959	4826.485	-0.142235	0.8873
LOG(SALES)	52.50590	463.3297	0.113323	0.9101
LOG(PROFITS)	76.05110	692.8061	0.109773	0.9129
LOG(ASSETS)	-47.94727	436.5953	-0.109821	0.9128
LOG(MVALUE)	-39.76077	368.5881	-0.107873	0.9144
FITTED^2	0.329152	1.857106	0.177239	0.8598
FITTED^3	-0.002144	0.009077	-0.236259	0.8138

R-squared	0.112316	Mean dependent var	65.74535
Adjusted R-squared	0.044897	S.D. dependent var	19.58461
S.E. of regression	19.13992	Akaike info criterion	8.819320
Sum squared resid	28940.57	Schwarz criterion	9.019093
Log likelihood	-372.2308	F-statistic	1.665945
Durbin-Watson stat	1.630672	Prob(F-statistic)	0.140373

Appendix 4.5: Green Representative Survey fc

Dependent Variable: GREP
Method: Least Squares
Date: 08/23/11 Time: 15:00
Sample: 1 93
Included observations: 92

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	56.29620	5.752681	9.786081	0.0000
STECH	0.329818	5.800835	0.056857	0.9548
SRETAIL	-12.74754	6.729330	-1.894325	0.0618
SPHARM	5.320799	7.280753	0.730803	0.4671
SOIL	-40.22597	7.020216	-5.730018	0.0000
SCONS	6.326179	6.982124	0.906054	0.3677
SBANKI	-18.89433	7.420025	-2.546397	0.0128
ASIA	-14.06442	5.562939	-2.528236	0.0135
EUROPE	3.763845	4.384677	0.858409	0.3933
SALES	0.104607	0.033559	3.117123	0.0025
PROFITS	-0.012497	0.400609	-0.031195	0.9752
ASSETS	0.002857	0.003954	0.722504	0.4721
MVALUE	-0.006453	0.051616	-0.125024	0.9008

R-squared	0.443215	Mean dependent var	57.84065
Adjusted R-squared	0.358640	S.D. dependent var	19.61976
S.E. of regression	15.71248	Akaike info criterion	8.477055
Sum squared resid	19503.68	Schwarz criterion	8.833395
Log likelihood	-376.9445	F-statistic	5.240492
Durbin-Watson stat	2.129578	Prob(F-statistic)	0.000002

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