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The Social Dimension of Commerce:

Perceptions of Corporate Social Responsibility in the Colón Free Trade Zone, Panama



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Under the supervision of Dr. Stanley Heckadon-Moreno



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1. EXECUTIVE SUMMARY

1.1 English Version

The Social Dimension of Commerce: Perceptions of Corporate Social Responsibility in the Colón Free Trade Zone, Panamá

By Fanny Boudet, Joan Herrmann and Sean Schmitz

The concrete wall delineating the Colón FTZ from the neighboring city of Colón serves as the physical embodiment of the stark realities these two areas face. Despite the Colón FTZ’s status as a commercial powerhouse within the Panamanian economy, the nearby city of Colón has largely been left out of Panama’s prosperity. Many Colónese stress that the interests of the FTZ and the city are not mutually exclusive. For example, the zone employs thousands of employees, many of which are local to Colón. Therefore this prompts the notion that the Colón FTZ and the city of Colón may not be competing poles with incompatible concerns, but rather distinct parties with reconcilable and potentially congruous objectives.

Corporate Social Responsibility (CSR) programs, or voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner, endorses this exact ideal. CSR claims that initiatives made by business to contribute to the wellbeing of society do not come at the expense of economic profit. This research explores perceptions of Corporate Social Responsibility held by corporations operating out of the Colón Free Trade Zone. By gaining an understanding of the nature and extent of programs currently in place, corporate knowledge about CSR, and the facilitating/inhibiting influences surrounding the issue, it is the goal of this research to explore the how CSR is perceived within the zone and how this insight relates to the larger social fabric shared between the FTZ and the city.

Over the course of 2 weeks, semi-structured interviews were conducted with regional and multinational corporations, as well as with stakeholders of the Colón Free Trade Zone. After sectioning CSR programs to fall within one of three distinct categories (environmental, employee and community), this research interviewed six corporations that are operating within the Colón FTZ. In order to gain a holistic understanding of perceptions of CSR, three regional corporations (i.e. corporations that do not have locations in other countries) and three multinational corporations (i.e. corporations that do have locations in other countries) were interviewed. Each corporation, regardless of its regional or multinational status, was asked an identical set of

questions. To strengthen the research, perceptions of CSR was asked from the perspective of three stakeholders of the FTZ as well.

Our results indicate that while all companies are familiar with CSR as a term, most companies have misconceptions about the core concepts of the term. Five out of the six companies interviewed defined CSR as solely “giving back to the community” and stated these programs are motivated by “ethical responsibility”. The CSR programs employed by the corporations interviewed focus on community aspects, and to a certain degree employee benefits, while largely neglecting the environmental component of Corporate Social Responsibility. Budgetary allowances allocated towards CSR programs vary widely across the different corporations. The companies mostly related their motivations as ethical and within the goals of the corporation. From the perspective of corporations, mentalities employees have towards CSR as well as the unsustainable nature of some programs were found to be the greatest perceived impediments.

There exists a fundamental divide between the perception of CSR of the General Manager of the Zona Libre and perceptions held by SumaRSE and STRI. The General Manager of the Zona Libre believes that CSR is solely a mechanism utilized by the marketing sectors of companies in order to gain greater public appeal and increase short term profits. In contrast, the representatives of SumaRSE and STRI state that the benefits of CSR can be felt beyond a business’ marketing scheme. By incorporating Corporate Social Responsibility into the fundamental fabric of a company, its application can improve production processes, environmental impact, company morale, and other features of business that contribute to long term sustainability.

The complexity of the term CSR with its different avenues to business and sustainable development explains the inevitable misuse of the term. The next steps of this study are to continue with this research including the perspectives of more corporations and more stakeholders in the Colón Free Trade Zone. Our recommendations include the creation educational programs and organizations that would help corporations, NGOs and educational institutions in their understanding of CSR. In this way, CSR could become a greater part of the urban revival of Colón.

1.2 Resumen Ejecutivo

La Dimension Social de Comercio: Percepciones sobre la Responsabilidad Social Corporativa en la Zona Libre de Colón, Panamá

Por Fanny Boudet, Joan Herrmann and Sean Schmitz

La pared que delimita la Zona Libre de Colón de la ciudad misma, sirve como la encarnación física de las realidades que las dos áreas enfrentan. A pesar de la importancia de la Zona Libre como puerto comercial para la economía de Panama, la ciudad vecina de Colón ha quedado fuera de la prosperidad de Panamá. Muchos Colonnese subrayan que los intereses de la Zona Libre y de la ciudad no se excluyen mutuamente. Por ejemplo, la Zona emplea miles de trabajadores, muchos que son de Colon. Eso podría indicar que la Zona Libre y la ciudad de Colón no necesitan ser competidores con objetivos incompatibles, sino distintas partes con objetivos reconciliables y congruentes.

Actividades de Responsabilidad Social Corporativa (RSE), o programas de voluntariado realizados por una empresa para mejorar realidades económicas, sociales y ambientales, adhiere a

este objetivo. RSE exige que las acciones implementadas por la empresa para contribuir al bienestar general de la comunidad no puedan ir en contra de los beneficios económicos de aquellas. Este proyecto de investigación examina las percepciones de la Responsabilidad Social Corporativa de las empresas trabajando en la Zona Libre de Colón. Con la comprensión de los tipos y las cantidades de programas que se desarrollan, conocimientos corporativos sobre RSE, y las influencias facilitadores y inhibidores del tema, es la meta de este proyecto explorar cómo las empresas perciben RSE en la Zona y cómo eso puede relacionar con las conexiones entre la Zona Libre y la ciudad de Colón.

Conducimos entrevistas semiestructuradas durante dos semanas con empresas de la Zona Libre. Establecimos nuestra definición de las actividades de responsabilidad social corporativa, que incluye las tres categorías del entorno, de la comunidad y de los trabajadores. Así, nuestra investigación comprende entrevistas de seis empresas trabajando en la Zona Libre. Para obtener una comprensión más completa, estas incluyen tres empresas regionales (i.e. empresas cuyos lugares de operaciones no están en otros países), y tres empresas multinacionales (i.e. empresas que tienen lugares de operaciones en otros países). Para fortalecer nuestro proyecto, también incluimos las percepciones de tres diferentes accionistas de la Zona Libre. Preguntamos una lista de nueve preguntas a cada empresa y accionista para compararlas caso a caso.

Aunque todas las empresas ahora están familiarizadas con el término de RSE, nuestros resultados muestran que la mayoría de ellas tienen la idea equivocada de que son los conceptos básicos de RSE. Cinco de las seis empresas entrevistadas tienen una percepción ética del concepto. Los programas de responsabilidad social que existen se concentran más sobre las obras sociales que sobre los beneficios a los empleados, o a los programas ambientales. Los presupuestos asignados a esos tipos de actividades varían mucho entre las empresas. Además, algunas empresas relacionaron motivaciones éticas dentro de la meta de las empresas para la implementación de los programas. Los desafíos más importantes para las empresas son las mentalidades de los trabajadores, que no necesariamente entienden la importancia de RSE, y las mentalidades de las poblaciones que reciben la ayuda y que no la aprovechan.

Hay una diferencia fundamental entre la percepción del Gerente de la Zona Libre y las percepciones de los accionistas de SumaRSE y STRI sobre el tema de RSE. El Gerente ve CSR solo como un mecanismo utilizado por los departamentos de marketing de las empresas para atraer más la opinión del público. En cambio, los accionistas de SumaRSE y STRI muestran que los beneficios de RSE se pueden sentirse más allá de una estrategia marketing empresarial. Con la incorporación de RSE dentro de la estructura de una empresa, su aplicación podría mejorar los procesos de producción, impactos ambientales, la moral de una empresa, y otras características de una empresa que puede contribuir a una sostenibilidad de largo plazo.

La complejidad del término RSE con sus diferentes accesos en empresas y desarrollo sostenible explica la utilización errónea del concepto. Las siguientes etapas incluyen continuar con esta investigación involucrando las percepciones de más empresas y más accionistas en la Zona Libre. Nuestras recomendaciones son la creación de programas educativos y organizaciones que podrían ayudar empresas, ONGs y instituciones educativas con sus conocimientos y comprensión sobre RSE. Incluyendo eso, RSE podría formar parte de la revitalización urbana de Colón.

2. ACKNOWLEDGEMENTS

2.1 General Acknowledgements

We would like to extend our deepest gratitude to all who made this research possible. From sharing insights and expertise to providing invaluable resources, this research is the accumulation of countless individuals' unswerving dedication and spirit in aiding us towards our academic goals.

In particular, a special thank you is owed to our supervisor, Dr. Stanley Heckadon-Moreno, for his guidance and insight throughout the research. His tireless passion for environment conservation serves as the living embodiment of the ideal that a single individual is capable of enacting change, while simultaneously being Panama's greatest raconteur.

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We remain indebted to the scientific and support staff at the Punta Galeta Research Station with particular thought to Illia Grenald, Jairo Castillo and Gabriel Thomas. Your hospitality provided us with a place in which we anchored our research and your constant smiles reminded us of how fortunate we are to have experienced Punta Galeta.

Without the persuasive personality of Illia Grenald, our ability to interview corporations would have been seriously limited. Her seemingly infinite network of professional colleagues and close-friends never ceased to amaze us and her resources has proven to be instrumental in our research.

When particularly thick Panamanian accents hindered our ability to understand our interviewees, the accompaniment of Jairo Castillo was essential. His constant support and willingness to coordinate the logistics of our time at Punta Galeta did not pass unnoticed.

Finally, McGill University, the Smithsonian Tropical Research Institute, Dr. Catherine Potvin, Lady Mancilla and the students and staff that support the Panama Field Study Semester. We feel incredibly fortunate to have experienced this unbelievable adventure and we understand this opportunity would not have been possible without an army of dedicated individuals.

2.2 Host Institution

The Smithsonian Tropical Research Institute (STRI) is a bureau of the Smithsonian Institution whose aim is to enrich our knowledge of biological diversity. Since the inauguration of the first research station in Barro Colorado Island in 1923, STRI has quickly become a popular stop for scientists around the world who wish to conduct research on the tropics. With the active support for fellows and visitors leverage resources, STRI is able to welcome more than 900 visiting scientists every year ("About the Smithsonian Tropical Research Institute", 2016).

The Punta Galeta Marine Laboratory is a research station located on the Atlantic coast, east of the city of Colón, at the Caribbean entrance of the Panama Canal. The geographical significance of Isla Galeta was first realized during World War II, where its position on *costa arriba* made it a crucial station of military defense for the Panama Canal. In 1964, Dr. Ira Rubinoff, a scientist, realized the ecological significance of the island and convinced the United States government to give the property to the Smithsonian Institution. Access to the laboratory was initially restricted to Smithsonian researchers, but after the handover of the Panama Canal in 1999, Punta Galeta began a marine education pilot program. What began as a local initiative to teach the children of Colón about the natural ecosystems surrounding them has developed into an international education program attracting about 10,000 students a year. In recent years, Punta

Galeta's educational program has expanded to incorporate a teacher training program aimed to integrate knowledge of marine biology into the curriculum for students from all over the country. The staff's constant energy and passion for their work is reflected in the quality of the programs they provide, and without their commitment for environmental advocacy our research regarding la Zona Libre would not be possible.

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2.4 Number of equivalent full days spent on our project

	Number of equivalent full days spent at Punta Galeta	Number of equivalent full days spent in Panama City	Total number of days	Total number of hours (based on average 8h day)
Fanny Boudet	16	14	30	240
Joan Herrmann	13	17	30	240
Sean Schmitz	13	17	30	240
Total	42	48	90	720

3. INTRODUCTION

Over the past half century, global commerce has experienced a proliferation of Free Trade Zones. Since the establishment of the first Free Trade Zone (FTZ) in Shannon, Ireland in 1859, over 3,500 of these special economic areas have been constructed in over 135 countries (Lu, 2014). Inevitably, each FTZ has experienced varying forms of evolution and has adopted distinct characteristics due to geographic factors, economic development of the parent country, and specializations of goods and services. In order to establish a baseline definition of an increasingly essential area of commerce, in 1978 the Kyoto Convention in conjunction with the International Customs Council defined a Free Trade Zone as “a part of the territory of a Contracting Party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the Customs territory” (World Customs Organization). In layman's terms, a FTZ is an economic area that is within the territorial borders of a country, while outside usual customs and tax procedures. Because standard tax and customs structures do not apply in Free Trade Zones, these areas are characterized by the diminished regulatory role local and national governments have in business operations. Consequently, conditions extremely profitable for corporations exist, resulting in the complex and extensive network of Free Trade Zones present today.

This research juxtaposes the history and nature of the Colón Free Trade Zone in Panama with perceptions of Corporate Social Responsibility (CSR) of corporations operating in this area. Fundamental to this research is an introduction of why corporations are driven to operate within FTZs and how national governments have historically endorsed the construction of these zones as tools for economic development. An understanding of corporate and governmental motivations to build FTZs creates the proper framework to discuss the idiosyncrasies of the

Colón Free Trade Zone and its distinct role in facilitating international trade. A discussion of the complex relationship between the Colón FTZ and the nearby city of Colón illustrates the stark economic disparities between the two areas. After exploring the relationship shared between the Colón FTZ and the city of Colon, this research transitions into presenting and examining the perceptions of CSR of six corporations and three stakeholders of the zone. The goal of this research is to analyze the social dimension of commerce, or the interface between society and business, and how it relates to perceptions of CSR at the environmental, community, and employee level.

3.1 Motivation to Invest in FTZs

Free Trade Zones, at the most fundamental sense, are characterized as deregulated areas of economic activity. Corporations operate within Free Trade Zones “with the purpose of storing, processing and manufacturing goods without the restrictions and regulations applicable to industries within the customs territories” (Basu, 1996). Therefore, commercial motivation to invest in a free trade zone is two-fold: increased profits and higher degrees of efficiency. The cost structure of a company operating out of a FTZ is more favorable than those of competitors operating outside of a FTZ. Within a FTZ, the proportion of funds being allocated towards the payment of duties and taxes is lessened or freed, allowing that wealth to be applied elsewhere, for example investment in research and technology. In addition, corporations experience higher degrees of efficiency because of reduced or diminished government regulation. By avoiding reporting to a national government, corporations experience “commercial flexibility” or “make the transfer of goods for international markets easier for ship owners” (Rondinelli, 1987). Economic incentive coupled with increased rates of productivity, motivate corporations to operate within FTZs.

Freedom from usual custom and tax procedures is only part of a larger package of incentives proved by governments to attract corporations to Free Trade Zones. Governments also may provide “adequate sea and airport facilities, prepared sites to accommodate industrial plants, infrastructure, utilities and commercial services for those plants, and cheap sources of energy and water” (Rondinelli, 1987). The cost associated with providing and maintaining these systems are paid by national governments (e.g. tax dollars), yet FTZs either minimally or entirely do not contribute directly to a country’s national income because companies are exempt from usual custom and tax fees. The appeal of Free Trade Zones is clear from the perspective of a corporation, but prompts the question of which other parties are benefitting from the existence of these zones.

3.2 FTZs as tools of Economic Development

Government officials, especially those of developing countries, have justified the construction of FTZs because of their potential to promote economic development within their respective countries. This concept is based in the notion that the economic attraction associated with FTZs will incentivize corporations to invest and operate within these areas. Although governments are either receiving a minimal or nonexistent direct income through taxation and custom duties, corporate investment in these zones is expected to create jobs, reducing poverty and unemployment. For example, the first FTZ in Shannon, Ireland was built in 1859 by the government of Ireland in order to promote employment within a rural area and to generate revenue for the Irish economy. The Shannon FTZ was and still is characterized by special tax-efficient structures for the zone’s businesses (Shannon Chamber). Irish government officials justified the construction of the Shannon Free Trade Zone by stating it would spur economic growth, subsequently creating mutually beneficial results for both business and society. The

efforts of the Irish government are considered to be largely successful, effectively increasing employment rates and industrial development within a traditionally rural area. Many proponents of Free Trade Zones use the Shannon FTZ as an exemplary model of how a national government can successfully use a FTZ as a mechanism to advance both commercial progress and societal wellbeing within a country.

The governments of developing countries in particular have justified the construction of FTZs by promoting them as tools for economic development, stating their existence attracts investment and stimulates industrial growth. The use of national income to accommodate corporate interests, comes at a large opportunity cost in developing countries. Funds that could be used to raise the standard of living within a country are comparatively allocated to accommodating corporate interests, such as through the construction and maintenance of sea and airport facilities. The rationale behind this opportunity cost is that the construction of a FTZ serves as strong external stimuli for economic growth. This ultimately results in the increase of a country's wellbeing by means of commercial programs. To a certain extent, this assertion has proven to accurately reflect the economic benefits of establishing FTZs. Studies indicate that these zones have "provided about 3.5 million jobs in all developing countries" (Rondinelli, 1987).

The purpose of this study is not to homogenize the experiences of all Free Trade Zones. As stated previously, it is inevitable that the trajectory and relative success of each is not uniform. Free Trade Zones vary according to economic, social, and political factors that are country and region specific. Rather, this section of the research seeks to lay a foundational understanding of the arguments corporations and national governments use to justify and promote the construction of Free Trade Zones. Insight into the framework of factors affecting all

Free Trade Zones facilitates the reader's ability to understand the Colón FTZ's distinct network of elements influencing commercial activity within the zone.

3.3 History of the Colon Free Trade Zone and the city of Colón

The histories of both the city of Colón and the Colón FTZ have been dominated by the Panamanian economy's role in facilitating international commerce. The city of Colón was founded on Panama's *costa arriba* in 1850 as the Atlantic base for the Panama Railroad. The vast increase in traffic across the isthmus due to the 1849 California Gold Rush motivated the construction Panama Rail Line (History of the Panama Railway). By connecting the Atlantic and Pacific oceans through an overland trade route, this inter-oceanic connection positioned the city of Colón to become an international hub for trade. However, it was the construction of the Colón FTZ in 1948 that cemented Colón's status as an economic pillar within the region. Three years after the opening of the Panama Canal in 1917, government officials and investors began to discuss the possibility of constructing a FTZ beside the city of Colón. However it was not until after World War II that the Colón Free Trade Zone became a reality. With the withdrawal of troops at the end of war, economic hardship swept the city of Colón. In response, Dr. Enrique A Jimenez endorsed the construction of the Colón FTZ in order to combat the rising unemployment (Colon Free Trade Zone). On June 17, 1948 the government approved Law No. 18, creating the Colón Free Trade Zone as an autonomous institution.

The Colón FTZ was created in part as a response to the Panama Canal's increasing role as a compulsory route for worldwide navigation. The year the Colón FTZ was created, the Panama Canal experienced "the combined movement of cargo in both directions in the fiscal year 1948 totaled 24,117,788 long tons, a gain of 2,447,270 tons, or 11.3 percent, in comparison with the tonnage passing through in the preceding fiscal year" (Newcomer, 1948). The

expanding volume of trade passing through the Panama Canal motivated the demand for a free port at atlantic base of the Canal. Companies would then have a platform to store, prepare and re-distribute their goods to either to local, regional or international markets, without the interference of customs and tax regulations. Although the Colón FTZ does not solely cater to the Panama Canal, the proper functioning of the waterway deeply affects the economic prosperity of the zone.

3.3.1 Nature of the Colón Free Trade Zone

Operations within the Colón FTZ focus on catering to the demand for Asian produced goods by Central and South American countries. The major countries of import origin include China (27%), Hong Kong (19%), Taiwan (12%) and the United States of America (9%). These goods are then re-exported to Venezuela (20%), Colombia (16%), Panamá (7%) and Ecuador (5%) (Operations in Panama, 2014).

The benefits of operating within the Colón Free Trade Zone can be divided into fiscal benefits, importer's advantage, and exporters' advantages. Fiscal benefits include 0% taxation on profit from exportations, 0% duties and quotas on importation and exportation, 0% taxation on billings, highly competitive costs, and migratory facilities for foreign executives (Colon Free Trade Zone, 2016). Importer's advantages include the ability to purchase in only one place, a diverse assortment of products, credit facilities and dispatching services in less than 24 hours (Colon Free Trade Zone, 2016). Exporter's advantages include access ship supply services and access to diverse markets including the American hemisphere, Europe, Asia, Africa, and Australia(Colon Free Trade Zone, 2016). In fact, the only requirement is that a 5% dividend tax be paid for the government, with all import and export duties waived, as well as municipal and other taxes (Panamá's Offshore Legal Services, 2014).

Since its nativity in 1948, the economic prosperity experienced within the Colón FTZ has resulted in its status as the second largest Free Trade Zone in the world. The zone employs upwards of 30,000 individuals and its massive manpower has resulted in economic flows of goods valued at \$14 billion dollars in imports and \$15 billion dollars' worth of goods in re-exports (Lilly and Associates, 2012). The prospect of a large return on investment possible within the stable political environment provided by the Panama government and its fully dollarized economy, suggests that the pressure from foreign and local investors is ever increasing (Berg and Borensztein, 2000).

3.3.2 Criticisms of the Colón Free Trade Zone

Criticism of the Colón FTZ has stemmed from the notion that the area's economic prosperity has come at the expense of local economies and populations. It has been argued that the Colón FTZ has served as an "economic enclave" or an area dominated by "an export based industry dominated by international or non-local capital extracts resources or products from another country" (Singer 1950). Economic enclaves are characterized as commercial powerhouses that experience large degrees of economic prosperity, yet this wealth is not redistributed to surrounding communities. While the Colón FTZ processes billions of dollars of goods each fiscal year, the city of Colón experiences persistent poverty. The landscape of Colón is characterized by collapsing rotting builds collapsing, sewage in alleyways, and jury-rigged water service. (Archibold, 2014) Concern has been raised over the economic disparity between the Colón FTZ and neighbouring Colón.

Strained relations between the Colón FTZ and the city of Colón is best exemplified in recent protests over the the sale of land within the zone. The goal of any Free Trade Zone, the Colón FTZ included, is to promote trade, especially trade in goods. Yet the ceaseless production

and consumption of material goods and subsequent expansion of FTZs to accommodate these demands, in a world of limited natural resources, is inherently unsustainable (Katz, 1999). Especially in the city of Colón, the land being sold to FTZs is dominated by tall mangroves. These mangroves have qualities that make them “structurally and functionally unique (Alongi, 2002), providing ecosystem services including carbon sequestration (Hutchinson, 2013), soil erosion protection and a buffer against adverse tropical storms (Danielsen, 2005). The essential role these mangroves play in proper ecosystem dynamics in Colón is cornerstone to the wellbeing of surrounding communities. When the National Assembly approved legislation allowing the sale of land in the duty-free zone of Colón, hundreds of demonstrators in Colón burned tyres and clashed with police for hours following the decision (BBC, 2012). The economic disparity between the Colón FTZ and the city of Colón, combined with recent legislative decisions to prioritize the interests of corporations in the FTZ, highlights the contentious relationship between the two parties.

3.4 Corporate Social Responsibility in the context of the Colón Free Trade Zone

This research asserts that understanding perceptions of Corporate Social Responsibility (CSR) of companies operating in the FTZ is an potentially effective tool in order to comprehend the interface between business and society in Colón. Corporate Social Responsibility is defined as “a sum of activities undertaken by an organization that aim to improve the life of its employees and local communities, ensure the ethical behaviour of the company, contribute to economic development and address a variety of social and environmental problems related to their operations” (Lindgreen and Swaen, 2010). For the purpose of this study, CSR programs fall into three main categories; environmental, employee and community. Usually CSR also encompasses programs aimed to support customers, but we have chosen to exclude this category

because our respondents are export companies and there is little to no contact with the individuals who ultimately consume or utilize the product.

The growing trend of companies engaging in CSR programs represents a fundamental shift from shareholder to stakeholder theory. With its roots in Adam Smith's *Wealth of Nations*, shareholder theory claims that the main purpose of business lies in generating profits and increasing shareholder wealth (Pfarrer, 2010). Therefore under this model, business decisions are made according to the interests of shareholders (e.g. individuals who own stock or investors). In contrast, the recent prevalence of stakeholder theory indicates a pivotal transition in the commercial attitudes of business. Shareholder theory states that a company should have an expanded role and responsibilities to stakeholders besides its owners. A stakeholder is an individual or set of individuals who have an interest in a business' operations. In the context of Colón, shareholders include those individuals who directly employed by companies within the FTZ, along with those who are not, but are affected by the expanding port development. Research on the topic claims that the existence of CSR programs is not a cost, but rather an investment (Michelon 2013) concluded that by prioritizing the concerns of stakeholders, a company can benefit the stakeholders while also increasing shareholder wealth.

Perhaps the most important detail of CSR is that it takes many forms and does not necessarily adhere to any particular standardized structure. As stated previously, CSR programs within the context of our research falls into three categories; environment, employee and community (i.e. society). Environmental programs could be waste minimization or removal, investment in energy efficient technology, or membership with environmental organizations. Corporations could implement training programs for their employees, hold social events for their staff, and encourage a healthy work-life balance to satisfy the employee requirement of CSR.

Finally, educational programs for children and adults, local sports team sponsorship, or donating money to social organizations can enhance the community and society directly affected by the corporation's presence (Jenkins, 2006). Although CSR is threefold in its categorization, Jenkins in 2006 found that not all corporations support all three branches. Discussed later in more detail, some corporations focus more on environmental management, while others believe strongly in employee programs, and others focus on improving the livelihoods of community members to foster a mutualistic relationship. Thus, depending on the values and beliefs of each business, CSR programs by companies within the Colón FTZ will significantly vary amongst each corporation, as will their commitment to them.

3.5 Corporate Social Responsibility in the context of Panamá

In 2002 SumaRSE was created to promote and encourage CSR within Panamanian companies. This non-governmental organization emerged in response to the creation of the UN Global Compact in 2000. On July 26th, 2000, the UN Global Compact was created with the intention to promote and support CSR programs for businesses around the world. If a company chooses to sign the UN Global Compact, the organization provides practices, resources and networking events in order to provide a framework where companies can benefit from the adoption of CSR into their business model. It outlines 10 principles to which corporations should adhere; covering topics such as human rights violations, labour laws, environmental protection, and the elimination of corruption (Pacto 10 principles). It additionally describes the comprehensive approach to corporate sustainability that businesses should take including the 5 steps of: 1) operating within universal principles; 2) strategically supporting the society around them; 3) committing at the highest level; 4) annually report their activities and efforts; 5) use their local presence to engage with the community (UN Global Compact, 2016).

Therefore, SumaRSE is a Panamanian manifestation of the UN Global Compact. It works to promote the 10 principles of the Global Compact while accounting for the distinct economic, political and social climates that engulf Panama. There are three main streams of action in SumaRSE. The first is Programa de Formación, which helps member companies to implement CSR business strategies and programs. Next is Alianza Multisectoral, which promotes dialogue between the private and public sectors. Lastly is Divulgación, which seeks to inform Panamanian companies of national, regional, and global CSR practices, as well as divulge information regarding global dialogue or changes regarding CSR. These three streams are designed to cover SumaRSE's four main areas of focus with CSR, which are Business, Social, Environmental, and Communication (SumaRSE, 2016).

CSR has proven to be a minor, yet increasing trend within Panama. For example, there are over 140 organizations in Panama aligned with SumaRSE, that have signed the Global Compact and seek to better their practices and their business models (SumaRSE, 2016). It is also expected that many corporations have programs that promote CSR ideals, yet the administration does not label it as so. This research seeks to evaluate perceptions of Corporate Social Responsibility of corporations operating out of the Colón FTZ.

4. FRAMING THE STUDY

4.1 The Problem

Commercial project development within the Protected Galeta Area presents a serious threat to the activities and research of the Punta Galeta staff and scientists. Concern arises from a lack of awareness regarding the social and environmental intentions of corporations operating out of the Colón Free Zone. These companies' steady expansions into the Protected Galeta Area

prompts Dr. Stanley Heckadon-Moreno's candid question of "Do these corporations intend on being responsible stewards of the environment and supporters of the community?"

4.2 Research Question

Due to the rising uncertainty about the future of Punta Galeta and surrounding communities, our research question is as follows: How do corporations in the Colón Free Trade Zone perceive their corporate social responsibility?

4.3 Justification

Punta Galeta Marine Lab carries out its educational programs to engage students, researchers and teachers in a form of education that extends beyond the classroom. In addition to providing equipment and facilities to researchers, Punta Galeta prides itself in their Educational Program. The goal of this program is to provide teachers and students from Panama with affordable access to education opportunities centered on field and experience based learning. Gradual encroachment by the Colón FTZ's corporations into the protected Landscape within Isla Galeta, threatens the proper ecosystem functioning in the area. Therefore the research facility's ability to provide valuable educational experiences to Panama's communities is in jeopardy.

Punta Galeta is not the only stakeholder that is affected by the actions of corporations within the zone. Historically, the development of the FTZ, especially expansion associated with the destruction of mangroves has profoundly impacted the livelihoods of the Colonese. For example, the mangroves provide critical ecosystem services such as breeding grounds for fish populations. As discovered in La Playita through previous research of Punta Galeta, local fishermen were severely impacted by the clearing of mangroves. Without a functional breeding ground, the fish populations of La Playita either died or attempted to migrate to a new location. Without the presence of fish populations, the livelihood strategies of local fisherman were

shattered. The experience at La Playita is simply one testament to the far reaching implications of corporate actions. Therefore our research regarding perceptions of Corporate Social Responsibility of these corporations will shed light into their future actions, inevitably serving as a resource for surrounding communities and environments.

4.4 Objectives

The first objective of our research is to investigate perceptions of Corporate Social Responsibility (CSR) at the regional and multinational corporate level. Additionally, the second objective is to explore perceptions of Corporate Social Responsibility from the perspectives of stakeholders. This research aimed to receive valuable information as to how corporations and stakeholders perceive Corporate Social Responsibility and how this perception influences the nature, extent, and future of CSR programs currently in operation. Overall this research aims to create novel data that can serve as a resource for individuals who are interested in the wellbeing of Colón, community members and corporations alike.

5. METHODOLOGY

5.1 Research design

The target populations in this study are regional and multinational corporations in the Colón FTZ and its stakeholders. In order to receive information that most accurately reflects the reality of CSR within a given company, the most knowledgeable and appropriate respondents for our research were interviewed, such as CEOs or the Managers of the Human Resource Departments. To gain a holistic understanding of perceptions of CSR, three regional corporations (i.e. corporations that do not have locations in other countries) and three multinational corporations (i.e. corporations that do have locations in other countries) were interviewed. To

clarify this difference throughout, an asterisk + distinguishes regional corporations from multinational corporations, with an asterisk *. Although an increased sample size would have led to greater generalization and more validity in our research, we decided to target 5 to 10 corporations in order to provide an in-depth analysis of a few corporations, versus a brief examination of many corporations. In order to maintain confidentiality, all the participating corporations were renamed. The purpose of this research is not to single-out corporations according to their perception and application of CSR programs. Rather the goal is to identify trends and commonalities or differences between the different corporate perceptions.

To gain insight into stakeholder’s perspectives, we interviewed three individuals, representing three distinct organizations: the Smithsonian Tropical Research Institute, the Administration of the Zona Libre, and SumaRSE. In this section, titles are used in identifying the interviewees because their positions within their respective organizations contribute tremendously to our understanding of their perceptions of CSR. By maintaining complete anonymity, such as with the corporations, it would diminish versus bolster the research.

In all cases, we first sent out an email to the corporations and stakeholders where we presented ourselves, explained the purpose of our research, and asked for their participation in this study. After the collecting data from 6 corporations and 3 stakeholders, we transcribed and analyzed our results. Finally, we performed a cross-case analysis of our data searching for patterns and recurrent behaviors regarding CSR activities in the Zona Libre.

Figure 1: Steps undertaken in order to obtain our final sample of corporations

Step 1	Number of corporations initially approached through website emails	3
	Number of positive responses after Step 1	0
	Number that provided other contacts	1
Step 2	Number of corporations initially approached through phone calls	5

	Number of positive responses after Step 2	0
Step 3	Number of corporations and stakeholders approached through contacts	10
	Number of corporations and stakeholders who expressed their interest in being interviewed after	9
Step 4	Number of corporations and stakeholders interviewed	9

Source: Adapted from Sen, 2011

Figure 2: List of corporations and their business type

	Name of the Corporation	Business type	Type of Corporation
1	Corporation A [*]	Logistic services	Multinational corporation
2	Corporation B ⁺	Logistic services	Regional corporation
3	Corporation C ⁺	Logistic services	Regional corporation
4	Corporation D [*]	Beauty products	Multinational corporation
5	Corporation E [*]	Container Terminal	Multinational corporation
6	Corporation F ⁺	Sales	Regional corporation

Source: Adapted from Sen, 2011

Figure 3: List of stakeholder interviewees and their titles.

	Title	Organization
1	Program Coordinator: Oficina de Relaciones Institucionales	Smithsonian Tropical Research Institute (STRI)
2	Gerente General	Zona Libre de Colón
3	Directora de Desarrollo Empresarial	SumaRSE

5.2 Semi-structured interviews

The research employed a semi-structured interview format for the methodology. This is a common method that researchers utilize to analyze Corporate Social Responsibility (Sen, 2011). An interview that takes the form of semi-structured offers greater flexibility when it comes to data collection. It allows for more clarification of some questions, and in depth exploration of

other relevant issues and concerns. It also permits the interviewee to collect perceptions and opinions through the respondents' nonverbal cues. For example, any discomfort or stress can be perceived through body language such as frowns, nervousness, etc. Finally, it allows the research to delve into spontaneous and previously unexpected dialogues that provide invaluable insight into the research question being analyzed.

A complete list of questions administered is found in Appendix I. The questions were developed to understand a given corporation's knowledge about CSR, their motivations and challenges, the influences on decision making, and the actual versus stated behaviors towards Corporate Social Responsibility. Before administering the interviews, the list of questions was reviewed by an authority on the matter in order to ensure this research maintained the highest quality of moral and ethical considerations.

Due to the inherently divergent nature of stakeholder perspectives in comparison to their corporate counterpart, with the exception of a few fundamental questions, a contrasting set of questions were developed for assessment. Many queries that are considered inappropriate to ask representatives of corporations, were acceptable to be answered by stakeholders. Therefore the incorporation of stakeholder perspectives into this research enhances the both the range and the width of analysis capable within the study.

5.3 Ethical considerations

Throughout this study, all research conducted conforms to McGill University's Code of Ethics. Certifications of the Tri-Council Policy Statement's Ethical Conduct for Research Involving Humans course on research ethics (TCPS 2: CORE) can be found in Appendix V. Prior informed consent was obtained by all respondents in the form of a consent form, which can be found in Appendix II. The consent form informed participants on the purpose of the study, the

procedures involved, the potential discomforts, risks, and benefits of the study, as well as the anticipated duration of the interview. In addition, the consent form requested permission to record the interview and use their names or titles in our report. Of the nine corporations and stakeholders interviewed, all signed the consent form and agreed to the interview.

5.4 Limitations

Throughout the research, many limitations were encountered within the methodology. The first and most significant limitation to our research is a social desirability bias, or in other words the tendency of individuals to present themselves in a favorable manner (Chung et al., 2003). This concept is of particular importance in our study that involves self-reports of socially sensitive issues. Due to an inherent social desirability bias, participants are likely to over report their company's socially desirable characteristics. There exists a bias in the selection of the corporations interviewed, as there is a higher likelihood that a company will want to be interviewed about Corporate Social Responsibility if this company already has programs in place. An additional bias encountered was our research's dependence on self-reporting information about CSR activities their company has. The participants are more likely to present their socially active behavior and omit their undesirable social choices (Chung et al., 2003).

Although respondents were asked to answer questions on the behalf of the entire company and not solely his/her personal sentiments towards the subject, this ideal is largely unrealistic. A single individual is incapable of accurately representing all of the perspectives held by individuals employed by a single company and because of this reality, if given more time it would have been a beneficial have multiple respondents from each corporation or stakeholder. Stakeholders of corporations generally include employees, community members, schools, NGOs, and other local businesses. Time limitations restricted the research's ability to gain an

understanding of perceptions of CSR held by all the stakeholders of a given corporation. In particular, employee perspectives are lacking from our research and could have provided greater insight into CSR perceptions of each corporation. However, time constraints coupled low response rates prevented this research's capacity to explore these different avenues, but proposes unexplored paths for future research.

This study's inability to conduct a pilot study is rooted in the reality that corporations, especially immense bureaucratic multinational corporations, tend to have nonexistent to scattered response rates. Such a preliminary test would have been useful to make potential modifications to the questions and to the data collection procedure. However due to the small sample size of this study, including companies in a pilot study would have further reduced the selection of corporations for involvement.

6. RESULTS

In order to gain a holistic overview of each company and stakeholder, this research sought to collect information on corporate knowledge of CSR, participation in CSR programs, along with elements perceived to act as motivators or barriers to the implementation of CSR within a corporation. In the following two sections, the data has been reduced and sorted according to each research question and then translated into summaries and tables. A more in-depth collection of the results can be found in Appendices III. Information presented in the results section that is italicized indicates direct quotes (and translations) from the interview with the corporation or stakeholder. Research question 1 asked each representative to elaborate on the history of their respective corporation or organization. This question was utilized in order to

“break the ice” with the interviewee and therefore there is not a section dedicated to the results of Research Question 1 due to its irrelevancy to the area being researched.

6.1. Corporations’ perceptions of Corporate Social Responsibility

Figure 4: Overview of the corporations interviewed

General Information	Corporation A*	Corporation B*	Corporation C*	Corporation D*	Corporation E*	Corporation F*
Number of staff	350	80	290	100	1300	88
Proportion of staff from Colón	90%	90%	80%	80%	90%	92%
Home country	Panamá	Panamá	Panamá	Panamá	Panamá	Panamá
Age of the company	74 years	24 years	104 years	50 years	21 years	31 years
Associations with other companies in the CFTZ	No	No	Logistic Services	No	No	No
Business type	Logistic Services	Logistic Services	Logistic Services	Beauty products	Container Terminal	Sales
Locations of operation	Colón and Panamá	Colón	Colón	Colón and Colombia	Colón and other ports	Colón

Source: Developed for this research

6.1.1 Results of Research Question 2

Research Question 2: What is your understanding of the term ‘Corporate Social Responsibility’?

Or is there a different term that you prefer to use?

Figure 4: Understanding of CSR

Corporation/ Perceived as	Giving back to the community	Following norms	Business strategy
Corporation A*	✓		
Corporation B ⁺	✓		
Corporation C ⁺		✓	
Corporation D*	✓		
Corporation E*	✓		✓
Corporation F ⁺	✓		

Source: Adapted from Sen, 2011

Corporations D* and F⁺ used the term ‘corporate and business social responsibility’, unlike the other corporations that only used the term ‘corporate social responsibility’. However, most participants did not seem to be familiar with the terminology of the concept, in addition to its practical implications. From the responses, the most common understanding of the concept is to ‘give back to community’. The interviewees stated this concept in different ways: *contribute to the people, committed to the community, benefit the society, support that one can give to the community or compensate in a responsible form the inhabitants*. These answers reflect a strong ethical perception of the concept of CSR. In the case of Company E*, the business realistically perceived CSR as both an ethical consideration as well as a business strategy. Company C⁺ stressed the importance to conform to norms with CSR activities. Nonetheless, no interviewee related their perception of CSR as an ‘economic’ or ‘marketing’ strategy.

6.1.2 Results of Research Questions 3&4

Research Question 3: Is your company currently implementing a CSR program?

Research Question 4: Does your company have plans to expand current CSR programs or develop new ones in the future?

Without any exceptions, all businesses believed they had a social responsibility. However, the companies differ in how they each participate in CSR activities. The table below lists the different categories of CSR activities undertaken by the corporations and the number of corporations participating under each of the categories.

Figure 5: CSR activities of companies

Corporation/ CSR activities	Donations	Staff benefits	Environmental programs	Social programs
Corporation A*	✓	✓	✓	✓
Corporation B ⁺	✓			✓
Corporation C ⁺	✓	✓	✓	✓
Corporation D*	✓			✓
Corporation E*	✓	✓	✓	✓
Corporation F ⁺		✓		

Source: Adapted from Sen, 2011

It was found that most of the businesses interviewed participated actively in socially responsible activities. All corporations responded positively to Research Question 4 and showed future involvement in CSR activities. However, the nature and the extent to which the corporations are involved differ. It was found that environmental programs were less popular than social programs. Corporations B⁺ and F⁺ were the ones with the fewest programs, for reasons that will be explained within the discussion section of this paper. Corporation F did not have any social programs, and is only involved in social benefits for its staffs. Corporations A* ,

C⁺, D^{*} and E^{*} were the ones that showed the most involvement in CSR activities. Whereas Corporation D^{*} focused on individual and specific social programs, Corporation E^{*} showed a wide range of different types of involvement in CSR activities.

6.1.3 Results for Research Question 5

Research Question 5: Who makes the decisions regarding CSR within the company?

Figure 6: Decision making of CSR

Corporation	Decision makers in businesses
Corporation A [*]	Human Resources Manager, the CEO can only change the dates.
Corporation B ⁺	Owner of the company.
Corporation C ⁺	General Manager, but after a consultation with Human Resources
Corporation D [*]	Owner of the company.
Corporation E [*]	CSR committee (as of 2016)
Corporation F ⁺	Human Resources Manager with employees

Source: Adapted from Sen, 2011

Decisions on CSR were mostly taken by the owners of the corporations or Human Resources Managers. However, through the answers provided by Corporation E^{*} and F⁺, we saw a trend towards increasing inclusion of employees in the decision-making. The corporation will create a committee whereby different actors will have a voice in the decision process.

6.1.4 Results for Research Questions 6&7

Research Question 6: Is there a predetermined budget for CSR programs?

Research Question 7: Is there a fixed annual income or do the funds vary from year to year?

Figure 7: CSR budget of corporations

Corporation	Determined Budget	Factors affecting CSR expenses
Corporation A [*]	No	Nature of the programs
Corporation B ⁺	\$5 000 - \$10 000	Economic situation

Corporation C ⁺	Monthly budget \$50 -\$200	Economic situation
Corporation D [*]	No	Economic situation; annual income, amount of people seeking help; nature of the programs
Corporation E [*]	Annual budget of \$900,000 (last year and this year \$600,000)	Economic situation; amount of organizations seeking help
Corporation F ⁺	No annual budget planned	Amount of projects

Source: Adapted from Sen, 2011

CSR budgets varied widely across the different corporations interviewed, ranging from a monthly budget of \$50-\$200 to an annual spending of \$600,000. Most respondents stated that the predominant factor affecting CSR expenses is the economic situation of the parent company (i.e. profits of the business). Others perceived the nature and number of projects as factors that affect the annual budget.

6.1.5 Results for Research Questions 8&9

Research Question 8: What prompted the creation of your programs?

Research Question 9: In your opinion, what are the main barriers to the implementation of CSR programs?

Figure 8: Motivations for CSR

Company/ Motivations	Ethical responsibility	To build a good company image	Within the company's goals	Personal Satisfaction	New and positive activities for employees
Corporation A [*]	✓		✓		
Corporation B ⁺	✓			✓	
Corporation C ⁺	✓				
Corporation D [*]	✓				
Corporation E [*]	✓	✓	✓	✓	

Corporation F ⁺						✓
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Source: Adapted from Sen, 2011

Figure 9: Barriers to CSR

Corporation/ Barriers	Time	Money	Economic situation	Mentality of workers	People take advantage of these programs	Mentality of the populations targeted	Lack of demand from organizations	Consultation of mother companies
Corporation A ⁺	✓			✓				
Corporation B ⁺						✓	✓	
Corporation C ⁺				✓		✓		
Corporation D ⁺		✓	✓		✓			
Corporation E ⁺			✓	✓				✓
Corporation F ⁺				✓				

Source: Adapted from Sen, 2011

Most of the participants showed a philanthropic desire to follow ethical considerations or their personal satisfaction. In contrast, no participant evoked a strategic intention of ‘marketing’, and only one them admitted its benefit towards the company’s image and business reputation. This research found that the greatest barriers encountered are coming from people’s mentalities and behaviors towards CSR activities. Some programs are experiencing obstacles due to their own staff of which does not perceive the importance of social programs. Employees can sometimes see them as an obligation or duty. Corporation F⁺ indicated an obstacle to CSR as a fear of its employees becoming disinterested in the projects over long periods of time. Other corporations encounter difficulties with the populations they target, through a lack of cooperation or false claims for assistance.

6.2 Stakeholders’ Perceptions of Corporate Social Responsibility

A distinct set of questions was utilized during the semi-structured interviews with stakeholders. The following three tables have been constructed to compare the viewpoints of the three stakeholders.

Figure 10: Understanding of CSR

Stakeholder/ Perceived CSR as...	Marketing Strategy	Supplementary to Regular Business Operations	Imperative for Sustainable Development	Internal to the Institution
STRI Program Director			✓	✓
Zona Libre General Manager	✓			
SumaRSE Director		✓	✓	✓

Source: Adapted from Sen, 2011

The STRI program director and the SumaRSE representative have a similar perception of CSR. As outlined in the UN Global Compact and ISO 26000, CSR encompasses a wide variety of goals that are aligned with business strategies that contribute towards the sustainable development of a corporation. In contrast to this view, the general manager of the Zona Libre believes that CSR does not benefit a corporation beyond its marketing strategy.

Figure 11: Motivations for CSR

Stakeholder/ Motivation due to...	Public Relations and “Halo Effect”	Fundamental Values	Goals of Business Strategy
STRI Program Director	✓	✓	
Zona Libre General Manager	✓		
SumaRSE Director		✓	✓

Source: Adapted from Sen, 2011

The perspectives of corporate motivations to implement CSR programs also varied amongst the different stakeholders. The STRI program director believed that the motivations should be as a result of the fundamental values of management, but recognized that there are beneficial public relations to implementing CSR. The general manager of the Zona Libre believes that corporations can only utilize CSR as a marketing scheme to improve their customer relations and increase profits. Finally, the SumaRSE director discussed business motivations for CSR in terms of their willingness to incorporate these programs into their business strategy and values, thus fulfilling their commitment to sustainable development goals.

Figure 12: Barriers to CSR

Stakeholder/Barrier	Cost	Mentality	Economic Situation
STRI Program Director	✓		
Zona Libre General Manager	✓		✓

SumaRSE Director	✓	✓	
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Source: Adapted from Sen, 2011

All stakeholders identified cost as the largest barrier to implementation of CSR programs, however reasoning behind this state varied according to individual. The STRI program director referred associated implementation of CSR programs with high costs due to the necessity to change production processes and company structure, along with training employees. The general manager of the Zona Libre described this barrier as a result of lack of available economic funds. The idea was expressed that the implementation of CSR programs is a luxury afforded to large businesses who can afford to do so. Furthermore, the current major downturn in the economic situation in the free trade zone has resulted in a commercial environment that makes it difficult for businesses to survive, so attention cannot be placed on the implementation CSR programs. Lastly, the director of SumaRSE regarded the barrier of cost as a problem of the mentality of corporations. This perspective claimed that these businesses often fail to perceive CSR programs as a future investment, but rather perceive it as a cost with no returns. According to this line of thought, until this this fundamental shift in perception of CSR occurs, companies will not experience the full potential economic advantages of CSR programs.

7. DISCUSSION

7.1 Corporations' perceptions on CSR

The findings indicate that the understanding of CSR, although varied to a certain degree, has been developing in the Free Zone in recent years. Most companies acknowledged the importance of their community and displayed a willingness to engage in social activities. This suggests that if the ethical and philanthropic claims of the corporation prove to be true, more

companies would invest in CSR programs if the programs receiving the donation display structure and consistency.

Many corporations are in the process of changing the way in which they participate in social activities. Some are redistributing the decision power to their employees, moving away from the independent decision making by the managers. Corporations are also aiming to add structure and formality to their programs, as they try to regulate them according to ISO norms. Currently, there is no uniformity amongst the corporations when it comes to annual budgets. In the CFTZ, corporations may have annual, monthly, or no budgets to allocate to CSR activities. As for the nature of their programs, these vary widely and may exclude some key components, such as environmental programs, as the decision makers see fit.

Larger corporations tend to stand out as more proactive in CSR participation than smaller corporations. For example, Corporation E* with 1300 employees has a greater budget than the regional Corporations B⁺ and F⁺ to allocate to social work. As most corporations related, engagement in social activities may vary depending on their performance, or on the economic situation of the Free Zone.

A major constraint for social work perceived by corporations is the mentality of the population in Colón. Employees may not always be fully engaged in social work, or their enthusiasm is likely to die down with time. As we can see in figure 3, most of the employees in the corporations are Colonese. Whereas it is an ethical responsibility for corporations to contribute to the safety and wellbeing of their workers, for the employees themselves it may seem unexpected to work towards other families' needs. On the other hand, populations may not fully benefit from the aid provided because of a lack of engagement in programs or because of false claims for assistance.

7.2 Stakeholders' perceptions on CSR

The stakeholders we spoke to had varied responses regarding their perceptions of what CSR encompasses and how companies employ it. The program director of STRI discussed how CSR is more than being philanthropic and giving back to the community, something further supported by the director from SumaRSE. It is a value that corporations embody in their business operations, ensuring that their employees and the community in which they are located are responsibly managed and cared for. That community consists not only of the immediate location of a business, but also of all the consumers and stakeholders affected by the business's operations. Additionally, any and all CSR activities that the business undertakes are extra both to their operations and to the laws of the national and local government.

7.2.1 Motivations

Implementing CSR programs within your business is often a costly process and requires significant motivation to initiate. Interviews with the stakeholders revealed that companies in Panama, particularly those owned or managed by native Panamanians, often implement CSR programs as a part of their core values. With the recent development of the term CSR and its promotion throughout Panama, these strategies have become more aligned with the goals of the business and more concretely established. The program director from STRI further added that such initiatives come from the top-down, not the bottom-up. In other words, the input of resources and investments required to properly employ CSR programs means that management must be committed to them in order to approve the necessary funding.

7.2.2 Barriers

All of the stakeholders identified one major barrier to CSR implementation: cost. As described by the representative from STRI, these costs can result from the need to optimize production processes, reform the company structure, or from employee training programs. The director from SumaRSE further explained this barrier in the terms of the change in mindset needed to start developing these programs. Companies need first to understand that CSR can be a viable part of their business strategy that is a future investment, not simply a cost. Furthermore, transitioning to the perspective of prevention of risks allows a company to classify CSR programs as investments, not burdensome costs.

The director of the Colón Free Trade Zone, provided a unique perspective on the barrier of cost. Devaluation of global currencies and political instability in Venezuela have caused a significant drop in business in the past four years in the free trade zone, leading to the closure of many businesses. Considering that cost has been identified as a major barrier to the implementation of CSR programs, an economic downturn in the Zona Libre means that most businesses cannot afford to even think about CSR, they are simply trying to survive. Another key point is that most businesses in the CFTZ are small with about 10 employees and a movement of \$10 million worth of goods annually. Their net profits are small and the harsh nature of this business forces them to focus more on providing food for their families than on how they can contribute more to the community or the environment. It is thus majorly important to understand these difficulties that companies have in allocating appropriate funds towards CSR programs.

7.3 Discussion of corporate social responsibility as a whole

Throughout the course of this study, the analysis of the perceptions of CSR of companies in the CFTZ has been the main theme. For the purpose of this research, we defined CSR as

containing three major avenues of corporate responsibility: the environment, the employees, and the local community.

Our results indicate that while all companies are familiar with CSR as a term, most companies have misconceptions about the core concepts of the term. Five out of the six companies interviewed defined CSR as solely “giving back to the community” and stated these programs are motivated by “ethical responsibility”. These responses reveal that these companies tend to focus on the community aspect of CSR, reducing their focus on employee benefits, and almost completely neglecting environmental obligations. It is important to note that these companies are interweaving philanthropic ideals within their understanding of CSR. Philanthropy, such as donating money or items to organizations, is good and should be supported by all companies, but it is not considered a part of CSR.

An added contrast to this misuse of CSR is the juxtaposing responses of the stakeholders regarding their perceptions of the concept. There exists a fundamental divide between the perception of CSR of the General Manager of the Zona Libre and perceptions held by SumaRSE and STRI. The General Manager of the Zona Libre believes that CSR is solely a mechanism utilized by the marketing sectors of companies in order to gain greater public appeal and increase short term profits. In contrast, the representatives of SumaRSE and STRI state that the benefits of CSR can be felt beyond a business’ marketing scheme. By incorporating Corporate Social Responsibility into the fundamental fabric of a company, its application can improve production processes, environmental impact, company morale, and other features of business that contribute to long term sustainability.

A further contrast in responses between companies and stakeholders resulted from their discussion of motivations to implement CSR. Two out of the three stakeholders identified that

companies employ CSR as a marketing strategy to improve public relations and increase sales. The director of the Colon Free Trade Zone stated outright that these programs exist as a part of a company's marketing strategy, the proverbial "halo effect" comparing the company to an angel or herald of responsible business activities. Yet not one of the companies, in any of the interviews, referred to their programs as being marketing schemes. This omission we attribute to social desirability bias, as these companies want to paint their activities in a self-serving manner, not undermine the existence of their programs.

One commonality amongst stakeholders and companies, however, was the identification of mentality as a barrier to CSR. Five out of six companies recognize that the mentality of their workers or of the target population is a barrier to their implementation of these programs. This mentality includes the misunderstanding of CSR itself, why it should be incorporated into the company, and why people should be spending their time and money in participating. SumaRSE also identified that mentality is a barrier, mentioning that national polls frequently show that the Panamanian population does not understand the term and misattributes philanthropy as CSR. Interestingly, they also noted that the companies often have the wrong mentality towards these programs, perceiving them as unnecessary costs as opposed to beneficial investments. Overall, it appears that there is a significant lack of CSR education and Colón, as well as Panama as a whole, still needs time to get used to the concept.

As has been discussed in the introduction, the city of Colón has degraded steadily over the past century and is in desperate need of development and economic revival. The extreme contrast of wealth between the CFTZ and the city surrounding it can be best characterized by the wall dividing them. Our interviews with these companies revealed that 80% or more of each company's employees come from the city of Colón. Furthermore, almost all of these companies

identified “ethical responsibility” as a part of their motivations in implementing CSR programs. As such, these companies have the responsibility to invest in the city in order to rejuvenate it because it will enhance the abilities of their workers and benefit their business. Company E is a good example of this as they invest between \$600,000 and \$900,000 annually in their CSR programs.

8. CONCLUSION

Corporate Social Responsibility is a concept that encompasses many different avenues of business and sustainable development. Its complexity and diversity ensures that there is an inevitable misuse and misunderstanding of the term. Corporations in the Colón Free Trade Zone and the general population of Panama have been found through this research to be susceptible to this misunderstanding. It is thus that we recommend that educational programs and organizations be created and maintained in order to ensure the continued growth of CSR in Panamá. SumaRSE is one such organization that understands what CSR truly is and how it can and should be implemented in corporations, NGOs, and educational institutions. Therefore we further recommend that more companies align themselves with this organization to ensure the successful transference and application of CSR knowledge.

Due to the particular limitation of time, this research was unable to achieve a broad enough scope that should have included more stakeholders, employees, and companies. Had there been more time, the perceptions of CSR in the city of Colón, the Colón Free Trade Zone, and in Panama in general could have been better assessed. As such we recommend that there be further research on this topic that analyzes a greater range of people, companies, and organizations in order to better understand the growing role of CSR in Panama.

After the past century of degradation and neglect, the city of Colón is desperately in need of an increase in investment and development. The newly elected administration of the government of Panama have promised just this, but past administrations have done the same and never held their promises. As CSR grows in Panama and in the CFTZ, it can become a greater part of the urban revival of Panama's second city. It is in the interests of all companies in the CFTZ to invest in Colón because the majority of their employees live there. If the city falls into greater degradation it risks inciting a major humanitarian crisis, something that has already been brewing in past years as exemplified by the protests in 2012. Therefore we anticipate the increasing emphasis on the development of CSR programs in the coming years in the CFTZ.

It is important to recognize that the CFTZ is entrenched in the global economy, susceptible to its fluctuations and innovations. The venture of a Chinese billionaire to construct a canal through Nicaragua is racked by doubts and obstacles, but nevertheless it poses a potential threat to the economic competitiveness of the CFTZ and the Panama Canal. Its creation would result in a significant economic problem for the CFTZ and would hamper the success of the growth of CSR in the zone and in Panama as a whole. Monitoring the Nicaraguan canal project is an imperative because of the potential implications that follow with it.

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Appendix I - Consent Form

Consentimiento para participar en una investigación

Título del estudio: Un entendimiento de la percepción de la responsabilidad social corporativa de las empresas multinacionales en Colón.

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Instituciones: Instituto Smithsonian de Investigaciones Tropicales & Universidad McGill (Canadá)

1. Propósito del estudio

El propósito de esta investigación es examinar las percepciones de las empresas sobre sus responsabilidades sociales corporativas en Colón. Quisiéramos descubrir los diferentes programas implementados de las empresas y entender los factores que motivan o que impiden la realización de esos proyectos.

2. Procedimientos

Se le pedirá que responda a una serie de preguntas sobre la responsabilidad social corporativa de su empresa en general. La entrevista tomará la forma de una discusión abierta y está destinada a que comparta sus opiniones y experiencias sobre estas cuestiones. Una grabadora de audio se puede utilizar para grabar la entrevista y nos ayudará a recopilar información.

3. Molestias y riesgos

No hay riesgos en participar en esta investigación más allá de los experimentados en la vida cotidiana. Algunas de las preguntas pueden ser personales o sensibles y puede causar molestias.

4. Beneficios

Los beneficios para usted incluyen compartir y recibir sus opiniones y perspectivas, escuchado como parte interesada en un tema importante y desempeñará un papel activo para abordar la cuestión de las responsabilidades social corporativa. Los beneficios para la sociedad incluyen entender mejor la percepción de las empresas sobre este tema en general en Colón.

5. Duración

La entrevista de una sesión no va a durar más de una hora. Su participación en esta investigación se completará después de esta entrevista.

Yo no estoy renunciando a cualquier derecho legal al firmar este formulario. Se me dará una copia de este formulario.

Nombre del sujeto en letra de imprenta

Firma del sujeto

Fecha

Investigadores

Hemos explicado la investigación al participante antes de solicitar la firma de arriba. Nos hemos asegurado de que el participante comprenda plenamente sus derechos sobre este estudio. No hay espacios en blanco en este documento. Una copia de esta forma se proporcionará al participante para sus registros.

Nombre del investigador en letra de imprenta

Firma del investigador

Fecha

Nombre del investigador en letra de imprenta

Firma del investigador

Fecha

Nombre del investigador en letra de imprenta

Firma del investigador

Fecha

Appendix II – Interview Questions

Primary questionnaire

Q1: Usted podría hablar un poco sobre la historia de su empresa?

Q2: Qué entiende por el término ‘responsabilidad social corporativa’? O usted utiliza un otro término?

Q3: Su empresa implementa programas de responsabilidad social corporativa?

Q4: Su empresa quisiera ampliar esos programas o desarrollar otros en el futuro?

Q5: En la empresa, quien toma las decisiones de responsabilidad social corporativa?

Q6a: El presupuesto para la responsabilidad social corporativa está predeterminado?

Q6b: Hay ingresos annual que están establecidos o que varian cada ano?

Q7:Cuál fue el motivo de la iniciación de esos programas?

Q8: En su opinión, cuáles son los desafíos que encuentra en la implementación de los programas?

Q9: Dado la situación económica ahora en la zona libre, piense que su empresa va a continuar sus operaciones en Colón en los próximos años?

Secondary questionnaire

Cuántos colaboradores tiene?

En cuál es el sector industrial de su empresa?

Cuántos años tiene su empresa?

Que es el país de origen de la empresa?

Tiene algunas asociaciones con otras empresas en la Zona Libre?

Cuantos lugares de operaciones tiene?

Appendix III - Certificates of Completion of TCPS 2: CORE Course

PANEL ON RESEARCH ETHICS
Investigating the ethics of human research

TCPS 2: CORE

Certificate of Completion

This document certifies that

Fanny Boudet

*has completed the Tri-Council Policy Statement:
Ethical Conduct for Research Involving Humans
Course on Research Ethics (TCPS 2: CORE)*

Date of Issue: **22 March, 2016**

PANEL ON RESEARCH ETHICS
Investigating the ethics of human research

TCPS 2: CORE

Certificate of Completion

This document certifies that

Joan Herrmann

*has completed the Tri-Council Policy Statement:
Ethical Conduct for Research Involving Humans
Course on Research Ethics (TCPS 2: CORE)*

Date of Issue: **1 March, 2016**

PANEL ON RESEARCH ETHICS
Investigating the ethics of human research

TCPS 2: CORE

Certificate of Completion

This document certifies that

Sean Schmitz

*has completed the Tri-Council Policy Statement:
Ethical Conduct for Research Involving Humans
Course on Research Ethics (TCPS 2: CORE)*

Date of Issue: **1 March, 2016**

Appendix III - Interview results for the corporations

The data is often supported by direct quotes from the interviewees. The quotes, indicated in italics, have been translated from Spanish and have not been edited, which explains the mistakes in grammar.

CORPORATION A

(a) Knowledge of CSR

CSR as understood by the business is to *contribute in the people, within the area that we manage*. They are *committed to the community*.

(b) Stated behavior towards CSR

The company has been performing monthly social activities for its workers for over 5 years now. The *goal is to reach four hours of participation per worker per year and a social activity every month*. Currently, already 80% of the workers are involved in CSR work, and the goal is to cover 100% of their employees.

The company's CSR activities are concentrated in four areas: the environment, children, young people and retirees. The interviewee related that a small amount of donations are given to organizations, the bulk of their social activities centered around workers' involvement in social programs. Regarding environmental programs, they are involved in the cleaning of the Langosta beach and the Historic site in Portobelo, and in the planting of trees in Portobelo. The company also works with orphaned or abandoned children at the NGO Las Aldea SOS and the Centro Juvenil de Buena Vista, through reading, painting, cleaning and discussions with children. Workers also give mathematics, english and physics classes to children through the organization Casa Esperanza. The company's social work in the retirement home of Asilo Santa Luisa engages in songs, dances, coronations, amongst other work.

Another component of the company's CSR work concerns the employees themselves. A program to enhance eating patterns amongst workers changed the cafeteria menus and the snack machines in the offices to promote the consumption of vegetables and healthy products. The company also trains graduate students from Colon as interns who could potentially be hired in the long term. During the Christmas holiday, the company provides gifts to their workers. The interviewee also pointed out that the company will also help workers financially if they see the necessity.

The company does not have a fixed budget allocated to CSR. The expenses are taken on as an ad hoc basis and vary from year to year according to the different types of activities performed. The costs are part of other costs of the company such as uniforms, etc. In the long term, the company aims to get a annual program with objects and application program in the coming years.

(c) Influences on CSR

The department of social responsibility, set within Human Resources, manages social programs. They later present the activities to the CEO, who can only change the dates of the activities.

(d) Motivations for CSR

During the interview, it was stated that CSR is now a concept within the goals of the company. The goal of the company is now to increase the percentage of participation of its workers towards CSR programs to 100%.

(e) Barriers to CSR

The first barrier the company evoked was a lack of time, as CSR activities mostly occur on the weekends, when employees do not work. However, the interviewee mostly stressed that the personnel does not yet realise the importance of CSR activities, and sometimes see their participation as an obligation or duty. The company also finds it delicate to ask for voluntary social work from workers with low economic statuses. *They don't find it fair.* The respondent believes there needs to be more education for workers to engage in social activities more enthusiastically.

CORPORATION B

(a) Knowledge of CSR

The company uses the choice of words '*corporate and business social responsibility*'. The company's perception of CSR is the *to benefit the society through the environment, education, food and health from the company's profits.*

(b) Stated behavior towards CSR

Throughout the interview, very few specific CSR programs and activities were described. The company communicated the value of environmental protection. The CEO is involved in the preservation of the Punta Galeta road from Colon to the Marine Laboratory through the Mangroves, from the trucks transporting products. However, his programs are solely social and do not incorporate environmental aspects. They directly work with the affected populations of Costa Abajo when there are crises in the community. In the Christmas period, the company brings around 270 baskets of food to poor houses. They are also involved with the marathon rotary club. Another event in which the company participates is the Anniversary of Colon.

(c) Influences on CSR

The CEO takes social responsibility decisions within the business. The annual budget allocated towards social activities is around \$5000. However this budget adapts with the economical situation within the business and the budget can rise to \$10 000 in good years.

(d) Motivations for CSR

The enterprise is led by a Colonese CEO who cares for his city and people. *I am from Colon, I care for my city, I want my city to go forward.* Therefore social responsibility work for the company is considered a moral thing.

(e) Barriers to CSR

The greatest barriers the CEO is confronted with is the lack of demand for social work. There are very few organizations that come to him with specific social activities. According to the interviewee, if organizations or programs *asked for free container shipment for social work, I would do it, but there is none, everything is money.* The CEO also believes that a lot of money is

wasted on unsustainable social programs. The interview also related an urgent need for better education on social issues in Colon, because the government is not teaching and incentivising the populations. This comes with a change in perceptions, values and behaviours.

CORPORATION C

(a) Knowledge of CSR

To the interviewee the term not only relates to donations, but also *the human being, the environment, education and other components mentioned in the ISO norm*. Concerning the environment, they believe in taking care *of our surroundings with our operations, and not contaminate the environment*. For the workers, CSR involves taking *all the security measurements in the offices and buildings*.

(b) Stated behavior towards CSR

They help some institutions here in Colon, including Techo Para Mi Pays, Fundayuda, Casa Esperanza, Smithsonian, and other actors in the Zona Libre. Regarding their internal social activities, there is a health program within the company where a doctor comes every week. There is also an annual check up with the staff. The budget for CSR programs is currently fixed. There is a mensual allocation of around \$150 to different organizations. However, the budget also depends on the company's financial situation.

The interviewee stressed their commitment to *formalize and restructure* their programs in order to be certified with the new ISO 26000 norm of social responsibility. To do this they need to include certain aspects of social responsibility within their programs.

(c) Influences on CSR

The CEO takes the final decisions for the implementation of CSR programs in collaboration with the Human Resources department.

(d) Motivations for CSR

Believes now companies need to be involved in social responsibility, *we are part of this responsibility. We have a responsibility with society, not only with internals but also outside*. As the business turns towards the new norm of ISO, it is now including environmental aspects of social responsibility.

(e) Barriers to CSR

The business finds its greatest barrier to be a lack of commitment and engagement from the people receiving help. The programs should be *participative* otherwise *people continue to litter*.

CORPORATION D

(a) Knowledge of CSR

In response to the question of their understanding of the term CSR, Milano provided a short and succinct definition. CSR is *the support that one can give to the community through their organization for social well being and to the citizens*.

(b) Stated behavior towards CSR

This business is *very recognized here, in the area of Colon for their support for the people and the community.* They created a foundation called *Buena Fe* in order to contribute and support the *Colonese community.* Buena Fe translates to “good faith” which is purposely general because the foundation *does not specialize specifically in only one type of support.* In other words it *does not support incapacitated people, nor does it support only those with a deprivation of liberty ... it supports morally all that need help.* Several examples mentioned were *to help retirees ... walking in the streets of Colon, helping to clean them ... help furnish peoples homes ... help to remove delinquency from the street, with young people of high risk.*

In response to the question of whether these programs will be amplified or developed further, Company D pointed to the fact that they *are from Colon, [they] live here in Colon.* [They] *know really well the necessities of the city, especially its people. ... and through that [they] take advantage to contribute that which they can.* However *there aren't fixed annual budgets* because *the majority of funds that are invested for this foundation are personal funds.* Furthermore, even if there was a specific allowance for this fund and it was all spent, Company D will not deny someone who needs a life-saving operation simply because the money has been spent. They give what they can to as many people as they can afford to. However there are limits because *foundations depend on money. If you don't have money you can't do these activities. The money comes from income, and income depends on sales.*

(c) Influences on CSR

The representative with which we spoke in company makes the decisions, but *with a group of workers which are those that support us. They receive the applications. These applications are through churches, the Catholic church or the Evangelical church that work with young people of high risk in the province.* Thus, the people process the applications and the representative makes the final decision on who they can support each year. The example was given of *if you need an operation and someone is asking for a stove, you are more important. The stove can wait.*

(d) Motivations for CSR

The foundation Buena Fe was *created for support.* Company D is *well known for its contributions to the people, and here there are many contributions for support.* But there was a necessity to formalize the process of giving support to the community, because of those people seeking help, *there are many that are embarrassments, who come with cases that are truly false.* For this reason the foundation was started, *to create a formality in which will pass a process of revision.* Company D also works very closely with the central government that has many institutions to which Company D can send some of the applications they receive. They work together and distribute together what support they can.

(e) Barriers to CSR

The largest barrier mentioned was that *for many good activities that you have, people will always surround you that want to take advantage of them for their own interests.* There are always those people who will receive your support gratefully, but there will also be those others looking to take advantage of your programs. A further barrier is the state of the global economy because this *affects sales and markets. And if you don't have sales, you don't have utility. And if you don't have utility, you don't have support to do these types of activities.* Devaluation of

currencies in Europe, Brazil, and Colombia all affect Panama because of the globalization of the world economy.

CORPORATION E

(a) Knowledge of CSR

This company does not use any other term for CSR, *no, we use the same term*, and furthermore they understand that *the decision of a company to employ the mechanism of CSR forms a part of their business strategy*. They further explain that the programs of CSR are intended to *compensate in a responsible form the inhabitants in their location, simultaneously developing their own business and fortifying their relationship with their workers*. While elaborating on a later question, they relayed their knowledge that *businesses that sign the Global Compact understand social responsibility is not just giving to the people, it is a business strategy. When people know that you have a commitment to the community, they want to invest in you*.

(b) Stated behavior towards CSR

In our interview with the representative from this company, our questions were not only answered but we were given a presentation on all of the CSR programs, past, present, and future created by the company. This was an extensive list and therefore will be reproduced briefly here.

Regarding their environmental programs, the company restores the old castles of San Lorenzo and Portobelo in conjunction with the Authority of Tourism of Panama and the National Culture Institute. Furthermore they were nominated by the World Monuments Fund for their actions and will hold an educative “watch day” soon. The company also allocates a day every year in which their staff roam the streets of Colon picking up garbage. In particular the many plastic bottles are their target so that they can be sent to Panama for recycling. The business has also started working with ‘Go Green C3’, an organization which brings light in the form of installed solar panels to communities on the other side of the canal that do not have electricity.

They have contributed extensively to education programs such as the construction and refurbishment of schools in red zones in the city of Colon, as well as a preschool for children with ADD. They built a hospital for primary attention which has received over 600,000 people in its 8 years of operation. Currently under construction is a children's hospital that they hope to open soon and that will be the first of its kind in Colon. They built an evangelic temple which currently runs a program of “re-socialization” which aids children and young adults who have grown up in high-risk areas.

In terms of infrastructure projects in Colon they helped fund the construction of the local football stadium, as well as a bridge that crosses the road that enters the city limits of Colon. In the future they have designs to construct a visitors center to the fort of San Lorenzo. In addition to their work, they are aligned strategically with a multitude of non-governmental organizations including Go Green C3, Casa Esperanza, SumaRSE, Ancon, United Way, FundAyuda, Operation Walk, Asociación de Usuarios de la Zona Libre, Patronato de Portobelo y San Lorenzo, Fundación Operación Sonrisa, Rotary International.

This company fully intends to continue amplifying and developing their projects into the future. In their words, the company is *going to enter into a distinct period of support to the community and are preparing plans for future projects to come*. Their support to CSR is exemplified in the expenses they incur annually while implementing these projects. *In the regular budget we had up until the year before last almost \$900,000 annually. Last year we gave*

\$600,000 and this year will be the same. It depends on the movement [of goods] that we have; ... regularly we have not gone lower and we have the same quantity.

(c) Influences on CSR

Up until the present year, this company had a department of Corporate Social Responsibility that handled all decisions regarding the programs that the company would contribute to. This year things have changed as the company has created *an internal committee of corporate social responsibility of which additionally participate the labour unions, cooperatives, and the management of labour relations*. Any and all programs that are proposed for this company are brought to the committee, discussed, and voted upon by the groups involved.

(d) Motivations for CSR

For this company, it all began *with philanthropic programs and immediately [they] began to grow in social responsibility. As the majority of [them] are from Colon, they want to compensate the people that live around [them]*. After their initial commitment to programs of corporate social responsibility, *the highest management of the company understood what social responsibility brought so they had an agreement to amplify what we are doing*.

(e) Barriers to CSR

As described by this company, *the primary barriers were inside of the same organization. In the beginning they were not aligned in the same view, ... it came from an act of philanthropy to "yes, we are going to help"*. In response to a further probing question regarding whether or not money was a barrier they replied: *no, it is a problem of idiosyncrasy, in other words of customs*. An example of one port terminal in Colon was given saying *they are one of the biggest ports in Panama and they give \$50,000 to the municipality and are done*. Money was thus not confirmed as a barrier to creation of CSR programs for transshipment ports.

They provided a further example of another port terminal in Colon: *our business is different because our decisions are made here ... [the other company] has to call their head office in another country everytime to see if they are in agreement, that is very difficult*. Thus, an additional barrier identified for multinational companies is a lack of independence in decision-making.

CORPORATION F

(a) Knowledge of CSR

For the corporation the term they use 'corporate and business social responsibility', is perceived as *the engagement of the corporation to its community and to the area it operates in. We need to bring something for the improvement of conditions*.

(b) Stated behavior towards CSR

The corporation does not have any current social or environmental programs as of now. The respondent explained that the owner of the corporation was abroad for 3 years. Having to deal with a lot of administrative work upon his return, they decided to suspend the CSR programs. Therefore, unlike the other corporations we interviewed above, this corporation is in

the planning phase of its CSR programs. *We are in the process of establishing regulations of how we are going to manage.*

However, according to the Manager of the Human Resources, some programs should come into effect this upcoming year. *We have the information, we have our logo, our planning, our rules.* The programs they are planning involve work with schools isolated from the city such as painting and repairing for students. They have also planned programs with retirees, to provide them with wheelchairs and special beds. The corporation is also planning on doing fundraising to raise money through sales of deserts and food for social projects. Currently, they provide books and other school materials to children through an organization that works with a school on the Chagres River.

Employees would sign up for different projects on a voluntary basis. According to the respondent, *we can say that around 70% have signed up to participate. There are projects that they know will occur during their free time, but there will also be projects that the corporations will allow them to do during their working hours.* The reason for this decision is that some projects simply cannot be performed during the weekends, for example working with schools. *What we would like now, is for the employees to participate and for them to progressively include their children, [...] to improve the moral values of everyone, and that their children have new opportunities to become better people through the practices that we provide them.*

The participant also emphasized that the corporation is already involved in working with, and helping its employees. *The corporation helps its employees a lot, their personal problems, their urgent medical needs, deaths in the family, we always help.* The corporation sees two separate types of help, the ones they give to their employees and they will give to communities. *We don't want to confuse the social and business work with the help the corporation gives to its workers. The two are different, and we want to keep them separate.*

There will be no annual set budget for social programs.

(c) Influences on CSR

The decisions regarding CSR programs are taken in coordination between the Manager of Human Resources and the employees. *Between all of us, we need to decide what we are going to do.*

(d) Motivations for CSR

The motivation for the corporation is to find *new and positive things for the workers and to involve them.*

(e) Barriers to CSR

According to the respondent, the greatest challenge they may encounter is that workers lose interests in CSR programs. *Social responsibility is constant and needs to remain, it can't be an enthusiasm of the moment that later disappears. We don't want the number of candidates to vary.*

Appendix IV - Interview results for the stakeholders

6.2.1 Program Coordinator (STRI) Perception of Corporate Social Responsibility

6.2.1.1 Introduction

The Smithsonian Tropical Research Institute (STRI) is a bureau of the Smithsonian Institution based outside of the United States and is dedicated to understanding biological diversity. The representative for STRI is their Program Coordinator who has been working for STRI since 2005 and is responsible for HerbScan program. Their responsibilities include coordinating related international meetings, training technicians from Central and South America to learn how to use the equipment and create databases, and keeping constant communication with the herbaria interested in participating in the program. The livelihood of the HerbScan program is dependent on the environmental policies (i.e environmental CSR) of corporations operating within Panama. For this reason, this research includes the Program Coordinator for STRI in order to present the perspective of a stakeholder considerably subject to the environmental CSR of corporations in Panama.

6.2.1.2 Knowledge of CSR

As the STRI program director understands it, *Corporate Social Responsibility isn't only giving things to the community, it's something that you have inside your institution with all of your employees.* They then elaborated that *social responsibility ... isn't just investing money in the community ... you have to offer your employees a safe location to work ... and make sure that your location is sustainable and is responsible towards your employees.* This is the general perspective that the representative had towards the functional definition of CSR.

6.2.1.3 Perspective regarding CSR in Panama

CSR in Panama began, as with many other countries, when *Panama signed the UN Global Compact. When you sign this compact you have to be in agreement with it ... you are obligated to comply with certain norms laid out in the document.* Regarding the overall activity of panamanian companies, the program director mentioned that *the most famous for donating or for committing responsibly is the social cause. This is something that many businesses are focusing on.* After being questioned whether or not the mentality was changing, the representative mentioned that *here many business have programs of CSR. It's not a philanthropic culture, it's not like the United States for example ... it's a recent theme.* To their part in the CSR culture in Panama, the program director intends that *STRI begins to see how [they] are with social responsibility.* Furthermore, *to align the logo of any business with that of the Smithsonian is very difficult,* meaning that it is hard for STRI to become a part of any company's CSR programs or to receive funds from them.

6.2.1.4 Perspective of Funding of CSR

These businesses *do have funds, some have mountainous funds of money allocated to these CSR programs and there are others that don't have that much.* The majority of the companies with which the program director works have funds that are allocated towards CSR programs. With regards to replenishment of these funds, *it's internal to each company. They evaluate in the market how much they donated previously and decide afterwards how much money they will put in the budget.*

6.2.1.5 Perspective of Motivations for CSR

In the initiation of these programs, the motivation does not come from the bottom up, *they come from the management. They have to be committed and have to invest resources and these resources can only be assigned by management.* Overall it is very difficult for a group of employees to put pressure on management for the creation of a CSR program. A further question asking about the reasons behind the establishment of these programs brought the response that *it's a tricky question. It should be focused in the values of the business, it should be. Many of them do it because of their values, but also many others take advantage of the marketing opportunity.* The objectives of each business depend on their level of progress and there are businesses that have great programs, others that give lots of money to these programs, and others that are making internal changes. Overall, *it should be in line with the values of the company, it's not just a marketing strategy.*

6.2.1.6 Perspective of Barriers to CSR

The barriers of entry to CSR *depend on the industry. The most difficult is to put your own house in order.* The elaboration of this response regarded the fact that implementation of these strategies to become more sustainable costs a lot of money. The business may have to *optimize production processes, change their company structure, or train your personnel, all of which cost a lot of money.*

6.2.2 Gerente General (Zona Libre de Colon) Perception of Corporate Social Responsibility

6.2.2.1 Introduction

Surse Pierpoint is the general manager of the Zona Libre de Colon and has been for the past 2 years. Previously he worked as the director of Colon Import and Export and knows intimately the motivations, operations, and business strategies of many of the companies in the Free Trade Zone. His grandfather came to Colon in 1906 and is a third generation Colonese and Panamanian citizen.

6.2.2.3 Perspective Towards CSR in the Zona Libre

Mr. Pierpoint identified a distinct difference between large and small companies in the Zona Libre regarding their attitudes towards CSR. *The big companies will get involved in it because it's good PR ... when you go to the other extreme of the smaller companies, they don't even know what you are talking about.* The importance is that the majority of the free trade zone is composed of these small companies. *These aren't fortune 500 companies. The typical company in the free zone is a mom and pop, 10 employees. 5 In the warehouse, 5 in the office.* This small size means that these companies are selling \$10 million a year but after sales are making a net profit of 8% or less. *So when you tell them to be friendly with their neighbors and environment, they don't want to be friendly, they want to be putting food on the table.* Large companies are familiar with the concepts of CSR because they can afford to be. Smaller ones can't spare the money to even imagine what CSR programs would look like.

6.2.2.4 Perspective on Development of Colon

A major development in Colon is underway by the name of Colon Puerto Libre. It intends to move people *out of the city and into 5,000 homes* on the outskirts of town. *The idea is very simple. Stark contrast of the CFTZ and the city. The only difference is that it is separated by a wall. That means on this side of the wall we have some incentives to create wealth. Whereas in*

the city, as a result of some pretty wacky housing policy from 40 years ago, we've created a slum. This stark contrast repels investment and tourism and the project, which is modeled after the Corundu project in Panama City, intends to be able to take these people out of this environment. The idea is to try and adopt some of the learning from Casco Viejo and the success you can see in the area around the American Trade Hotel for instance.

6.2.2.5 Perspective of Motivations for CSR

The answer given by Mr. Pierpoint regarding the motivations for companies to employ CSR programs was very clear and concise. *Marketing. It's all marketing. It gives you a "halo effect".* There was no discussion of CSR being a part of a company's values or of their business strategies.

6.2.2.6 Perspective of Barriers to CSR

The key barrier identified during the interview was that of money. In particular, the free trade zone is *into the fourth year of a very dramatic downturn in the economic situation. In Maslow's hierarchy of needs, CSR is probably way up that. Down at the bottom is survival. That's the mode a lot of businesses in the free zone are in. How can they survive not to next year, but to next month.* Considering that 87% of companies in the free trade zone sell less than 10 million dollars annually and cannot afford CSR programs to begin with, this major economic crisis in the free trade zone has strengthened the primary barrier to entry for these businesses.

6.2.3 Director de Desarrollo Empresarial (SumaRSE) Perception of Corporate Social Responsibility

6.2.3.1 Introduction

SumaRSE is a non-governmental organization operating within Panama, working to promote Corporate Social Responsibility for NGOs, universities, businesses, and a variety of other organizations. They are also the meeting point between diverse sectors of society and use this position to advance sustainable development throughout the country. *SumaRSE began to work in 2008. In 2008 there were two organizations, one the local network of the Global Compact and the other a collection of businesses interested in CSR and sustainable development, that decided to unite themselves and created SumaRSE.*

We spoke with the Director of Business Development who works with the businesses that are members of SumaRSE to develop their strategies and plans for CSR. Furthermore, they work in the development of multisectoral alliances to develop projects coordinated with international cooperation intended to help advance the solutions to diverse problems of Panama. As this company's existence depends on the will of organizations in Panama to develop CSR programs, they are directly impacted by the decisions of these organizations and thus are a major stakeholder. Working with all these organizations, especially businesses, grants them a unique outside perspective that highly benefits this research.

6.2.3.2 Knowledge of CSR

Primarily, CSR is when *you have extra activities with your employees or extra benefits that are outside what is demanded of you by law and shareholders. When something exists by law, it's not CSR. Because CSR is what more you do than the law requires.* The representative of SumaRSE also made it clear that CSR is not philanthropy, *it's a strategy of social responsibility*

that benefits their business. This strategy is aligned with the values of the business and assists the company in their sustainable development into the future. As is laid out in ISO 26000, there are 7 distinct areas of CSR and sustainable development, thus *when a business decides its CSR strategy, each one is going to analyze which area takes priority.* In Colon for example, businesses worry much more about the development of the community, whereas in Chiriqui, the environmental sector is more important as well as indigenous relations. Strategies will vary amongst businesses, depending on their sector and location, but *every business should work in every area.*

6.2.3.3 Perspective towards CSR in Panama

In Panama, *businesses every year understand more the concept [of CSR].* They are beginning to understand that corporate social responsibility *isn't doing something social, it's not only rationalized in the development of the community, but it's a concept of how one behaves within the society that they operate.* It is also understood that this responsible behavior *is a process that businesses are pushing in the last few years.* The panamanian population overall, however, *don't know much of this concept [CSR]* as they frequently misconceive philanthropy as CSR during national polls.

6.2.3.4 Perspective of funding of CSR

It is difficult to say whether or not these companies and organizations have budgets for CSR because *CSR isn't a department of its own that does CSR programs. The department of human resources ... department of environment ... department of sales ... department of purchases ... and the board of directors* are all separate entities that contribute to CSR as a whole. Because it's the whole organization complying with CSR guidelines separately, *it's very difficult to say what the budget is. There could be a social budget, environmental budget, etc.* Furthermore, *the social investment here has numbers that vary amongst the businesses, each one assigns what they want in social investment.* It is thus very difficult to generalize about how companies structure their programs and finance them.

6.2.3.5 Perspective of Motivations for CSR

Motivations for CSR vary between Panamanian and multinational companies. In the case of the panamanians, *the directors and owners of the companies always had lots of involvement in helping the development of the country. They didn't know of philanthropy or CSR, but they had the intention to arrive at philanthropic development and management.* These ideals were there from the start as the management came from Panama and wanted to give back to their country. *They began professionalizing and bringing it to a more strategic level, one aligned with the ideals of the owners as well as with the goals of the business.* The multinational companies are different because *many of them came with guidelines marked out by their mother companies and employed those guidelines in the local area.*

One of the most important parts of CSR *is that the programs have ... quantifiable objectives and that offer lots of tools.* Indicators and goals of these programs can help determine the success of the programs. For example, *if you do a training program in the community so that the community knows how to do something, the result of the program is not that 50 people came to the training. The success of the program is in the achievement of goals with real impact, such as how many people you put to work, not numerical goals.*

6.2.3.6 Perspective of Barriers to CSR

The biggest barrier identified is the *understanding that CSR is a part of the strategy of your business and that it's not a cost but an future investment*. It is hard to get companies to reach this mindset, because they are constantly calculating costs and trying to minimize them while maximizing profits. But *once one starts to see it from the perspective of prevention of risks* it becomes much easier to implement the programs and invest the money. These programs additionally must be *aligned with the strategies of your business*, that way they are easier to establish and continue.