

# MNCs and the evolution of Global Governance

Examines the evolving debate, roles, and responsibilities of MNCs as providers of governance functions once reserved only for states

## Readings (combined)

Patrick Bernhagen (2010) "The Private Provision of Public Goods," *International Studies Quarterly* 54: 1175-1187 ([http://homepages.abdn.ac.uk/p.bernhagen/pages/Bernhagen\\_Mitchell\\_MPSA09.pdf](http://homepages.abdn.ac.uk/p.bernhagen/pages/Bernhagen_Mitchell_MPSA09.pdf))

Klaus Dingwerth (2008) "Private Transnational Governance in the Developing World," *International Studies Quarterly*, 52: 607-634

Stephen Kobrin (2008) "Globalization, Transnational Corporations and the Future of Global Governance," in Andreas Geog Scherer and Guido Palazzo (Eds.) *Handbook of Research on Global Corporate Citizenship*, Cheltenham, UK: Edward Elgar

Susan Sell and Aseem Prakash (2004) "Using Ideas Strategically: The Contest Between Big Business and NGO Networks Intellectual Property Rights," *International Studies Quarterly* 48: 143-175

Manfred Steger (2012) "Anti-Globalization or Alter-Globalization? Mapping the Political Ideology of the Global Justice Movement," *International Studies Quarterly* 56: 439-454

# MNCs and Global Governance

- MNCs once seen only as potential objects (not sources) of governance
- similarly governance once referred only to the governments of states
- MNCs one of many non-state actors now poised to play a role in “global governance”
- this is a major shift away from the traditional notion of the state as the sole source of authority & public goods

# What's in it for MNCs?

- the purpose of MNC participation in global governance (and the nature of their strategies for influence) is not always clear
- vast number of MNCs (and non state actors in general)
- to whom are MNCs expected to hold other actors accountable? to whom (if anyone) are MNCs themselves accountable?
- the story of states and MNCs to date has been one of *unaccountability*

“The role of governments would not be one of state control of corporate activity but, rather, one of helping empower the individual autonomy of corporations within certain bounds of justice, fairness, and equity.”

Shean Murphy (2005) “Taking Multinational Corporate Codes of Conduct to the Next Level,” *GWLaw Commons*, 43

# MNCs and the UN

- The UN created the Commission on Transnational Corporations in 1973
- goal of formulating a corporate code of conduct
- Commission's work continued into the early 1990s, but the group was ultimately unable to ratify an agreeable code
- various disagreements between developed and developing countries
- group was dissolved in 1993

# The Global Compact



- crux of the global governance issue represented most strongly by the UN Global Compact, a program in which companies assume a normative burden customarily left to states
- Global Compact “is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles”
- like other attempts to instil corporate social responsibility the GC is voluntary
- Launched in 2000, the Compact is a highly visible world-wide initiative that encourages participating firms to adopt socially responsible policies in the areas of human rights, labour standards, the environment, and corruption
- it is the most ambitious attempt at CSR to date and allows comparison across sectors and countries, and with a very far reaching understanding of the nature of the public goods in question
- Current membership 8,000 businesses + 4,000 nonbusiness

Harvard University prof John Ruggie UN Special Representative for Business and Human Rights from 2005-2011

Mandate: propose measures to strengthen the human rights performance of the business sector around the world

Result: Guiding Principles on Business and Human Rights, unanimously endorsed by the U.N. Human Rights Council in June, 2011

John Ruggie

“The UN is an international institution, it’s not a global institution. It doesn’t have the same kind of scale, reach, or capacity as business when business puts it’s mind to dealing with challenges”



## Human Rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure that they are not complicit in human rights abuses.

## Labour

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

## Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

## Anti-Corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.



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# MNCs and the Global Normative (dis?)Order

- notions of corporate responsibility have existed since the beginning of the industrial age
- but more typically sole purpose of a corporation is to pursue profits
- only in last two decades CSR has emerged as an important norm of global governance
- norms said to constitute actors' identities and interests, and define what actions are appropriate (Wendt 1992)
- also said to be subject to change
- is CSR proof of that?

# Regimes & Norms

- as we have seen, MNCs either escape or evade effective control or support the creation of *market enabling* regimes at the international level (while preferring to keep social or environmental regulation under national or private authority)
- can this be changing? might MNCs be redefining their identities & interests even in spite of themselves?



CSR

MNCs

# A Skeptical Response

- critics suggest that firms see the Global Compact as an opportunity for “symbolic politics” and as a chance to enhance their reputation without further action
- a devious way for corporations to legitimize themselves and to preempt public regulation
- a “bluewash”? e.g. firms figuratively draping themselves with the UN flag to distract attention from human rights or labor abuses, poor environmental performance, or corrupt activities?





P. NORMANDIA 2000

# Global Compact summed up

- wide support for CSR among IGOs, and many NGOs (and growing support among MNCs)
- there are, however, intensifying disputes over adequacy of the Compact's program design
- for many NGOs and other critics Compact imposes few obligations on participating firms
- and does not employ third-party monitors (and rarely imposes sanctions)
- some worry that weak institutional design will not ultimately change participants' policies, and may even eventually discredit CSR norm

# Whose Globalization?

- “global problems” by definition transcend capacities of nationally based political institutions & ideologies
- so whose political institutions & ideologies should governance model?
- globalization also has a double application

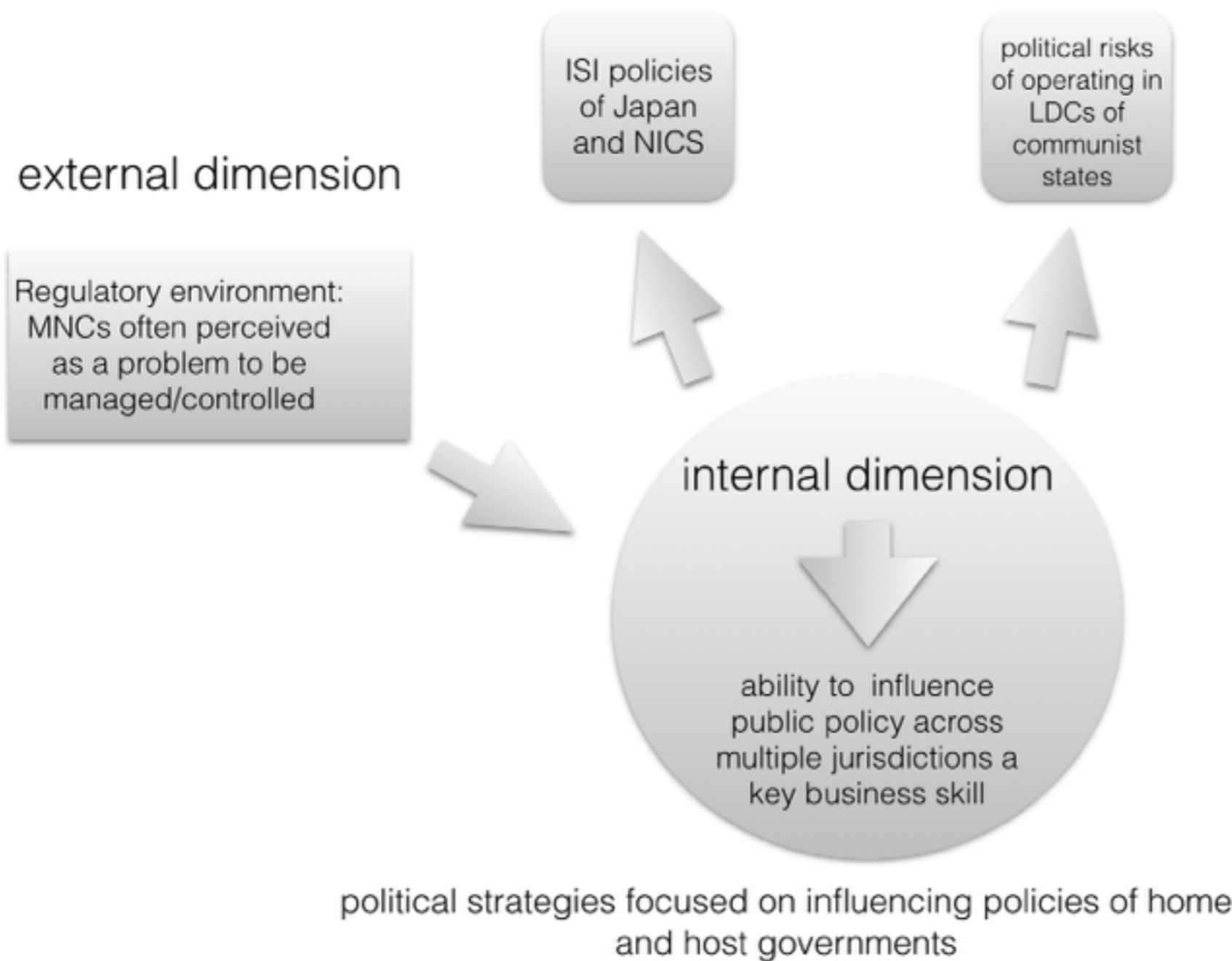
# 1. new “realities”

- financial volatility; climate change; environmental degradation; increasing food scarcity; pandemics; widening disparities in wealth and well-being; increasing migratory pressures; cultural and religious conflicts; transnational terrorism

## 2. “new” (or rather globally projected) ideologies

- nationally based political ideologies have themselves been globalized
- shift from state-based international governance mechanisms to international organizations and non-state actors, underpinned by commitment to emerging global ideologies
- but these have been confined largely to “neoliberal,” “top down,” “market globalism” model
- tends to ignore, overpower, or play down a “global justice model” of globalization
- e.g. World Economic Forum versus World Social Forum
- WTO’s Trade-Related Intellectual Property (TRIPs) versus NGO campaign against enforcing TRIPS to ensure access to essential HIV/AIDS medicines
- MNCs obviously tend to support (and benefit from) the former version of globalization

# Global Governance past: Cold War era



# Global Governance today (post 1990s)

