

The corporation in global business: Aspects of global governance

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Agenda

- Historical Perspective
- ▶ Impact of Globalization
- Globalization and the reaction from nation states
- Several approaches for global governance
- ▶ Example: UN Global Compact
- Discussion

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Historical development of Global governance

- National governments with regulations and laws within the country
- Low business activity in the international markets
- Local businesses and local competition

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Historical development of Global governance

- National governments are defining the rules
- ▶ Enterprises are there to maximize their profits and act in the interest of the shareholders
- Leading through democratic institutions

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Impact of globalization

- Businesses are operating in global markets
- Global competition, mobility
- ▶ Global problems

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Implications for countries

- Legitimacy crisis
 - Divergence of political and social area
 - Loss of fiscal sovereignty
 - Erosion of civic solidarity and tolerance
- Regulatory competition ("race to the bottom")

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Implications for TNCs

- TNCs are not liable to one legal system anymore
 - → Choice due to economic aspects
 - → Corporate income tax decline
- TNCs operate in a legal vacum
 - → Absence of a supranational framework

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Need for a Global governance

- National states can't control and regulate businesses any more
- Not able to efficiently provide public goods

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Global governance

- ▶ Since 1997 global governance has become a key term in many academic and policy debates
- ▶ References to global governance increased from 3418 to 2.370.000

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Corporations in globalized world

- Financial industry with a power over the political decisions
- Global regulations

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Human rights

- Companies have power and authority in the international political systems (can set standards, supply public goods, participate in negotiations)
- ▶ How are companies accountable for violations of human rights

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Globalization and the reaction from nation states

- Passive strategies
 - →Protectionism (trade barriers)
- Active strategies
 - →Extension of the political area (EU, NAFTA...)
- It`s not sufficient
- New approaches necessary

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Several approaches for global governance (1)

Supranational institutions:

- International organisation (ILO, UN, WTO...)
- Main Problem no right of intervention
- National states want to keep their sovereignty

International law / treaties:

- → Agreements between countries
- → Example: tax treaties, Kyoto Protocol

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Several approaches for global governance (2)

▶ Hybrid regimes:

- →NGOs, nation states and multinational corporations generate conventions or also institutions
- →No top-down regulation

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Why corporations take part at responsibility pacts

- CSR as a product attribute, horizontal differentiation
- Dependency on functioning markets
- Fear of regulation
- Intrinsic motivation

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The role of NGOs

- Publicize relevant topics and problems
- ▶ Represent stakeholders (animals, worker...)
- Disclose solutions
- ▶ Implicit compliance mechanisms

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The problem of legitimacy

- ▶ From a Western Perspective
- Countries have a democratically legitimation
- New approaches have a lack of democratic legitimacy
- →Should transnational corporations influence the rules of global governance?

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Example: UN Global Compact (1)

▶ Daniel Vasella on Novartis and the UN Global Compact

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Example: UN Global Compact (2)



- ► Founded 1999 by Kofi-Annan
- Over 8700 corporate participants and other stakeholders from over 130 countries
- Largest voluntary corporate responsibility initiative in the world

Source: http://www.unglobalcompact.org/AboutTheGC/index.html

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Example: UN Global Compact (3)

- ▶ Global agreement between companies, UNorganisations, NGO`s and other social actors
- Voluntary commitment to 10 principles of human rights, labour, environment and anticorruption
- Objectives:
 - → Worldwide partnership and network between public and private actors
 - → Stable and human world economy

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The Ten Principles of the United Nations Global Compact (1)

HUMAN RIGHTS

- Businesses should support and respect the protection of internationally proclaimed human rights; and
- make sure that they are not complicit in human rights abuses.

LABOUR

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced and compulsory labour;
- the effective abolition of child labour; and
- the elimination of discrimination in respect of employment and occupation.
- Source: http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html

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The Ten Principles of the United Nations Global Compact (2)

ENVIRONMENT

- Businesses should support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility; and
- encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Businesses should work against corruption in all its forms, including extortion and bribery.
- Source: http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html

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Criticism to the UN Global Compact

- No legally binding character
- ▶ No Compliance mechanism
- ▶ Global Compact used as "Bluewashing"
- Western interpretation of human rights
- ▶ No democratic legitimation

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Discussion (1)

- ▶ Are corporations directly responsible for violating human rights?
- ▶ Should companies implement CSR only if it contributes to the firm's profit?
- Which approach is most appropriate to solve the global governance problem?

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Discussion (2)

- ▶ How should MNE react to globalization?
- ▶ Globalisation vs. democratic (western) world?

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