

"Ethics and Policies Regulating Multinational Enterprise"

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ABSTRACT

The anti-globalization movement is a protest against corporate power and a call for its moderation which may be brought about by policies regulating the behavior of multinational enterprises MNEs at the international level. But such reform policies face various hurdles before they might become a reality. Not the least of these has to do with a theoretical consideration of the ethical legitimization of these international regulatory policies. In addition, certain practical implementations of such policies will need to be championed. This paper explores two ways in which these theoretical and the practical matters have been addressed within a transatlantic context. It recommends the application of the Integrative Social Contracts Theory in order to ground and legitimize such MNE regulatory policies and it reviews a number of "stakeholder group" activities that have attempted to promote corporate social responsible behavior.

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1. Globalization, Anti-globalization and MNEs

The movement to implement policies that regulate the activities of contemporary multinational enterprises (MNE) continues to grow. Recently we have witnessed the confrontational tactics of some that have served to underscore this movement and its goals. An amorphous group of different and diverging groups – some radical and some not - is urging the formulation of public policies that will oversee and control the impact that TNCs have on environmental and societal matters throughout the world. The "Battle in Seattle" and the death of a protestor in Genoa as well as disruptive protests in Prague, Washington, DC and Davos, Switzerland all serve to demonstrate how concerned many are about the role that corporate organizations are playing in what has been titled "the globalization process." The "anti-globalization" protest movement has come of age.

But exactly what is "globalization" and what does it mean to be against it? How does public policy regulation of MNEs fit together with the notion of anti-globalization? And, what are the practical steps and the theoretical considerations that need to be made in any attempt to regulate the behavior of MNEs? These are among some of the pertinent questions that can be posed in an in-depth discussion of the current MNE phenomenon. In this paper, the more focused and specialized point of view of applied ethics will be the leading framework adopted. The leading question of this work might be posed straightforwardly as: "What ethical grounds are there for the legitimate regulation of MNEs?"

But to start at the beginning, a definitive understanding of the various meanings inherent in the term "globalization" should be achieved. As will be seen, there are some subtleties hidden within this recently coined word. The first of these meanings, which is likely clearest because it is simple and straightforward and the most traditional meaning of the three, is one in which globalization denotes that something has been given or has achieved widespread scope or application. This scope or application is so widespread that it is global in

nature. One can identify much that has been so widespread in a global way: technological advances, medical science, the culture of the United States and so on. Note that here “widespread” does not equate with “ubiquitous.”

There are other nuances to the term. According to critical theory and post-modern social critics, for example, globalization should be seen as something like a world-historic process in which great transformations and dismantling of cultures, institutions and nation-states are unfolding. In these accounts, we can speak of at least three kinds of “globalization.”¹ First, an “international” conception of the idea of globalization can be identified. Here the nation-state is taken to be the central unit of analysis and so globalization in this sense is marked by the changes in nation-states around the world. The “transnational” idea of globalization analyzes an array of practices and institutions that have become or are become transnational. Here the contemporary MNE would no doubt be taken as a major “transnational institution.” Finally, there is what has been called the “globalist” conception where the nation-state is seen as a weak if not non-existing force in the world and where other institutions such as MNE have supplanted them. In short, in these more critical accounts of the processes of globalization, capitalism in the form of the spread of the MNE is a major -- for some it is the major -- force in the unfolding of the globalization process.

Now it is likely some combination of these last two conceptions of globalization to which the “anti-globalization” movement is opposed. They see the reach of the MNE extending in ways never witnessed before and hold that globalizing institutions such as the World Trade Organization and the World Bank have extended the power of capital to unprecedented levels where (they claim) global exploitation reigns supreme. This movement sees the transnational power of the MNE as supplanting the power that formerly was seated in the nation-state so that the rules of the WTO, for example, now trump the sovereignty of the member nation-states. The power of capital is rapidly displacing political power and the continuing unfolding of this displacement is a defining feature of

¹ These are also designated by Leslie Sklair. Cf. *Journal of World-Systems Research*, Vol V, 2, 1999, 143-162. I depart from some of Sklair depictions of these three and deepen others.

globalization according to this account. Indeed, for some, this displacement is just one among many which goes to create the post-modern experience.

The kind of power and supposed exploitative power-plays that MNEs have engaged in are decried by the anti-globalization movement as unethical on a global scale. This movement thus sees an overarching need for some form of regulation of this MNE power. Some concrete realities that have been raised as reasons attesting to the need for MNE regulatory policies include the continuing problem of child labor and the labor of those forced or coerced to work. A failure of the MNEs to engage at the social level and employ the vast resources at the disposal of the MNE to foster and build conditions that would enhance their host country's standard of living. Environmental damage in the form of global warming, habitat destruction and species decimation and the failure or refusal to implement environmental management techniques are also often cited by this movement.

So, the anti-globalization movement is essentially a call for reform – in some cases radical reform -- which wants a reining in of the accumulated power now being exercised by MNEs around the planet. The recent protests in major world cities by the divergent groups that make up the anti-globalization movement is a protest against corporate power and a call for its moderation which may be brought about by policies regulating the behavior of MNEs at the international level. This call is for MNEs to become socially and environmentally responsible entities. But such reform policies and regulations face various hurdles before they might become a reality. Not the least of these has to do with a theoretical consideration of the ethical legitimization of these international regulatory policies. In addition, certain practical implementations of such policies will need to be championed. The remainder of this paper will be devoted to an exploration of two ways in which these theoretical and the practical matters have been addressed within a transatlantic context.

2. The Integrative Social Contracts Theory

Americans Thomas Donaldson and Thomas Dunfee present a foundational explanation of one way in which corporate regulatory public policy on the global scale might be achieved. Their Integrative Social Contracts Theory – ISCT -- might be used to explore the possibilities of providing a grounding of legitimacy to regulate MNE practices, although this is not the main intent of Donaldson's and Dufee's theory. With the ISCT, the long tradition of social contract theory can be brought to bear on the contemporary issue of whether the power that has been accumulated by MNEs should and can be legitimately controlled on the international level. To put this another way, the use of the ISCT can be taken as an attempt to provide a rational and philosophically inspired approach to the same global matter and issues that some people are willing to go to the barricades for (and even lose their lives) in a struggle to achieve what they perceive as global social justice. This section of the paper is divided into two sections: 1) an overview of the ISCT as proposed by Donaldson and Dunfee and 2) a discussion of how this theory might be applied to questions about regulation of MNE behaviors.

The ISCT would likely be described by a philosopher as a "thought experiment" not completely unlike those conducted by Plato, Locke, Hobbes, Rousseau and Rawls who offered an explanation of society based upon the notion of contractual arrangements. The social contract approach offered in the ISCT is important for two reasons. For one, it is the first such social contract approach conceived for use in the contemporary academic discipline of business ethics. Second, it brings into view the possibility of harmonizing two distinct contractual arrangements. As Donaldson and Dunfee put it:

We label the theory we are proposing integrative social contracts theory (ISCT) because it integrates two distinct kinds of contracts. The first is a normative and hypothetical contract among economic participants, a social contract similar to the classical contractarian theories in philosophy and political economy. This general contract, in turn, defines the normative ground rules for creating the second kind of contract. The second is an existing (extant) implicit contract that can occur among members of specific communities, including firms, departments within firms, informal subgroups within departments, national economic organizations, international economic organizations, professional associations, industries,

and so on. The aggregate of these extant social contracts contains much of the substance of business ethics.²

The ISCT is a theory that attempts to set out and explain the complexities of the relationship between the normative and the empirical where the latter has its grounding and legitimacy in the former. Typical business arrangements that are binding contractually (as well as in other forms of agreement) on the members of the business community are so binding and obligatory, according to the ISCT, due to the fact that they have a certain higher level grounding in a normative social contract. Donaldson and Dunfee attempt to show how this occurs and the conceptual steps necessary for it to occur. In other words, the ISCT is akin to an explanatory tool that will help the business community to understand its obligations and assist it in making ethical business decisions.

Not unlike the way that previous contractarian theories have been formulated, Donaldson and Dunfee seek to find those overriding ethical principles that might be fundamentally within the arena of economic morality. They write:

The central social contract question we frame fits within the tradition of social contract thinking. It is focused, however, on principles of economic morality: What general principles, if any, would contractors who are aware of the strongly bounded nature of moral rationality in economic affairs choose to govern economic morality?³

The general principles resulting from and chosen by these hypothetical contractors in this process create the “macrosocial contract ” and this normative level of the ISCT is composed primarily of what are called “hypernorms.” These are highly significant principles based upon deep and deeply held moral values. These are at the root for what is ethical for humanity and “should be discernible in

² “Toward a unified conception of business ethics: Integrative Social Contract Theory,” Donaldson, Thomas and Dunfee, Thomas W., The Academy of Management Review, Vol. 19, No. 2, Apr 1994, 252-284.

³ “Toward a unified conception of business ethics: Integrative Social Contract Theory,” Donaldson, Thomas and Dunfee, Thomas W., The Academy of Management Review, Vol. 19, No. 2, Apr 1994, 252-284.

a convergence of religious, political and philosophical thought, or at least it is a reasonable hope that we should discern such a convergence.” These hypernorms validate the norms found in extant, microsocial contracts “...and individual hypernorms would limit the imposition of ethical obligations within a given microsocial community. We call such principles "hypernorms" because they represent norms by which all others are to be judged.”⁴

The integrative aspect of Donaldson and Dunfee’s social contract theory, then, is one that founds the everyday, empirical contractual norms of the business world upon the high values and principles of a discernible set of hypernorms. The latter provide justification, legitimization and authenticity to the former. The two are thereby integrated in such a way that business transactions can be found to be ethical if the hypernorms provide the necessary justification, legitimization and authenticity to them.

How then does ISCT specifically apply to the issues of the globalization of MNEs ? The key to answering this question lies in the contention that business decisions made by business decision makers on the microsocial level are just, legitimate and authentic decisions, if they abide by the pertinent and ruling hypernorms that make out the macrosocial level.

"Once it is clear that a decision involves ethical issues, those making the decision must make an ex ante determination whether there are hypernorms prohibiting, affirming, or circumscribing potential courses of action. Those rendering ex post judgments concerning decisions already made must focus on the action taken. Both judgments entail looking for evidence of relevant hypernorms.”⁵

In their definitive work on economic decision-making and business ethics, Donaldson and Dunfee provide a wide ranging analysis of which hypernorms may have applicability in economic life and how business entities, especially MNEs, should proceed in accordance with the dictates of hypernorms as laid out in their understanding of ISCT. In the Ties That Bind, they apply ISCT to a range of MNE practices such as bribery, gender inequalities, business gift giving overseas,

⁴ Ties That Bind, Donaldson, Thomas and Dunfee, Thomas W., Harvard Business School Press, Boston: 1999, p. 44.

economic decisions based upon cultural differences and host country relations. In this work, they also use ISCT to analyze various classic business ethics cases such as the controversies of the Royal Dutch Shell in Nigeria and its Brent Spar oil facility and the Union Carbide tragedy at Bhopal -- just the same kind of MNE practices that the anti-globalization camp has been highlighting in its recent protests.

The definitive lesson to be learned from ISCT, then, is that those responsible for the globalizing spread of "corporatization" need to be mindful that their decision-making is not performed within a vacuum, is not just economic in nature and is not just for the good of their organization and its shareholders. Economic decision-making must be carried out with a heightened sense of the ethical which sense is provided analytically by ISCT and its tenets. The microsocial economic acts of MNEs must have grounding in the prevailing hypernorms if they are to be just, legitimate and authentically representative of the economic community.

Donaldson and Dunfee thus provide a way over one of the hurdles that stand in the way of the implementation of reform policies and regulations that will address MNE practices. They have established a theoretical ground that makes way for the legitimization of such reform policies and regulations by formulating the ISCT. This new version of the social contract for economic life is likely to be welcomed by the anti-globalization camp in that it paves the way for the start of some of the very changes that this group is demanding, albeit in the form of a high-level theory of ethics. The next section of this work will focus on some of the more practical endeavors to create policies that might regulate multinational enterprise.

3. The Practical Activities of "Stakeholder Groups"

There is an amalgam of diverse "stakeholder groups" that have a practical interest in regulatory policies dealing with MNEs. Some of these groups are

⁵ *ibid*, p. 59

governmental agencies, some are NGOs and some hail from academia, having emerged, primarily in Europe, to provide various kinds of political pressure upon MNEs to raise the level of corporate social responsibility (CSR) activities or to offer assistance in doing so. Likewise there are some financial pressures that are applied in the form of SRI – socially responsible investing – that can be taken as a worldwide movement that employs free market principles to serve the ends of ethical standards. In all, at least four kinds of these stakeholder groups can be identified:

- 1) formal governmental agencies,
- 2) organizations that assist corporations to perform research for and/or create social audits, social accounting and public statements about environmental practices or "CSR-reporting groups,"
- 3) groups providing services to corporations on how to be socially responsible or "CSR-provider groups," and
- 4) the SRI groups.

In differing ways these groups have been instrumental in putting policy issues dealing with MNEs on the global map, in the sense of calling for or lobbying for some international policies that might regulate the various behaviors of MNEs .

This survey of such organizations begins with two governmental agencies and their activities. The first of these is the European Union (EU) and its Commission that began its foray into corporate social responsibility with the issuing of a “green paper.” “Promoting a European Framework for Corporate Social Responsibility” was released by the European Commission on July 18, 2001. In the press release that accompanied this paper, many claims were offered

such as that this paper was intended to be a “launch pad for debate” and that it stood “in line with the Commission's proposal for a Sustainable Development Strategy for Europe.” Moreover, it is said that “the paper is a direct contribution to the goal, backed by EU leaders at the March 2000 Lisbon European Council, of making the EU ‘the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.’”⁶

But upon a review of the green paper, the main goal of the EU in this effort appears to be to urge MNE’s that are based in Europe to make a “voluntary commitment” to adopt a socially responsible set of corporate strategies. In fact, the EU defines corporate social responsibility as a voluntary contribution by corporations “to a better society and a cleaner environment.”⁷ The major argument offered by the EU here is that such a commitment will enhance the overall condition of a MNE by increasing its profitability. In addition, the position taken in this paper is that corporate social responsibility should be understood by MNEs as a kind of corporate strategy and as a business investment:

Where corporate social responsibility is a process by which companies manage their relationships with a variety of stakeholders who can have a real influence on their license to operate, the business case becomes apparent. Thus, it should be treated as an investment, not a cost, much like quality management. They can thereby have an inclusive financial, commercial and social approach, leading to a long-term strategy minimizing risks linked to uncertainty.³

¹ Press Release with “Promoting a European Framework for Corporate Social Responsibility,” Commission of the European Communities, Brussels, 18.7.2001, COM (2001) 366 final, <http://europa.eu.int/comm/employment_social/soc-dial/csr/greenpaper_press.htm> European Union Green Paper: “Promoting a European Framework for Corporate Social Responsibility,” Commission of the European Communities, Brussels, 18.7.2001, COM (2001) 366 final, page 4.
ibid.

The EU green paper also sees that there are other documents which have application to the matters of international corporate social responsibility and it refers directly to the United Nations “Global Compact” (2000), the ILO’s “Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy” (1977/2000) and the OECD “Guidelines for Multinational Enterprises.” The paper points out that none of these are “legally binding” upon MNEs but the European Commission sees great benefits to corporations that follow the standards set by these organizations. Hence, it is the Commission’s desire to “add value” to the growing awareness of the need for an international approach to the social responsibilities of MNEs and to establish a new European framework within which such an approach might flourish in Europe.

A second governmental agency that can be recognized as an example in the promotion of international social responsibilities by MNEs is the Department of Trade and Industry (DTI) within the Cabinet of the United Kingdom. This agency has established a “Society and Business” component within which sits its activities which, like the EU, deal with MNEs and their social responsibilities. And, it should be mentioned as additional evidence of its concern, that the UK has appointed a Minister of Corporate Social Responsibility, Douglas Alexander MP.

With respect to the promotion of corporate social responsibility, the DTI states that it can:

- help promote the business case and celebrate business achievements;
- support partnership and business participation in key priorities, including through co-funding, fiscal incentives and brokering new partnerships;

- ensure Government business services provide helpful advice and signpost other resources;
- encourage consensus on UK and international codes of practice;
- promote effective frameworks for reporting and product labeling.⁸

In other words, once again as in the European Commission statement, the DTI is active in promoting the voluntary commitment of MNEs to engage in socially responsible practices on the international stage. As a further demonstration of this, DTI defines corporate social responsibility in the following way:

The Government encourages the private sector to lead on CSR and believes it is most effective when voluntary. In the Government's view, CSR covers all aspects of a company's activities including their impact on a range of stakeholders, and often involves partnerships between business, unions and wider society reflecting shared interests and complementary strengths.⁹

The DTI claims that it is able to offer businesses “consulting” for each of the steps that they would need to take to become socially responsible. This is a kind of “partnering” with business or in the words of the department “all of this depends on listening to business and ensuring that the Government's approach works with the grain of business.”¹⁰

Among the activities that DTI has engaged in are several that have to do with the promotion of international policies dealing with MNE behavior. And, not surprisingly, these include coordination between the UK and the UN, the OECD and similar international NGOs that have an interest in the behaviors of

⁸ <<http://www.societyandbusiness.gov.uk/government/index.html>>

MNEs. In cooperation with other UK Cabinet Departments, DTI has also worked on setting standards for UK-based business activities in developing countries, the promotion of the idea of “corporate citizenship” and proactive steps to assist businesses to prevent conflicts in regions around the world that may be prone to conflict. In summary, DTI is active in the areas that can be defined as CSR and it can be taken as a governmental attempt to promote its voluntary implementation by MNEs that are based in the UK.

The second category that will be investigated here is that of “CSR-reporting groups.” These are NGOs that assist corporations to perform research for and/or create formal social audits, social accounting statements and/or public statements about environmental practices. One of the academic groups that are prominent in this area is the Centre for Social and Environmental Accounting Research (CSEAR) which is housed at the University of Glasgow. Established in 1991 with 300 members from over 30 different countries, CSEAR serves to collect and publish data and information about “the practice and theory of social and environmental accounting and reporting.”¹¹

The research program at CSEAR is rich and diverse and the Centre provides its members with data and information on a growing list of topics in the areas of social and environmental accounting. Under the general rubric that accounting and accountability should go hand in hand, some of the topics covered in research reports, discussion papers and scholarly treatises at CSEAR deal with issues such as the economics of sustainability; environmental management; the

⁹ < <http://www.societyandbusiness.gov.uk/about/international.htm> >

¹⁰ < <http://www.societyandbusiness.gov.uk/government/index.html> >

actual process of social, ethical and environmental reporting by MNEs; social and environmental cost internalization by markets and organizations; the relationship between social and environmental disclosure and share price performance and articulation of the standards for social and environmental reports.

In addition to this kind of deep research agenda which blends the normative with the empirical, CSEAR attempts to measure the impact such research has on the education and training of accountants. It also publishes the Social and Environmental Accounting Journal and a newsletter. Conferences, summer schools and activities for corporate members are included in its offerings. Thus, CSEAR can be cited as one of the more active academic centers in Europe that this addressing ways in which MNEs can intelligently integrate social and environmental accounting and reporting.

The third kind of stakeholder groups that are active in this area are the "CSR-provider groups," which are those groups that provide primarily consulting services to corporations on how to be "socially responsible" in their business practices. The kinds of stakeholder groups that typify this category are consortiums of businesses that share "best practices" and initiatives taken in the general area of corporate social responsibility. Among the most prominent of these is CSR Europe comprised of over 40 company members and 15 national "partners." CSR Europe identifies itself as a "...business-driven network whose mission is to help companies achieve profitability, sustainable growth and human

¹¹ <<http://www.gla.ac.uk/departments/accounting/csear/>>

progress by placing Corporate Social Responsibility (CSR) in the mainstream of business practice.”¹² It wishes to achieve this goal by:

- Serving over 50 000 business people and partners annually through print and online publications, best practices and tools
- Offering business managers learning, benchmarking and tailored capacity building programmes
- Including CSR issues in stakeholder dialogue and focusing particularly on the European Institutions.¹³

Among the “tailored capacity building programmes,” which are defined as training courses focusing on singular aspects of CSR and which are provided by CSR Europe to their member companies are: Communicating and Reporting about CSR; Finance and Social Responsibility; Business & Diversity and Business and Human Rights. CSR Europe also provides a databank of information on CSR for member companies to use as their needs might dictate. This database contains research publications, articles dealing with CSR from the mainstream press, a holding of business best practices and cases, various company social and environmental reports and internet links to other sources of CSR information.

Another of these CSR-provider groups is the Social Venture Network Europe (SVN Europe) which was founded in 1993. SVN Europe is a business to business provider of information and it facilitates the exchange of “practical experiences” between businesses in Europe with the goal to benefit SVN Europe member companies “in becoming more socially and environmentally

¹²<http://www.csreurope.org/csr_europe/Aboutus/aboutusframes.htm?content=aboutusmission.htm>

responsible.” The organization describes itself as a CSR-provider group and details its objectives on its website as follows:

We provide a supportive environment in which we challenge ourselves and each other to develop our enterprises to be commercially successful and socially and environmentally responsible. Our network creates opportunities for learning, and facilitates both transactions between members and the start-up of new organisations and ventures.¹⁴

The Prince of Wales in the UK established an “educational charity” called the International Business Leaders Forum (IBLF) in 1990. In its promotional literature, the IBLF tells of Prince Charles’ concern with the environment, globalization and the fall of communism and what this may mean for the free world. Its mission, in part, is stated as follows:

In the context of a fast changing world, of increasing globalisation and the challenges of sustainability and social cohesion, the vision of the Forum is that businesses will adopt socially responsible practices and, as good corporate citizens, that they will be a positive force for change to help improve the quality of people's lives.¹⁵

And this mission is advanced at IBLF by pursuing four main activities:

As the Forum's activities have evolved, its 'A-B-C-D' focus has been constant:

- advocacy of the case for business social responsibility and partnership
- brokerage of partners
- capacity-building in training managers and partners for leadership and action
- dissemination of ideas and good practices.¹⁶

Thus, this third group of stakeholders proceed by a kind of providing a good example of what "corporate citizenship" might look like on a global scale.

¹³ *ibid.*

¹⁴ < <http://www.svneurope.com/mission/background/annualplan.htm#1> >

¹⁵ < <http://www.csrforum.com/csr/csrwebassist.nsf/content/f1a2a3.html> >

They attempt this by sharing best practices, advocacy and partnership building where business decision-makers can come to see how they might change their business policies and strategies to include the notion of corporate social responsibility and environmental sustainability.

The fourth and final stakeholder group to be reviewed are those that promote socially responsible investing or SRI. The organizations that comprise this group are among the most interesting of these stakeholders for two reasons. First, these groups attempt to directly influence the activities of MNEs by engaging in buying and selling of corporate stock thereby becoming voting owners in MNEs. And, second, many SRI organizations will attempt to influence MNE practices by establishing large mutual funds that screen corporations before they can be included in the fund. Often this screening will take the form of a report card on how well MNEs have succeeded in such domains as the environment, social accountability and financial performance – the so-called “triple bottom” line. There are nearly 200 SRI mutual funds today that use screening principles and these include equity, balanced, international, bond, index, and money market type funds. According to a 1999 study, \$2.16 trillion was invested in the US alone in a “socially responsible manner, up a strong 82 percent from 1997 levels.”¹⁷

In the UK, there are more than 50 mutual fund and the value of these funds grew from £199.3 million in Q2 1989 to £3.7 billion in Q4 2000 (an increase of over 1750%). UK government now requires occupational pension

¹⁶ *ibid.*

¹⁷ Social Investment Forum, <<http://www.socialinvest.org/areas/news/1999-trends.htm>>

funds to state in their investment policies the extent to which they make SRI investments. Other European countries, including France, Germany, Austria and Switzerland, are debating similar legislation.¹⁸

A prime European example of the SRI group is the FTSE4Good indices and the associated FTSE4Good UK Fund. According to FTSE, a financial enterprise of the London Stock Exchange and the Financial Times, the FTSE4Good indices are “a series of benchmark and tradable indices facilitating investment in companies with good records of corporate social responsibility.” They have been established “in response to market demand for a transparent global standard for corporate social responsibility.” There are 8 total FTSE4Good indices measure the performance of companies that are based in Europe, in the US or elsewhere worldwide.

Close Fund Management has opened the FTSE4Good UK Fund tracking the FTSE4Good UK Index and it is comprised of those companies that have passed the Index's "selection criteria" which includes only those that have been:

- working towards environmental sustainability
- developing positive relationships with stakeholders
- upholding and supporting universal human rights¹⁹

There are also a limited number of "exclusions" – industries that are automatically not included on any of the FTSE4 Good indices. These industries include tobacco producers, companies manufacturing weapons systems and owners or operators of nuclear power stations. Attempting to achieve objectivity in the selection process of which companies shall be included and which excluded, the Index engages in

¹⁸ SRI Factsheet, <http://www.ftse4good.com/frm_mediap2.asp>

periodic reviews by an independent advisory committee that measures a company's performance against the FTSE4Good selection criteria.

In its promotional literature, Close Fund Management argues that investment in the FTSE4Good UK Fund will further the goals of the corporate social responsibility movement as such investing will cause changes in corporate practices. In addition, this investment company will donate to UNICEF a “significant proportion of the annual management charge from the Fund, representing up to 40% of the Manager’s net annual management revenue, allowing the investors to contribute to charity whilst investing in the future.”²⁰ Whether or not changes on the world stage will occur thanks to investments in the FTSE4Good UK Fund is yet a question in need of an answer.

4. Conclusion: The Effects of Theory and Practice

This paper has presented two complementary but different kinds of activities having to do with the ethics of international policies that would regulate MNE behavior. It has proceeded by 1) detailing the integrative social contracts theory and 2) surveying the practical activities of stakeholder groups. The goal of this presentation has been to see if the hopes of the anti-globalization movement for some moderation and control of MNE power through the establishment of policies regulating the behavior of MNEs at the international level might be realized. The role of these concluding observations will be to weigh the success of the ISCT and the practices of stakeholder groups.

¹⁹ “About FTSE” <<http://www.ftse.com/>>

²⁰ <<http://www.closefm.com/ftse4good/index.html>>

As stated in section 2, the ISCT does serve well as a method by which one can ground, test and demonstrate the legitimacy and authenticity of business practices. Hence, the ethics of international policies that are designed to regulate MNE behavior can likewise be grounded, tested and demonstrated as ethically viable by appealing to the methodology inherent in ISCT. In short, this high-level theory of ethics which combines everyday norms with hypernorms is an excellent tool in assisting the realization of anti-globalist hopes.

But while there may be adequate justification in the form of a high-level theory of ethics provided by the ITSC which may legitimate policies designed to regulate the behaviors of MNEs, the question remains as to whether there is a practical resolve to formulate and implement such policies. If the survey of stakeholder groups undertaken here is any guide to the future in such matters, it appears that it will be a long time before either the European Union or the individual European nation-states (or elsewhere for that matter) come to establish policies, regulations or laws that will address the MNEs of the world. There are three main reasons for this observation, each of which is can be drawn from the survey of stakeholder groups in Europe detailed above:

1. The current approach of the stakeholder groups that emphasizes a voluntary compliance with the ideals of corporate social responsibility is inadequate to the task at hand.
2. Agreed upon standards that might be used to measure the success of MNE behavior in achieving a "triple bottom line" or "good corporate citizenship" are lacking.
3. MNE response to the pressures for change from the stakeholder groups, even the pressure that might effect the financial conditions of a firm that is represented by the SRI movement, has not been at all positive.

Given these factors, the anti-globalization movement is likely to continue its protests with the unfortunate specter of more violence on the horizon. The formulation of a theoretical grounding for regulatory policies of MNE behavior is no substitute for the practical implementation of them. Abstract theory cannot take the place of practical change in the real world of power. While the application of (macrosocial) hypernorms to decision-making can provide indications of ethical behavior and assist in the identification of socially responsible MNE action, it is this (microsocial) action that will count on the world's stage. Until such action becomes practice -- without policy regulation it is unlikely to become practice -- it can be expected that the forces of and the power of MNE globalization will continue in the midst of anti-globalist concerns.