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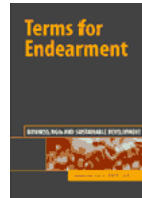
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GLOBALISATION AND THE NEW POLITICS OF SUSTAINABLE DEVELOPMENT*

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This chapter seeks to provide a broad framework within which to understand the contemporary significance of relations between businesses and NGOs in the environmental area. Different aspects of the process of globalisation are used to provide a way of explaining the growth and dimensions of these relationships. This focus allows us to understand the emergence of conflict and conciliation between companies and NGOs, and the opportunities and constraints they are subject to in an age of globalisation. The process of globalisation has both produced and coincided with strategic changes taking place within businesses and NGOs, which also provide key explanations.

▲ Which globalisation?

The growth in relations of all kinds between businesses and NGOs has taken place within an intensified period of international economic activity, commonly referred to as 'globalisation'. The term is often taken as a byword for any activity extending beyond sovereign borders in the economic, political, social or cultural domain. The fluidity of the term has led to a debate about what really is new about globalisation (Hirst and Thompson 1996). It has been suggested, for instance, that there has merely been a deepening of the trend towards internationalisation which has waxed and waned over the last century, rather than a clear break with previous eras of economic integration. In

* This chapter draws on Newell 1999 and Newell forthcoming.

geopolitical terms it is also sometimes argued that the term 'globalisation' is misleading because it describes a trend that is largely confined to the relations between a small number of highly industrialised states and firms operating within the triad (East Asia, North America and Europe). Relations between businesses and NGOs demonstrate, however, that it is a process with repercussions that extend far beyond the power centres of the global economy. International economic processes and social norms penetrate and impact, however indirectly, on the lives of most people, even if the architects of the current system and those who propagate the neo-liberal 'Washington consensus' most vociferously are based in the industrialised world.

The challenges generated by the growth in cross-border economic transactions in trade, production and finance are multiple and operate at the level of international institutions, the state, social movements and the private sector. There is a fear that the imperatives of competing in the global marketplace force governments to prioritise economic objectives at the expense of environmental protection. Deregulation and liberalisation are said to heighten pressures to lower environmental standards. The freedom of mobile transnational capital to locate where environmental regulations are weakest is one of the more vocal of a spectrum of concerns about the negative impacts of globalisation. It was perhaps no surprise, then, that one of the grounds for stalling negotiations towards a Multilateral Agreement on Investment (MAI) was that it would undermine standards of environmental protection by denying local and national government authorities the right to uphold environmental protection as a legitimate basis for discriminating against would-be investors.

There is a sense in this understanding of globalisation that enhanced economic integration creates an institutional crisis in which global economic forces remove the means of addressing the problems they create. In other words, further intensification of current patterns of resource-intensive economic growth may require strong state intervention in order to check the worst excesses of this activity at the very time that the state is said to be in retreat (Strange 1996). On the other hand, the increasing role that private investment is playing in implementing environmental measures suggests that governments are regarded as insufficiently flexible and innovative to make the most of the opportunities offered by responses to the challenge of sustainable development. This is symptomatic of a broader shift towards environmental policy instruments that adopt a market-based approach and rely on co-operation with private-sector actors. Traditional command and control forms of regulation, in particular, are regarded as insensitive to the transformational capacities of the market and are being replaced by an emphasis on initiatives such as eco-taxation and the creation of markets in pollution permits.

It is arguably as a result of this renegotiation of the relationship between state and market that NGOs are increasingly targeting their advocacy at multinational companies—because governments increasingly seem unwilling or unable to regulate the conduct of transnational corporations (TNCs) themselves. Shareholder activism, consumer boycotts and a range of other confrontations between environmental NGOs (ENGOs) and TNCs are indicative of a new politics in which NGOs seek to check the growth in the power of TNCs associated with globalisation. NGOs are actively working to develop international behavioural norms from which companies find it increasingly difficult to

escape, wherever they operate. Where traditional forms of state regulation have been reduced, therefore, informal NGO-based regulations are emerging in their place. The objective of this chapter is not to assess the effectiveness of these strategies as mechanisms of governance or civil regulation, as others have done.¹ Rather, it is to provide an insight into the global forces shaping the nature of environmental protest and partnership in relations between businesses and NGOs, as a means of understanding their contemporary importance.

▲ Environmentalism in an age of globalisation

In arguing that these new patterns of conflict and collaboration can be considered a response to changes in political authority at the national and international levels, the point is not that the strategies being adopted by NGOs have not been adopted before in other contexts, but that there has been a resurgence in their use and that they are increasingly important in a contemporary context. There is a long history of the use of strategies such as consumer boycotts (Smith 1990). Shareholder activism and the emergence of multi-stakeholder 'stewardship councils' (see Chapters 4, 10 and 12), as they are applied in the environmental area, however, do seem to be largely new phenomena.

The growth of these new types of relationship is informed by twin developments in global environmental politics and the global political economy. First, on the environmental side, the effectiveness of traditional mechanisms for achieving environmental protection has come under critical scrutiny. International environmental institutions have been criticised as a result of the disappointment felt by many at the outcome of the 1992 United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro. This disillusionment was heightened by the Rio+5 evaluations of 1997, which demonstrated a lack of progress in implementing the goals of the original conference (Dodds 1997). Often, international agreements are vaguely worded, slow to negotiate and difficult to enforce. The greatest indictment of all is that despite the proliferation of inter-state accords relating to the environment, the rate of environmental degradation in most areas proceeds unabated (Conca 1993).

Against this background, the increased attention of NGOs to TNCs may reflect a frustration with the pace of international, inter-state reform and the prospect of higher direct returns, given that the investment decisions of major TNCs now dwarf those of many states (Korten 1995). In this sense 'Transnational groups want to affect world politics in whatever ways they can; they are not oriented merely towards influencing states . . . [they] engage in traditional state-oriented politics only to the degree and extent necessary to the dilemmas at hand' (Wapner 1996: 46). Declaratory diplomacy based on announcing (commitments) and reporting (progress) is unlikely to remain the subject of NGO attention if it repeatedly fails to deliver on effective environmental protection.

1 See Newell forthcoming for more on the governance dimensions of these relations, and Murphy and Bendell 1999 for more on civil regulation.

The 'strategic turn' on the part of some NGOs towards the private sector derives not only from cynicism about the degree of change that can be brought about through international organisations. The growth of more radical groups targeting the corporate sector in more confrontational ways can also be understood as a reaction to the increasing institutionalisation and bureaucratisation of certain parts of the environmental movement. This process was consolidated during the Rio process such that, according to some, many NGOs were co-opted (Chatterjee and Finger 1994; Finger 1993; Sklair 1994). Concern was expressed that NGOs gave more, in terms of legitimacy conferred on the process, than they have received (in terms of concessions to their demands) by being part of the UNCED process. Perhaps related to this, there has been a growth in groups targeting companies directly instead of pursuing change in company behaviour through governments.

Of particular concern, nevertheless, has been the failure of international environmental agreements to regulate companies responsible for ecological degradation. The issue of TNC regulation was conveniently dropped from the UNCED agenda at the insistence of the US in particular (cf. Chatterjee and Finger 1994). Similarly, while Agenda 21 includes recommendations that affect TNCs, it does not take the form of a code of conduct. An international code of conduct to regulate the activities of TNCs has been on the international agenda since the 1970s. The United Nations Centre for Transnational Corporations (UNCTC) was set up in 1973 to perform this task, but, after two decades of failed negotiations, the Centre was closed in 1993 and has been replaced by the Division on Transnational Corporations and Investment located within UNCTAD (the United Nations Conference on Trade and Development). In place of binding commitments at the international level, there has been a growth in voluntary agreements, self-monitoring, and the proliferation of sustainability audits of corporations by external consultants. The best-known voluntary guidelines on the environment are those endorsed by the ICC (International Chamber of Commerce) known as the *Business Charter for Sustainable Development*, a document of 16 principles produced prior to UNCED (Schmidheiny 1992). At the same time, during the UNCED negotiations, TNCs successfully presented themselves as part of the solution to environmental problems, arguing that only they have the necessary capital, technology and expertise to deliver positive environmental change (Chatterjee and Finger 1994). Their role in all of these key areas, necessary for the successful implementation of international environmental agreements, has elevated them to the status of partners alongside governments. The increasing concentration of capital and technology in private hands as a result of globalisation has served to entrench this relationship.

Businesses are, therefore, centrally involved in the setting of standards and targets for environmental protection. The darker side of this special relationship is the significant impact of business lobbying on government environmental policies (Newell and Paterson 1998; Chatterjee and Finger 1994). Business groups are involved in drawing up environmental agreements, and often sit on government delegations at international negotiations. The involvement of the BCSD (now WBCSD) and ICC with the UNCED process is credited by some with derailing previous attempts at regulating TNC activity such as the UNCTC's proposals for a code of conduct (Humphreys 1997a). More broadly, some

writers have referred to the 'privatisation' of the United Nations system, a trend towards corporate influence over decisions and activities that are traditionally the prerogative of states at the international level (Lee *et al.* 1997).

Governments' reluctance to impose restrictions on the companies they depend on for investment is heightened in a context of globalisation where capital mobility and the internationalisation of production permit companies greater freedom to choose where to base their business (Newell and Paterson 1998). The structural power of capital over states, therefore, also becomes a disciplinary power which can penalise, through capital flight, governments that propose forms of environmental action that larger businesses disapprove of. This makes it costly for states to adopt unilateral and regional environmental measures in the absence of similar measures by rival states and firms for fear of industry relocation, however exaggerated the phenomenon is. It is important to note also that governments find it convenient to use the threat of economic loss at the hands of competitors as an excuse to justify cutbacks in environmental programmes. The extent to which the process of globalisation, in itself, constrains the ability of states to pursue more far-reaching environmental programmes is, therefore, difficult to assess.

It is not just the failure of environmental agreements to regulate corporate activity that is significant here. There is also a perception among many NGOs that companies are increasingly central to environmental decision-making and resource-use behaviour. This reflects the importance of corporate investment decisions for the development paths pursued by countries, the ecological impact of the volume of trade and transfer of goods around the world that they administer, as well as the ecological impact of production processes. Companies can diffuse best practice along global supply chains with important implications for upgrading. The global scale of sourcing and suppliers has been consolidated by the internationalisation of production and the increasingly positive attitude of many LDCs towards investment from TNCs, a marked change from the 1970s when nationalisation and acquisition of foreign-owned industries was not uncommon (Stopford and Strange 1991).

Concern about the power of TNCs also has to be understood as a reaction to the powers that international agreements confer on multinational enterprises, particularly in the area of property rights. The allocation of trade-related intellectual property rights (TRIPs) to companies through the World Trade Organisation (WTO) TRIPs agreement has shown how patents on biological materials and seeds can affect people's livelihoods in direct and potentially detrimental ways. Recent outcries at the patenting of genetically modified seeds and biological resources, such as the neem tree plant for commercial purposes, indicate the scale of unease about corporate control (Shiva and Holla-Bhar 1993; Inez-Ainger 1999; Martinez-Alier 1997). For some NGOs, governments have further proven themselves unreliable allies by seeking to negotiate a Multilateral Agreement on Investment (MAI), currently stalled, but certain to return. Negotiated amid an extraordinary degree of secrecy, this agreement embodied the right of TNCs to invest anywhere in the world on equal terms with national and local business. The OECD agreement would have allowed TNCs to sue signatory governments for profits lost through laws that discriminate against them (Rowen 1998). The agreement would have been binding for 15 years after withdrawal and a country must give five years' notice that it wants to leave the agreement.

According to NGOs, the agreement would elevate corporations to the status of 'super-citizens' free from the normal obligations of citizens in relation to the environment. Consequently, the MAI negotiations provoked a strong NGO campaign, using the Internet to facilitate global communication and co-ordination, as described in Chapter 3.

The MAI agreement is part of a broader trend in which regional trade organisations also permit companies to challenge governments and local authorities about restrictions on their activities. Within NAFTA (North American Free Trade Agreement) two Mexican authorities are currently being sued by US companies that were prevented from establishing toxic waste dumps in their jurisdictions (Rowen 1998). These developments led Temple to argue that 'in the global commons we find concerted, systematic efforts to transform all relations with respect to resources and the means of production into corporate private property' (1997: 26). In broad terms, these patterns imply a growth in the power of TNCs and a reduction in restraints on the terms of their investment. It can be argued that this creates a 'crisis' of governance where institutions have not kept pace with the demands and needs for new protection to which economic globalisation gives rise. As Vidal argues:

Corporations have never been more powerful, yet less regulated; never more pampered by government, yet never less questioned; never more needed to take social responsibility yet never more secretive. . . . To whom will these fabulously self-motivated, self-interested supranational bodies be accountable? (1997: 263).

TNCs are said to wield power without responsibility. They are often as powerful as states and yet less accountable. At the same time, because they are simultaneously more anonymous than governments and often more financially powerful, they are increasingly attracting the attention of social activists. For corporations this means 'their own globalism is being actively turned against them by the emerging civil society' (Vidal 1997: 265). Globalisation helps us to understand why it is that NGOs increasingly target TNCs. They perceive power relations to have changed in a way that privileges the position of TNCs to such an extent that they are now equally, if not more, important targets for pressures towards reform.

▲ Towards partnership?

The failure of states and inter-state organisations to regulate TNCs also coincides with a changed context of NGO-TNC relations informed by strategic changes within both the business and NGO communities. The opportunity for more co-operative engagement has been occasioned by a more solutions-oriented approach adopted by many NGOs who have sought to move beyond awareness-raising and engage directly in reform, sometimes by collaborating with TNCs (SustainAbility 1996; Murphy and Bendell 1997a).

The growth in the size of many NGOs (particularly during the mid-late 1980s) also means that they cannot afford the risk of litigation undertaken by companies against

their direct actions. They now have sizeable assets that would be threatened by successful court action against them. Hence, despite the ongoing role of Brent Spar-style confrontations, co-operative approaches have become more important for some groups in order to develop credibility among those able to generate reform and to avoid financial loss. McCormick notes, for example, that through the 1980s Greenpeace became 'less confrontational and more inclined to use the same tactics of lobbying and discrete political influence once reserved by the more conservative groups' (McCormick 1991: 158). It is important, however, not to overstate the shift in NGO attitudes towards a less adversarial politics, because for many groups this transition has clearly not taken place. Indeed, SustainAbility note, 'it may prove to be the case that the really limited resource is the availability of credible, skilled and energetic ENGOS willing and able to work alongside business and other partners' (1996: 1).

Business approaches to environmental issues have clearly shown a transition since the late 1980s (Fischer and Schot 1993; Hoffman 1996a). Many have also become more proactive in the debate, rather than merely resisting government-led controls or lobbying against legislation. As Haufler (1997) notes, in order to pre-empt government regulation, firms often seek to develop their own framework of commitments and obligations, often with the help of NGOs. NGOs are coming to be seen as useful partners who can offer not only expertise, as the collaboration between EDF and McDonald's illustrated (Dubash and Oppenheimer 1992; Murphy and Bendell 1997a), but also a degree of public legitimacy given that the public is generally more trusting of NGOs than business. Negotiating voluntary codes or sets of principles such as the Valdez Principles requires businesses to accept only very general principles, a far cry from government-set standards and patterns of enforcement.

An expansion in consumer markets and international trade in goods also brings choice and thereby heightens the power of the consumer to exercise the threat of taking business elsewhere by buying differently (consumer flight). Liberalisation and expansion of consumer markets may therefore create new vulnerabilities to popular pressure exercised through boycotts and the pursuit of ethical consumerism. Consumers, unlike voters in a government election, make a series of votes, often on a daily basis about what they think of a TNC's product and which TNC they will 'vote for'. The repercussions of these choices are felt directly and economically. This has created an extra incentive for companies to engage with NGOs with wide supporter bases that are able to sway consumer choice.

The challenge for NGOs monitoring the global activities of TNCs is to generate norms and expectations by which multinational companies operating in a number of countries feel bound in each of their operations. This has partly been facilitated by technological advances in transportation and communications which have compressed time and space such that flashpoints can spread rapidly around the world. Instead of having to deal with a single and more manageable source of opposition, corporations today have to deal with simultaneous co-ordinated actions of an international nature. The communications technologies that globalisation has brought in its wake have enabled NGOs to organise more quickly and effectively and to extend the reach of their surveillance of TNCs, so that, ironically, TNCs have also provided the means for their own monitoring. Public relations

disasters can be ignited easily and with global ramifications. The cases of Brent Spar and Nigeria illustrate how 'local incidents can soon develop into international crises' (Vidal 1997: 240). The boycotts of Shell petrol stations spread quickly across Europe in response to these two incidents. Ken Saro-Wiwa was able to globalise the plight of the Ogoni by drawing in the support, resources and media contacts of Greenpeace International and The Body Shop and in so doing force the oil company to defend its investment practices in the Niger Delta (cf. Fabig and Boele 1999; Rodman 1998; Chapter 2 of this volume).

Conclusion

Relations between NGOs and TNCs provide a useful way of understanding both power shifts in the global economy and the way NGOs perceive and react to them, and the contribution of non-economic actors to the governance of the global economy. The activities of NGOs described in this book are contributing to the reconfiguration of the landscape of global economic affairs by creating new social norms and changing the practice of transnational firms as well as highlighting, as others have done, pockets of resistance to globalisation (Gills 1997; Mittelman 1998).

Not only are new patterns of relations between NGOs and businesses a product of the trends associated with globalisation, they also create a new type of globalisation in which informal rules and norms replace, without compensating for, the absence of interventions on the part of governments and international organisations. While globalisation strengthens the position of TNCs, and governments secure for them unprecedented freedoms enshrined in multilateral agreements on trade and investment, it is important to note that social norms increasingly outstrip the legal requirements imposed on firms (Mitchell 1997). In this sense, NGOs exercise a different form of power over corporations. They use information and images to help expose, cajole, educate and persuade the corporate sector. Theirs is a less coercive power aimed at changing consciousness and creating mechanisms of accountability. They employ informal channels of political engagement, such as norms, moral codes and knowledge, rather than law and forced compliance.

What is particularly notable from a company perspective is that many NGO strategies result from frustration with the formal political process and the incapacity or unwillingness of governments to act in defence of the environment. They seek to re-embed the activities of global economic actors within a political and social framework supportive of environmental protection. This is achieved by encouraging companies to exercise restraint, consult those affected by their activities, as well as by using the market as a political vehicle, and market actors as partners in efforts to protect the environment. These strategies may also, however, prompt government intervention to provide an element of uniformity, consistency and public authority to informal practices of regulation, which may evolve into a broader shift towards the re-regulation of the corporate sector.

Clearly then, globalisation is not a one-way street. While there seems to be evidence of a reduction in regulation in formal arenas at the national and international level, a 'double-movement'² also develops, manifested by an increase in alternative types of (often informal and voluntary) regulation, and the emergence of norms that bound economic activity. Looking at relations between business and NGOs not only tells us something about the fluidity, complexity and contradictory nature of the globalisation process, but it also tells us something about new forms of environmental and social regulation and, in particular, the importance of informal rules and norms of behaviour, which co-exist alongside the more traditional instruments of regulation and management to which we are accustomed.

There are lessons both for business people and for NGO campaigners. Businesses move fastest when the threat of government regulation looms and this appears to be a key driver for business to engage in partnership with NGOs. In order to maintain business interest NGOs must therefore continue to lobby for government and international-level regulation in order to make business a more responsive partner. The challenge will be to design informal spheres of regulation that build on and supplement state-based regulation rather than undermine it by removing the need for it. Most companies know by now that pressures from NGOs and public expectations about corporate conduct will not go away. Much as some companies may view NGOs as a nuisance to contend with, many recognise that working with co-operative NGOs is a preferable alternative to state-enforced initiatives which are likely to be less flexible and open to negotiation. Companies have nothing to lose; successes may be internalised in government policy, best practice often adopted by other firms or by governments and imposed on competitors, creating obvious first-mover advantages, and failures are part of a valuable learning curve that will shape future patterns of interaction. Clearly, despite the enormous growth in interactions of all sorts between businesses and NGOs, successful partnerships remain a relatively new phenomenon. It is becoming clear, however, that the complex and contradictory processes of globalisation create both opportunities and challenges that will only increase in the future.

2 Karl Polanyi used the term to describe society's movement towards a framework of welfare provision and a more regulated economy following the onslaught of *laissez-faire* economics in the 19th century (Polanyi 1946). Glover (1999) and Mittelman (1998) use this approach to characterise 'micro-counter-globalising tendencies' as 'moves' towards the emergence of a double-movement against neo-liberal global economic forces.