



ODUMUNC 2022 Issue Brief for the  
Economic and Social Council



## Corporate Responsibility and Global Economic Development

*by Sejal Dawar*  
*ODU Model United Nations Society*

### Introduction

Economic policy is among the most important and fundamental responsibilities all UN Member States. Few issues are trickier than regulating major corporations. For the Member States of the UN, corporate ethical and moral responsibilities—to social groups, the environment and problems of justice and equality—are an issue of extreme importance. The Economic and Social Council (ECOSOC) is where the UN will decide how to ensure corporations serve the global public, without endangering public interests.

The responsibilities corporations hold towards the environment and society are set by ethical standards and norms created and shared by the international community. But large businesses have interests of their own, which may not serve the public, and may cause general harm. Through globalization, corporate responsibility has become a world-wide concern, as corporate actions affect not only local areas and individuals but the world and its community as a

whole. How to promote economic development without endangering other international goals?

The UN plays a major role in this field. The *United Nations Commission on Crime Prevention and Criminal Justice (CCCPJ)* is responsible for global standards of what corporations can and cannot do and which violations corporations can be held directly responsible for. The CCCPJ was established by ECOSOC to tackle crime worldwide and improve the fairness of criminal justice administration systems, to ensure a place where international ethics and norms get fair treatment, beside corporate economic objectives, setting standards to abide by.<sup>1</sup>

Major businesses are essential to the global economy and the welfare of billions of people. But their influence also can cause harm or slow development. The United Nations face the problem of how to combat financial, environmental and human rights violations by holding corporations responsible for their actions. ECOSOC will have to determine how these issues should be prioritized and tackled, without harming global development.

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<sup>1</sup> Cedillo Torres, Cristina A., Mercedes Garcia-French, Rosemarie Hordijk, Kim Nguyen, and Lana

Olup. "Corporate Social Responsibility." *The Elgar Companion to Development Studies*, 2006.

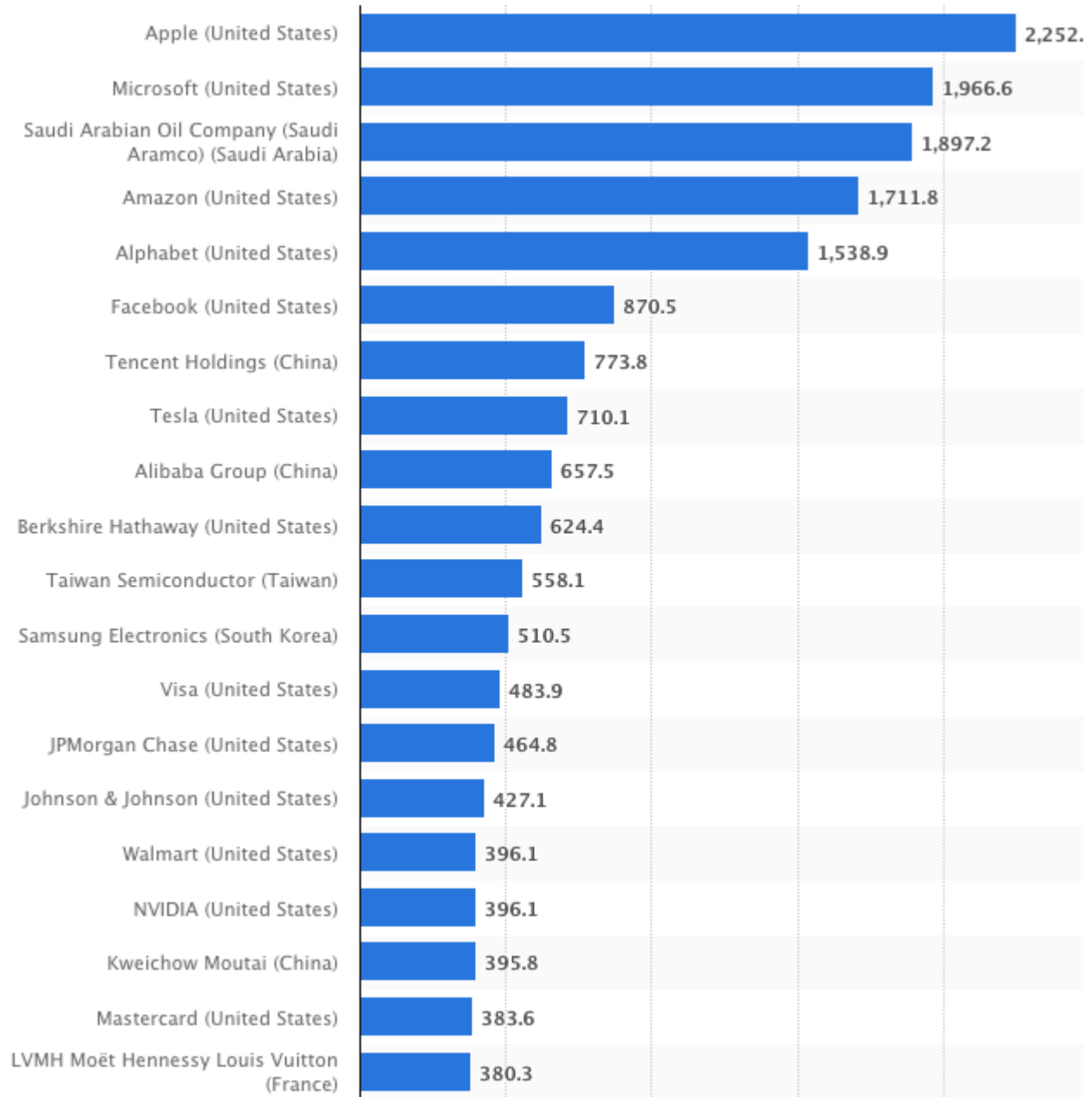


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### The 100 largest companies in the world by market capitalization in 2021

*In billions of U.S. dollars. Source: Statista, 2021*





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### Major corporations in the global economy

Policy concerning the largest corporations will be greatly influenced by the largest economies: the United States, China and Europe. America's 100 largest companies are now worth USD 26 trillion dollars. China's top 100 firms are worth USD 8.8 trillion. The 100 biggest firms in Europe are worth USD 8.9 trillion now. When it comes to big business, America, the spiritual home of free-market capitalism, has been on top for decades. It is the ascent of Asia that has

re-jiggered the global corporate landscape. China's rapid economic growth has spawned corporate titans to match. Over 160 of the world's 1,000 most valuable firms are now Chinese, a fourfold rise in two decades.<sup>2</sup>

At USD 22.9 trillion, the United States, GDP accounts for roughly 25 percent of the global economy. China's economy is second in nominal terms, hovering at near USD 17 trillion in GDP. It remains the largest manufacturer worldwide based on output with extensive production of steel, electronics, and robotics, among others.

### The Ten Largest Economies in 2021

*In billions of U.S. dollars. Source: Statista, 2021*

| Rank | Country   | GDP (\$T) | % of Global GDP |
|------|---|-----------|-----------------|
| 1    |  U.S.    | \$22.9    | 24.4%           |
| 2    |  China   | \$16.9    | 17.9%           |
| 3    |  Japan   | \$5.1     | 5.4%            |
| 4    |  Germany | \$4.2     | 4.5%            |
| 5    |  UK      | \$3.1     | 3.3%            |
| 6    |  India   | \$2.9     | 3.1%            |
| 7    |  France  | \$2.9     | 3.1%            |
| 8    |  Italy   | \$2.1     | 2.3%            |
| 9    |  Canada  | \$2.0     | 2.1%            |
| 10   |  Korea   | \$1.8     | 1.9%            |

<sup>2</sup> 'Europe is now a corporate also-ran. Can it recover its footing?' *The Economist*, 5 June 2021, [https://www.economist.com/briefing/2021/06/05/one](https://www.economist.com/briefing/2021/06/05/one-a-corporate-heavyweight-europe-is-now-an-also-ran-can-it-recover-its-footing)

[e-a-corporate-heavyweight-europe-is-now-an-also-ran-can-it-recover-its-footing](https://www.economist.com/briefing/2021/06/05/one-a-corporate-heavyweight-europe-is-now-an-also-ran-can-it-recover-its-footing)

## The Role of the ECOSOC

While the ECOSOC can ask the Member States to cooperate more on corporate responsibility, it cannot force them. The Member States alone are sovereign, not the UN. A successful resolution requires their cooperation. Without it, it is just a bunch of words to be ignored. These places special emphasis on the United States, China and Europe, the home of the largest corporations, but also the next twenty or thirty largest economies, including countries with major firms like Canada, Japan, Republic of (South) Korea, Russia and Saudi Arabia. The biggest question facing the ECOSOC is how to get them to cooperate and set standards for their own companies?

The major role of the ECOSOC is setting principles and standards for global economic and social behavior. It cannot transform corporate practices itself. It lacks the power of the sovereign Member States. But UN Member States can agree to establishing principles and standards which they are responsible for implementing in their own governments.

## Corporate Responsibility Issues

Examples of corporate crime are easy to find. Major companies often can escape sanctions by fleeing from the responsibility to ‘clean up their mess’, setting precedents for similar, future events. While corporations flee their responsibilities, they do not only harm the economy of the affected area but also fail to retain their positive image.

One multinational corporation that serves as an excellent example for having several issues with responsibilities in the past is Chevron Corporation. In 2011, Chevron acquired Texaco Petroleum, a company that explored oil in northeast Ecuador. The Lago Agrio oil field is an oil-rich area that was inhabited by indigenous people.<sup>3</sup> 1.7 billion barrels of oil have been produced by the field, earning over USD 25 billion.



The damage came when oil drilling leaked petroleum into ground water. Enormous quantities of water, polluted with petroleum, flowed into rivers used for drinking, bathing and fishing. Natural gas, a byproduct, was burned or leaked into the atmosphere. A landslide in 1989 led to reports of ‘black water’ in the Napo River. Oil operations across Ecuador caused the destruction of 2.4 million acres of rainforest and an increase in the rate of cancer as an effect of

<sup>3</sup> White, Howard J.; Scopec, Robert A.; Ramirez, Felix A.; Rodas, Jose A.; Bonilla, Guido (1995). "Reservoir Characterization of the Hollin and Napo

Formations, Western Oriente Basin, Ecuador". *M62: Petroleum Basins of South America*(PDF). American Association of Petroleum Geologists. pp. 573–596.



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the oil wastes. Instead of taking responsibility for their actions, Chevron fought responsibility in Ecuadorian courts. They blamed the water contamination for the increased incidents of cancer cases.

Legal action against supporting the indigenous residents began in 1993. Only in 2011 after almost two decades of prosecution, was Chevron made to accept responsible and agree to restitution.<sup>4</sup> The USD 19 billion Ecuadorian judgment against Chevron for pollution of the Amazon rainforest remains the world's largest pollution judgment. The key to successful prosecution was Chevron's status as a foreign corporation. Domestic companies are much more likely to rely on local interests to protect them and allow them to continue similar practices. But in 2018, this judgment was rescinded, due to charges of corruption against the prosecution.<sup>5</sup>

Facebook is another example of a major company repeatedly accused of violations of Corporate Social Responsibility (CSR). It has been known to play a big part in various issues around the world. They have been often criticized for not doing much to limit the spread of fake news. Critics go so far as to argue that Donald Trump would have not won the 2016 US Presidential election if Facebook had not permitted stories biased in his favor.<sup>6</sup>

Facebook has been charged with spreading misinformation about the Uyghur, a minority of

11 million people facing persecution in China. Reports claim that Facebook accepted promotion content from the Chinese media that denied any discrimination.<sup>7</sup> The company has been criticized for releasing Islamophobic content targeting the Rohingya, a persecuted minority forced to flee from Myanmar.<sup>8</sup> A report for the United Nations Human Rights Council (HRC) framed Facebook as "a useful instrument for those seeking to spread hate".<sup>9</sup>

## Current Issues and UN Responses

Many issues remain unresolved and prominent today. Corruption, human rights violation, and land degradation are ongoing issues in today's corporate world. Animals and people suffer as natural habitats are destroyed and individuals are abused.

Issues relating to corporate responsibility stem from three core areas: Social, environmental, and legal issues. These issues relate to how the corporation damages an area, and therefore help to establish areas that need attention, and help to measure appropriate responses. Below are examples of important issues the ECOSOC can strive to resolve.

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<sup>4</sup> Walker, L. Mark, "Energy Litigation: The Contamination of the World's Largest Pollution Judgment", American Bar Association Section on Litigation, 9 September 2016. For now, the USD 19 billion Ecuadorian judgment against Chevron for pollution of the Amazon rainforest remains the world's largest pollution judgment.

<sup>5</sup> Nagarkatti, Karen, and Gary McWilliams, 'International tribunal rules in favor of Chevron in Ecuador case', Reuters, 7 December 2018, <https://www.reuters.com/article/us-chevron-ecuador-idUSKCN1LN1WS>

<sup>6</sup> Shahani, Aarti (November 17, 2016). "From Hate Speech To Fake News: The Content Crisis Facing Mark Zuckerberg". NPR.

<sup>7</sup> Turvill, William (February 18, 2021). "Profits from propaganda: Facebook takes China cash to promote Uyghur disinformation". *Press Gazette*.

<sup>8</sup> "In Myanmar, Facebook struggles with a deluge of disinformation". *The Economist*. ISSN 0013-0613

<sup>9</sup> "Report of the independent international fact-finding mission on Myanmar"



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## Corruption

Corruption is an extremely complex issue to tackle, as society, politics, and economics are negatively affected by its appearance. In most Member States, corporations have the responsibility to not take part in corrupt actions. Yet, many organizations seek to establish more secure positions for themselves in countries where corruption flows freely. Government officials are bribed to release company licenses and to exclude factories and sweatshops from basic labor laws, which highly affect economic development. Small businesses within a country's borders simply cannot afford to compete with multinational powerhouses.

The Member States of the UN have agreed to fight corruption and its components. The UN has created the *Thematic Programme on Action against Corruption, Economic Fraud, and Identity-related Crime*, invested in an international anticorruption academy to educate officials, launched a TRACK portal in which states can find jurisdiction and legislation on corruption and started an International Day against Corruption, every year on December 9.

Corruption can be hard to spot, but UN guidance can help Member States with initiative and tools to tackle the issue. The United Nations have also initiated *The United Nations Convention against Corruption* that covers five main areas: preventive measures, criminalization and law enforcement, international cooperation, asset recovery, technical assistance, and information exchange.

For the ECOSOC the biggest challenge is getting Member States to agree on way to give these initiatives more effectiveness.<sup>10</sup>

## Environmental Crime

Environmental crimes cover a wide variety of illegal acts, including illegal poaching, release of ozone-depleting substances, the dumping of waste and illegal exploitation of resources. Corporations have the responsibility to interact harmlessly with the environment, yet, as profit is the primary focus of all corporations, they often lack in doing so. Animals are poached and traded, causing them to become endangered, and habitats are destroyed by illegal logging, global warming substances, and illegal waste disposal. Secondary to damages done to animals, environmental damages can also cause communities to lose their livelihood and cause ecological issues. Continuing its wide variety of negative impacts on health, ecology, and economy, environmental crime is a primary focus of this committee.

The Member States of the UN have created several organizations, treaties, and resolutions to help resolve the issues. *The Convention on Transnational Crime* was adopted in 2000, which started drawing attention to multinational corporations committing these crimes. Several years later, the UN passed resolutions concerning wildlife, timber, and forest products to increase legislation and prevent more damage to society and the environment. While these measures are steps towards the prevention of violations by companies, there is much that can be done by this body to speed up the elimination of corporate crimes.<sup>11</sup>

<sup>10</sup> United Nations, *Convention against corruption*. United Nations: Office on Drugs and Crime, n.d., <https://www.unodc.org/unodc/en/treaties/CAC/>

<sup>11</sup> Holm, Ingvild. "Press Release: Environmental Crime: A Threat to Our Future." National Institute

Economic Review No. 47 (2008); Coppens, Ludgarde. "Transnational Environmental Crime - a Common Crime in Need of Better Enforcement." UNEP Sioux Falls, January 2012.



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One example of a corporation negatively impacting an ecosystem and harming the people living within it lies with the Royal Dutch Shell Company in the Niger Delta in Nigeria. One of the worst oil spills in history began in 2005 in Nigeria under Shell's watch, destroying agricultural land, damaging the ecosystem of the delta, and directly affecting the people of the area's health.

From the start of the spill well into the beginning of the court case in 2009 and still until the court's decision in 2013, human rights and ecological abuses occurred regularly. The five-year court case was fought in the Dutch court system began between the people of several Nigerian villages and the Shell company, and the final decision found in favor of the Nigerians, awarding them money as compensation for damages. Shell voiced its discontent with the court decision and the legal precedent that the case establishes.<sup>12</sup>

While such court cases prove corporations can be held responsible, a bigger issue for the ECOSOC is how to prevent such actions altogether? The biggest difficulty facing the ECOSOC is the ambivalence of many Member States, who often want to share corporate profits more than they want to reduce corporate malfeasance.

### Labor Law Violations

In addition to the societal and ecological issues created by the previous mentioned crimes, corporations also often lack in providing safe and sufficient working conditions for individuals. Labor law violations, such as child labor, unfair wages, unsafe conditions, and working hours exceeding the legal limit, can severely damage individuals and their families. Multinational and national corporations have the

responsibility to abide by and guarantee the safety and health of their workers. Yet, many seem to fail. Multinational manufacturers and construction companies often choose not to comply with international labor laws and continue to work in unsafe circumstances.

Many assume only developing states have companies violating labor laws, but companies that violate labor laws are predominantly western. Coca-Cola for example, abuses its workers' rights, as several union leaders in South America were killed or kidnapped for protesting against the unfair conditions. Nestle, a producer of cocoa products in Europe and the United States, continues its business with Ivory Coast cocoa farms despite having knowledge of abusive and forced child labor. Walmart, the American giant, has been accused of discriminating in its hiring and failing to provide proper health insurance. These are just some of many examples proving there is much that needs to be accomplished.<sup>13</sup>

The UN is an important player helping Member States standardize labor laws. The most important international agency that helps provide better opportunity, training, and working conditions is the *International Labor Organization* (ILO). The ILO works on the development of equal opportunities for men and women, but also attempts to prevent violations of working condition standards. Besides opportunity, the ILO also has programs concerning child labor, health care for workers, fair wage laws, and equal rights for domestic and immigrant workers. This in itself is what the UN's role has historically been in reference to corporate responsibility.

The UN works to establish international norms, which can be expanded to how companies are held responsible for issues that stem from their

<sup>12</sup> "Shell Lawsuit (re Nigeria - Kiobel & Wiwa)". Business & Human Rights Resource Centre.

<sup>13</sup> "International Labor Rights Forum." The 14 Worst Corporate Evildoers. N.p.



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operation in an area. Steps such as building upon existent legal precedent and giving the International Court of Justice (ICJ) the power to take up cases against corporations are important ones that this committee can begin.<sup>14</sup>

### Issues and Positions by Region

**Environmental, Social and Governance (ESG)** criteria have come to play a role in more and more decisions about how to allocate financial investment. In many countries, fleet car and truck buyers such as rental companies and delivery firms are in line to buy electric vehicles. Major airlines are looking to switch to electric power when this becomes feasible. Western oil companies are agreeing to reduce their greenhouse gas carbon emissions. The assets managed under such criteria in Europe, America, Canada, Japan, Australia and New Zealand have become highly influential. But the corporations in many countries, notably major fossil fuel (coal, oil and gas) exporters like Indonesia, Russia and Saudi Arabia, and emerging economies like China, India and Turkey, have been slower to act.<sup>15</sup>

Environmental, Social and Governance (ESG) business criteria are much more controversial in the emerging economies of the None-Aligned Movements, the UN's largest voting bloc, with 137 Member States, most of Africa, Asia, Latin America and the Middle East. Poorer countries fear ESG criteria will penalize their national development, and provide foreign companies

with an advantage making it easier for them to take over poor economies. They are not opposed to ESG criteria, but insist they stay under control of the emerging governments themselves. They want to use this process to strengthen their own power over foreign investors.

Another major proposal is for an international treaty to establish a **global minimum tax on corporate profits** of 15 percent. Currently most countries tax profits at rates of 20 to 30 percent. Companies can evade this by moving their headquarters to low tax havens like Estonia or Ireland, where tax rates are 12 percent, or some Caribbean island countries, where rates are even less. A minimum tax rate would solve such evasion, and a treaty has been recommended. But how to convince the small Member States that benefit from their status as tax havens? They cannot be forced to change; the UN lacks that kind of authority. Even small Member States are sovereign. The ECOSOC would have to develop incentives for these countries to win their participation.<sup>16</sup>

**Africa and Asia:** Multinational corporations often expand to Africa and Asia for its cheap labor and resourceful nature. Besides China, Japan, and South Korea, African and Asian states are known for their poor economic development. The multinational companies that expand to Africa and Asia, therefore, seen positively in African and Asian states, hopeful for economic advances. Disadvantages, however, are just as present. Child labor, illegal poaching, oil spills, and many other corporate violations take place in the African and Asian

<sup>14</sup> "United Nations Sport for Development and Peace - ILO." UN News Center. UN, n.d.

<sup>15</sup> 'Big business is beginning to accept broader social responsibilities', *The Economist*, 24 August 2019, <https://www.economist.com/briefing/2019/08/24/big-business-is-beginning-to-accept-broader-social-responsibilities>

<sup>16</sup> Thomas, Leigh, '130 countries back global minimum corporate tax of 15%', *Reuters*, 1 July

2021, <https://www.reuters.com/business/countries-backs-global-minimum-corporate-tax-least-15-2021-07-01/> Thomas, Leigh, 'Explainer: What is the global minimum tax deal and what will it mean?' *Reuters*, 8 October 2021, <https://www.reuters.com/business/finance/what-is-global-minimum-tax-deal-what-will-it-mean-2021-10-08/>





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states. What is most important is for their delegations to decide.<sup>17</sup>

**China:** The world's second largest economy is carefully controlled by the Government of China and the Chinese Communist Party. Having lifted 800 million people out of poverty in forty years, their accomplishment is impressive. But some six-hundred million Chinese have yet to benefit fully. And much of the rapid economic growth has come by cutting corners. Law enforcement is ambivalent, as growth is prioritized. Whether China will accept tighter controls on corporate practices, risking slower economic growth, remains to be seen.

**Europe and North America:** European and North American states, often referred to as the west, are home to many large multinational corporations. Australia, Canada, France, Germany, the Netherlands, the United Kingdom and the United States of America hold the vast majority of multinational corporations. From Adidas and Haribo to Chevrolet and Heineken, almost all global businesses erupt from the west. These corporations have a great interest in making profits and look across borders to achieve just that. Profit appears to be the most important, but there also is a loud voice calling for legal action when responsibilities are not taken seriously and violations of international ethics are committed.

**Oceania:** Oceania and the Pacific Islands have relatively little issues with labor laws and corporate violation. Occasionally, some hiring discrimination in Australia and sweatshops on the smaller islands do occur, but these are usually minor events. Australia and New Zealand have large international voices calling for stricter regulations on corporate responsibilities.

**South America:** South America has, similar to Africa and Asia, more issues with multinational corporations within their borders. Habitat destruction, illegal logging, and labor law violations are extremely common in South America. Once again, states will have to decide what is more important: profit or maintaining international ethics and corporations being held to their responsibilities

### Considerations for the Body

It is apparent that corporate responsibility includes a wide range of violations that should not be committed. Each of these violations has to be solved differently and while all these issues appear to be of the same gravity, this committee is going to decide which problems are prioritized and how each problem will be resolved. Some questions ECOSOC can consider:

- Can the ECOSOC ask its Member States to sanction individual states for allowing illegal practices to continue, or should these states receive extra funds or tools to stop corporate violations?
- How are these violations legislated, and how can enforcement of legislation be improved? What is the role of the ECOSOC, versus the UN's Member States?
- How can ECOSOC increase incentivize corporations to consider ethical rules before committing violations?

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<sup>17</sup> "Resources for Speakers, Global Issues, Africa, Ageing, Agriculture, Aids, Atomic Energy, Children, Climate Change, Culture, Decolonization, Demining,

Development, Disabilities, Disarmament, Environment, Food, Governance, Humanitarian, Refugees, Women." UN News Center. UN, n.d.



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- Should corporations be sanctioned after violation, or rewarded for not violating transnational laws?
- What are possible sanctions, rewards, or solutions for these violations and issues? Can the ECOSOC get the UN Member States to act more forcefully?
- When are rules a corporation's responsibility and when is it each Member State's responsibility to enforce?
- Will mandating a Secretary-General study and report be helpful for the issue at stake? Or will it be seen as a delaying tactic, a way to avoid reconning with serious issues/ What countries will be in favor and what countries will oppose it?
- Will an Minimum International Corporate Tax rate be beneficial? Even though it is realistic, there will be countries opposing it.

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