

Forum: Environment Commission
Issue: The Role of Multinational Corporations on Sustainable Development
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Introduction

Multinational companies play an important role in sustainable development, especially in developing countries. It is achieved through not only their direct activities that result in work opportunities and in increase in living standards, but all along their supply and distribution chains. The extent and impact of their activities on the environment within these developing countries is less well known. Though many multinationals have carried out impact assessments, evaluating their social and commercial impacts, the importance of earning profit for multinationals companies is still an issue, and often clashes with the goal of sustainable development.

On the other hand, most multinational corporations officially express their concern for ethical and an ecological approach to business conduct, using such concepts as corporate social responsibility or industrial ecology in their corporate strategies. Reducing environmental impacts are also one of the macro economic objectives of host countries of these multinationals. While one of the main functions of multinationals is to promote sustainable development, not all multinationals will comply and therefore their actual influence should be regulated in order to maintain sustainable development, otherwise they might exploit natural and human resources for motives of profit. It is now up to the UN to think about solutions that seek to satisfy both sides and offer a balanced solution that does not stunt economic growth, however lessens the human impact of multinational corporations.

Definition of Key Terms

Multination Corporations

Multinational corporations or enterprises (MNC) are enterprises which own, control production or serve facilities outside the country in which they are based. Or, they are enterprises owned and controlled by entities or persons from one or more countries. Though the UN differentiates the definitions of

transnational corporations (TNC) and multinational corporations, they are synonymous and can be used interchangeably.

Sustainable Development

Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their needs, as defined by the World Commission on Environment and Development. The definition may seem vague at first, however due to its multidimensional character, such an approach is more of an advantage than not. Though sustainable development bears strong environmental connotations, other areas are also gaining importance (for example, sustainable development with respect to technology transfer or human rights). Thus, sustainable development seeks to achieve, in a balanced manner, economic and social development, as well as environmental protection.

Corporate Social Responsibility

Corporate social responsibility (CSR) is a business system that enables the production and distribution of wealth for the betterment of its stakeholders through the implementation and integration of ethical systems and sustainable management practices. Simply put, it is concept that a company should be interested and willing to help society and the environment as well as be concerned about the production and profits it makes. CSR policy functions as a self-regulatory mechanism whereby a business monitors and keeps record and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. For some large corporations, when the implementation of CSR goes beyond compliance (the norm), it appears they are doing social good, and looks appealing to consumers and helps with brand/company image.

Industrial Ecology

Industrial ecology is systems-based, multidisciplinary discourse that seeks to understand emergent behavior of complex integrated human/natural systems. The field examines problems from multiple perspectives, often involving aspects of sociology, the environment, economy and technology. Industrial ecologists are often concerned with the impacts of human activities on the environment, the use of the planet's supply of non-biodegradable resources for production and problems with waste disposal.

Organization for Economic Co-operation and Development (OECD)

The OECD is an intergovernmental economic organization with 35 member countries founded to simulate economic progress and world trade. Most OECD members are high-income economies with a very high Human Development Index (HDI), developed countries. The OECD defines itself as a forum of

countries committed to democracy and the market economy, providing a setting to compare policy experiences, seek answers to common problems, identify good practices, and coordinate domestic and international policies. Its mandate covers economic, environmental, and social issues. One of their main goals include achieving the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus to contribute to the development of the world economy.

Soft Law

Soft law refers to rules that are neither strictly binding in nature nor completely lacking legal significance. In the context of international law, soft law generally refers to guidelines, policy declarations or codes of conduct which set standards of conduct. However, they are not directly enforceable.

General Overview

Multinational enterprises considerably affect sustainable development due to the direct economic and indirect political influence they exercise globally. Often, their economic power is much greater than the economic power of the host country or state they are operating in. Thus, multinationals have the actual potential to make a difference by carrying out their activities in accordance with the principle of sustainable development. From the point of view of international economic law, the conduct of multinationals is regulated almost exclusively by soft law. Stricter international regulation is an almost impossible goal to reach. Thus, the impact of these multinationals dependent highly on self-regulation carried out by the multinationals themselves, through effective and efficient implementation of their own corporate social responsibility strategy, ideally in line with the concept of environmental ecology and respecting environmental and social issues as opposed to merely economic activity. In order to understand the role of multinational corporations on sustainable development, it is crucial to understand not only the environmental problems that are being raised, but also those regarding to human ethics as well. These will help establish an understanding of the situations at hand and help in developing solutions that tackle the core of each issue.

Environmental Impacts

The main goal of increasing profits within a host country, often multinational corporations disregard the negative impacts on the environment, be it from greenhouse gas emissions to polluting native habitats.

There have been cases where profit came at the cost of the environment. In the last three years, the Chinese government has punished 33 multinational corporations for violating the nation's environmental laws and regulations. Amongst which include world-renowned corporations such as: Pepsi, American Standard, Nestle and 3M. Pollution is also prevalent as it comes in many forms – from noise pollution to air pollution and water pollution. Moreover, conducting operations on a global scale also uses up non-renewable resources, such as in transportation processes where large amounts of crude oil, natural gas and other fuels are used. Another growing issue is the damage done to the world's oceans by accumulation of waste. Plastic waste threatens the access to clean water, releases toxic chemicals, released through the decomposition of the plastic bottles and containers that float in the sea that enter the food chain, and menaces marine life and habitats as marine species risk getting entangled in plastic.

Outsourcing

The main problem raised with outsourcing is that it has led to significant job losses and unemployment. However, there is also another negative impact. Multinational corporations' presence in other countries often doesn't benefit the economies of these countries as poverty continues despite the number of job opportunities, since the pay is often very close to minimum wage or even lower. Moreover, multinational companies aren't subject to the same environmental and labor laws as in their home country and relaxed laws may lead to exploitation of resources. With outsourcing, there is an ongoing debate as to whether the presence of multinational corporations increases the standards of living in the area. Though, they do provide job opportunities, the increase in wage may not link directly to an increased standard of living.

Standards of Living

Though multinationals may provide employment opportunities, the working conditions are usually quite harsh, especially in developing countries. Not only so, but the wage is low and the hours are long. There are many negative impacts on the workers which directly interfere with human ethics. Not only within jobs in multinational companies, the greenhouse gases produced may lead to pollution within the area and impact the health of surrounding residents including the elderly, children, disabled and pregnant. Thus, though their wages have increased, their standards of living may not increase, but decrease instead.

UN Involvement, Relevant Resolutions, Treaties and Events

The United Nations Department of Economic and Social Affairs (UN DESA) is part of the United Nations Secretariat. It supports international cooperation to promote sustainable development for all,

having as foundation the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals. In providing a broad range of analysis, policy advice and technical assistance, UN DESA effectively translates global commitments in the economic, social and environmental spheres into national policies and actions and plays a key role in monitoring progress towards internationally agreed-upon development goals.

The Third United Nations Financing for Development Conference was set out in General Assembly Resolutions 68/204 and 69/279. The Conference gathered high-level political representatives, including Heads of State and Government, and Ministers of Finance, Foreign Affairs and Development Cooperation, and all relevant institutional stakeholders, non-governmental organizations and business sector entities. The Conference resulted in a negotiated outcome which provides a new global framework for financing sustainable development that aligns all financing flows and policies with economic, social and environmental priorities. Also, a comprehensive set of policy actions by Member States, with a package of over 100 concrete measures that draw upon all sources of finance, technology, innovation, trade and data in order to support mobilization of the means for a global transformation to sustainable development and achievement of the United Nations Sustainable Development Goals.

Another relevant conference includes the United Nations Conference on Trade and Development (UNCTAD). The conference deals with trade, investment, and development issues. The organization's goals are to: "maximize the trade, investment and development opportunities of developing countries and assist them in their efforts to integrate into the world economy on an equitable basis." The UNCTAD was formed based on the concerns of developing countries in the international market, multi-national corporations, and great disparity between developed nations and developing nations. It served as a forum where the developing countries could peacefully discuss the problems relating to their economic development.

Timeline of Events

Date	Description of event
April 16 th , 1948	The Organization for Economic Cooperation and Development officially starts operations. Though it was originally called the Organization for European Economic Cooperation (OEEC), it is later reformed in 1961.
March 23 rd - June 16 th , 1964	The First United Nations Conference on Trade and Development (UNCTAD I) takes place in Geneva, where it is established as a permanent intergovernmental body.
June 3 rd – 4 th , 1992	The United Nations Conference on Environment and Development (UNCED) takes

	place. It is more commonly known as the Rio de Janeiro Earth Summit or the Rio Summit.
April 1 st , 2010	Secretary- General Report on the Progress to date and remaining gaps in the implementation of the outcomes of the major summits in the area of sustainable development as well as an analysis of the themes of the Conference on Sustainable Development resolution. A/CONF.216/PC/2
June 24 th , 2014	The World Investment Report of 2014 focusing on Investing in Sustainable Development Goals and an action plan is released.
July 13-16 th , 2015	The Third International Conference on Financing and Development takes place. The intergovernmental preparatory process of the Conference was launched; however, on October 17 th , 2014.
July 7 th , 2017	The World Investment Report of 2017 is released.

Possible Solutions

Education

An important aspect of sustainable development is that it is still not a well-researched area of study. It is important that not only children, and young adults in school are educated on the negative human impacts on the environment, but adults, all workers in multinational corporations. Education on sustainable development is a long-term solution and if possible, should be integrated into traditional textbooks as it is prevalent in many topics such as economics, science, history, etc.

Multinational sustainability code of conduct

Focusing more specifically on sustainable development than the OECD's Guidelines, a conference in which firms, institutional stakeholders, non-governmental organizations and business sector entities and all other relevant parties negotiate a baseline code of conduct for multinational corporations which encompass all areas of sustainable development would help to establish an international norm of how sustainable a corporation should act. This decreases the heavy reliance on self-regulation and corporate social responsibility and encourages corporations to act in accordance. It also acts as an incentive since multinationals can look green and sustainable, which has positive impacts to the enterprises' social and brand image and can be beneficial economically as well.

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