The Jus Semper Global Alliance

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May 2019

BRIEFS ON TRUE DEMOCRACY AND CAPITALISM

The Fate of Global Corporations in an Anti-Globalist World

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Is the post-war ascendance of multinational corporations irreversible?

The world's roughly 80,000 multinational corporations (MNCs), long dominated by U.S., European and Japanese firms, have been joined by a growing number based in China, India, Brazil and other emerging economies. MNCs are the engine of a quarter of total world production and their global supply chains represent about half of world trade. MNCs have played a major role in driving a tenfold increase since 1979, now totalling $16 trillion, roughly the size of entire U.S. GDP.

Amidst this rapid expansion is a concurrent concentration in market power. The world's 1,000 largest companies in 1980 represented about 30 percent of the GDP of the OECD countries. By 2010, that figure rose to 72 percent. Pressures to consolidate among technology, pharmaceuticals, airlines and other sectors are unrelenting, reflecting investor pressure to achieve growth through both organic expansion and acquisitions.

The result: market capitalisation of a dozen MNCs exceeds $250 billion, surpassing the GDP of nations such as Chile, Finland, Portugal, Vietnam and Kazakhstan.

Today, in 2017, all these trends no longer seem unstoppable. A wave of anti-globalist protectionism has laid bare the latent hostility toward global business that has been festering for decades. The deep rift between globalisation's winners and losers, champions and victims, has exposed raw nerves and growing polarisation. Political volatility is on the rise. Notwithstanding recent elections in France, the Netherlands and Austria, nationalist political winds threaten to disrupt the international, liberal order and the institutions upon which it depends.

Uncertain times

The confluence of dislocation and despair among millions of workers and families portends a period of uncertainty in trade relations, immigration and the transnational flow of technology, talent and capital. The architects of economic globalisation —perceived by many as a conspiracy between cosmopolite financial elites and corporate interests — face increasing pushback by those whose livelihoods have become increasingly tenuous or altogether disappeared.

A telling case in point is the demise of the historic lace manufacturing in Calais. In this historic industrial centre, automation and cheap overseas labour have reduced the workforce by 90 percent during the last few decades, from 30,000 to 300, leaving behind an unemployment rate of 20 percent. What remains is a shell of a once-thriving specialty industry and a community's pride and self-identify. Adding insult to injury is the acquisition of a remaining factory by a Chinese investor, further eroding the self-confidence of a once prosperous city.

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For those left behind by globalisation, MNCs often embody the remote, powerful forces beyond the control of workers and communities that lie at the heart of deepening popular angst. The knowledge that the fate of workers in company-operated, subsidiary and supplier facilities is determined by distant headquarters plays to the sense of disempowerment. Combined with job losses linked to technology, the preconditions for intensifying isolationism are on the rise.

The uncertainties facing MNCs are deepened by the emergence political leaders ready to exploit popular discontent for political gain. Donald Trump, Turkey's Recep Tayyip Erdogan, Hungary's Viktor Orbán and the Philippines' Rodrigo Duterte exemplify the rise of nationalists disdainful of the status quo and prepared to flout precedents and protocols that undergird the liberal order that is the lifeblood of MNCs. The pillars of transnational commerce and finance — WTO, IPO, IMF, EC, NAFTA, et al. — are under fire for serving as tools of powerful globalists whose worldview diminishes, even disdains, loyalty to place.

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Under these circumstances, the backlash against unfettered economic globalisation after a half century of steady expansion is unsurprising.

The MNC-nationalist political relationship is complex. Populist politicians are not averse to cooperation with domestic MNCs, as the Trump administration amply demonstrates. But this accommodation of convenience is hardly a predictable, stable basis for advancing an MNC's long-term interests. Indeed, the blend of authoritarian government and crony capitalism, visible in various degrees in Russia, Turkey, Saudi Arabia, China, North Korea and, increasingly, the U.S., should be unwelcome by any MNC committed to achieving long-term prosperity. Favouritism is fickle. Cooperation capricious. Neither is compatible with a dynamic organisation operating in a competitive playing field in which all actors are subject to accepted norms of transparency, competition and environmental and social conduct.

Four strategies for success

In this era of disruption, what strategies are available for responsible MNCs seeking to secure their reputation, integrity and long-term prosperity?

1. First, collective action on the part of MNCs helps to inoculate any one company from the opportunism and shaming by nationalist politicians. Consider the examples of two recent initiatives.

A coalition of 13 U.S. and European multinationals including BP, DuPont, Google, Intel, Shell and Unilever, representing a market cap of nearly $2.5 trillion, wrote Trump urging (ultimately unsuccessfully) continued U.S. commitment to the Paris Agreement on climate change. Their rationale: competitiveness, job creation, risk reduction and strengthening climate resilience to ensure a "more balanced global climate effort, setting long-term objectives, improving transparency, and encouraging market-based approaches to minimise costs."

In a similar vein, more than 90 U.S. firms, including Google, Apple and Intel, jointly supported the U.S. federal court's reversal of the government's ban on immigration from seven dominantly Muslim countries. The motive: to ensure access to the pool of global talent critical to both executive leadership and innovation in the technology industries.

Jeff Immelt, CEO of GE, recently observed, "Companies must have their own 'foreign policy' and create technology and solutions that address local needs for our customers and society." The climate and immigration examples exemplify the potential power and much-needed backbone of a unified "foreign policy" openly embraced by coalitions of MNCs.

2. A second MNC strategy is to dismantle the perception — and too often the reality — of callousness in the eyes of local hosts. Fair wages and job security, of course, are paramount concerns for workers. But beyond these are the less-tangible issues of identity and control, two key drivers of anti-globalist sentiment. Any practice that strengthens worker identity with the parent company — continuous retraining, profit sharing, management solicitous of employee feedback — enhances productivity and retention. Such practices, in turn, neutralise or at least postpone financial pressures to downsize or relocate an active facility.

3. Beyond these actions, an even more powerful instrument to strengthen identity is employee ownership. This is arguably the single most powerful signal to workers that a pay check captures only a fraction of the wealth employees help create for the company. Employee share ownership signifies a recognition that wealth creation flows from an interaction of multiple capitals — human, intellectual, social, manufactured capital — all of which are indispensable and merit equal standing.

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4. Proactive investor selection is yet another instrument for dealing with rising populism. Long-term investors prefer open markets, and responsible long-term investors even more so.

Why? Because the latter, who globally manage more than $21 trillion, do not see the global economy as an inexhaustible mine from which to extract maximum returns. Instead, they perceive the economy as a complex socio-ecological system for delivering human and ecological betterment. Responsible companies should seek responsible investors.

In 2016, Paul Polman, CEO of Unilever, famously articulated such reciprocity: *So if you [investors] buy into this long-term value-creation model, which is equitable, which is shared, which is sustainable, then come and invest with us. If you don't buy into this, I respect you as a human being but don't put your money in our company.*

Passive bystanders

Anti-globalism is unlikely to abate anytime soon. The struggle for an inclusive global economy is only beginning and the populist politicians and their constituencies will continue to exercise a powerful influence on political discourse. Antidotes in the form of collective action, wealth sharing and proactive embrace of responsible investors can help tame, if not reverse, insurgent anti-globalism.

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Against this volatile backdrop, MNCs committed to a just, ecologically resilient future can ill afford to be passive bystanders in a fast-changing world that threatens the very foundations upon which their enterprises have thrived for more than a half-century.

Ample opportunities exist for a new alliance between MNCs, their workers and communities. Reinventing the liberal order to shape a just and inclusive globalisation is both urgent and plausible. But to do so will require bold business statesmanship that confronts the grievances fuelling the populist insurgency.
Absent such leadership, current anti-globalist discontent may prove to be only a first chapter in a protracted period of instability that reverses what, until recently, was viewed by business leaders as an irreversible trajectory toward boundless opportunities in an increasingly borderless world.

Useful links:

- The Jus Semper Global Alliance
- Is it time to rewrite the social contract?
- The missing third party: Corporations and the new Social Contract
- Human Rights: Advancing the Frontier of Emancipation
- Basic Income as a fundamental Human Right in the People and Planet paradigm
- Living Wages in the Paradigm Transition
- The Anthropocene Crisis
- The Long Ecological Revolution
- True Sustainability and Degrowth in the Citizens Imaginary
- The Degrowth Alternative

❖ **About Jus Semper:** The Jus Semper Global Alliance aims to contribute to achieving a sustainable ethos of social justice in the world, where all communities live in truly democratic environments that provide full enjoyment of human rights and sustainable living standards in accordance with human dignity. To accomplish this, it contributes to the liberalisation of the democratic institutions of society that have been captured by the owners of the market. With that purpose, it is devoted to research and analysis to provoke the awareness and critical thinking to generate ideas for a transformative vision to materialise the truly democratic and sustainable paradigm of People and Planet and NOT of the market.

❖ **About the author:** Allen L. White is Vice President and Senior Fellow at the Tellus Institute, where he directs the institute's Program on Corporate Redesign. He co-founded the Global Reporting Initiative and Corporation 2020, and founded the Global Initiative for Sustainability Ratings. He has advised multilateral organisations, foundations, government agencies, Fortune 500 companies, and NGOs on corporate sustainability, governance, and accountability. Dr. White has served on boards, advisory groups, and committees of the International Corporate Governance Network, Civic Capital, Instituto Ethos (Brazil), the New Economy Coalition, Business for Social Responsibility, and the Initiative for Responsible Investment at Harvard University. Dr. White has held faculty and research positions at the University of Connecticut, Clark University, and Battelle Laboratories. He is a former Fulbright Scholar in Peru and a 2018 Medal Laureate of the Society for Progress and INSEAD, Fontainebleau, France.

❖ **About this brief:** Originally published by GreenBiz. Visit GreenBiz here..

❖ **Quote this paper as:** Allen White: The Faith of Global Corporations in Anti-Globalist World– The Jus Semper Global Alliance, May 2019.

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