Bringing Multinational Corporations into the Environmental Treaty-Making Process Through the UN Global Compact

Shauna J. Sadowski

Of the more than 500 existing global and regional environmental treaties, more than half have been adopted in the past 25 years. Even so, biophysical conditions continue to worsen, including increases in the number of threatened species, greenhouse gas emissions, and hazardous waste generation (Nowlan and Rolfe 2003). The high number of treaties has led to treaty congestion, “treaty fatigue,” and recognition that reform must take place to encourage positive change and genuine results.

In attempting to uncover the disconnect between the persistence of environmental problems and the measures applied through international treaties, one might question the strength of the written treaties, the lack of compliance and enforcement at the domestic regulatory level, or both. The making of more treaties is clearly not the solution. However, it may be useful to focus attention on which major players must be activated to ensure treaty compliance. This paper contends that multinational corporations (MNCs) can play an important role in environmental treaty making, as their growing importance in industrial development, and thus in environmental impacts, are increasingly important for both developing and developed nations.

This paper begins by discussing the increasingly important role of MNCs in global affairs, their impacts on the environment, and their responses to date. While the participation of MNCs in international environmental treaties is controversial, this paper asserts that their involvement is inevitable, given their increased power and their access to resources. The objective here is to develop a model to incorporate MNCs into the international environmental treaty-making process. The model provides checks and balances in the system, while also creating incentives for participation and collaboration among the corporate players.

Current Role of MNCs

The growth and international economic dominance of multinational corporations is drawing increased scrutiny as their power becomes more significant. As of 2003, more than 65,000 multinational corporations were doing business and controlling assets in more than one country (World Resources 2003). MNCs increased their number of exports from 25 percent in the 1980s to one-third in the 1990s (Monger 2004). MNCs participate in over 60 percent of world trade, playing a significant role in production, distribution, and sale of products from developing and developed countries alike. Sales of the largest 100 multinationals corporations increased from $3.2 trillion in 1990 to nearly $4.8 trillion in 2000 (World Resources 2003). Furthermore, of the world’s 15 largest budgets, six are governmental and nine are corporate; each of the top 15 MNCs has a budget greater than the GDPs of at least 120 countries (Monger 2004).

The increasing power of the MNC is also represented through foreign direct investment (FDI). Cross-border mergers and acquisitions, in which a foreign corporation acquires more than 10 percent control of a domestic enterprise, increased from $94 million to $866 billion between 1996 and 2000 (World Resources 2003). This has a particularly profound effect on developing countries in which foreign direct investment (FDI) constitutes a country’s largest source of external finance (Monger 2004). In developing countries, cross-border mergers and acquisitions increased by 50 percent from 1995 to 1999 (World Resources 2003).

With the ultimate goal of financial profits, corporations push for international competitiveness, driving governments to deregulate markets, privatize public utilities, and reduce the public tax burden (Madsen 2004). While none of these actions is inherently wrong, the open market has externalized
environmental and social effects. Research indicates that MNCs are responsible for more than 50 percent of global greenhouse gas emissions (Morgen 2004). They are also the primary players in extracting renewable and nonrenewable resources such as fossil fuels, metals, and forest products.

However, MNCs are also principal technology innovators, the key to environmental improvements. (1972) stated in the 1970s that environmental burden is a function of three factors: population, affluence, and technology. Achieving sustainability requires the reduction of at least one of these affluence, defined as per capita economic activity or wealth, is undeniable, which thus places formulation have been challenged, it is clear that technologies for impact mitigation and impact technology innovation can feasibly be converted into practice.

In recent years the number of certifications and standards relating to environmental and social issues has increased significantly. Some companies have developed public disclosure mechanisms to three main categories: 1) government-mandated pollution disclosure programs, such as the Toxics Release Inventory in the US, whereby companies located in the United States must publicize their codes of conduct; and 3) consumer- and investor-based efforts, such as socially responsible investing, eco-labels, and product certifications (World Resources 2005).

Although universal global standards are not common, national and regional standards have provided guidance for some environmental standards in business:

- **UN Global Compact** - Signed in 2000, the Global Compact was designed as a learning forum for promotion of good practices through a UN-business partnership. The Compact highlights ten principles relating to human rights, labor, environment, and anti-corruption measures. However, measurements (Usui 2002).

- **ISO 14001 Standards** - The International Standard Organization (ISO), comprised of state and industry actors, developed a self-regulated international environmental management standard organization. This standard spans many industrial sectors and allows companies to seek certification for some (Falkner 2003; Summer Raines 2003). However, the standard does not specify goals to be set or perform measures to be used. No reporting is required under the standard (World Resources 2003).

- **OECD's Guidelines for Multinational Enterprises** - Developed by countries of the OECD, these guidelines contain voluntary principles and standards for corporate responsibility in areas such as human rights, information disclosure, anticorruption, taxation, labor relations, environmental protection, and consumer protection (OECD 2004). Thirty OECD countries and seven non-OECD countries currently claim adherence to the guidelines. The guidelines are not monitored or enforced.

MNCs have focused on their role in the international environmental treaty arena as one of partners in specific obligations or regulations (Clapp 2003).

To support their roles in influencing international environmental treaty decisions, companies have organized into business advocacy groups, industry groups, and single-company representatives. Two notable business lobby groups, the International Chamber of Commerce (ICC) and the World Business Council for Sustainable Development (WBCSD), regularly attend environmental treaty meetings. Kofi Annan worked with the ICC in developing the aforementioned Global Compact and along with the WBCSD (then Business Council for Sustainable Development) promoted market-oriented and self-regulatory models for international environmental governance (Falkner 2003). The ICC continues to emphasize voluntary codes of conduct (Global Compact 2004b).

Industry groups also attend treaty meetings with the intent of influencing decisions. Recent players include the Global Industry Coalition (GIC) on biotechnology and the Global Climate Coalition (GCC) on climate change (Clapp 2003). Individual companies also attend meetings where the negotiations are relevant to their interests. For example, Monsanto, Dupont, and Syngenta attended the meetings that led to the Cartagena Protocol on Biosafety (Clapp 2003).

These MNC efforts have not been well-received among civil society groups for several reasons, particularly the lack of enforceability and transparency in how they make decisions regarding environmental policy. MNCs have also been charged with lowering environmental standards in developing countries where national regulatory standards are lower than those in developed countries.

A 2000 OECD investigation reported that only 10 percent of 246 codes surveyed included provisions for external monitoring. The report found that provisions for monitoring by external groups are more common in sector-wide codes and in codes initiated by NGOs, as opposed to those established by individual companies (World Resources 2005). Research on the top 250 of the Fortune 500 firms found that sustainability reporting has increased from 35 percent in 1998 to 45 percent in 2001, with an increase in verified reports over the same period increasing from 19 percent to 29 percent (Kolk 2003). While the increase in verified reports is positive, many questions remain unanswered by these companies.

Even though companies claim to self-monitor, their efforts have been criticized as mere rhetoric. Civil society groups claim to have inspected more thoroughly and found inconsistent compliance, rare inspections, and a greater emphasis on product quality than on code rules (World Resources 2003). Furthermore, a study that assessed the environmental metrics used by 79 corporations found them to be inconsistent across companies, leading to comparability difficulty, and more focused on descriptive indicators of the current state of the environment rather than target indicators reflecting the long-term commitment of the company (Marshall and Brown 2003). These findings call into question the future intent of corporations. For these reasons, several civil society groups are calling for binding corporate rules at the national and international level that go beyond voluntary schemes (Mares 2004).

Although command-and-control mechanisms are designed to force compliance, corporations are not always opposed to regulation. One analysis of the Montreal Protocol indicates that the United States stepped in to eliminate all chlorofluorocarbon (CFC) production. Charlotte, North Carolina-based chemical and corporate producer of CFCs, Dupont, has developed an alternative technology (Levy 1997). Furthermore, the success of the Montreal Protocol was eased by the small number of industries affected by a CFC ban and the insignificant economic impact of the chemical.

In contrast, the Kyoto Protocol affects nearly every industry and thus has potential for significant negative economic repercussions (Levy 1997). That said, even though the Bush Administration remains steadfast against the Kyoto Protocol, American companies like Dupont are moving toward compliance in the absence of regulation, having already reduced their greenhouse-gas emissions by
65 percent compared to 1990 levels because they anticipate changes and want to keep pace with the global markets (The Economist 2004b). Resistance to regulatory controls is not always in a corporation's best interest, and requires a deeper inquiry on an issue-by-issue basis (Falkner 2003).

These differences suggest that each treaty proposal must be assessed to determine which corporations win or lose, and what the trade-offs might be within their operations. A valuable mechanism for this function might be a UN-sanctioned forum for the corporations that will encourage dialogue among the participants prior to a formal treaty meeting, support peer learning among corporations, and create incentives for participants.

**Strengthening the UN Global Compact**

MNCs can play a positive role in the international environmental treaty process to promote compliance by assessing their role on a multi-tiered perspective. In particular, this article will argue that corporations have a significantly positive contribution to make, but the solution lies in a transparent and accountable governance structure for corporations. Furthermore, the role of the corporation must be assessed at multiple levels, in adherence to specific treaties will not occur simply by state decree, or even CEO accord. Rather, compliance depends on decisions of the state, the industry, the company, and the individual. The proposed changes address this cascading compliance process.

There are several examples of corporations that play a role in the environmental treaty-making process. However, all groups are not equal from the perspective of a UN decision-making body. A global Compact launch in 2000 was to create a partnership between the UN and business; it is an excellent foundation from which to begin discussions.

The UN Global Compact is the single largest voluntary corporate citizenship initiative among corporations (Engardio 2004). The Compact has grown from 50 charter members at launch in July 2000, including companies such as Daimler Chrysler, Unilever, Deutsche Bank, BP Amoco, Royal corporate participants (Global Compact 2004a).

The Global Compact asks that participants support ten principles related to human rights, labor, environment, and anticorruption. The Compact is not an enforcing body and corporations sign on to demonstrate a willingness to improve their practices over time (McKinsey 2004; Global Compact 2004b).

Activities organized by the Compact’s central office in New York include interactions with CEOs and other leaders, policy dialogues, a learning forum for exchange of best practices, local initiatives, and networks across various industries and serves as a central node for coordination among industry business leaders, thus beginning to address the need for engagement among the various players.

Because the Compact focuses specifically on environmental issues, it is an ideal candidate for inclusion in the international environmental treaty-making process. Current business interest representatives at treaty meetings have no vested interest in the environment. A strengthened Compact will provide a focused voice in treaty negotiations for businesses having important environmental concerns and impacts.

**Cascading Compliance**

The following proposal assesses the potential role of the Global Compact 1) on the international stage as it relates to environmental treaties; 2) as a group representing the international business perspective; and 3) in leading and supporting individual companies trying to implement environmental improvements to comply with treaty decisions. The principal aim in looking at these three areas is to demonstrate that, and thus compliance, cannot occur at a single level. It is in the interest of the global community to ensure that MNCS are engaged at multiple levels to ensure the highest opportunity for compliance success. Figure 1 illustrates the cascading compliance framework. These levels include international, industry group, and individual company areas of interaction.

**Figure 1. Cascading Compliance Framework**

<table>
<thead>
<tr>
<th>International Level</th>
<th>Actions</th>
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<tbody>
<tr>
<td>Lead Player – United Nations Treaty Secretariat</td>
<td>a. Limit number of nonstate participants.</td>
</tr>
<tr>
<td></td>
<td>b. Legitimize role of multinational corporations (MNCS).</td>
</tr>
<tr>
<td></td>
<td>c. Devise creative incentive structures for corporations.</td>
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<td></td>
<td>d. Support public participation.</td>
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<table>
<thead>
<tr>
<th>Industry Level</th>
<th>Actions</th>
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</thead>
<tbody>
<tr>
<td>Lead Player – UN Global Compact</td>
<td>a. Continue to expand number of companies.</td>
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<td></td>
<td>b. Make it a membership model with fees.</td>
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<td></td>
<td>c. Incorporate basic governance reforms to ensure credibility.</td>
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<td></td>
<td>d. Design treaty-compliance logos.</td>
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<td></td>
<td>e. Legitimize civil society organizations as third-party auditors.</td>
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<tr>
<td></td>
<td>f. Strengthen local networks and support treaty-specific meetings.</td>
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<tr>
<th>Company Level</th>
<th>Action</th>
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</thead>
<tbody>
<tr>
<td>Lead Player – Individual companies</td>
<td>a. Develop best practice case study depository for and from members, generated by a university business school, that demonstrates how companies manage operations.</td>
</tr>
<tr>
<td>Sample questions to address:</td>
<td>b. How is the company structured? Where are its subsidiaries located? How does the company work within the local framework? Where is decision-making authority?</td>
</tr>
<tr>
<td></td>
<td>c. How does the company organize environmental risk management?</td>
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<tr>
<td></td>
<td>d. What does the company do to build employee awareness regarding environmental management issues?</td>
</tr>
<tr>
<td></td>
<td>e. What kind of performance indicators are used internally?</td>
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<tr>
<td></td>
<td>f. How are individuals compensated for environmental achievement and innovation?</td>
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International Level

At the global level, the Global Compact should interact within the UN international environmental treaty-making system. Currently, the Compact has no stated role within the system; its activities are limited to demonstrating the partnership between business and the UN (Global Compact 2004). However, the business advocacy groups that influence the treaty-making process, such as the ICC, are already influencing treaties as informal participants by attending the meetings and interacting with the MNCs they inevitably influence the positions of states. There are advantages to formalizing the role of the Global Compact within the treaty-making regime.

While there are concerns raised by members of civil society groups that corporations should not be a part of the UN system (Paul 2001), it is the intent of this proposal to strengthen the transparency of the following changes are suggested at the UN international level:

First, limit the number of nonstate participants. The UN environmental treaties gain significantly from nonstate actor participation and from the contributions of science and technology to the public advocacy arena. Their presence should continue to be welcomed. That said, the UN needs to reduce its number of nonstate participants and sovereignty while acknowledging the importance of nonstate actors. Because the UN establishes the rules of the system it is in its interest to ensure that the voice of nonstate actors is allowed, but only if certain criteria are met.

Limiting the number of corporate representatives in the formal treaty process would promote a higher likelihood of achieving consensus among participants. Because a group working within the UN must also be approved by the UN, the Global Compact is well-suited to interact at a treaty level without having to accept the principles of sustainable development. Due to the high number of MNCs in existence today and the lack of formal rules concerning their involvement, it has been easy for business lobbyists without any solution to a given environmental problem to indirectly influence their governments and even international environmental negotiations. It is within the UN's interest to limit the involvement of any nonstate actors to those groups willing to help generate solutions.

Limiting corporate participants only to members of the Global Compact will help structure the current ad hoc participation of corporations. Although the intent is not to have all of the 1,700 plus corporations attend the meetings (this will be discussed further below), the exclusivity will create an incentive for corporations to become members of the Global Compact.

Second, legitimize the role of MNCs by granting voting status to the Global Compact. MNCs are currently allowed to attend environmental treaty meetings as “observers” (Clapp 2003) enabling them to indirectly influence the state actors without accountability. Because industry groups do not necessarily share similar goals, for each treaty ten votes should be allotted to corporations organized represent just under six percent of the total 191 state members. The corporate votes will not be significant enough to override state decisions but will give corporations a public voice and accountability for any position they may take. The ten votes will be determined by a representative of the Compact members. More on how these companies might achieve decisions will be presented below.
Industry Group Level
This section describes how corporations relate to each other within the Global Compact. The corporations that have signed on to the Compact have agreed to adhere to ten principles, though lack of accountability, claiming that adherence to the principles is more rhetorical than active (Paul for membership (Global Compact 2004)). The following proposals are designed to strengthen the existing Global Compact to ensure that a UN, lest its image be marred from corporate nonadherence. The first five proposals refer to the
companies.

1. Continue to expand the number of companies.
Of the more than 1,700 corporations currently signed on to the Compact, almost half have headquarters outside the OECD (McKinsey 2004). A large number of the non-OECD nations are influential business lobbying organization, are from developing countries (WBSCD, a very developing countries in business decision making is very important because their economic growth is by 2010, developing countries’ emissions will be two or three times greater than those of the role in managing environmental resources.

European companies comprise 46 percent of companies participating in the Compact, while North from North America is attributed to the potential benefits of working with the UN (McKinsey 2004). The relatively small number lack of appreciation of the potential benefits of working with the UN (McKinsey 2004). However, the first two American years (The Economics 2004). If the power to vote on environmental treaties clearly increase, and some of the more significant MNC players in the US may choose to join.

2. Charge a fee for membership.
To participate in the Compact, a company submits a letter to Secretary General Kofi Annan, principles of the Compact (Global Compact 2004). Current funding for the Compact is limited; it
has only 13 full time staff members, which constrains the group’s ability to initiate actions on the
from the Compact (McKinsey 2004). The payment of membership fees by corporations would enable the Compact group to expand its range of offerings to member companies, creating yet another incentive to join.

To be competitive with membership rates from business advocacy groups like the WBSCD and ICC, following membership fee is suggested:

<table>
<thead>
<tr>
<th>Revenues (US$ millions)</th>
<th>Membership Fee</th>
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<tr>
<td>&lt;5</td>
<td>$2,500</td>
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<tr>
<td>5-10</td>
<td>$5,000</td>
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<tr>
<td>10-15</td>
<td>$10,000</td>
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<tr>
<td>50-100</td>
<td>$15,000</td>
</tr>
<tr>
<td>&gt;100</td>
<td>$20,000</td>
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</tbody>
</table>

3. Incorporate basic governance reforms to ensure credibility.
Participation in the Global Compact currently imposes no significant responsibility on corporations. While the Compact group wants companies to make progress on the ten principles, there is no monitoring to ensure that they do. Civil society organizations and even some members themselves believe that there needs to be some basic governance reform to ensure that there is meaning to what members of the Global Compact represent (McKinsey 2004; Global Compact 2004a; Martens 2004).

Due to the range of operations that each company performs, it will be very difficult to install a rigorous set of reporting mechanisms to demonstrate how well companies adhere to the principles. However, as there are currently no reporting mechanisms required, it is proposed that companies publish in their annual reports how they are instituting changes to adhere to the principles. Several of the companies have already begun doing this. The Compact group should choose a standard reference framework for all participating companies to observe.

The Global Compact office could work with the well-established Global Reporting Initiative (GRI) to assist them in developing this basic standard. Although the standard may not be as rigorous as the GRI indicators, the GRI group will have a better understanding of which metrics are reasonable to ask companies to apply across a wide spectrum of industries. While this may appear as only minor incremental improvements, the further push for compliance will come through the Compact’s support of specific treaty initiatives, as to be discussed below.

Once all corporations begin issuing statements in their annual reports, they will have the option to be certified by a third-party auditor. Third-party certification will be optional, but choosing it will give another legitimacy to a company’s claim to good corporate citizenship. The third-party auditors will be accredited by the Global Compact office, but not hired by them, given resource constraints.

Many consulting and civil society groups are able to fill this third-party auditor role.

By installing a formal reporting structure, the Compact would enhance the transparency and legitimacy of its environmental performance. By allowing the option to become certified in the ten basic principles, the UN maintains the voluntary nature of the Compact, but allows the more ambitious companies to strengthen their reputations in the public eye. Companies opposed to strict international mandates will still have the flexibility to address the ten principles as they see fit.

4. Design treaty-compliance logos.
As mentioned above, an incentive for corporate compliance can be offered through a third-party certified, UN-accredited logo indicating accord with specific treaties. Similar to the ISO 14000 codes or other industry standards, the treaty logo would demonstrate a company’s progress and willingness to work with the international community, thus offering a positive corporate image. A universal logo like “Kyoto Compliant” could be used for public relations campaigns and during corporate-sponsored events where the public would not only learn of the corporate initiatives on the environment, but also gain awareness of environmental treaties in general. In order for the UN to confer treaty compliance status to a corporation, the company would need to be certified by a third-party auditor.
The treaty-labeling scheme will also serve as an incentive for enhanced collaboration among industry players, as the logo will become a method of communicating with the public. The various pressures to affect profitability, a significant driving force for behavioral change. Labels are visible collaborations include the Responsible Care program among chemical companies; forestry designated by the Marine Stewardship Council label (de Boer 2003).

5. Legitimize civil sector organizations as third-party auditors.

Officially, the Global Compact was developed as a joint initiative between the UN, industry, and civil society (Global Compact 2004a). Groups such as the International Confederation of Free Trade number of CSOs involved is rather limited, accounting for approximately seven percent of total The Compact website shows only how businesses can participate, adoption criteria for CSOs is unclear (Martens 2004).

The Global Compact group should become the accreditation body for the certification of various company practices, including the optional Global Compact certification or the certification for treaty complaint logos. The Compact group would accredit various CSOs and auditor companies that have experience in the environment and social practices.

When third-party auditors find companies to be noncompliance, either to treaty provisions or voluntary adherence to the Compact standards, they will be put on probation for a year, and if within a year they are still found noncompliant, they will lose their claim to the logo in the case of treaty compliance, or be dropped from Global Compact membership in the case of the Compact standards.

6. Strengthen local networks and support treaty specific meetings.

At the time of the Global Compact launch, local networks developed in several geographic regions. Global Compact main office (McKinsey 2004). The development of these local networks indicates their peers. It also indicates an opportunity for the Compact main office to provide support to these local network meetings, which will help facilitate official, international Compact meetings.

The Compact office should promote local network meetings that focus on specific treaties and add a new dimension to the peer-to-peer networks. As stated above, corporations often pursue conflicting standard harmonization, while others oppose them; some favor market-based initiatives while other traditional governance mechanisms (Jalkhmer 2003). The function of the local network meetings adds perspectives on treaty-specific points, thereby beginning negotiations prior to official treaty meetings.

I suggest that treaty-specific meetings at the local network level and also at higher levels when groups would then discuss how the proposed treaties will affect their industry and what can be done terms of a given treaty, the task forces should divide the treaty's components into smaller, manageable pieces, focusing their attention on the details that each task force is best equipped to consider.

In some instances, corporations may find that regulatory structures will help to level the playing field while other situations may be better served by competitive, market-based initiatives. In either case, company forums will encourage discussion among the participants so that trade-offs may be made, and the implications of a treaty may be understood prior to the official international treaty meeting. The limitation of attendance at international meetings to ten voting representatives of the Compact would stimulate consensus among the various players. While it is improbable that all corporations will be seeking the same objectives, the meetings will allow dialogue and the identification of potential solutions which will then be presented at the international treaty meeting including all Compact members.

Individual Company Level

Once corporations determine their goals at 064 executive level, they must then manage their various business divisions and subsidiary locations to effect the changes. Such changes require comprehensive structural adjustment and strategic planning, from communication dispersion to the establishment of key performance indicator metrics. To assist the companies with changes in management procedures, the Compact should support the dissemination of best practice information.

The Compact currently maintains a web-based “learning forum” in which company members share best-practice strategies in the form of case studies. While this is a practical tool that appears to meet the needs of information dissemination, thus far only 1 percent of member companies have contributed to the learning forum (McKinsey 2004). Furthermore, the cases presented are self-selected and reported by the companies themselves, which might lead to information bias or selective investigation.

The Compact office should work with a third-party case study developer, such as a business school, that will take on the role of case study creation. The cases will be listed in a central depository such as the existing learning forum, but will include contributions from more companies and a wider range of topics. The Compact has worked in this way with Case Western Reserve University (Global Compact 2004b). Further work with business schools such as Wharton, Harvard Business School, and Sloan Management School, might be initiated.

The case studies should incorporate as many dimensions of environmental initiatives as possible, focusing in particular on how companies have restructured their operations to accommodate changes and how they have devised corporate and employee reward systems and built employee awareness. The cases should also assess companies’ relationships with suppliers, other companies, policy makers, and other stakeholders like institutional investors and consumers. Corporations may be able or willing to replicate measures that have been effective within other corporate cultures. The objective of the case studies is to demonstrate not just specific changes, but ways to operationalize change, an extremely valuable skill for company decision makers.

As the cases develop, Compact members should be encouraged to pose questions that are difficult to answer. University-based case writers can respond by interviewing other member companies. The published cases will demonstrate good corporate citizenship behavior and act as a positive public relations strategy and incentive to comply with Compact or treaty standards.

Relevant questions might include:

a. How is the company structured? Where are the subsidiaries located? How does the company work within the local framework? Where is decision-making authority?
b. How does the company organize environmental risk management?

c. What does the company do to build employee awareness regarding environmental management issues?

d. What kind of performance indicators are used internally?

e. How are individuals compensated for environmental achievement and innovation?

f. How does the company assess its environmental role when choosing suppliers?

As more case studies are shared in the learning forum, other questions will become increasingly important, investigations begun, and solutions disseminated. By working with the Compact office as coordinator and the business school system as generator, the forum will support Compact members with credible information that the public can also look to for verification of corporate citizenship efforts.

Conclusion

By assessing the role of corporations in international environmental treaties from a multidimensional framework, one begins to appreciate the complexity involved in how decisions are made and fulfilled. The cascading compliance model presented here is designed to overcome some of that complexity by establishing structured involvement criteria, beginning with the international level, to an industry dynamic level, to that of the individual corporation. This proposal can not only strengthen the role of the corporation in the environmental treaty negotiations, but also formalize their accountability through transparency and independent third-party verifications while building incentive structures to encourage corporate participation. The balanced approach of this model acknowledges the importance of MNC involvement for compliance to any environmental treaty. It also ensures that the power of the MNC does not go unchecked. Such an approach will help environmental secretariats to meet and even exceed treaty objectives, and thus reduce the negative environmental impacts now considered “external” to corporate economics.

References


The Economist. 2004b. Welcome to Kyoto-land. 7 October.


