

Corporate Accountability – A Matter of Sustainable Justice

FACT SHEET - the ECUMENICAL TEAM for the WSSD
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Corporate Giants exercise disproportionate power in the Global Economy

The net financial worth of *Transnational Corporations* surpasses most countries

Of the 15 companies/governments with the world's largest budgets, 6 are governments, 9 are corporations. And the 15 largest multinationals now each have a budget that exceeds the gross domestic product of more than 120 countries.

Of the 100 largest economies, 51 are now global corporations and 49 are countries. 90% of these corporations are based in industrialized countries, accounting for something like 70% of world trade, and holding at least 90% of all technology and patent products.

Governments are dwarfed by the economic power of large multinationals

Economic decisions and actions that shape the lives of most of the people living on this planet rest increasingly with the private sector. Governments are increasingly reluctant or incapable even to consider challenging their power.

- There may be national laws that regulate some business practices, but virtually no international regulatory regime to cover corporate activities which are increasingly transboundary or global.

- Emphasis on voluntary initiatives renders enforcement mechanisms for sustainable best practices and codes of conduct weak and elusive.

Corporations interfere with trade and environment

- The incoming leader of the World Trade Organization (WTO), Dr. Supachai Panitchpakdi, called for a new code of conduct for multinational firms.

- These corporations actively lobby for investment agreements that will incorporate "national treatment" clauses requiring governments to treat foreign investors as favorably as domestic firms.

- Intellectual property laws, especially the WTO TRIPs agreement, which have slowed access to cheap drugs for developing countries, are an example of powerful business interests overriding those of poor countries.

- Global rules have been shaped to turn natural resources and people into commodities and markets to be exploited, often with devastating environmental and social consequences.

- Dumping of toxic wastes and unaccountable dirty industries plague poor and minority communities in rich countries and poor developing nations and are a symptom of deep environmental racism.

Public perception

The 1999 Environics Millennium Survey of 25,000 people in 23 developed and developing countries indicates that public expectations that large companies should act in a responsible way are both high and universal.

- 79% felt that large companies should be "completely responsible" for protecting the health and safety of workers, 73% for protecting the environment, and 72% for avoiding child labour.

- Corporate beneficiaries owe a huge ecological debt, particularly to the South, which must be redressed.

- Millions of people around the world believe they have the right to expect their governments to re-assert authority and responsibility over corporate powers.

Corporate accountability is not voluntary Corporate Social Responsibility (CSR)

- CSR and good corporate governance are important but they cannot be seen as a substitute for corporate accountability in a legislated framework with enforceable mechanisms.

- The recent irresponsible corporate debacle and slate of bankruptcies in the United States shows that voluntary corporate responsibility initiatives are entirely inadequate.

Corporate accountability requires

- observing the precautionary principle and the principle of "polluter pays" which is included in Agenda 21;

- operating according to the principles of transparency, accountability, and access to information, and within enhanced national surveillance of financial market activity;

- adopting full-cost, "Triple Bottom Line" accounting, which internalises environmental and social as well as economic costs;
- compliance with principles of social and environmental responsibility, including the ILO Tripartite Declaration of Principles concerning multinational enterprises, and performance benchmarks initiated with civil society to monitor and measure impacts.

Towards Corporate Accountability

Rebalancing unequal power relations in an era where corporate rights are expanding disproportionately to peoples' rights requires:

- elimination of investor-state measures in Trade agreements that provide a "new constitution" with rights and freedoms for corporations that override people's democratic rights and freedoms;
- a moratorium on the further implementation and widening of Intellectual Property Rights regimes in order to first guarantee the rights of people and communities, in particular the rights of Indigenous Peoples over that of corporations;
- creation and adoption of international agreements and legislation to protect traditional knowledge and genetic resources and prevent their commercialisation;
- cessation of any further privatisation through the WTO negotiations on the General Agreement on Trade in Services (GATS) of local, regional and global public goods (GPGs);
- legislation building on the existing human rights instruments so that people have legal redress if their environment is destroyed or threatened.

Accountability is at the heart of Justice - as it is at the heart of Partnership. It is the key to the building of trust and the realization of human dignity and development within secure and sustainable communities. Such communities require a just and moral economy where people are empowered to participate in decisions affecting their lives; where the power is balanced and shared among government, business and civil society; and where public and private institutions are held accountable for the social and environmental consequences of their operations.

Justice demands corporate accountability and indeed the transformation of all global economic governance to serve all people, not only the wealthy and powerful. To "remake the world" and tackle growing inequality, concentration of power, and social exclusion, we need a people-centred, poverty reducing and planet-friendly approach to financing sustainable development.

The Ecumenical Community advocates for a legally binding international agreement on corporate accountability

- At the *national* level, governments should assert their responsibility regarding corporate licence to operate, and create and strengthen mechanisms and institutions as well as civil society organizations that promote accountability and support access to justice.
- At the *international* level, the WSSD must endorse corporate accountability and a plan of action for a global regulative framework.
- The initiative of the UN Sub-Commission on the Promotion and Protection of Human Rights, to establish Human Rights Principles and Responsibilities for Transnational Corporations and Other Business Enterprises, should be accelerated.
- The UN should re-institute under ECOSOC the Commission on Transnational Corporations to establish regulatory mechanisms that address the relationship between corporate policies and practices and international obligations.
- UN Member States should negotiate a legally binding framework convention for corporate accountability and liability under the UN system, with independent mechanisms for monitoring, compliance, and enforcement, which adheres to all the principles of sustainable development, and includes:
 - ✓ mandatory compliance with principles of corporate responsibility and enforceable codes of conduct;
 - ✓ operational transparency, accountability, mandatory reporting, disclosure and access to information;
 - ✓ financial and legal liability for companies and company directors, as well as sanctions;
 - ✓ full and meaningful stakeholder participation and respect for indigenous rights.

The Ecumenical Team is coordinated by the World Council of Churches in collaboration with the Sisters of Mercy. It includes members of several Christian denominations and other faith-based organizations and networks, and of other collaborating partners. For further information contact: +1-212-867-5890 or +41-22-791-6111; Johannesburg during WSSD: (011) 804-3777.