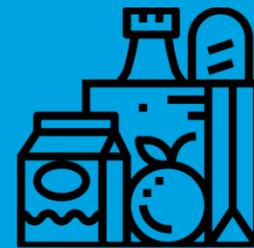




# Global governance without TNCs: a conversation starter



A VISUAL PRESENTATION



Part three of three

# SERIES OF THREE VISUAL PRESENTATIONS – PART 3

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These three presentations aim to inform social movements and activists about

- how the multilateral system could (and should) control transnational corporations (presentation 1)
- what is wrong with the emerging multistakeholderism (presentation 2)
- how global governance can be framed beyond globalization dominated by TNCs (presentation 3)

## PRESENTATION PREPARED BY

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Previously worked for 20 plus years at the United Nations : as the head of the Environment Unit at the UN Centre on the Transnational Corporations; a member of the Secretary-General's Office and head of the New York Office at UNCTAD; and as senior staff for the Financing for Development Conference at Department of Economic and Social Affairs

*Author, [Multistakeholder Governance and Democracy: A Global Challenge](#), Routledge (2018);  
Author, [Multistakeholder Governance](#), Wikipedia in five languages (2019), Author, [Readers' Guide: Global Redesign Initiative of the World Economic Forum](#), UMass-Boston on-line publication (2012)*

[more](#)

January 24, 2020

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## ACKNOWLEDGEMENTS

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In spite of all this assistance, I take responsibility for all errors and omissions.

The packet was designed by Evan Clayburg.

Harris Gleckman

## **To govern TNCs**

will take a change in arrangements  
of global governance

**Governments**

**Multistakeholder  
governance**

**Multilateralism**

**The governing arc can be made to move again**

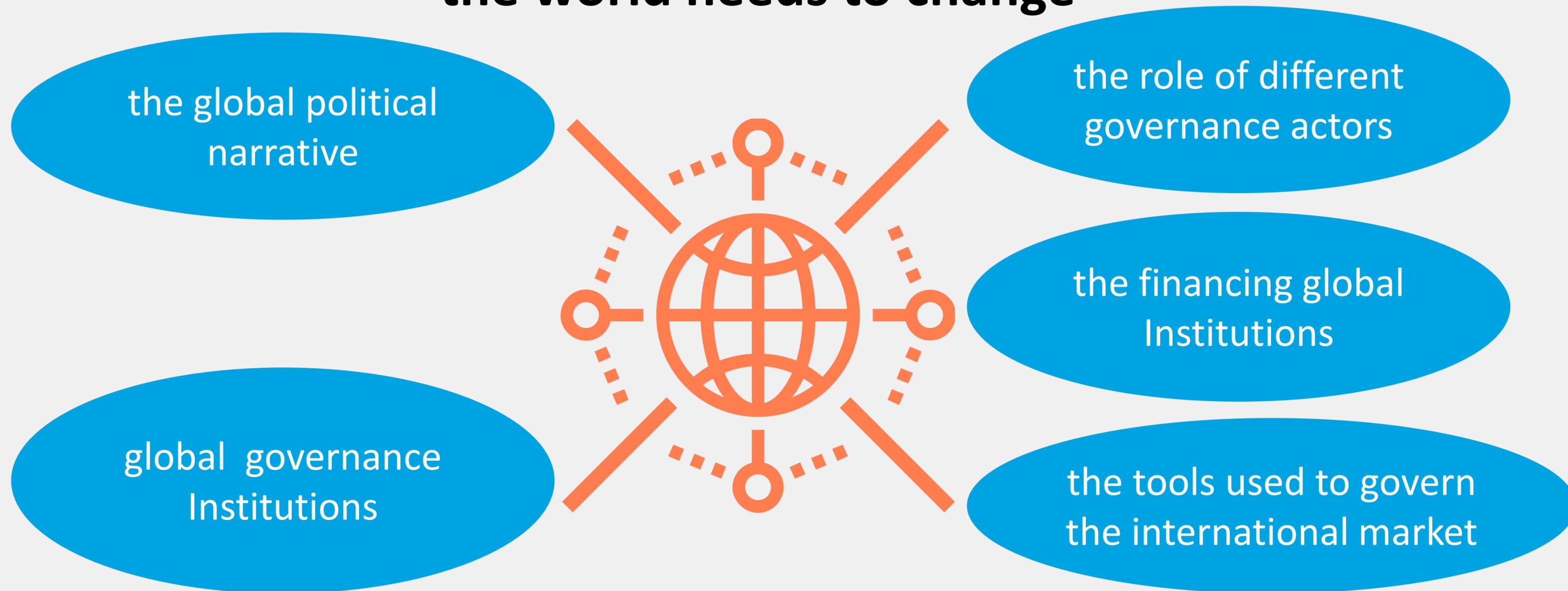
**Governing Globalization  
and TNCs**

**Governments**

**Multistakeholder  
governance**

**Multilateralism**

# To have an effective governance of globalization and TNCs, the world needs to change



**The third of this series of visual presentations focuses on these changes.**

This presentation focuses on control of globalization and TNCs, not on military matters, conflict prevention, development nor other elements of the agenda of the UN system. Clearly, however, it does have some significant relevance to these areas.

## **Outline of Part Three**

- Current beliefs and practices that may need changing
- Short history of major changes in global governance
- Options and issues for a new governance system for globalization and TNCs

1

# Current beliefs and practices about these governance elements

global  
political  
narrative

## Global Narrative:

- Governments are said to represent ‘their’ citizens (Westphalian principle)
- Multilateralism is based on a US-led post WWII model (the Washington Consensus)
- All governments in the UN system are formally treated equally (the one-country-one-vote principle)
- Governments in general have declared that the global market should not be governed (the self-regulation principle)

global  
governance  
Institutions

## Global Institutions:

- The UN system is built on unequal power relations
- The UN system has different institutions for each global topic, which leads to fragmentation
- Non-state actors only ‘advise’ governments and intergovernmental bodies but do not take part in making decisions (‘NGOs in consultative status to ECOSOC’)

## 2

# Current beliefs and practices about these governance elements

governance  
actors

## Global Actors:

- Officially States are the exclusive actors in global governance (the Westphalian principle again)
- NGOs, civil society organizations, social movements, academics are non-state actors
- TNCs, domestic businesses, and professional associations, are also non-state actors
- TNCs have a direct role in setting the market rules for globalization
- Via corporate capture, TNCs and national enterprises have largely limited the scope of Government intervention in national and international affairs

# 3

## Current beliefs and practices about these governance elements

financing  
global  
institutions

### Global Financing of Institutions:

- The UN's cost sharing formula is a reasonable allocation of costs to member countries
- The unequal financing of the UN system organizations secures unequal internal power
- Private sector donations to the UN system are seen by donors as helping the UN system operate better

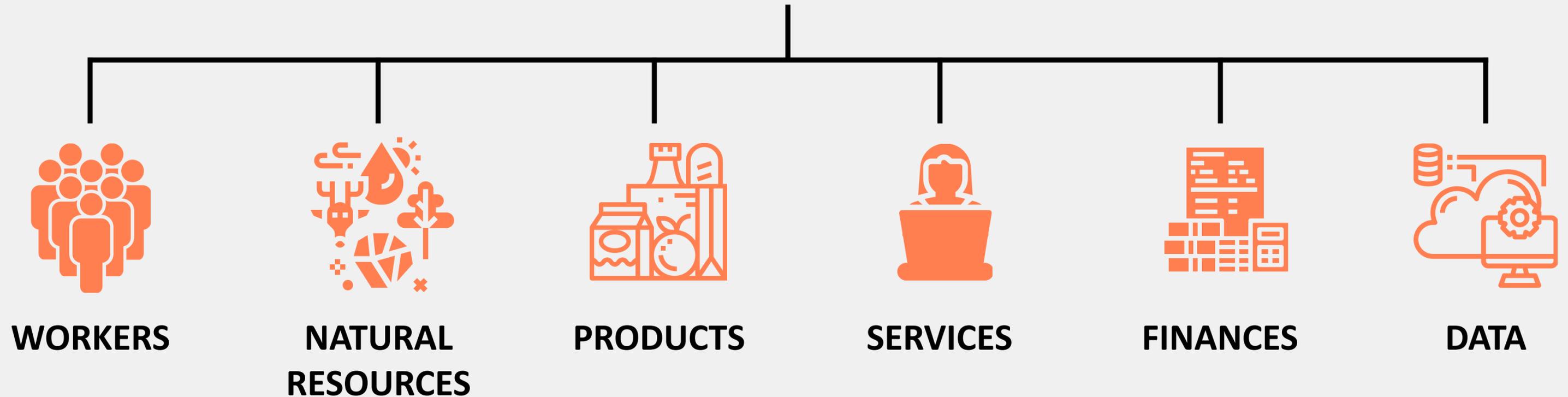
the tools  
used to  
govern the  
international  
market

### Global Governance Tools:

- Governments are likely to make globalization dysfunctional if they adopt too many mandatory treaties or soft law resolutions
- Intergovernmental organizations should work to help globalization operate better.
- OECD Governments and multilateral banks can provide financial incentives based on their policy recommendations to developing countries (the 'Washington Consensus')
- There is a limited role for the multilateral system in setting global product and process standards

# TNCs largely control

the movement between countries of



and seek to control the pre-requisites and the consequences of all these activities

In this presentation, TNCs include individual firms, their associated firms in their supply, distribution, and research chains as well as their international trade associations, corporate foundations, and business alliances

# Current TNC-specific Governance Beliefs and Practices

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## Global Narrative:

- Globalization and TNCs are good for people and the planet
- Corporate liability is limited to each business enterprise  
(no 'piercing the corporate veil')
- The international market can best decide what natural resources are needed and what their appropriate prices should be

## Global Institutions:

- It is a good idea that there are not international consumer protection, environmental protection, or labor protection regulatory agencies.
- TNC activities can be regulated by host country authorities

## Global Financing:

- Tax avoidance and transfer pricing are legitimate business activities
- TNCs should have no obligation to underwrite the global governance system

## Global Actors:

- TNCs are just like local businesses only larger

## Global Governance Tools:

- Anti-trust and anti-monopoly rules are unnecessary on the international market
- Financial regulations and tax disclosure should be voluntary

**In developing a new system of governance of globalization and TNCs, these beliefs and practices will need to be updated**

## A QUICK HISTORY:

# The founding of contemporary multilateralism

The core work that produced the **United Nations, the Bretton Woods Institutions,** and a number of the **UN system agencies** started during WWII when it was not yet clear which side would prevail in the war



*Historical note:* all this happened because the multilateral system built after the First World War had failed. Symbolically the new office of the UN in Geneva moved into the old League of Nations building.

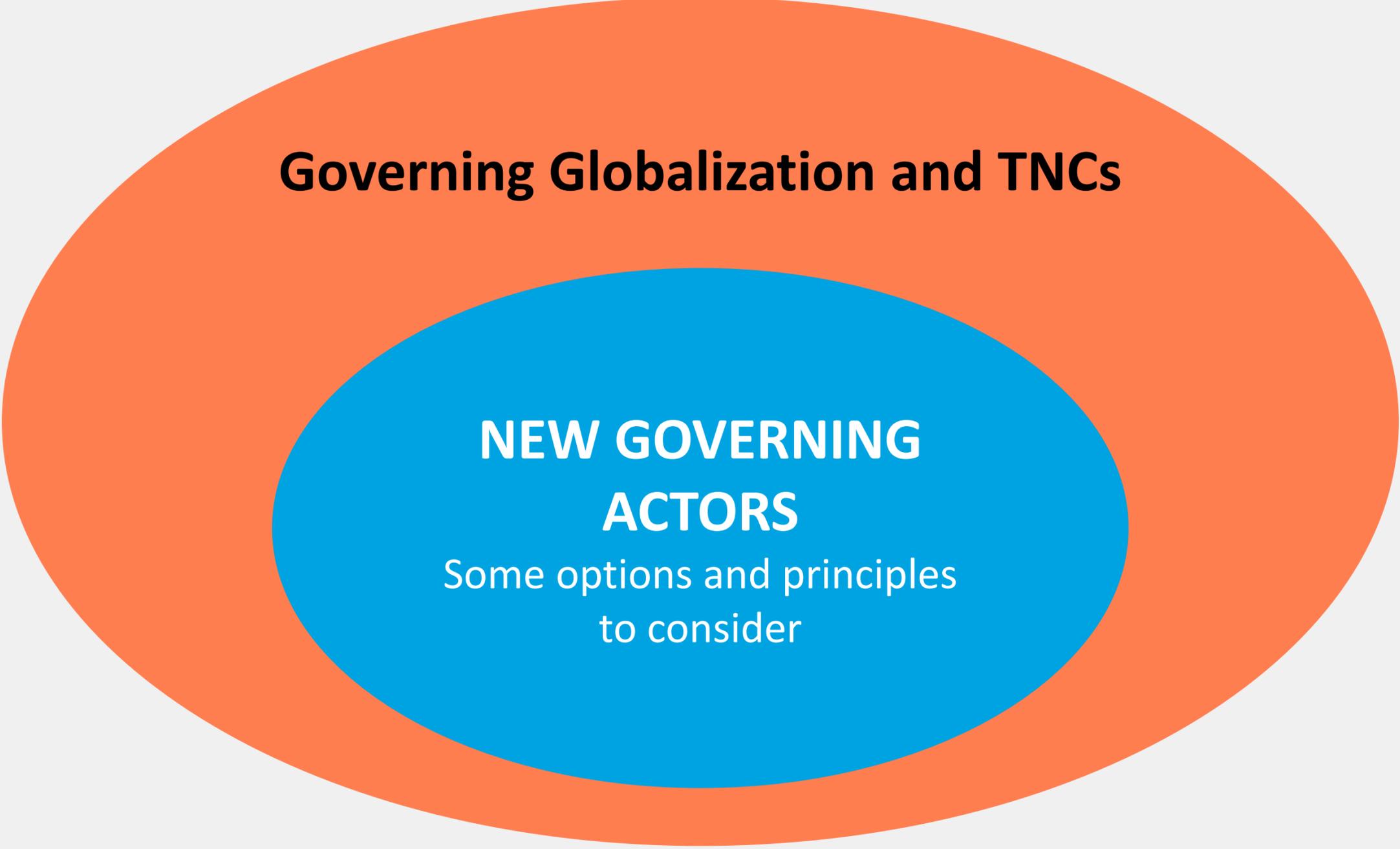
## Most UN System organizations were established in the immediate post WWII period

International organizations founded or became operational post- WWII	
1945	Food and Agricultural Organization (FAO) ; United Nations Educational Science and Cultural Organization (UNESCO) ; United Nations (UN); World Bank (WB); International Monetary Fund (IMF)
1946	UNICEF (originally United Nations International Children Emergency Fund)
1947	General Agreement on Tariffs and Trade (GATT, the precursor of the World Trade Organization-WTO); International Civil Aviation Organization (ICAO); Economic Commission for West Asia (ECWA); Economic Commission for Asia and the Pacific (ESCAP)
1948	WHO (operational 1951); UPU (became a specialized agency); Economic Commission for Latin America (now ECLAC)
1949	United Nations Development Program (UNDP)
1950	World Metrological Organization (WMO)

Big pre-WWII exceptions: Universal Postal Union (UPU, founded 1874); International Labour Organization (ILO,1919); Bank for International Settlements (BIS, 1930); International Telecommunication Union (ITU,1932)

The second big expansion of the multilateral system (mid-1960s) came in conjunction with the adoption of the New International Economic Order

**It is never too soon to start developing  
international governance arrangements  
and new institutions of governance.**



## **Governing Globalization and TNCs**

### **NEW GOVERNING ACTORS**

Some options and principles  
to consider

# Change in Global Governance Actors

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One idea is conceptually simple:  
**take the opening words of the UN Charter literally**



**WE THE PEOPLES...**

## **HISTORICAL FOOTNOTE:**

The preface to the UN Charter was an after thought and was drafted by Ian Smuts, then President of South Africa

## **A BIG CHALLENGE:**

Arranging for direct global elections by 'the people'

# Change in Global Governance Actors

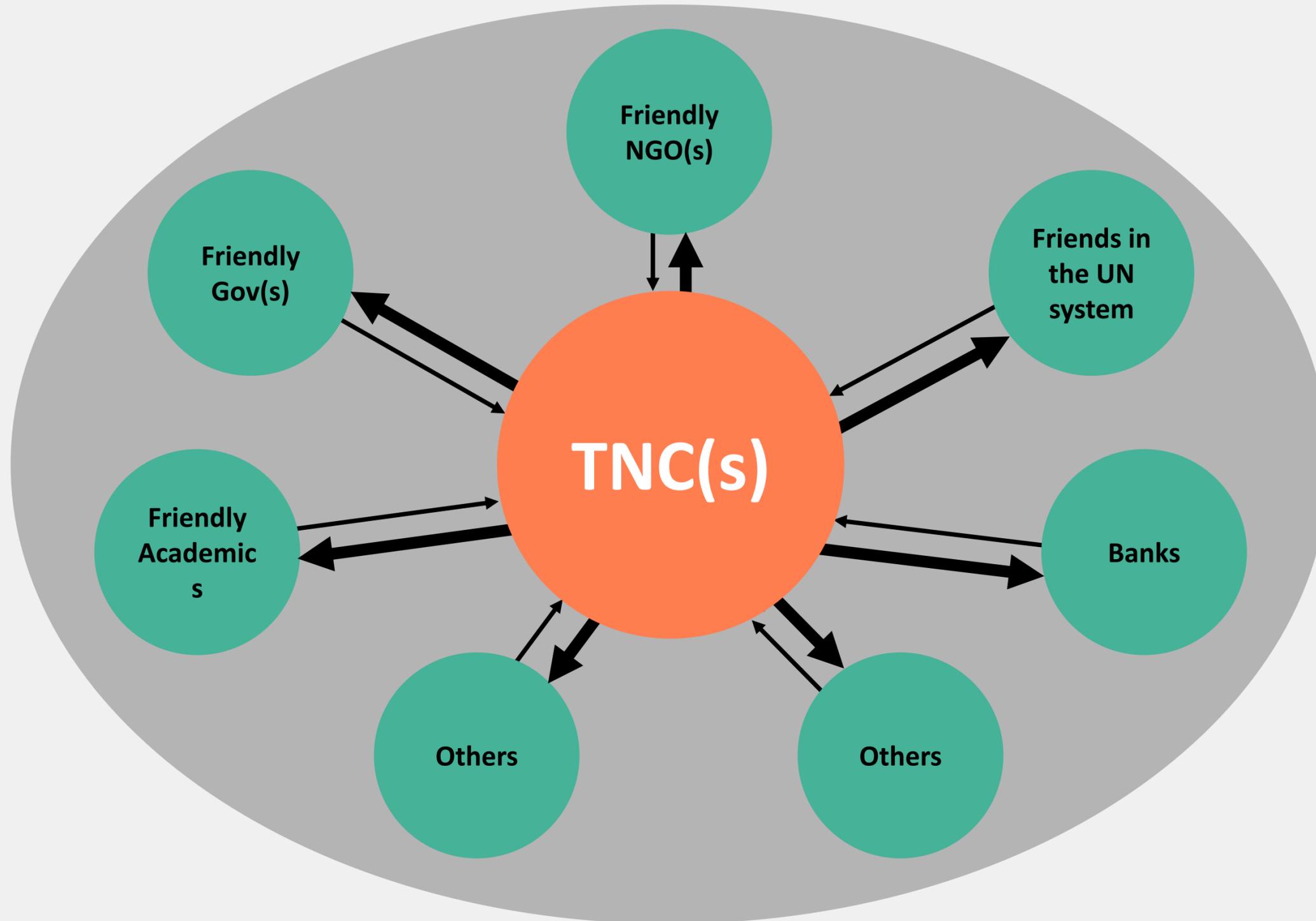
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## OTHER CANDIDATES

- Have multilateralism based on national parliaments (instead of foreign ministries)
- Have a series of regional-based systems which then select representatives to a global system
- Grant local governments a formal role in global governance (e.g. as complement to national governments)
- Have governance based on the 'means of production' (a variation of the ILO's current government-employer-worker tripartite system)
- Have governance based on gender (i.e. a feminist governance system)

# Change in Global Governance Actors

This version of 'new actors' is not a good idea  
(see part two on multistakeholder governance systems)



# Change in Global Governance Actors

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## KEY CHALLENGES

- Transnational corporations will not give up their century long role as international global governance actors easily
- The nation-state will not give up its Westphalian (1648) based claims to 'state sovereignty' easily

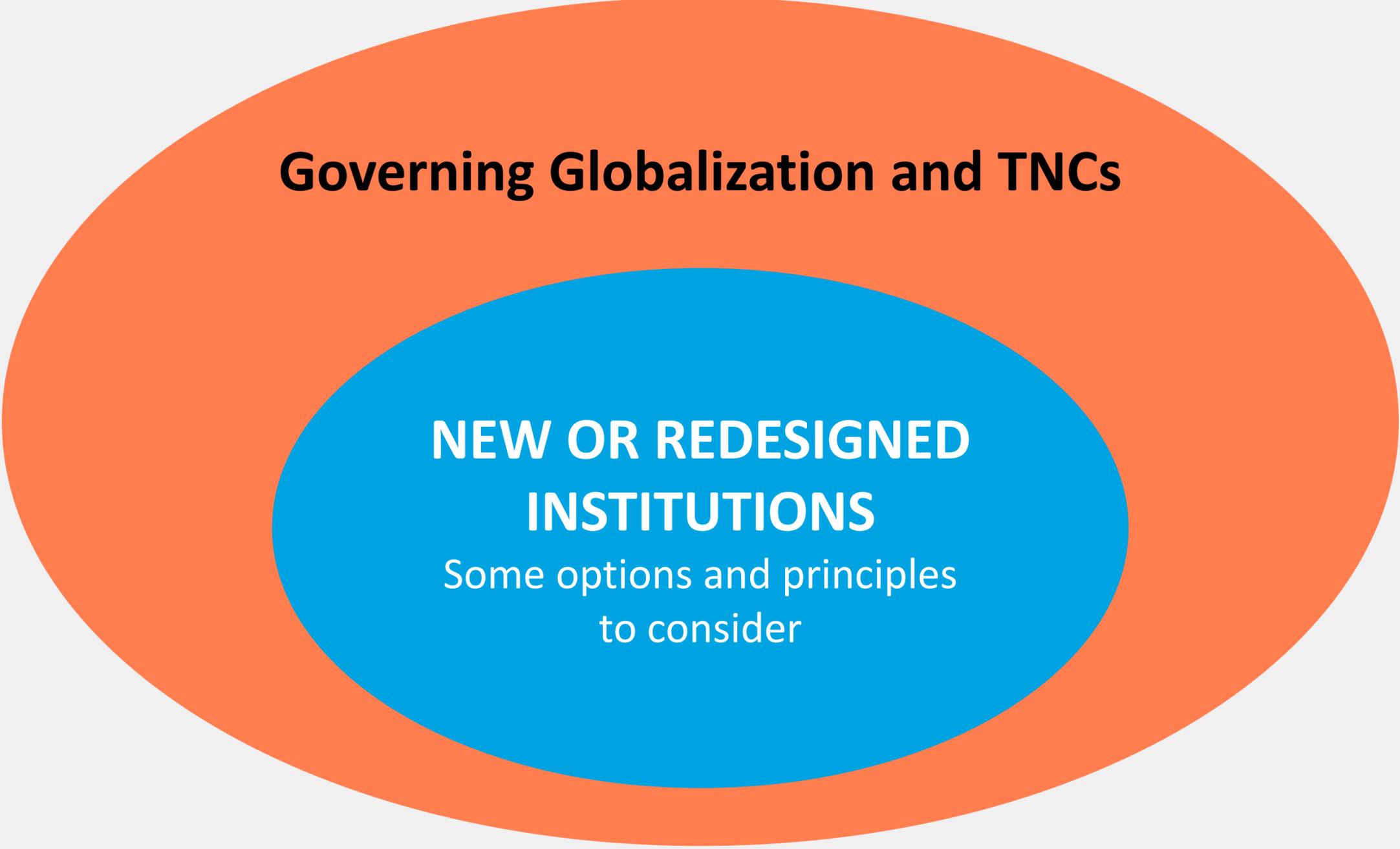
Note that state authority still uses the vocabulary from the days of ruling kings and queens

# Change in Global Governance Actors

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## POSSIBLE FIRST STEPS

- Campaign to exclude businesses and their associations from the UN system and national regulatory bodies
- Require that the most affected people have a seat at the table when decisions are made that impact their lives
- Delegitimize the concept of 'stakeholder' in governance; if 'stakeholder' is used, have a robust, external conflict of interest procedure
- Encourage civil society and other non-corporate participants to withdraw from multistakeholder groups and to decline invitations to attend World Economic Forum or other corporate sponsored events



## **Governing Globalization and TNCs**

### **NEW OR REDESIGNED INSTITUTIONS**

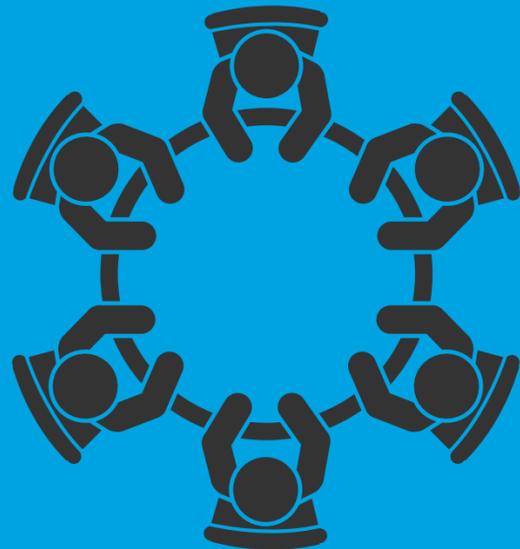
Some options and principles  
to consider

# Change in Global Governance Institutions

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One idea is conceptually simple:  
**model the international system on democratic national systems**

All UN system organizations  
report to a common center



Businesses do not have  
a formal seat at the  
table in national  
democracies



## **HISTORICAL FOOTNOTE:**

The World Federalists have been proposing a  
'World Government' for decades

## **A BIG CHALLENGE:**

Each UN system agency, the World Bank group, the IMF, and the  
WTO will join together to fight for their own 'freedom of action'

# Change in Global Governance Institutions

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## OTHER CANDIDATES

- Establish new organizations to govern under-addressed international needs (e.g. elimination of racism and slavery; north pole region)
- Create a committee of intergovernmental chairs to enhance policy and program coherence (such a committee would function as a complement to the existing committee of the heads of agencies, the Chief Executive Board, which focuses on the management of the organizations)
- Create a new body to manage complex environmental, social, health global crises that transcend any given international organization.
- Establish courts and procedures to prevent global market concentration and to enforce national court judgements against international firms

# Change in Global Governance Institutions

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## KEY CHALLENGES

- The national ministries associated with each UN agency will cry that they will lose their special place in global governance
- Foreign ministries will need to step aside to allow the office of the prime minister or president lead in a centralized general assembly

# Change in Global Governance Institutions

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## FIRST STEPS – 1

### TOWARD A RE-CONSTRUCTION OF MULTILATERALISM

- Create a UN body with obligatory authority in social, environmental, economic, and data matters as a complement to the Security Council
- Move policy making, standard setting, hard law development, and critical research back into the multilateral arena
- Bring the World Trade Organization, the Bank for International Settlements, and the other Basel regulatory bodies into the UN system
- Open the door wider for civil society organizations, social movements and other marginalized peoples to access global governance space
- Create at the International Monetary Fund a governing board of capital receiving countries as a counter-weight to the existing governing board of capital providing countries

# Change in Global Governance Institutions

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## FIRST STEPS – 2

### TOWARD A NEW GOVERNANCE FOUNDATION

- Define what institutions would be appropriate for a gender or labor-based governance system
- Define how global regulatory bodies would function (e.g. for consumer protection, worker safety, oversight of stock markets)
- Establish standing advisory bodies consisting of parliamentarians, civil society, business leaders and/or science advisors
- Exclude TNCs and their ‘friends’ from being accepted inside global decision-making institutions



## **Governing Globalization and TNCs**

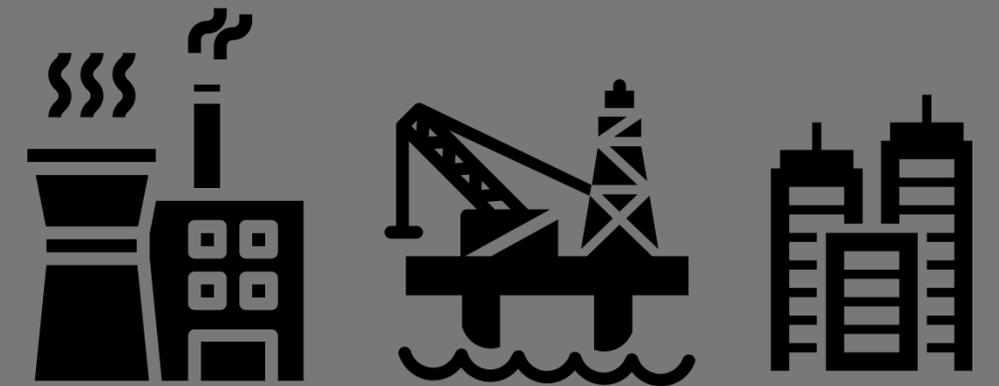
### **NEW NARRATIVE**

Some options and principles  
to consider

# New or Rephrased Narrative

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One idea is conceptually simple:  
**put ethical values over market values**



## **HISTORICAL FOOTNOTE:**

The Universal Declaration on Human Rights set ethical values over political and economic practices in 1948

## **A BIG CHALLENGE:**

The Sustainable Development Goals, most other final statements at major international conferences and the Universal Declaration on Human Rights are adopted as voluntary calls, not ones that are obligatory.

# New or Rephrased Narrative

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## OTHER CANDIDATES

- Make the Sustainable Development Goals into legally binding global public goods
- Re-enliven the World Social Forum's 'Another World is Possible' approach
- Give 'nature' legal standing in global and regional governance matters
- Give 'the next generation protection' legal standing in global and regional governance matters
- Give 'meeting the needs of the human body' primacy over trade, economic, investment, and monetary matters
- Give 'equally of access to ecological footprints' legal standing in global and regional governance matters

# New or Rephrased Narrative

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## KEY CHALLENGES

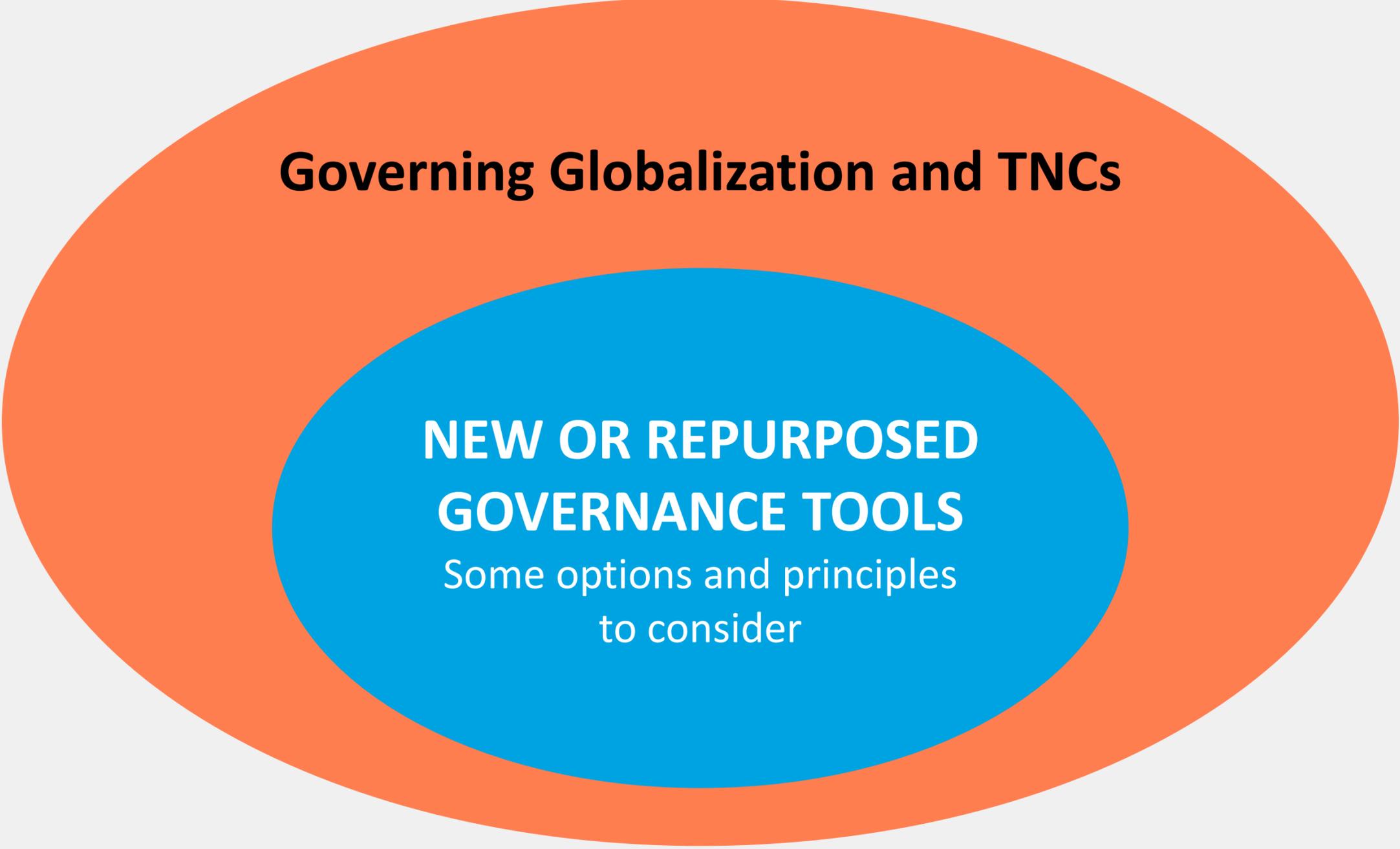
- Any ethical based global governance system requires a reconciliation between and among human needs, natural needs, and inter-generational requirements
- Equalizing access to natural resources, currently skewed by globalization, will be opposed by most developed countries, China, and Russia.
- An abrupt – or phased -- shut down of globalization would have significant undesirable economic and social implications

# New or Rephrased Narrative

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## FIRST STEPS – 1

- Develop a statement of hope that crosses geographic, gender, ethnic, and class boundaries
- Design a narrative that integrates an ethical imperative into trade, investment, monetary, debt, and data policies and programs



## **Governing Globalization and TNCs**

### **NEW OR REPURPOSED GOVERNANCE TOOLS**

Some options and principles  
to consider

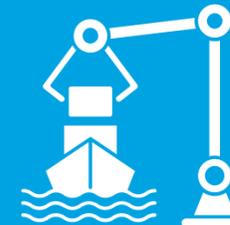
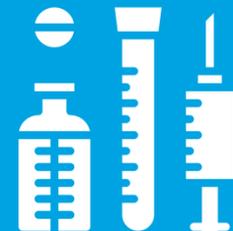
# New or Re-purposed Governance Tools

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One idea is conceptually simple:  
**expand the role of courts in global governance**



Establish a court system for  
global commercial transactions



## **HISTORICAL FOOTNOTE:**

The International Chamber of Commerce and World Bank-sponsored corporate arbitration panels hear far more cases than the International Criminal Court and the International Court of Justice combined.

## **A BIG CHALLENGE:**

The jurisdictional boundaries between countries, which are strongly defended by Governments and TNCs albeit for different reasons, make establishing a common international business court system quite challenging.

# New or Re-purposed Governance Tools

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## OTHER CANDIDATES

- Expanded hard law to cover a range of international TNC activities, making the scope similar to that of national laws and regulations
- Expanded soft law approach by adopting clear guidance statements restricting TNC activities in specific areas
- Bring back inside the public multilateral system – and expand the use of – well developed international product and process standards

# New or Re-purposed Governance Tools

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## KEY CHALLENGES

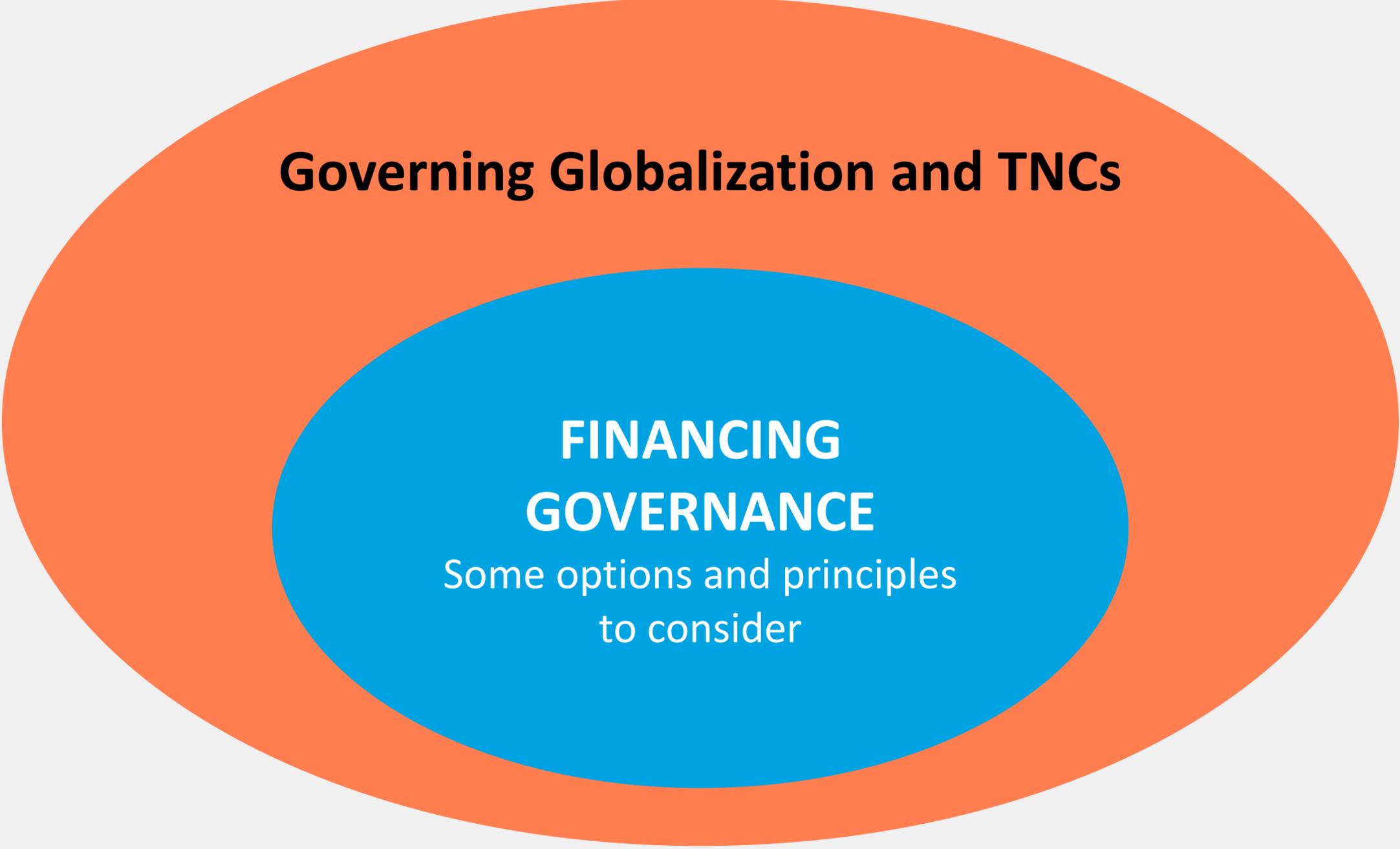
- Public debates on tools and procedures seldom generate much public interest
- Current global governance tools align well with a weak international governance system; so most governments may be resistant to change them

# New or Re-purposed Governance Tools

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## POSSIBLE FIRST STEPS

- Participate in the Human Rights Council-sponsored Binding Treaty on TNCs and Other Enterprises and Human Rights
- Define the legal responsibilities, obligations, and liabilities for all international actors
- Expand civil society-based organizing tools to constrain specific TNC activities (re plastics, employment of slave labor, gender work violence)
- Draft civil society standards and rules for the digital economy
- Beat the World Economic Forum at its own game and define annually emerging global issues that should be on the international governance agenda



## **Governing Globalization and TNCs**

### **FINANCING GOVERNANCE**

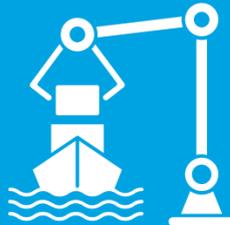
Some options and principles  
to consider

# Financing Global Governance

One idea is conceptually simple:  
**tax global transactions**



Establish a progressive tax rate  
for different types of global transactions



**HISTORICAL FOOTNOTE:**

The Tobin tax, originally proposed in 1972, was designed to reduce capital flow volatility, not to raise funds for global needs. It soon became more widely recognized as a source of funds to meet global needs.

**A BIG CHALLENGE:**

Very few payees want to pay more taxes of any kind

# Financing Global Governance

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## OTHER CANDIDATES

- Establish a global corporate asset tax to fund the multilateral system, rather than being exclusively dependent on national treasuries
- Establish a taxing system based on the amount of CO2E emitted, natural resources consumed, or pollution generated
- Create a global corporate registration system with payments used to underwrite international institutions
- Use international court-ordered payments to underwrite global institutions

# Financing Global Governance

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## KEY CHALLENGES

- Collecting taxes locally or globally requires a complex administrative system and a tribunal to enforce tax non-payments
- Major developed states, which generally welcome a weak international governance system, will oppose any global tax, as they would rather channel that tax income to their own treasuries
- Major home country governments will oppose any global tax on ‘their’ corporations

# Financing Global Governance

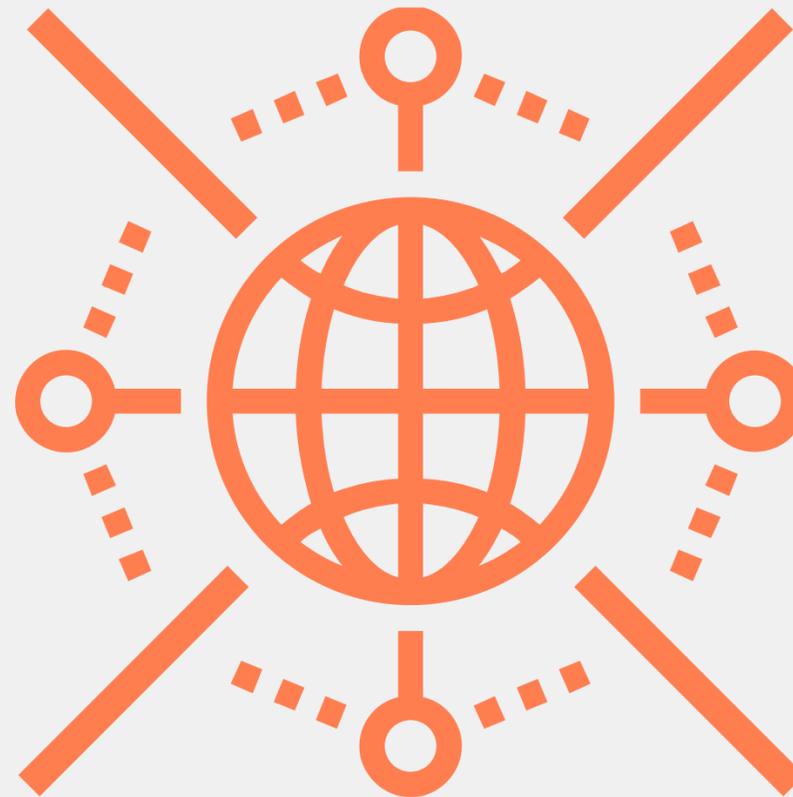
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## POSSIBLE FIRST STEPS

- Design a UN system budget that could meet all its agreed policy goals
- Structure a tax administrative machinery that could collect an internationally progressive tax
- Revise the out-of-date UN formula for assessing national 'dues' so that no country or group of countries has a dominate financial lever over a UN system body
- Create an equalitarian oversight system for any new IMF issued Special Drawing Rights
- Establish civil society review bodies for each economic regulatory committee at the Bank of International Settlements, Basel

# The governing arc can be made to move again

## Governing globalization and TNCs



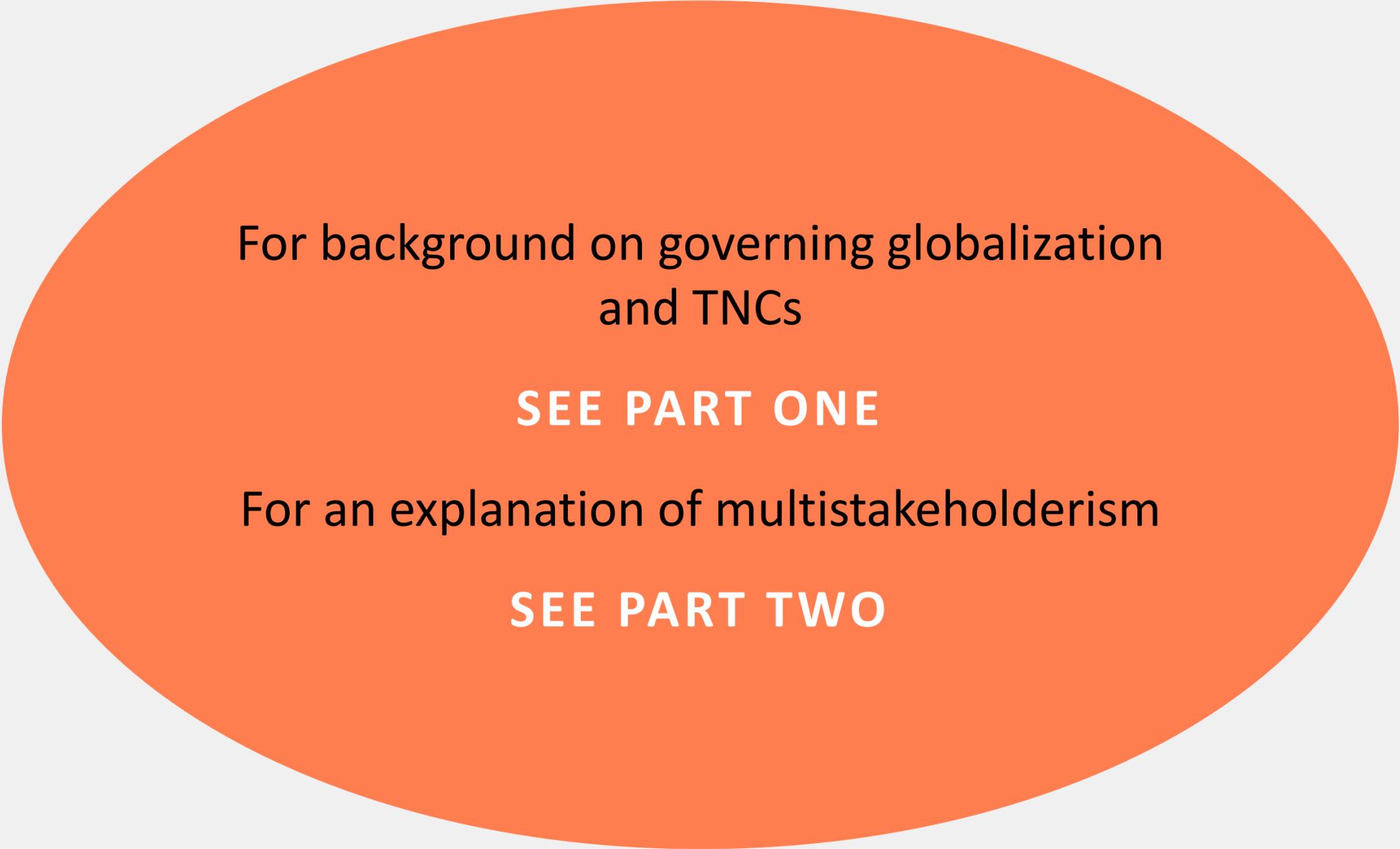
Change the global  
narrative

Change governance  
actors

Change global  
governance  
Institutions

Change the financing  
of global institutions

Change the tools  
to govern the  
international market



For background on governing globalization  
and TNCs

**SEE PART ONE**

For an explanation of multistakeholderism

**SEE PART TWO**