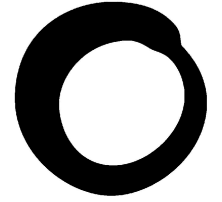


Democracy and corporations



**Friends of
the Earth**

What is wrong with corporate globalisation?

Corporations have globalised enormously in the course of a lifetime. There is much concern about the democratic deficit this has created. Corporations are now more powerful than most of the World's governments - forming 51 of the World's 100 largest economies. This has concentrated enormous economic power in boardrooms unaccountable to the wider public. Global financial flows and the growth of multi-nationals (there are now 44,000) have allowed corporations to trade off one nation against another and chilled their ability and desire to set better public-interest standards. Southern governments find this economic power overwhelming. Unaccountable institutions such as the World Bank, IMF and WTO have forced governments to restructure economies on a one-size-fits-all liberal model, to the ultimate benefit of corporations which are now richer than ever. Multi-nationals are also transporting goods further, undermining local economies and providing relatively few jobs. The top 200 multi-nationals have sales equivalent to 26% of Global GDP, but employ just 0.74% of the World's workforce.

Are corporations democratic?

Corporations are presently subject to influence by customers, suppliers and other stakeholders (e.g. unions). But their real accountability is to shareholders with an overriding duty to secure profits. Only governments are powerful enough to verify and enforce adherence to public-interest standards. Yet they are reducing their influence. Corporations have worked tirelessly on a lobbying agenda to secure rights (eg they claim human rights); to pass operational costs on to society (eg pollution costs); and to reduce social commitments (eg lobbying against environmental standards). The corporate libertarian message has gone over the heads of ordinary people to become the guiding view of the political elite.

Are corporations responsible?

Corporations are not, in practice, behaving responsibly. Balfour Beatty plans to build the Ilisu dam, despite its social and environmental costs and wants UK taxpayers money to guarantee its returns; Asia Pulp and Paper destroys primary rainforest to produce cheap paper using Barclays and NatWest investments; Premier suspiciously benefits from sudden changes to Pakistan's laws allowing it to threaten Kirthar National Park through gas exploitation; Scotts digs up "protected" peatlands in Britain for compost; Exxon lobbies against action to curb greenhouse gas emissions; Rio Tinto plans to take uranium from Jabiluka World Heritage Site; 60% of the UK's tropical timber imports are probably illegally-sourced with the trade and retailers failing to clean up their act; the list goes on and on.

These recent abuses are despite the enormous privileges given to corporations such as limited liability. Governments have failed to properly constrain corporate excess. They turn a blind eye, deny there is a problem or claim it is overstated and emphasise the positive side. In many parts of the World they benefit from corporate largesse through corruption or political funding and patronage. It is therefore no surprise that the mechanisms supposedly securing corporate social responsibility are voluntary. Initiatives such as the OECD corporate guidelines and UN Global Compact are so inadequate they have basically been ignored by citizens and communities affected by corporate excess.

Where does FOE stand?

FOE recognises there is a positive side to business - particularly small and medium sized enterprises forming part of local economies. Businesses are efficient at helping people meet their needs for material goods. Business is also here for the long term and therefore must play a part in sustainable development. But we believe the power and influence of big corporations must be balanced by citizens' rights and democratic control. In other words, FOE's agenda is about democracy, equity, rights and standards. We want to see a race to the top in terms of corporate behaviour. Some are taking the first steps in changing. But they are being undermined by

shareholders and competitors who put profits before people and the planet. Changes in the rules under which corporations operate would benefit progressive companies and support the best instincts of executives, workforces and investors.

What do we mean by accountability?

The kinds of measures FOE is looking for would include:

1. Duties on the directors of Plcs to:

- * report/disclose fully impacts of their activities, risks and breaches of standards;
- * consult with affected communities; and
- * take environmental and social impacts into account.

2. Legal rights of redress for citizens/communities adversely affected by corporate activities including in courts where corporations are listed/domiciled.

3. Personal legal liability on directors for corporate breaches of national or international laws or agreements.

4. Suitable legal sanctions for companies in breach of these provisions.

5. Environmental and community rights, of access to and control over the resources needed to enjoy a healthy and sustainable life, including rights over common property resources such as forests, fisheries and minerals for indigenous communities and community rights to: prior consultation and veto over corporate projects, against displacement, and to compensation or reparation for resources expropriated by or for corporations.

6. Minimum environmental, social, labour and human rights standards for corporate activities.

7. Extension of the jurisdiction of the International Criminal Court to try directors and corporations for environmental, social and human rights abuses.

8. Better merger and monopoly controls.

What is FOE doing?

FOE is campaigning about corporate accountability with particular cases, exposing corporate lobbying and challenging the investment sector. We are pursuing two main policy initiatives:

National Policy - The Government is set to introduce a company law bill perhaps as early as Autumn 2002. It is already showing a positive precedent with plans to make corporations accountable for corruption overseas. FOE is working with MPs and other allies to present our own company law bill.

International Policy - FOE International is calling for a convention on corporate accountability. We are seeking a commitment to starting an international negotiation on this at the World Summit on Sustainable Development (WSSD) in Johannesburg 2002.

Further information

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