PORGMUN Research Paper

Promoting Sustainable Practices in Transnational Corporations

In our age, when globalization and cooperation among states plays a huge role, transnational companies, or shortly transnationals, are a big part of the globalizing process, which they also shape. A transnational company is such a company that operates in more than just their home country. Sometimes, these companies claim they do not have a home country and they try to make decisions globally.

Even though this process may seem to have good results, it also comes with a darker side. In this committee, we'll focus on outsourcing of transnational companies to the developing and third world countries. The reason for moving operations of such companies abroad is mostly resources. There are often none, insufficient or expensive resources (including human resources) in their home countries and in order to maximize the profit they have to move somewhere else.

Outsourcing has many negative factors. Wide public is mostly oblivious to the fact that some companies operate in the host regions with practices such as sweatshops, modern slavery, child labor etc. If those companies were seen in this light, it would perhaps even lead to the boycott of its products by the public, or fines or sanctions.

While it could certainly be said that the transnational investors are beneficial in bringing money to third world countries, they import their profits back to their home country, exploit the resources of the host country, pay minimal wages to their employees, and often erode national traditions and culture or violate human rights in one way or another.

In the home country, outsourcing creates a downward pressure on wages and creates unemployment. Outsourcing companies have to face a lot of negative publicity in their home country. The only efficient measure a country can take to prevent local companies from outsourcing is lowering taxes – so that outsourcing is not as economically favorable.

Some statistics suggest the reason for outsourcing is not to avoid or lower all costs, but only a certain type of costs. Companies do not outsource managerial costs but only average worker costs.

It is estimated that by 2015, about 3,3 million workplaces will have moved offshore. They even include 'back office' jobs (accounting), and some jobs in the information technology industry.

As mentioned above, with outsourcing may come practices that do not adhere to human rights. Companies move to countries in order to cut costs, which means they have to move to countries where wages are low. Legislature and human rights protection may not be sufficient in these countries to secure fair working conditions for their citizens employed by transnationals. Statistics suggest that poor countries are more prone to political corruption and as such, it may not be in the local politicians' best interest to improve the working conditions. A commonly cited example is the fate of Ken Saro-Wiwa, the leader of a peace protest movement in Nigeria that demanded transnational oil companies to follow human rights and ecology guidelines. Saro-Wiwa was executed by Nigerian government to silence the voices that wanted to stop oil mining operations. The government interest in the mining operations is clear – the majority of money collected in oil tax is lost to corruption.

One of the questionable practices used by some transnationals is called **sweatshop**. This refers to a workplace that is considered dangerous, unhealthy, in violation of human rights, or that poses insensible demands on their workers. **Child labor** is the employment of children and it is considered illegal by many countries of the world. There are of course some exceptions that are not considered as child labor (supervised training, etc.). **Modern slavery** describes people who are forced to work, who are controlled or owned by their employer (usually through some physical and mental threat) or people who are considered employer's property. Slavery is defined by the following international conventions: The Slavery Convention (1926); International Labor Organization Forced Labor Convention; Universal Declaration of Human Rights 1948; and Supplementary Convention on the Abolition of Slavery, The Slave Trade, and Institutions and Practices Similar to Slaver (1956).

According to the International Labor Organization it is estimated that still about 20 million people (men, women and children) work as slaves, despite the fact that it is illegal in all the countries of the world. The question is: what can the United Nations do to prevent this atrocity from continuing?

One of the main cases of unacceptable transnational practices is the aforementioned Nigeria. The Shell Oil Company operates there drills oil near Niger Delta. Indigenous people living in the area, called the Ogoni people, are affected. The price they pay because of oil exploitation is really high, and not only for the Ogoni people but for Nigeria as a whole. To mention just one of the many atrocities; due to the technically primitive and dangerous drilling equipment used, gas spillage is common in the area. It often floods fields of local farmers and causes mass starvation.

The Movement for the Survival of the Ogoni People, or sometimes abbreviated as MOSOP, established in 1990, is a movement of the Ogoni community that represents their demands for economic, social and environmental justice. It is a member of UNPO (Unrepresented Nations and People Organization). MOSOP's main idea is to stick to non-violent means and their goal is environmental, socioeconomic, developmental and cultural rights of the Ogoni people; this is stated in the movement's Ogoni Bill of Rights. Main concerns of the movement is the oil-related suffering of local people and the governmental neglect.

The community believe the people of Niger Delta are not compensated sufficiently and adequately as the revenue allocation formula gives the government almost complete control over the oil revenues.

Nowadays, oil takes about 90% of Nigerian economy and accounts 80% of export earnings. These numbers suggest that the entire Nigerian economy is driven and controlled by the oil industry. The Ogoni land, Niger Delta, is source of some 90% of all Nigerian oil.

Shell's actions in Nigeria are indicative of a much larger problem worldwide. They show the behavior of transnational corporations in their approach towards third world countries.

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