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**Failure of Multinational Corporations
to Share the Responsibility for Global Security**

ABSTRACT

The stakeholder group that concerns itself with weapons of mass destruction is made up of governments, individuals, and NGOs. The business community is a non-participating stakeholder. Corporations are putting significant financing into security measures to reduce the risk of destruction of crucial resources and commercial assets. This protective route is *inward looking*, and is based on the premise that the corporation has no means of control over the external danger, and must therefore build high barriers. The *outward looking* protective activity is one in which it assesses how national and international situations could be influenced, through political routes, to minimize risk to the corporation's assets. Only the first route is being pursued.

The failure of multinational corporations, through their Boards of Directors, CEOs and senior management, to take responsibility for trying to mitigate the degree of risk they face from weapons of mass destruction, and terrorism in general, is a failure in the realm of ethics, and social and economic responsibility. For their own self-interest in security, corporations should be pressuring for specific actions by governments, and/or the international agencies of the United Nations and also influencing policy formation in the many countries where these corporations operate. Sustainability is viewed as an enhancement to competitiveness and shareholder value, and is encapsulated in the *triple-bottom-line* of sustainability: **Economic, Social and Environmental**. No corporate operation is sustainable until its risk management also assesses the potential for financial loss from weapons of mass destruction, thus creating a *quadruple-bottom-line*: **Security, Economic, Social and Environmental**. Stability is fragile in many areas of the world and so development gains (and the corporate profits that may flow from these gains) are threatened. Problems are compounded by the need for all countries to adapt to global climate change. Even in optimistic projections of the effects of climate change, major disruptions are inevitable, leading to an increased probability of resort to military action. Of many security threats, nuclear weapons will be the ultimate threat. Thus, a vital part of threat reduction is to achieve nuclear arms control. The global power base enjoyed by corporations would be an important new platform for moving forward on these issues.

In matters of peace and security, the interests of Pugwash would coincide with those of multinational corporations, and thus Pugwash could act as a catalyst to focus corporations on sharing responsibility to improve global security.

Introduction

In the past few decades, globalization of world trade has resulted in a major shift of political and economic power from governments to corporations. Powerful multinational enterprises (MNEs) are driven by the need to satisfy shareholders by delivering continuing growth, and often have economic substance that exceeds that of the GNP of a mid-sized nation. As yet, there has emerged little recognition that this power shift demands shouldering responsibility to participate in the solution of global problems, and the driver is self-interest. The stakeholder group that concerns itself with weapons of mass destruction is made up of governments, individuals, and NGOs. The business community is a non-participating stakeholder. The failure of multinational corporations, through their Boards of Directors, CEOs and senior management, to take+ responsibility for trying to mitigate the degree of risk they face from weapons of mass destruction, and terrorism, is a failure in the realm of ethics, and social and economic responsibility. This paper proposes that change should begin.

Satisfaction of the need for security for a national society, corporate entity or individual home ranks with the need to satisfy material needs such as food, water and shelter. Businesses are generally taking measures to assure security¹ and commensurate financial resources are allotted to it. This protective route is *inward looking*, and is based on the premise that the corporation has no means of control over the external danger, and must therefore build high barriers. This suggests an escalating need for resource allotment, thus detracting from potential profitability of the business. The *outward looking* protective activity is one in which it assesses how national and international situations could be influenced, through political routes, to minimize risk to the corporation's assets. Only the first route is being pursued.

Sustainability – a Global Necessity Addressed by Corporations

Most large companies have environmental management plans, and many MNEs issue annual environmental progress reports – 10 years ago most companies did not. Environmental management is now simply one element of risk management, integrated into the corporation's financial planning. Sustainability² is viewed as an enhancement to competitiveness and shareholder value, and is encapsulated in the *triple-bottom-line* of sustainability: **Economic, Social and Environmental**. A small but influential group of corporations now issue an annual sustainability report, evidence of further evolution in business management processes.

Self-interest is the motivation for the changes in corporate behaviour that have led to responsible environmental management, and the by-product has been beneficial results

¹ Lee Walczak and Richard S. Dunham, "The War on Terror – What Companies Need to Do" Business Week, August 16, 2004

² Sustainability is a continuum of actions that leads to preservation of the interests of future generations while serving the needs of the present (the term came into common usage after the 1992 "Earth Summit" Conference in Rio de Janeiro)

for society in general. Much more effort in this direction is still needed by nations, individuals and corporations, as the earth's capacity to support humankind is overstretched by about 30%, and if we continue the present rate of consumption, this would lead the world to ecological collapse. Nevertheless, enough positive activity has occurred over the past decades to illustrate that business can be persuaded to participate in solving global issues. The United Nations sponsors the annual World Economic Forum, and in 1999 Secretary General Kofi Annan observed that "The United Nations once dealt only with governments..... By now we know that peace and prosperity cannot be achieved without partners involving governments, international organizations, the business community and civil society. In today's world, we depend on each other". By 2004, Secretary General Annan's address³ to the business community attending the World Economic Forum in Switzerland drew explicit attention to security "You know, all too well, how much business confidence depends on political stability and security. I hope, therefore, that you will support the work of the High-level Panel, which I have asked to make recommendations on ways of dealing with threats and challenges to peace and security in the twenty-first century", but still only requests "support", not direct participation in problem solving in the area of political stability and security. The main UN initiative in the World Economic Forum is to urge the private sector to support its fight to alleviate poverty².

Another example of how senior business executives can be brought into global problems is the new Conference of the Reducers, sponsored by the Climate Group⁴. The Climate Group, a new, high-level global coalition of governments, corporations and NGOs committed to accelerating action on climate change, was launched in early 2004 by British Prime Minister Tony Blair. To date, 8 multinational corporations have become active participants (BP, HSBC, Swiss Re, Deutsche Bank, Norske, Shell, Scottish Power and Dupont). Major meetings have been scheduled in several cities; the next city to host a meeting is Melbourne, Australia.

³ Kofi Annan, Address to the Annual General Meeting , World Economic Forum, January 23, 2004; www.weforum.org. ".....Today, not only the global economic environment, but also the global security climate, and the very conduct of international politics, have become far less favourable to the maintenance of a stable, equitable and rule-based global order. So I come before you again, asking you to embrace an even bigger challenge -- as leaders of profit-making enterprises, to be sure, but also as global citizens with enormous interests at stake.

Economically, we see dwindling investment in those parts of the developing world where it is most needed, coupled with trade negotiations that have failed so far to eliminate the system's egregious biases against developing countries.

On the security front, international terrorism is not only a threat to peace and stability. It also has the potential to exacerbate cultural, religious and ethnic dividing lines. And the war against terrorism can sometimes aggravate those tensions, as well as raising concerns about the protection of human rights and civil liberties..... Global Compact(is a) United Nations initiative which aims to mobilise the great capacity of the private sector in our fight against poverty."

⁴ The Climate Change Group funding sources include - The Rockefeller Brothers Fund; The German Ministry for Environment, Nature Conservation and Nuclear Safety; Oak Foundation and DOEN Foundation.

The Quadrupule-Bottom-Line

The “sustainability community”, with their three-pronged bottom line, has missed the all-important element of security. Thus, as illustrated in Figure 1, a *quadrupule-bottom-line*: Security, Economic, Social and Environmental must become part of the lexicon of business.

Figure 1: Proposed Expansion of Sustainability to Quadrupule Bottom Line



Overall adoption of sound environmental practice and then the more comprehensive adoption of sustainability have taken hold. Although that required a period of about twenty years, action to mitigate global security risks must ramp up over a much shorter⁵ period. Further, voluntary action in environmental matters could eventually be followed by regulation that would require compliance to a level achieved through previous voluntary action, but this course is only viable on a national level. Therefore, enlightened self-interest must be the motivation that drives MNEs to take up their responsibility to participate in global security.

The question arises about what methodology could succeed at instituting the required behaviour change in the MNEs. Drawing again on the experience of improvement in environmental management by business, the sequence is:

- Generate awareness
- Understand and take ownership
- Make a global security risk mitigation plan (specific to the needs of the corporation)
- Implement the plan
- To support implementation, carry out sustaining action

The only part of the above sequence that could be external to the MNE is the generation of awareness – the remainder would have to be undertaken under the corporate umbrella.

In-country risk reduction strategies for MNEs

In each country where the MNE operates, it could institute an in-country strategy for risk reduction such that its presence in the country is *widely understood as positive*. Risk of violence leading to loss of assets or loss of valued employees could be minimized by:

⁵ One example - New York Times, Opinion, Campaign 2004: The Big Issues, A World of Nuclear Dangers, Sept 19, 2004 “If there is still time to dissuade Iran and North Korea from going nuclear, there isn’t much.”

- having a reputation for fairness in all dealings
- meeting health needs for employees, and their community
- helping to meet humanitarian needs in the local community
- cultivate, in their employees and their policies, an “atmosphere of recognition of injustice”, followed by action in specific cases

Such a business operation would generate respect, and because of that its safety would increase, and it could anticipate a reduced risk of being the target of terrorist activity.

Global risk reduction of interest to MNEs

A widely accepted framework⁶ for risk analysis incorporates a process stage in which risk is estimated. Generally risk estimation includes the following steps:

1. Frequency Analysis
2. Consequence Analysis
3. Risk Estimate
4. Uncertainty/Sensitivity Analysis

In the case of threat from WMD, clearly the frequency would be very difficult to estimate, but it would be very small. On the other hand, the consequence analysis would lead to a risk estimate that was too significant to be ignored. Thus, the forward-looking MNE could reasonably conclude that one way to reduce the risk would be to engage in activity that influenced the source of the risk.

Relating again to the climate change analogy, pressing for the government policies that would calm the danger (looking outward) would be akin to “mitigation”, while “adaptation” (as analogously applied to climate change) would be parallel to increasing internal security safeguards. In the risk assessment methodology recommended here, location of new facilities would automatically receive scrutiny for both *inward* and *outward* risks. If a new facility failed to be established because of security reasons, the MNE would be deliberate and pro-active in informing the local government why it had not gained this potential economic advantage.

The strength and safety of individual corporate offices/plants would be increased by gaining the respect of the local and regional community. However, pursuing enlightened self-interest on the international stage, for protection against damage to corporate assets, would require communication with policy makers concerned with international issues, e.g. weaponization of space. Billions of dollars worth of non-military commercial satellites would be at risk in the event that weapons are placed in space. The Federation of American Scientists⁷ recently convened a panel of experts who concluded that increased vulnerability would result from weaponization of space and found “...conclusively no threats that can best be countered by placing weapons in space”, and after examining all threats to space assets, made recommendations for alternative protection.

⁶ For example - Canadian Standards Association, 1991. Risk Analysis Requirements and Guidelines CAN/CSA Q634-91

⁷ Federation of American Scientists, Press Release July 22, 2004, “Space Weapons Unneeded to Protect Space Assets, Says Expert Panel” www.fas.org

There are many wars in developing countries, with resulting humanitarian crises; the small arms industry is the only beneficiary of regional strife. Multinational corporations would be better protected, in many countries, if the affected national governments considered economic value that would or would not be generated by the MNEs, depending on the national government's policies and enforcement.

Although there is a huge demand for new sources of energy, citizens of most developed countries oppose electricity generation by nuclear power. While this will either delay or abort efforts to build new nuclear power plants in these countries, it is virtually certain that many more nuclear power plants will be built in Asia, particularly in India and China, so the problem of potential access to fissile material via nuclear power plants is current and unavoidable, and therefore requires consideration by all MNEs operating in those countries.

The ultimate disaster that would affect the assets and operations of a MNE would be detonation of a nuclear weapon in a region where they do business; and even if direct damage were not sustained, the economic chaos that would result indirectly would have a huge cost. Proliferation is an issue that must concern MNEs because the more countries that become nuclear powers, the greater is the risk that a weapon will be detonated. Also, nuclear testing is highly undesirable. New, small "bunker-buster" nuclear weapons are directed at terrorists, but their effects also put civilian populations and capital goods at risk, as well as increasing the danger of terrorist retaliation by nuclear strikes.

In addition to recognizing a responsibility for utilizing the clout that accompanies the economic power of the multinational in individual countries, the MNEs could also participate in the international arena through the United Nations. The participants in the World Economic Forum (1200 corporations and 70 countries) could, as an addition to their agenda of development progress and poverty alleviation, support strengthening of the treaty system on which world security rests. Efforts must be made to ensure universality, verification, inspection and full implementation of key treaties. Some examples of key treaties that could be supported by MNEs:

- Non-Proliferation Treaty and the NPT 2005 Review
- International conventions on terrorism facilitated through the United Nations, e.g. Counter chemical and bioterrorism through a Biological and Chemical Weapons Convention.
- 1999 Convention for the Suppression of Financing of Terrorism (at least 44 signatories and 4 ratifications, so far)
- Excess fissile material under control of IAEA (International Atomic Energy Agency)
 - Genuine control of nuclear material in Russia and the former Soviet Republics and dismantling of Russian nuclear submarines
- Convention on Outer Space, expanded

Collective responsibility for the global ecosystem

A seminar on “US Climate Policy: Toward a Sensible Center”, sponsored by the Pew Center for Climate Change and The Brookings Institute⁸, in June 2004, was a means of involving senior US political and administrative officials in the need to take steps to adapt to the now-generally-accepted fact of global climate change. In the opening speech, Strobe Talbot, President of The Brookings Institute, remarked that although his expertise and experience is in issues relating to nuclear weapons, he is now of the opinion that Climate Change is a threat in the same league as nuclear weapons.

In the UK, Professor Sir David King, the Government’s Chief Scientific Adviser and Head of the Office of Science and Technology, in an interview⁹ with the Climate Change Group was clear about the importance of acting to adapt to climate change. He named these issues as the focus of his office, because “this is the biggest problem facing us globally this century. There is no bigger problem. The threat is quite simple; it’s a threat to our civilization.”

Another indication that global security is at risk as a result of climate change is the recent Pentagon¹⁰ document “An Abrupt Climate Change Scenario and its Implications for United States National Security”. Although abrupt climate change is, perhaps, improbable, it is not beyond possibility, as there is clear evidence that it has occurred earlier in the earth’s geological history. This scenario could destabilize the present, already fragile, security environment, and even war could result from the severe resource constraints that would be experienced.

Roy Woodbridge, in his new book¹¹, *The Next World War*, points out the perils of global ecological decline and the unsustainable human draw on natural systems. He calls on all societies to wage war against global ecological decline, and points out that, in spite of much discussion over the past decades, little progress has been made. He introduces *provisioning*, a concept that requires mobilizing global effort to secure access, for all, to ecological goods and services.

⁸ Pew Center for Climate Change, US Climate Policy: Toward a Sensible Centre, June 24-25, 2004; www.pewclimate.org

⁹ The Climate Group, Interview Series, June 28, 2004, www.theclimategroup.org. On its website, the climate group summarizes: “The likely impacts of climate change include large-scale species extinctions, 150 million environmental refugees by 2050, an intensification of the hydrological cycle with dramatic increases in extreme rainfall events and droughts, billions of extra people at risk of starvation and wide-spread changes in disease vectors.”

¹⁰ Peter Schwartz and Doug Randall, *An Abrupt Climate Change Scenario and its Implications for United States National Security*, October 2003

¹¹ Roy Woodbridge, *The Next World War – Tribes, Cities, Nations, and Ecological Decline*, University of Toronto Press, 2004

With the combined effect of climate change and ecological decline, world security is clearly at a dangerous juncture. Disruptions in access to resources are certain to produce an even greater measure of desperate nation states or non-state groups who will choose violence as their only means of achieving access. All entities that exercise global influence and power must utilize means at their command to address this; and this includes multinational corporations, who must recognize their responsibility to act to turn around this potentially disastrous scenario. In this situation, weapons of mass destruction are a problem of alarming proportions. This is particularly true of nuclear weapons, as a significant nuclear conflict would make the earth uninhabitable. While nuclear weapons are probably the last thing under discussion in the boardrooms of the world, and it may seem a difficult task to raise awareness to the degree of danger that exists, nuclear arms control is without doubt an overarching global priority.

Therefore, this paper recommends a campaign, focused on corporations, to produce *awareness* of what has been termed as “The Second Nuclear Age”.

Raise awareness – a potential role for Pugwash

Pugwash, through its individual members, and as an organization, is able to be a catalyst to inform individual corporations, and others, that there is a need for MNEs to take responsibility to implement a *Quadrupule-Bottom-Line* (see Figure 1). Pugwash could encourage establishment of individual corporate task forces to study the complex global situation, in the context of their own businesses. In other words, they could establish a “Security Department” and pursue existing or customized corporate risk management practices. Senior corporate levels would develop their own action plan, and this is an internal activity, not a role that could be fulfilled by Pugwash.

A possible approach that would initiate this admittedly difficult task, would be to use mainly personal contacts and networking, and also to contact MNEs that have already made a commitment to sustainability. One would start with senior personnel in corporations that have headquarters in the country of any of the Pugwash national groups. Government departments may supply contacts and take an interest. This would be the pilot project (for national groups, or international Pugwash). A discussion some Canadian Pugwash members had with officials from the Strategic Trade Policy Division of Foreign Affairs Canada, informed us that MNEs have not been involved in global security issues, but have been involved in trade, labour and human rights, and environmental protection, and rarely, but occasionally, involved in conflict mitigation where there were threats to their interests.

Clearly, the MNEs that have mainly military clients, and their suppliers, are inappropriate targets for an awareness campaign, so a choice should be made from the many other powerful corporate multinationals. Although it would not be likely that all, or even most, contacts would result in action, awareness would still be raised. The indication of success with the pilot project stage of raising awareness, is that taking responsibility for security would have champions in the corporate world. Thus Pugwash would have new allies for its efforts to improve world peace and security.