

Corporate Foreign Policy and Social Responsibility



American Security Project

Issue Brief

—
Matthew Wallin

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The Honorable Donald Beyer

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Lee Cullum, at one time a commentator on the PBS NewsHour and "All Things Considered" on NPR, currently contributes to the Dallas Morning News and hosts "CEO."



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Nicholas Clark is the former CEO and Executive Director of Alexium International. He is also co-founder and Managing Partner at Viaticus Capital.



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Admiral Fallon has led U.S. and Allied forces and played a leadership role in military and diplomatic matters at the highest levels of the U.S. government.



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The Honorable Chuck Hagel

Chuck Hagel served as the 24th U.S. Secretary of Defense and served two terms in the United States Senate (1997-2009). Hagel was a senior member of the Senate Foreign Relations; Banking, Housing and Urban Affairs; and Intelligence Committees.



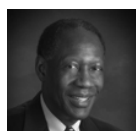
Lieutenant General Claudia Kennedy, USA (Ret.)

Lieutenant General Kennedy was the first woman to achieve the rank of three-star general in the United States Army.



The Honorable John F. Kerry

John Kerry is a distinguished fellow for global affairs at Yale University. In 2013, Kerry was sworn in as the 68th secretary of state of the United States. Kerry served for more than twenty-five years as a U.S. senator from Massachusetts.



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General Lyles retired from the United States Air Force after a distinguished 35 year career. He is presently Chairman of USAA, a member of the Defense Science Board, and a member of the President's Intelligence Advisory Board.



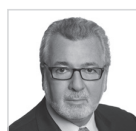
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Introduction

Corporations around the world have long exercised their own brand of foreign policy. Recent months have seen several high-profile moves by prominent companies to reconcile their corporate reputations with their investment decisions. The risk of public backlash and subsequent lost profits has driven some companies to take stances on political issues. While some of these actions have been taken in response to domestic political debates, the manner in which information spreads in the modern era has prompted some organizations to take a more global and proactive approach.

To better understand these decisions, it is useful to contextualize these policy decisions. Today's increasingly global economy demands that corporations operate across borders and develop policies to deal with the demands of governments, foreign public opinion, and territorial disputes. These corporate foreign policies are derived from operational necessity, financial motives, brand reputation, and corporate social responsibility.

This issue brief documents several recent case studies of international corporate foreign policy decisions that can largely be seen as acts of corporate social responsibility. For historical comparison, this brief includes the South African Apartheid Divestment Campaign.

Press Freedom

Saudi Arabia and the Jamal Khashoggi Murder – 2018

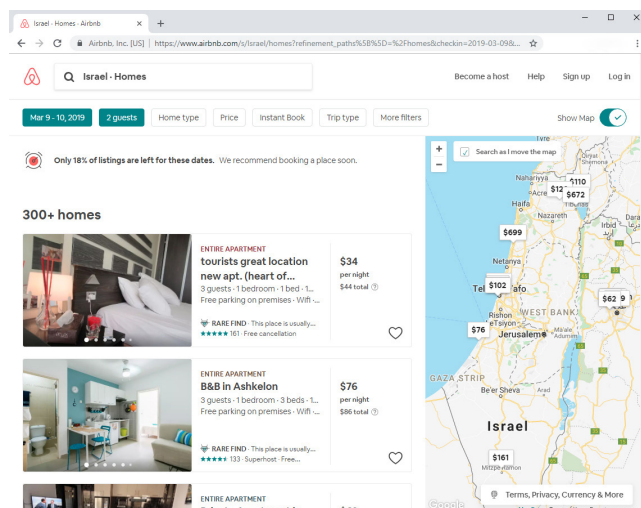
- After the murder of Washington Post journalist Jamal Khashoggi, dozens of companies and prominent individuals withdrew from the planned Saudi-hosted Future Investment Initiative (FII) conference.¹ This conference had been colloquially dubbed “Davos in the Desert.”
- Sir Richard Branson withdrew his directorships of two Saudi tourism projects, and suspended talks over Saudi partnerships with Virgin Galactic and Virgin Orbit.² The Saudis had proposed a \$1 billion investment in the Branson-led companies.³
- Several media organizations, including CNN and the New York Times, withdrew their participation.⁴ Fox Business canceled its sponsorship and participation in the conference, and pressed for an interview with Saudi Crown Prince Mohammad bin Salman.⁵
- Uber CEO Dara Khosrowshahi withdrew from the conference.⁶ Yasir Al Rumayyan is a member of Uber's board of directors and managing director of Saudi Arabia's Public Investment Fund,⁷ which has invested \$3.5 billion in the company.⁸ Arianna Huffington, also a member of Uber's board, withdrew from both the conference and the FII advisory board.⁹
- Despite these corporate protests, the FII Conference still saw more than \$50 billion in deals signed.¹⁰

- Several DC lobbying groups, including Glover Park Group, BGR Group, and the Harbour Group, ended their contracts with Saudia Arabia.¹¹
- It is unclear if the actions taken by companies and executives in response to the Khashoggi Murder will result in any significant policy changes in Saudi Arabia. It is also unclear whether these actions represent a permanent policy change by the companies or there will be opportunities to renew ties and investments. Saudi Arabia's economic diversification plan, Vision 2030, remains a tempting opportunity for many corporations outside of the oil industry.

Disputed Territories

Israeli West Bank Settlements – 2018

- In November of 2018, Airbnb announced it would remove the rental listings of Israeli settlements in the occupied West Bank. This affected 200 total listings but did not restrict other listings from the remainder of Israel itself, East Jerusalem, or the Golan Heights. The removals account for roughly 1% of Airbnb's total Israeli listings.¹²
- According to Airbnb, the West Bank delisting is part of a new global policy regarding disputed territories. This “framework” includes implementing (1) a “case-by-case approach;” (2) consultations with experts and stakeholders; (3) an assessment of safety risks for hosts and guests; (4) an analysis of whether the listings are contributing to human suffering; and (5) a determination of whether the listings are connected to the dispute.¹³
- There are several other occupied or disputed territories around the world which will require reassessment under Airbnb's new policy. Airbnb has stated it is using its framework to analyze the situation in Western Sahara.¹⁴ Listings in Crimea were previously removed.¹⁵ However, the Israeli settlements present a unique case since the homes themselves are a negotiating point in the conflict, and Airbnb's core business is based on the rental of homes.
- The delisting appears to be a limited move by Airbnb to specifically distance itself from the ethical and legal questions posed by Israeli settlements in the West Bank outside the pre-1967 borders. It is by definition not a divestment campaign as Airbnb continues to list rentals throughout Israel. Airbnb has stated that it has never supported boycotting Israel or Israeli companies.¹⁶
- It is unlikely this limited move will make a significant impact on the course of Israeli-Palestinian peace. There are over 400,000 Israeli settlers in the West Bank,¹⁷ compared to the 200 homes immediately affected by the Airbnb decision.
- Implementation of Israeli government calls to punish Airbnb¹⁸ would likely be harmful to its public diplomacy strategy of “hasbara,” or “explaining.” Airbnb is a tool for increasing tourism and travel to Israel, and restricting this tool could have negative impacts on Israel's ability to attract and retain sympathetic audiences.



Airbnb listings available in Israel for a weekend in March 2019.

Labor Safety

Bangladeshi Garment Factories – 2012/13

- Two mass-casualty garment factory disasters in 2012 and 2013 raised public ire about garment worker safety in Bangladesh.
- In 2012, Disney made efforts to distance itself from a deadly fire in a Bangladesh garment factory in which Disney branded merchandise was found. Disney claimed its licensed products were not produced at that particular factory but were temporarily stored at that location.¹⁹
- In 2013, Disney withdrew completely from Bangladesh following a factory collapse²⁰ that killed over 1100 workers.²¹ It also ended production in Belarus, Ecuador, Pakistan, and Venezuela.²² Disney now maintains a public list of all of its suppliers.²³
- Some labor rights groups were displeased with the Disney decision, arguing that the company should have exercised more proactive care for workers and enforced higher standards, rather than leaving the country.²⁴
- With only a small percentage of its investments in Bangladesh, Disney may have faced more financial and PR risk by attempting to institute reforms in the country. A highly visible, but potentially unsuccessful push in a country in which Disney had little investment may have done more harm than good for the company. Disney's withdrawal on its own does not appear to have motivated significant reform in Bangladesh, but it does not appear to have been intended or capable of such action.
- Many other companies producing textiles in Bangladesh chose to remain in the country, including Wal-Mart, H&M, Gap, Sears, and J.C. Penny. However, some these companies declared they would require safety improvements.²⁵ Two safety agreements were formed with garment companies: the Alliance for Bangladesh Worker Safety, and the Accord on Fire and Building Safety in Bangladesh.²⁶ These agreements have helped make significant progress on worker safety in Bangladesh particularly in Accord-monitored factories,²⁷ but there is still much to be done.²⁸
- The "Accord" expired after 5 years and was replaced by the "Transition Accord" in 2018.²⁹ The future of the legally binding "Accord" and its international inspection regime is currently in doubt as the Bangladeshi Government planned to replace the Accord with its own monitoring system. The Bangladeshi system is not yet regarded to be effective, and a court case is due to decide the Accord's future on December 6, 2018.³⁰

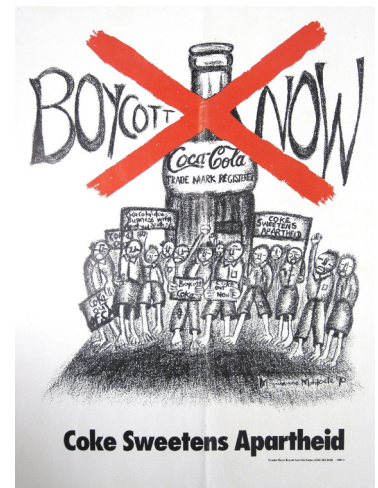


The 2013 Rana Plaza garment factory collapse in Bangladesh killed over 1,100 people. Photo credit: Jaber Al Nahian / Flickr / Wikimedia Commons

Human Rights

South Africa Divestment Campaign – 1970s-80s

- The South Africa divestment campaign is considered to be one of the few examples of a successful divestment movement. Created in opposition to the apartheid policy, it had unique widespread support and made a concerted effort to publicly pressure and shame corporations with a major presence in South Africa into changing their policies. It spanned multiple countries.
- In 1986, General Motors sold its assets in South Africa. GM had long been a proponent of using its influence in South Africa to encourage social change, and originally strongly opposed the divestment campaign. It acknowledged the imposition of sanctions, a difficult economic environment, and the lack of progress on apartheid as its primary reasons for leaving.³¹
- In 1986, under pressure from the divestment campaign, Coca-Cola decided to sell its holdings in South Africa, stating “Our decision to complete the process of disinvestment is a statement of our opposition to apartheid and of our support for the economic aspirations of black South Africans.”³² It made specific efforts to sell its holdings to black Africans.
- Also in 1986, public pressure against Barclays Bank in Great Britain resulted in the company selling its holdings in South Africa. However, Barclays stated its primary reasons for withdrawal were commercial, but that political pressure had become “irresistible.”³³
- The divestment campaign against South Africa demonstrated that in order to be effective, the economic impact of divestment against both corporations and the target country must be significant. Public pressure must have a sizable impact on the company outside of the target country, and the company’s withdrawal from a country must have a sizable or cumulative economic impact as well.
- None of the previous examples in this issue brief share the same scale of impact, public support, or outright goal of affecting a policy change as the South Africa Divestment campaign. The other cases presented are aimed more at creating distance from potential ethical issues than forcing governments to change their policies.



A 1985 divestment campaign ad against Coca Cola.
Image credit: Ken Lawrence collection, 1940-2010, HCLA 6312, Special Collections Library, University Libraries, Pennsylvania State University.

Conclusion

A 2016 Harvard Business Review article highlighted the need for companies to develop their own foreign policy, stating: “The reality in the 21st century is that companies cannot escape politics, nor can they consistently pretend to be politically neutral.”³⁴ Indeed, many of the socio-political issues businesses intersect with require corporations to take a stance. Additionally, corporations attempting to expand into large markets with restrictive political systems must make choices when attempting to do business in these areas.

With the spread of social media, companies are perhaps more conscious than ever of the need to practice corporate social responsibility. Customer and public dissatisfaction can spread rapidly, and corporations must actively and routinely cultivate their brands in a world of differing culture, political systems, and preferences. Thus, practicing a conscientious foreign policy is now a necessity, rather than a luxury.

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The American Security Project (ASP) is a nonpartisan organization created to educate the American public and the world about the changing nature of national security in the 21st Century.

Gone are the days when a nation's security could be measured by bombers and battleships. Security in this new era requires harnessing all of America's strengths: the force of our diplomacy; the might of our military; the vigor and competitiveness of our economy; and the power of our ideals.

We believe that America must lead in the pursuit of our common goals and shared security. We must confront international challenges with our partners and with all the tools at our disposal and address emerging problems before they become security crises. And to do this we must forge a bipartisan consensus here at home.

ASP brings together prominent American business leaders, former members of Congress, retired military flag officers, and prominent former government officials. ASP conducts research on a broad range of issues and engages and empowers the American public by taking its findings directly to them via events, traditional & new media, meetings, and publications.

We live in a time when the threats to our security are as complex and diverse as terrorism, nuclear proliferation, climate change, energy challenges, and our economic wellbeing. Partisan bickering and age old solutions simply won't solve our problems. America – and the world - needs an honest dialogue about security that is as robust as it is realistic.

ASP exists to promote that dialogue, to forge that consensus, and to spur constructive action so that America meets the challenges to its security while seizing the opportunities that abound.



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