

THE ETHICAL BACKGROUND OF THE SUSTAINABLE ECONOMIC DEVELOPMENT AND THE ROLE OF THE MULTINATIONAL CORPORATIONS

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INTRODUCTION

We are beginning to understand the detrimental effect of our actions on the natural environment. However, we are less aware of the harmful effect of those actions on each other. Through failing to understand the relationships among individuals, cultures, and environments, we are in the midst of both environmental and social crises. In today's world, development is exploiting the world's natural resource reserves at alarming rates.¹

Now more than ever it is time for us as academics, business managers, and members of society to develop philosophies that integrate the environment, society, government, and business organizations.²

Businesses today are experiencing profound pressures from owners, employees, customers, suppliers, non-governmental organizations (NGOs), communities and governments to manage responsibly as well as profitably. Institutional efforts like developing principles and standards and ranking businesses in terms of their social performances are raising public expectations about corporate social responsibility (CSR). To respond to these pressures, many multinational corporations (MNCs) are developing CSR initiatives.³

International business is a complex endeavor with many interacting variables from the different social, cultural, educational, economic and legal systems within the host and home countries. With so many variables in flux in transitional economic environments, MNCs should act ethically to build their long-term reputations.⁴

¹ Andrew H. T. FERGUS, and Julie I. A. ROWNEY, "Sustainable Development: Lost Meaning and Opportunity?", *Journal of Business Ethics*, 2005, 60: 17-27.

² FERGUS, and ROWNEY, 2005, 60: 17-27.

³ Sandra A. WADDOCK, Charles BODWELL, and Samuel B. GRAVES, "Responsibility: The New Business Imperative", *Academy of Management Executive*, 2002, Vol. 16, No. 2, 132-148.

⁴ William P. CORDEIRO, "Should Business Ethics Be Different in Transitional Economies?", *Journal of Business Ethics*, 2003, 47: 327-334.

DEFINITIONS OF THE MAJOR CONCEPTS

We are going to define some of the terms here briefly such as sustainable development, corporate social responsibility, multinational corporations, ethics etc.

Historically, *development* has been understood in terms of industrialization and macroeconomic growth. However, over the last couple of decades the understanding of development has broadened significantly and is increasingly being conceptualized as "human development." Under this understanding, development includes social, cultural and even political components.⁵

Sustainable development (SD) can be defined as a development that meets the needs of current generations without compromising the ability of future generations to meet their needs and aspirations.⁶ In other words, SD is the integration of economic development with environmental protection and social equity.⁷

As a society, our goals should be looking at development that sustains values reflecting progress in our relationships with one another as human beings, our place in the natural environment, and consequently developments in what it means to be human.⁸ Therefore, we need new economic models, new measures of performance as well as measurement techniques in order to facilitate SD.⁹

Multinational corporations (MNCs) are prime drivers of the trend of globalization. Most modern economies operate under conditions of imperfect competition where MNCs gain above-normal profits, i.e., market rent, from market imperfections. Therefore, MNCs should be held accountable for a more equitable distribution of these profits with other groups, e.g., customers, employees, etc., who were deprived of their market-based gains because of market imperfections and corporate power.¹⁰

⁵ Pablo IDAHOSA, "Business Ethics and Development in Conflict (Zones): The Case of Talisman Oil", *Journal of Business Ethics*, 2002, 39: 227-246.

⁶ Reinhard STEURER; Markus E. LANGER; Astrid KONRAD, and Andre MARTINUZZI, "Corporations, Stakeholders and Sustainable Development I: A Theoretical Exploration of Business-Society Relations", *Journal of Business Ethics*, 2005, 61: 263-281.

⁷ Dinah M. PAYNE, and Cecily A. RAIBORN, "Sustainable Development: Ethics Support the Economics", *Journal of Business Ethics*, 2001, 32: 157-168.

⁸ FERGUS, and ROWNEY, 2005, 60: 17-27.

⁹ J. ELKINGTON, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, Oxford: Capstone Publishing, 1997.

¹⁰ Prakash S. SETHI, "Globalization and the Good Corporation: A Need for Proactive Co-existence", *Journal of Business Ethics*, 2003, 43, 21-31.

Business ethics is the moral thinking and analysis by corporate decision makers and other members, regarding the motives and consequences of their decisions and actions.¹¹ In a world of economic turbulence the role of business ethics to provide guidance to corporate decision makers is very important.¹² Therefore, MNCs should develop both global corporate codes of conduct and subscribe to global codes that have been developed by independent international bodies.¹³

Corporate social responsibility (CSR) is defined as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.¹⁴ It has been considered one of the initiatives that are possible remedy for the ills of globalization that hinder the realization of SD—that is, inequities in wealth, environmental degradation, and unfair labor practices that are endemic of globalization.¹⁵

Social responsibilities of corporations can be classified as economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility.¹⁶ In CSR there is a tension of balancing different economic, legal, ethical and social responsibilities towards a range of stakeholders each bringing different values and expectations to their relationships with the corporation in question.¹⁷

SUSTAINABLE ECONOMIC DEVELOPMENT AND THE ROLE OF MNCs

The relationship between CSR and development has recently become the focus of scholars concerned with the relationship between business and society. However, the polemical nature that the debate on the CSR-development

¹¹ Sita C. AMBA-RAOU, "Multinational Corporate Social Responsibility, Ethics, Interactions and Third World Governments: An Agenda for the 1990s", *Journal of Business Ethics*, 1993, 12: 553-572.

¹² Jean BARCLAY, and Kenneth SMITH, "Business Ethics and the Transitional Economy: A Tale of Two Modernities", *Journal of Business Ethics*, 2003, 47: 315-325.

¹³ Archie B. CARROLL, "Managing ethically with global stakeholders: A present and future challenge", *Academy of Management Executive*, 2004, Vol. 18, No. 2, pp.114-120.

¹⁴ Isabel GALLEGO, "The Use of Economic, Social and Environmental Indicators as a Measure of Sustainable Development in Spain", *Corporate Social Responsibility and Environmental Management*, 2006, 13, 78-97.

¹⁵ SETHI, 2003, 43, 21-31.

¹⁶ CARROLL, 2004, Vol. 18, No. 2, pp.114-120.

¹⁷ Jeremy MOON, "The Contribution of Corporate Social Responsibility to Sustainable Development", *Sustainable Development*, 2007, 15: 296-306.

relationship has often taken has constrained the effective conceptualization of the CSR-development nexus and the advancement of the emerging critical perspective.¹⁸

Sustainable Economic Development

The term SD has been used in many different contexts and consequently has come to represent many different ideas.¹⁹ SD mainly has three dimensions; economic sustainability, social sustainability, and environmental sustainability.²⁰

Measuring the development level of the countries in terms of per capita GDP is incomplete. Social, environmental, and political developments must also be considered thoroughly.²¹

Why should SD be viewed as an ethical responsibility of businesses? To what extent should businesses attempt to engage in SD activities? Today most MNCs include some aspects of SD in their operations, usually relating to environmental and social concerns. However, they do not consistently implement SD in a holistic manner.²²

In terms of economic sustainability MNCs should exhibit sufficient cash-flow and persistent return to shareholders, maintain or improve future competitiveness and company performance, and maximize positive impact of corporation on particular stakeholder groups; and minimize negative impact.²³

MNCs should contribute to the social well-being of the society and individuals. They should strive towards a more equal distribution of wealth within a corporation, and between countries, improve social conditions within a corporation, and outside a corporation.²⁴ For development to exist it is necessary that all the sectors of society benefit from it, including those traditionally excluded (women, children, youth, elderly, handicapped, etc.).

¹⁸ Uwafiokun IDEMUDIA, "Conceptualising the CSR and Development Debate", *JCC*, 2008, 29: 91-110.

¹⁹ FERGUS, and ROWNEY, 2005, 60: 17-27.

²⁰ A. KONRAD, R. STEURER, M. E. LANGER, and A. MARTINUZZI, "Empirical Findings on Business-Society Relations in Europe", *Journal of Business Ethics*, 2006, 63: 89-105.

²¹ J. Felix LOZANO, and Alejandra BONI, "The Impact of the Multinational in the Development: An Ethical Challenge", *Journal of Business Ethics*, 2002, 39: 169-178.

²² FERGUS, and ROWNEY, 2005, 60: 17-27.

²³ KONRAD, STEURER, LANGER, and MARTINUZZI, 2006, 63: 89-105.

²⁴ KONRAD, STEURER, LANGER, and MARTINUZZI, 2006, 63: 89-105.

Therefore, the defense of the civil, human, political and economic, social and cultural rights is necessary requirements for a development process.²⁵

MNCs should maintain natural capital to a certain degree. They should use non-renewable and renewable energy resources responsibly, avoid emissions into water, air, soil and neighborhoods, and avoid environmental damages and risks to a certain degree.²⁶

Genuine progress towards SD will require willingness on the part of business to be held accountable for its performance across the spectrum of ethical concerns of stakeholders: economic, ecological and social. The social audit methodology provides some useful tools for exploring the meaning of the social dimension of SD in its own right as well as providing a stakeholder-inclusive model for exploring the meaning of the wider SD agenda.²⁷

SD is now part of the parlance of politicians of both developed and developing countries. Many governments are enacting legislation aimed at protecting the environment. However, the developing countries and the former Eastern block countries are lagging behind in this process. The end of the cold war has elevated environmental issues to the highest level of concern for humanity while creating a world order dominated by the United States and other Western nations. In this new power structure, these nations have a compelling moral responsibility to help stamp out environmental irresponsibility worldwide. By using their power and influence in international affairs, they should build consensus to strengthen international environmental law.²⁸

The Role of the MNCs on Sustainable Economic Development of Transitional Countries

"Transitional" refers to the movement from socialist centrally controlled economic systems to more capitalist decentralized economic systems. All economies and businesses operate within a cultural system, and a key feature of cultural systems is the political/legal structure that governs daily life.²⁹

²⁵ LOZANO, and BONI, 2002, 39: 169-178.

²⁶ KONRAD, STEURER, LANGER, and MARTINUZZI, 2006, 63: 89-105.

²⁷ Maria SILLANPAA, "A New Deal for Sustainable Development in Business: Taking the Social Dimension Seriously", *GMI* 23, Autumn 1998, 93-115.

²⁸ Jang B. SINGH, and Emily F. CARASCO, "Business Ethics, Economic Development and Protection of the Environment in the New World Order", *Journal of Business Ethics*, 1996, 15: 297-307.

²⁹ CORDEIRO, 2003, 47: 327-334.

After the cold war, western MNCs have expanded opportunities to do business in previously inaccessible locations. However, MNCs should operate on the basic premise that conduct unacceptable in their home country is unacceptable in their host countries.³⁰ In other words, they should assume themselves as corporate citizens. In that sense, they must belong to a socio-political entity (society) and behave accordingly.³¹

MNCs have introduced into the global economy technologies, trade, and investments that bring the world closer together, both economically and culturally. MNCs are thought to make a positive contribution to the development of underdeveloped countries through their investments, products, and services. More specifically, MNCs contribute to the development of less-developed countries by providing access to technological and management expertise, investment and employment, and training for all levels of the employment hierarchy.³²

MNCs have continued their increase during the last decades and their rate of growth has accelerated in the last years especially due to the globalization of the economy that has favored mergers and acquisitions. What these companies do and how they do, determine not only the economic development of countries, but also their social and cultural development. This enormous power implies responsibility and new challenges.³³ In other words, the accelerated growth in the number of MNCs and their worldwide scope, with concentration of economic and political power draws attention to corporate social responsibility.³⁴

ETHICAL BACKGROUND OF SUSTAINABLE ECONOMIC DEVELOPMENT

It is necessary to balance the economic development with social and environmental developments to reach SD. For this reason, MNCs should assume responsibility of their actions in all over the world and pay great attention to the ethical side of the economic development. To do this, MNCs can use instruments like business ethics, CSR, corporate social accountability, corporate citizenship, and social auditing.

³⁰ SINGH, and CARASCO, 1996, 15: 297-307.

³¹ Juan Jose PALACIOS, "Corporate Citizenship and Social Responsibility in a Globalized World", *Citizenship Studies*, December 2004, Vol. 8, No. 4, 383-402.

³² SETHI, 2003, 43, 21-31.

³³ LOZANO, and BONI, 2002, 39: 169-178.

³⁴ AMBA-RAOU, 1993, 12: 553-572.

Ethical Background of Sustainable Economic Development

SD has a dominant ethical background.³⁵ In other words, it is widely accepted that private corporations should not only earn reasonable profits and provide fair returns to shareholders, but also operate as good corporate citizens and socially responsible organizations.³⁶ Thus, the ethical issue in SD is the basic issue of life versus death; if business and all other publics do not begin practicing the tenets of SD, life as it currently exists will be extinct. Without SD, neither businesses nor the societies in which they exist will have a longrun future. Engaging in SD MNCs will be able to enhance their reputations and obtain strategic competitive advantages.³⁷

MNCs can use CSR initiatives to contribute to SD.³⁸ Many MNCs are creating voluntary environmental programs to manage more effectively the environmental impacts of their plants, facilities, and operations. These initiatives are especially important in developing countries with hazardous environmental conditions, social conditions, and non-existent or poorly implemented regulatory protection.³⁹

Business world has ample scope and opportunity to raise the corporate norms of socially responsible conduct by voluntarily adhering to certain standards of corporate accountability.⁴⁰ In the last few years, on a both national and an international level, there has been an increase in the need for companies to report on corporate social responsibility.⁴¹

Ethical codes or codes of conduct may also be used to guide the activities of MNCs in terms of social responsibility and accountability.⁴² MNCs can use corporate citizenship or other related initiatives to manage ethical, economical, social and environmental responsibilities effectively.⁴³

³⁵ FERGUS, and ROWNEY, 2005, 60: 17-27.

³⁶ Dennis A. RONDINELLI, "Globalization of Sustainable Development: Principles and Practices in Transnational Corporations", *The Multinational Business Review*, Vol. 15, No. 1, Special Issue, 1-24.; AMBA-RAOU, 1993, 12: 553-572.

³⁷ PAYNE, and RAIBORN, 2001, 32: 157-168.; SETHI, 2003, 43, 21-31.

³⁸ MOON, 2007, 15: 296-306.

³⁹ RONDINELLI, Vol. 15, No. 1, Special Issue, 1-24.

⁴⁰ SETHI, 2003, 43, 21-31.

⁴¹ GALLEGO, 2006, 13, 78-97.

⁴² SINGH, and CARASCO, 1996, 15: 297-307.; BARCLAY, and SMITH, 2003, 47: 315-325.

⁴³ Ralph HAMANN, "Can business make decisive contributions to development? Towards a research agenda on corporate citizenship and beyond", *Development Southern Africa*, 2006, Vol. 23, No. 2, 175-195.

In recent years, MNCs, especially in the oil and mining sectors, have been speaking the language of development. In large part, the reason for this has been greater public vigilance of their activities resulting from global communications and an increasingly interconnected network of international civil society organizations and local communities. Such increased vigilance and cooperation by civil society groups has not only increased the prospects of firms being discovered if they operate in inappropriate ways, but has also increased the costs of engaging in such behavior. As a result most MNCs have been adopting business ethics, corporate citizenship, CSR programs, etc.⁴⁴

Negative Effects of the MNCs

MNCs are often more powerful than the states in which they conduct business. Recent data shows that of the 100 largest “economies” in the world, only 47 of them are nation states. The other 53 are MNCs. Exxon Mobil Corporation, for example, has annual revenues that exceed the GDP of all but 20 of the world’s 220 nations.⁴⁵ United Brands has higher net sales than the GNP of Panama or Costa Rica; Del Monte is higher in sales than Honduras is in GNP and Quaker Oats is higher than Paraguay.⁴⁶

As corporations operate in an increasingly interconnected world, they gain immense power and influence such that it is easy for them to exploit developing countries to increase their competitive advantage through low cost production, low cost procurement, etc. At the same time, developing countries lower their labor standards, environmental regulations, and human rights protections to entice MNCs’ business and money away from nations with stricter standards. While this brings prosperity to developing countries in the short term, it implicates the larger issue of whether development based on this concurrent exploitation by MNCs and race-to-the-bottom by developing nations is sustainable.⁴⁷

In the early 2000s, the era of corporate fraud and corruption defined by the ethical wrongdoing of Enron, WorldCom, Tyco, Arthur Andersen, and HealthSouth captured the world’s attention as never before. It soon became clear, however, that the USA had not cornered the market on questionable ethics. The Dutch firm Ahold and Italy’s Parmalat quickly shared center stage with scandals of their own. Domestic business ethics will continue to be a top

⁴⁴ IDAHOSA, 2002, 39: 227-246.

⁴⁵ CARROLL, 2004, Vol. 18, No. 2, pp.114-120.

⁴⁶ James R. SIMPSON, “Ethics and Multinational Corporations vis-a-vis Developing Nations, *Journal of Business Ethics*, 1998, 1, 227-237.

⁴⁷ SETHI, 2003, 43, 21-31.

priority. But global business ethics will demand cutting-edge thinking and practice as companies strive to expand their products, services, sales, and operations throughout the world.⁴⁸

The new decade appears to focus on global environmental concerns, toxic waste disposal in the Third World nations, shifting the tobacco industry,⁴⁹ resource depletion and pollution.⁵⁰ Clearly, the MNCs' operations throughout the world will constitute a primary arena for business ethics thinking and applications.⁵¹ In other words, MNCs have a significantly greater environmental responsibility in host countries than their national counterparts.⁵²

Today the relationship between businesses and customers has dramatically changed. The businesses no longer only satisfy customers' needs; they create the needs and decide our values. For example, we do not need many of the technical capabilities that our vehicles, cell phones etc. have. Some of our expensive clothes cost more than many families earn in a month in less developed countries.⁵³

International business arena urgently needs MNCs that have a sustainable business model, based on continuous innovation; operate according to a clearly articulated set of ethics-based business principles; have a strategic approach to the sustainable management of natural, and other forms, of capital; has the capacity to moderate the impacts of unethical companies in its supply chain, and learn from the mistakes of irresponsible companies.⁵⁴

Nonetheless, some of social and environmental damages are not the results of MNCs' irresponsible business practices. Many negative contributions to SD stem from the behavior of individual members of society. Some of consumers use products and services which create social and environmental problems.

⁴⁸ CARROLL, 2004, Vol. 18, No. 2, pp.114-120.

⁴⁹ AMBA-RAOU, 1993, 12: 553-572.

⁵⁰ PAYNE, and RAIBORN, 2001, 32: 157-168.

⁵¹ CARROLL, 2004, Vol. 18, No. 2, pp.114-120.; Stelios C. ZYGLIDOPOULOS, "The Social and Environmental Responsibilities of Multinationals: Evidence from the Brent Spar Case", *Journal of Business Ethics*, 2002, 36: 141-151.

⁵² Robert L. ENGLE, "Corporate Social Responsibility in Host Countries: A Perspective from American Managers", *Corporate Social Responsibility and Environmental Management*, 2007, 14, 16-27.

⁵³ A. H. T. FERGUS, and J. I. A. ROWNEY, "Sustainable Development: Epistemological Frameworks & an Ethic of Choice", *Journal of Business Ethics*, 2005, 57: 197-207.

⁵⁴ J. ELKINGTON, *The Chrysalis Economy: How Citizen CEOs and Corporations can Fuse Values and Value Creation* (Capstone Publishing, Oxford), 2001.

People do not adopt sustainable waste disposal practices and they excessively consume the public goods such as water.⁵⁵

Moreover, many threats to SD stem from regulatory failure. Failures to develop and implement global limits to carbon emissions, to inhibit the destruction of diminishing natural resources such as forests and certain fish and to establish a trade regime allowing farmers from developing countries equal access to developed food markets in the USA and the EU, for example, result primarily from governmental deficits. Therefore, responsible business is a necessary but not sufficient condition of SD.⁵⁶

A ROAD MAP FOR THE MNCs AND HOST COUNTRIES

Therefore, to build ethical and responsible business environment in the global economy, MNCs, host countries' governments, international organizations, NGOs, and all other related parties must assume responsibility to act cooperatively.

To force MNCs to act as responsible "citizens" some of the obstacles of SD should be eliminated. For example, profit-making motive hinder MNCs to fully take into account equity and environmental protection objectives. Another barrier is the ongoing transformation of corporations into networks which is making it increasingly difficult to identify the respective responsibilities among all the firms participating in the production process. An additional barrier is the absence of a global governance framework that enforces and monitors the expected accountability and responsibility by MNCs.⁵⁷

Furthermore, facilitating factors of SD should be activated wisely. It must be understood that acting responsibly is a clever way to maximize the profits. The laws, standards and expectations that are spawning around the globe are an additional and powerful drive for MNCs to embrace such agenda. The possibilities opened by both multi-stakeholder partnerships and strategic alliances between MNCs and NGOs further increase the possibilities. Another enabling factor is the emergence of a global civil society made up of cosmopolitan citizens who are mobile by nature and engage in diverse activities of transnational reach aimed at promoting social responsibility and accountability by MNCs.⁵⁸

⁵⁵ MOON, 2007, 15: 296-306.

⁵⁶ MOON, 2007, 15: 296-306.

⁵⁷ PALACIOS, 2004, Vol. 8, No. 4, 383-402.

⁵⁸ PALACIOS, 2004, Vol. 8, No. 4, 383-402.

MNCs should create a vision that articulate the company's core responsibilities and relate those responsibilities to corporate strategies. MNCs should communicate the vision regularly and often so that it becomes a shared vision throughout the company and its supply chain. They should engage all stakeholders in continuing dialogue to ensure that the company's values and actions are in accord with society's and stakeholders' expectations. They should get feedback and inputs on possible problem areas. In addition, they should integrate the social responsibility management vision into corporate strategies and management systems. Finally, MNCs must become learning organizations to adopt rapidly changing business world properly.⁵⁹

MNCs can create good relationships with their stakeholders via corporate social reporting. Three necessary requirements for social reporting to be effective: disclosure, dialogue with stakeholders, and the moral development of the corporation. Social reporting can be viewed as a cycle, where dialogue with stakeholders establishes expectations of legitimate corporate goals related to SD, followed by the corporation working to meet those goals as well as internalizing those values through moral development, followed by disclosure of its performance, and then the dialogue begins again.⁶⁰

A collaborative relationship and joint actions of the MNCs and the host governments are necessary to overcome unethical practices. Both MNCs and Third World governments need to include ethical considerations, as part of social welfare objectives in their decisions, besides economic objectives. The MNCs may share information with local governments based on global experiences and offer input into host government developmental policies, and aid their implementation. The government, in turn, provides a reasonable regulatory environment. Consistent with the collaborative approach, the MNCs and the host country officials need to be aware of the interdependencies and understand the roles and expectations.⁶¹

In addition to the local governments, governments of the developed countries like USA also should take necessary measures to support SD efforts in the international arena. Voluntary CSR initiatives while important are insufficient to address the magnitude of problems companies confront as they operate in developing countries where governance is often inadequate. Therefore, countries like USA can do more to ensure that its MNCs act responsibly

⁵⁹ WADDOCK, BODWELL, and GRAVES, 2002, Vol. 16, No. 2, 132-148.

⁶⁰ HESS, 2008, Volume 18, Issue 4, pp.447-482.

⁶¹ AMBA-RAOU, 1993, 12: 553-572.

everywhere they operate.⁶² Furthermore, a mandatory disclosure system is necessary in the long term.⁶³

MNCs, civil society organizations and government agencies can engage one another for ‘boundary-spanning’ dialogue and develop mutually beneficial ‘working partnerships’ in resolving the challenges of SD. The experiences of civil society–business collaboration in Brazil, India and South Africa suggest a more sobering view of the potential for strategic partnerships to be a major new development for the developing countries.⁶⁴

DISCUSSION AND CONCLUSION

Globalization has created numerous ethical problems for the managers of the MNCs.⁶⁵ Although, the principles of CSR and SD have become widely recognized by MNCs and increasing numbers of them are publicly discussing their activities, serious gaps still exist between recognition of the principles and actual business practices.⁶⁶

As we discussed above, MNCs, acting alone, cannot create sustainability. If the internal and external stakeholders are not willing to adopt the concept of sustainability as a long term necessity, businesses can not succeed.⁶⁷ CSR promotes SD, but it is not an alternative to government regulation. Without purposeful and predictable government regulations, CSR will not create desired outcomes.⁶⁸ Good governance in all its dimensions (i.e. functioning democratic institutions, rule of law, transparency and accountability, participatory decision making) is more likely to reinforce SD.⁶⁹

⁶² Susan Ariel AARONSON, “Minding Our Business: What the United States Government has done and can do to Ensure that U.S. Multinationals Act Responsibly in Foreign Markets”, *Journal of Business Ethics*, 2005, 59: 175-198.

⁶³ HESS, 2008, Volume 18, Issue 4, pp.447-482.

⁶⁴ Gabriel EWEJE, “Strategic Partnerships between MNEs and Civil Society: the Post-WSSD Perspectives”, *Sustainable Development*, 2007, 15, 15-27.

⁶⁵ Manuel VELASQUEZ, “Globalization and the Failure of Ethics”, *Business Ethics Quarterly*, 2000, Volume 10, Issue 1, pp.343-352.

⁶⁶ RONDINELLI, Vol. 15, No. 1, Special Issue, 1-24.

⁶⁷ PAYNE, and RAIBORN, 2001, 32: 157-168.

⁶⁸ KONRAD, STEURER, LANGER, and MARTINUZZI, 2006, 63: 89-105.

⁶⁹ Uwem E. ITE, “Multinationals and Corporate Social Responsibility in Developing Countries: A Case Study of Nigeria”, *Corporate Social Responsibility and Environmental Management*, 2004, 11, 1-11.

The significance of societal guiding models such as SD and of management approaches like CSR is strongly dependent on their footing in society.⁷⁰ For example, a massive global environmental educational campaign will contribute more to a clean safe environment than other measures. In other words, the best safeguard against environmental damage is an ecologically literate population.⁷¹

Codes or guidelines prepared by the international organizations such as The OECD Guidelines for Multinational Enterprises, ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and, recently, the United Nations Global Compact can be helpful for MNCs and their stakeholders.⁷² However, they are not sufficient. International enforcement agency is necessary for the ethical and responsible business environment in the global markets.⁷³

Specific legislation should be enacted in both host and client countries, as well as at the international level, to effectively control the activities of MNCs. It is much like pollution control; all nations must participate to optimize benefits and prevent any one organization or nation from being unduly disadvantaged.⁷⁴

In summary, the contribution of the MNCs on the sustainable economic development of the transitional economies mainly depends on the local government's abilities to prepare and implement effective regulations, canalize NGOs efforts to stop unethical business practices and increase the level of ethical awareness and soundness of the public officials.

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⁷⁰ STEURER, LANGER, KONRAD, and MARTINUZZI, 2005, 61: 263-281.

⁷¹ SINGH, and CARASCO, 1996, 15: 297-307.

⁷² LOZANO, and BONI, 2002, 39: 169-178.

⁷³ ZYGLIDOPOULOS, 2002, 36: 141-151.

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Summary

ETHICAL BACKGROUND OF THE SUSTAINABLE ECONOMIC DEVELOPMENT AND THE ROLE OF THE MULTINATIONAL CORPORATIONS

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In this theoretical paper, we have underlined the ethical roots of the sustainable economic development. In addition, we examined both the negative and the positive effects of the multinational corporations (MNCs) on the sustainable economic development process in terms of business ethics and corporate social responsibility.

The relationship among business ethics, corporate social responsibility and sustainable development (SD) has recently become the focus of scholars concerned with the relationship between business and society.

SD is an eclectic concept, as a wide array of views fall under its umbrella. It can be conceptually broken into four constituent parts: environmental sustainability, economic sustainability, cultural sustainability and sociopolitical sustainability.

"Sustainable economic development" is used to describe an economic development that concerns ethical and social effects of the development process. In other words, the term implies that without ethical background, it is not possible to gain sustainable economic development.

One of the engines of the emerging countries' economic development is MNCs. Through globalization process MNCs have had access to many developing countries. Some MNCs have budgets that exceed some national GDPs. These MNCs can have a powerful influence in local economies as well as the world economy and play an important role in international relations and globalization.

The MNCs have made great contributions to the developing countries. Nevertheless, they have created ethical, social, cultural, and political problems as well. Therefore, MNCs should assume ethical and social responsibilities more than their national counterparts. They should help to improve society by taking a proactive stance in their societal roles.

The relationship between the MNCs and the governments of the developing countries are also important to foster the ethical values and cultures in these countries.

In summary, all the parties (MNCs, local governments, NGOs etc.) should understand the importance of ethics and social responsibility in terms of sustainable economic development and act accordingly.

Keywords: Sustainable development, sustainable economic development, multinational corporations, corporate social responsibility, and ethics.