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# Globalization in Relation to CSR: Bane or Boon?

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## ABSTRACT

*Globalization is a concept that has seeped into almost every of life. It is ever growing at an alarming pace. Though it boasts numerous advantages, it is not without its downsides. This paper intends to examine globalization and its effect on the economy. This paper attempts to analyze the adverse effects of globalization concerning its effect on sovereign nations, legal lacunas and global impacts. The paper also proposes possible actions to overcome these inadequacies that need to be addressed at the earliest. This paper has been divided into 4 parts. Part I of the paper gives an introduction to Globalization. Part II deals with the challenges that are brought about by globalization to sovereignty. Part III deals with the proposal for the implementation of Global Corporate Social Responsibility as a mechanism to face these challenges. Finally, part IV concludes this paper with the conclusions that have been arrived on.*

**Keywords:** *Globalization, Corporate Social Responsibility, Hard Law, Soft Law, Sovereignty, Corporate Governance.*

## I. INTRODUCTION TO GLOBALIZATION

For the past decade, the term globalization has been used and abused by the public at large. One perspective on globalization is viewing it as the integration of the different societies and economies in the world. Another perspective is to view it as the delocalisation of national economic and market limitations and to extend its reach beyond such bounds of nationality through multinational and transnational business activities.

A primitive idea of globalization known under different nomenclatures is seen to be in existence as early as the 16<sup>th</sup> century. The modern concept and terminology of ‘globalization’ began to take form only in the mid-20<sup>th</sup> century. This was popularised by Theodore Levitt who asserted the importance to be able to provide for a uniform standard on a global basis to satisfy the developing global competition. By the end of the 20<sup>th</sup> century, we saw a significant boom not just in the concept but the practical implications of globalization and the integration of economies. This was a direct result of technological development that had a major effect on the

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functioning of economies by the increase in speed, reduction of costs and improvement of efficiency in spheres of transport and communication. With such developments there also rose a change in the socio-political sphere such as an increase in capital flows change in trade barriers and other such aspects. . Due to this one may theorise that the globalization process picked up pace in the late 20<sup>th</sup> century to a large extent based on an individual national political decision. Irrespective of one's presumptions of globalization, it is undisputed that GLOBALIZATION has become a part of not just national economic structures but has also managed to seep into societal aspects such as environment, peace, and distribution of wealth. With the rapid growth of globalization, there came to be an equally rapid interdependence on all aspects of life. Today this interdependence arising from globalization is not limited to just the national economy but has percolated down to even affect independent individuals even in matters such as identity, crime, and social cohesion.

The advocates of globalization see it as a positive change that can play a vital role in the removal of national barriers to trade and migration and effect give rise to a more equitably distributed economic system. . Playing the devil's advocate, we can see that globalization is not without critique. There exists livid criticism directed towards the same owing to adverse impacts such as deindustrialization of economy, varying degree of globalization advantages between nations, Environmental impacts, labour issues such as wage gap and lack of a global labour market. Globalization opened the market to a larger scale opening monopolistic industries to be faced with extensive competition. It can be noticed that only tradeable industries were affected by this competitive nature of globalization and thus the non-tradable sector has successfully evaded any such competitive challenges.

## **II. CORPORATE AS A KEY ACTOR IN GLOBALIZATION**

Globalization has led to the expansion of cross-border transactions, liberalization of trade and strengthening of FDI. All of these have led to a strong divergence in the system and governance of the world economy. Globalization has almost done away with the concept of state-centric systems. Though nations play important roles as an actor in globalization, equal if not greater roles are played by Multinational Corporations and International Organisations as transactional actors in world politics.

Globalization has widened not only systems but corporates and organisations as well as increasing their revenue, production, turnover, and business as a whole. This leads to a scenario of a widening gap between large enterprises and small or even medium enterprises. Larger and stronger Corporate can now widen their reach and deepened their hold in a market, which would

not be possible to the same extent for a smaller business organisation.

### **III. GLOBALIZATION AND CHALLENGES TO THE SOVEREIGNTY**

Sovereignty is one of the fundamental concepts that prove to be the building block of the international community as well as the world we live in. The principle of non-interference and the concept of state eminence are both of vital importance to this fundamental concept, yet globalization has brought about a situation that may challenge the extent of sovereignty.

Through globalization various industrial sectors have become “hyper” mobile capital challenging the power of a sovereign nation and breeding inequality. . This inequality is further strengthened by the interdependency that has come into being along with globalization, especially that of economically weaker states. . Furthermore, the contains and influence in the internal affairs by other states dig deeper the divide between such unequal states. . Even international financial institutions that were bought about with a sense of internationalisation are seen to support and propound policies that give privileges and advantages to individual states, clearly depicting the inequality that is evident among states.

The principle of non-interference is a double-edged sword as although it secures the right against foreign decisions, it also limits the ability of the sovereign to affect a foreign nation, as well as the nation, will too be bound by non-interference. This limits a state’s enforceability power within its territories or boundaries. Globalization has played a major role in eroding the power of a sovereign state corporate. This is because the authority of nations to regulate business activities is hindered simply because a corporate may be globalised with operations transcending the borders of the said nation.

Through globalization, a sovereign state loses its complete autonomy over a ‘globalised’ corporate which leads to social and environmental issues due to the lack of control over said corporate. International organizations not limited to a singular territory cannot be controlled effectively by a single state.

Corporates have started to play a key role as an actor in globalization that was earlier assumed to be solely attributed to states. This is the key attribute due to which self-regulative practices and public-private partnerships of corporates are gaining importance of late. There is a need for the inclusion of ecological and social factors into the system of corporate as well as financial dominance. Firms will need to undergo not just change not just their functioning but their objectives to build a socially responsible temperament.

This paper proposes the concept of global Corporate Social Responsibility (hereinafter referred

to as “CSR”) as a means to fight this lapse in the regulatory framework.

#### **IV. GLOBAL CORPORATE SOCIAL RESPONSIBILITY**

Corporate Social Responsibility is a management concept through which a corporate imbibes Social, environmental and stakeholder concerns into its business model and strives to achieve a balance between the same and economic activities. The term Corporate Social Responsibility was officially coined in 1953 by American economist Howard Bowen.

The concept of CSR is seen to be at its peak of a philanthropical nature. The principles of CSR are seen to revolve around legitimacy dictating the structural principle of seeing business as a social institution, public responsibility illustrating the relationship principle of a firm dealing with its relationship with its environment and managerial discretion which is based on the human choice principle within the organizational.

In its very essence, the concept of CSR is seen to be a voluntary operation except for regulations that may exist depending on the territory of the operations. It is this concept that needs to be changed. It can be seen that there is the convergence of good governance practices at the national level however, no convergence is seen to be practised on a global scale. While globalization has induced the adoption of some common corporate governance recommendations, these recommendations do not yet appear to be fully implemented and are very limited.

##### **(A) Law**

One of the major challenges to a global CSR system is the frequent recalibration of standards of global business behaviour. . Globalization has reduced the power of national governments to effectively regulate activities of companies arising from regulatory gaps in different markets or countries. The lack of a universal framework is the greatest challenge to Global CSR.

Regulation on issues such as CSR continues to be a purely soft law approach in the context of a global economy. It can be said soft law is driven by the market and factors that affect the market. Due to this, the factors that affect soft law can be in constant flux changing from one moment to another. In the case of hard law, it is not quite possible to formulate a global law. The erosion of the regulatory power of hard law forces sovereign states to face a regulatory vacuum for cross-border activities. International law has been developed as a legal framework for the interactions of the nation states themselves. Only a hybrid approach to soft law and hard law will enable the efficient regulation of a Corporate.

## **V. CONCLUSION**

Globalization is a concept that is going to stay, this can be rightly said so because with the pace it has been growing it would be a gross understatement to say that the solutions for the issues that it raises needs to be addressed before they grow to proportions that are beyond reprimand or control. This paper has analyzed globalization concerning corporate entities and the threat that they pose to the global economy and structure if left unattended. This paper proposes a hybrid of hard and soft law to act on this issue by formulating a Global Corporate Responsibility on these entities in their activities across the globe, irrespective of the territory of business operation.

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