

Corporate Social Responsibility Ethical Business Practices

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INTRODUCTION

As globalisation continues to integrate global economies and increase global trade, there are increasingly more opportunities for FDI and global trade. But the growth of MNCs and global supply chains have had a disproportionate impact on the workers and consumers of emerging and developing economies.

Why do firms relocate to emerging economies?

The rise of containerisation and the reduction in trade barriers has led to a massive reduction in the costs of transport. As a result, this has enabled businesses to create and operate global supply chains. As a result, offshoring has become more profitable, and more viable. An impact of this is that there has been an increase in the production of goods and services from within the BRICS and MINT economies. An example of this is China, a country with a population of 1.4 billion people. The minimum wage in China is low, at just \$3,702 as of 2020. Combined with

China's absolute advantage in Secondary production, is it any wonder that western firms are increasingly moving away from the UK?

Impacts of offshoring

However, in first-world nations we rarely stop to consider the impact of our purchasing behaviour on the third world. Whilst we tend to associate the "made in China" branding as a sign of inferior quality, it is unlikely that many of us are acutely aware of the manufacturing powerhouses of Shanghai, Shenzhen and Hong Kong. One problem for developing countries is sweatshops. Sweatshops are factories that lack regulation, and have high rates of injury and mortality, for little pay. However, in the developing world, many workers have little choice but to seek employment in these deregulated and unsafe environments.

1. Child labour

One aspect of business activity that firms should be seen to avoid is child labour. Primarily outside of Europe, children are often used as a form of cheap, disposable labour. However, to be seen to be a contributing factor to child labour is an allegation that carries enormous reputational damage. Even multimillion-dollar corporations like Nestle still frequent child labour and are to continue to function. Ultimately, child labour is a malign consequence of rapid industrialisation and one that businesses should avoid, lest they be seen as unethical.

2. Environmental damage

Another consequence of developing economies are the social costs. When choosing to relocate production, firms need to consider the availability of raw materials necessary for production. However, with the increased FDI, comes environmental impact. An impact of primary and secondary industries are the depletion of natural resources. For example, to produce their electric vehicles, Tesla chooses to source Lithium from Mexico. However, their contractor, Ganfeng Ltd have established production facilities in Senora, Mexico. As a result, this has significantly depleted the nations' reserves of Lithium and other rare earth minerals, as well as contributing to pollution and environmental damage. Ultimately, it could be argued that Tesla's decision to establish production in Mexico has been detrimental to the nation, at a regional level.

Benefits of Corporate social responsibility

Nevertheless, businesses are still able to make a social difference, simply by demonstrating ethical and responsible practices. This can be through: paying workers fairly, ensuring safe working conditions and sourcing raw materials ethically. As a result of demonstrating ethical practices, some consumers are even willing to pay higher prices for the privilege. Furthermore, moral practices can serve as a USP, enabling a firm to gain a comparative advantage over their competitors.